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APPLICATION

ONTARIO ENERGY BOARD

IN THE MATTER OF *the Ontario Energy Board Act, 1998*;

AND IN THE MATTER OF an Application by Hydro One Networks Inc.
For an Order or Orders approving rates for the distribution of electricity.

1. The Applicant is Hydro One Networks Inc. ("Hydro One Networks"), a subsidiary of Hydro One Inc. Hydro One Networks is an Ontario corporation with its head office in Toronto. The Applicant carries on the business, among other things, of owning and operating transmission and distribution facilities in Ontario. The distribution business of Hydro One Networks will be referred to as "Hydro One Distribution".

2. Hydro One Networks hereby applies to the Ontario Energy Board (the "Board"), pursuant to section 78 of the *Ontario Energy Board Act, 1998,* for an Order or Orders approving the 2015 through 2019 revenue requirement and customer rates for the distribution of electricity, to be implemented on January 1st of each test year under the Custom Application process, as described in the Board's *Renewed Regulatory Framework for Electricity Distributors*.

3. Hydro One Networks seeks approval of revenue requirements of $1,415 million for 2015, $1,523 million for 2016, $1,578 million for 2017, $1,615 million for 2018 and $1,660 million for the 2019. Relative to the 2014 distribution rates set by the Board under the 3rd Generation Incentive Regulation Mechanism, after the smoothing measures proposed in this Application, the resulting change to the

distribution portion of the average customer bill will be -1.4 % in 2015, 3.8% in 2016, 2.3% in 2017, 1.2% in 2018 and 2.6% in 2019. This amounts to a change to the average customer's total bill of, approximately, -1.5% in 2015, 1.3% in 2016, 0.8% in 2017, 0.4% in 2018 and 0.9% in 2019.

4. As part of this Application, Hydro One Networks is seeking the inclusion of in-service assets totalling $564.9 million previously recorded as regulatory assets into its rate base effective January 1, 2015 including:

- The final disposition of the smart meter costs recorded in the Minimum Functionality (1555) and Exceeding Minimum Functionality (1556) variance accounts. Hydro One is seeking the cost recovery associated with smart meter activities from 2009 through 2013 consistent with the Board's filing instructions set out in the OEB guideline G-2011-0001 "Smart Meter Funding and Cost Recovery – Final Disposition Guideline" ("Guideline") issued on December 15, 2011;
- Smart Grid assets up to December 31, 2013;
- Assets to facilitate Distributed Generation up to December 31, 2013; and
- Projects approved for interim funding as part of the EB-2012-0136 Incremental Capital Module approved by the Board.

5. Hydro One Networks seeks Board approval to discontinue the following regulatory accounts effective January 1, 2015:

- Smart Meter – Minimum Functionality;
- Smart Meter – Exceeding Minimum Functionality;
- Distribution Generation – Other Costs – HONI - Variance Account;
- Distribution Generation - Express Feeders – HONI - Variance Account;

- Smart Grid Variance Account;
- Distribution System Code (DSC) Exemption Deferral Account;
- Deferred Revenue Project Costs Variance Account (2009);
- Generator Joint Use Revenue Variance Account;
- Special Purpose Charge Variance Account (1595 - Recovery of Regulatory Balances Account – Sub Account);
- Microfit Connection Charge Variance Account (1508 - Other Regulatory Assets – Sub Account); and
- OEB Cost Differential Account.

6. Hydro One Networks seeks approval of the recovery of regulatory assets with a net balance of $21.3 million, to be collected over a 5-year period at $4.26 million per year.

7. Hydro One Networks seeks Board approval to establish two new deferral/variance accounts effective January 1, 2015:
   - Bill Impact Mitigation Variance Account; and
   - Rate Smoothing Deferral Account.

8. Hydro One Networks seeks approval to continue the following deferral accounts: the Tax Rate Changes Account and the Pension Cost Differential Account.

9. Hydro One Networks also seeks approval of the following additional components of the Custom Application:
   - the proposed Annual Adjustment Mechanisms;
   - the proposed Off-Ramp conditions;
   - the proposed Adjustments Outside of Normal Course of Business; and

- the proposed Annual Outcome Measurement Reporting.

10. Hydro One Networks also seeks approval for the following rate-related adjustments:
    - reclassification of customers to reflect the findings of the review of existing customer rate classifications;
    - changes to the definition of its "Seasonal" customer class;
    - the addition of a new "Unmetered Scattered Load" rate class;
    - to increase the amount of revenue collected via fixed charges;
    - to move the revenue-to-cost ("R/C") ratios for all its rate classes to within the range of 98% to 102% over the five year period;
    - adjustments to reflect the Board-directed line loss study;
    - proposed rate mitigation plans for some customers moving between rate classes in accordance with the results of the rate class review; and
    - to miscellaneous charges for specific services.

11. This Application also requests approval of new Retail Transmission Service Rates to reflect the Board's approval of new Uniform Transmission Rates effective January 1, 2014 per its EB-2012-0031 Decision.

12. Hydro One Networks also requests the establishment of a rate rider to implement its proposed rate smoothing methodology over the 2015 to 2019 period.

13. Hydro One Networks also requests an exemption to section 7.5.2 of the Distribution System Code as it applies to section 7.5.1 thereof. Section 7.5.1 directs distributors' obligations respecting missed and re-scheduled appointments with customers. Section 7.5.2 requires that these obligations be met 100 per cent of the time on a yearly basis. Hydro One requests that the Board grant, on a

permanent basis, an exemption from the 100 per cent requirement and instead, direct Hydro One to meet these requirements 90 per cent of the time on a yearly basis. Details supporting this request are set out in Exhibit A, Tab 18, Schedule 1, Appendix A.

14. The evidence to be filed with the Board will include a full description of all costscommon to the Applicant's Distribution and Transmission activities, but the revenue requirement and rates are based only upon those costs appropriately allocated to Hydro One Distribution.

15. The written evidence filed with the Board will be amended from time to time prior to the Board's final decision on the Application. Further, the Applicant may seek meetings with Board staff and intervenors in an attempt to identify and reach agreements to settle issues arising out of this Application.

16. The persons affected by this Application are the ratepayers of Hydro One Network's Distribution business. It is impractical to set out their names and addresses because they are too numerous.

17. Hydro One Networks requests that a copy of all documents filed with the Board by each party to this Application be served on the Applicant and the Applicant's counsel as follows:

a) The Applicant:

Ms. Erin Henderson
Regulatory Coordinator – Regulatory Affairs
Hydro One Networks Inc.

Address for personal service: 7th Floor, South Tower

		483 Bay Street Toronto, ON M5G 2P5
	Mailing Address:	7th Floor, South Tower 483 Bay Street Toronto, ON M5G 2P5
	Telephone:	(416) 345-4479
	Fax:	(416) 345-5866
	Electronic access:	regulatory@HydroOne.com

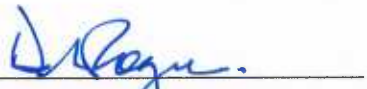
b) The Applicant's counsel:

Mr. D.H. Rogers, Q.C. Rogers Partners LLP	
Address for personal service:	181 University Avenue Suite 1900, P.O. Box 97 Toronto, ON M5H 3M7
Mailing Address:	181 University Avenue Suite 1900, P.O. Box 97 Toronto, ON M5H 3M7
Telephone:	(416) 594-4500
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Electronic access:	don.rogers@rogersmoore.com
Ms. A. Varjacic Rogers Partners LLP	
Address for personal service:	181 University Avenue Suite 1900, P.O. Box 97 Toronto, ON M5H 3M7
Mailing Address:	181 University Avenue Suite 1900, P.O. Box 97 Toronto, ON M5H 3M7
Telephone:	(416) 594-4522
Fax:	(416) 594-9100
Electronic access:	don.rogers@rogersmoore.com

DATED at Toronto, Ontario, this 30th day of May, 2014.

HYDRO ONE NETWORKS INC.

By its counsel,



[D.H. Rogers, Q.C.]

SUMMARY OF APPLICATION

Hydro One Networks Inc. ("Hydro One" or "Hydro One Distribution" or "the Company") is applying for an Order approving the revenue requirement, cost allocation and rates for Hydro One's Distribution Business for the years 2015 through 2019 ("test years") filed under the Board's Custom Application process.

This submission reflects Hydro One Distribution's investment plan to maintain fourth quartile reliability service levels through the test years, while keeping total electricity bill impacts for the average customer below the forecasted 2.0% annual increase in consumer's price index (Exhibit A, Tab 16, Schedule 1). This plan reflects well-researched customer preferences (as detailed in Exhibit A, Tab 5, Schedule 1), incorporates productive efforts to promote sustainable efficiencies for the benefit of Hydro One Distribution and its customers (as detailed in Exhibit A, Tab 19, Schedule 1), and meets objectives regarding public and employee safety, regulatory and legislative compliance, system security and reliability, system growth and investments required to meet government initiatives (as detailed in Exhibits C1 and D1); all in a manner which preserves the company's financial viability so that it can continue to provide quality services to its customers. Hydro One Distribution respectfully submits that, for these reasons, the plan reflected in this Application effectively promotes the four outcomes endorsed by the *Renewed Regulatory Framework for Electricity Distributors* of Customer Focus, Operational Effectiveness, Public Policy Responsiveness and Financial Viablity.

This summary provides a brief description of the approvals being sought through this Application and of the reasons for the increase in revenue requirement.

1.0 SCOPE OF APPLICATION

This Application is a five-year Custom Application which is being submitted under the Board's *Renewed Regulatory Framework for Electricity Distributors*. It has been customized to fit Hydro One Distribution's specific circumstances, which necessitate significant and necessary multi-year investments, as evidenced in the supporting exhibits.

The scope of this Application includes:

- a review of Hydro One Distribution's evidence in support of Distribution revenue requirements for 2015 through 2019;
- a review of revised Distribution rates to be implemented for 2015 through 2019; and
- a review of Hydro One Distribution's proposed criteria for Off-Ramps, Adjustments Outside of Normal Course of Business and Annual Adjustment Measures.

The proposed investment plan has been informed by the extensive customer data Hydro One collects from customer research, transactional surveys, customer focus groups and its Customer Advisory Board, all of which is further described in Exhibit A, Tab 5, Schedule 1.

A description of the Company's rigourous planning process is provided in Exhibit A, Tab 17 Schedule 1. Specifically, the asset management planning process is described in Exhibit A, Tab 17, Schedule 2. The project and program approval and control policy is presented in Exhibit A, Tab 17, Schedule 5. Details of Hydro One Distribution's capital expenditures are provided in schedules filed at Exhibit D2, Tab 2 and discussed in detail in schedules within Exhibit D1, Tab 3. The Company's OM&A expenditures are itemized in Exhibit C2, Tab 2, Schedule 1 and discussed in written direct evidence in Exhibit C1, Tab 2.

Hydro One Distribution continues to assume that capital costs associated with expansion and enabling improvements for renewable generation work will be eligible for provincial funding through the Global Adjustment Mechanism and therefore do not impact the 2015 through 2019 revenue requirement requested in this Application.

This Application addresses all outstanding Board directives with respect to its Distribution Business. A listing of all relevant directives and the corresponding exhibit or a statement of status is provided in Exhibit A, Tab 21, Schedule 1.

In determining its 2015 through 2019 revenue requirements, Hydro One has applied the deemed capital structure of 60% debt and 40% common equity approved by the Board in the EB-2009-0096 Decision for Hydro One Distribution. Hydro One Distribution is requesting test year equity returns of 9.71% for 2015, 9.96% for 2016, 10.16% for 2017, 10.21% for 2018 and 2019. The equity returns have been derived using the latest Board formulaic methodology from the EB-2009-0084 proceeding issued on December 11, 2009, applied using the September 2013 Consensus Forecast and Bank of Canada.

Hydro One assumes that the return on equity ("ROE") for each test year will be updated in accordance with the Cost of Capital Report, upon the final decision in this case. Specifically, for 2015, the Board would determine the ROE for Hydro One Distribution based on the September 2014 Consensus Forecasts and Bank of Canada data which would be available in October 2014. Similarly, the 2016 to 2019 ROE would be updated to reflect the September Consensus Forecasts and Bank of Canada data available in October of the preceding year as part of the Draft Rate Order for those test years. The derivation of the Cost of Capital is provided at Exhibit B1, Tab 1, Schedule 1.

Hydro One has incorporated the methodologies of the Lead Lag study, based on the methodology accepted by the Board in previous Hydro One Distribution and Transmission rate applications and updated for this current filing. The calculation of working capital, filed in Exhibit D1, Tab 1, Schedule 3, incorporates the methodologies of the Lead Lag study filed as Attachment 1 to the same exhibit.

Hydro One has used the Corporate Cost Allocation Methodology which was accepted by the Board in previous Hydro One Distribution and Transmission rate applications and updated for this current filing, to allocate Common Corporate OM&A costs and Common Assets between its Transmission and Distribution businesses. The updated study is filed as Attachment 1 to Exhibit C1, Tab 5, Schedule 1. The Common Asset Allocation Methodology is described at Exhibit C1, Tab 5, Schedule 3, and the updated report is filed as Attachment 1 to the same exhibit.

The overhead capitalization rates for the test years have been calculated consistent with the methodology that has been accepted in previous Hydro One Distribution and Transmission rate applications and updated for this current filing. The updated Black & Veatch study is filed as Exhibit C1, Tab 5, Schedule 2, Attachment 1.

The process Hydro One Distribution uses to perform an Asset Risk Assessment on distribution system assets is described at Exhibit A, Tab 17, Schedule 7. The result of this assessment is utilized in the planning and prioritization process for sustainment investments. The assessment conveys the state of the distribution system; identifying current asset needs, and creating a line of sight to future needs.

Hydro One undertook an extensive stakeholder consultation process to increase understanding of the issues raised by this Application and to enable early identification of

any stakeholder concerns and suggestions for improving Hydro One's proposed Custom Application approach. A total of 4 sessions were held during 2013, as documented in Exhibit A, Tab 20, Schedule 1.

Prior to the submission of blue page updates supporting this Application, three technical conferences and one executive panel presentation were held. The technical conferences were helpful to Hydro One Distribution by identifying areas in the original pre-filed evidence that required clarification and additional justification for the Hydro One revenue requirement to intervenors and Board staff. In its blue page updates to this Application, Hydro One Distribution responded to the feedback it received during these conferences.

2.0 APPROVALS REQUESTED

2.1 Revenue Requirement

Respecting Hydro One's revenue requirement in the years 2015 through 2019 for its Distribution Business, the Company is seeking approvals for:

1. Revenue requirements of $1,415 million for 2015 test year, $1,523 million for 2016, $1,578 million for 2017, $1,615 million for 2018 and $1,660 million for the 2019 test year, the underlying calculations of which are set out in Exhibit E2, Tab 1, Schedule 1;

2. Proposed OM&A expenditures of $564.3 million for 2015 test year, $610.2 million for 2016, $614.0 million for 2017, $603.9 million for 2018 and $600.0 million for the 2019 test year, all of which are itemized in Exhibit C2, Tab 2, Schedule 1 and discussed in Exhibit C1, Tab 2;

3. Forecasted total capital expenditures of $648.9 million for 2015, $654.7 million for 2016, $661.4 million for 2017, $655.1 million for 2018 and $669.1 million for 2019, the details of which are set out in the schedules filed at Exhibit D2, Tab 2 and discussed further in Exhibit D1, Tab 3;

4. Recovery of regulatory assets with a net balance of $21.3 million, to be collected over a 5-year period at $4.26 million per year;

5. A Distribution business rate base of $6,553 million for 2015, $6,864 million for 2016, $7,191 million for 2017, $7,541 million for 2018 and $7,870 million for the 2019 test year, as described in Exhibit D1, Tab 1, Schedule 1; and

6. Depreciation and amortization expenses of $355.4 million for 2015, $374.9 million for 2016, $390.2 million for 2017, $402.9 million for 2018 and $413.6 million for 2019 which were determined by applying the accepted Foster's methodology and are described in Exhibit C1, Tab 6, Schedule 1 and further detailed in C2, Tab 4, Schedule 1.

Relative to the 2014 distribution rates set by the Board under the 3rd Generation Incentive Regulation Mechanism, the resulting change to the distribution portion of the average customer bill will be -1.4 % in 2015, 3.8% in 2016, 2.3% in 2017, 1.2% in 2018 and 2.6% in 2019. This amounts to a change to the average customer's total bill of, approximately, -1.5% in 2015, 1.3% in 2016, 0.8% in 2017, 0.4% in 2018 and 0.9% in 2019.

2.2 Cost Allocation and Rates

With respect to cost allocation and rates, Hydro One Distribution is seeking approvals of:

1. The 2015 rate schedules, including terms and conditions of service as set out in Schedule 1 of Exhibit G2, Tab 2, which incorporate Hydro One Distribution's proposed Retail Transmission Service Rates and loss factors;

2. The charges for the provision of miscellaneous services as set out in Exhibit G2, Tab 5, Schedule 1;

3. Hydro One Distribution's proposed cost allocation and rate design methodology, as described in Exhibit G1, Tab 1, Schedule 1 and supported by the remainder of the G Exhibit;

4. The modifications to the Board's cost allocation model as discussed in Exhibit G2, Tab 1, Schedule 1;

5. The disposition of the balances accumulated in Regulatory Accounts as shown in Exhibit F1, Tab 1, Schedule 3;

6. Hydro One's revised line loss factors as described at Exhibit G1, Tab 8, Schedule 1; and

7. Hydro One Distribution also seeks approval for the following rate-related adjustments:

   - reclassification of customers to reflect the findings of the review of existing customer rate classifications;

- changes to the definition of its "Seasonal" customer class;
- the addition of a new "Unmetered Scattered Load" rate class;
- to increase the amount of revenue collected via fixed charges;
- to move the revenue-to-cost ("R/C") ratios for all its rate classes to within the range of 98% to 102% over the five year period;
- adjustments to reflect the Board-directed line loss study; and
- proposed rate mitigation plans for some customers moving between rate classes in accordance with the results of the rate class review.

Other

1. As part of this Application, Hydro One Distribution is seeking the inclusion of in-service assets totalling $564.9 million previously recorded as regulatory assets into its rate base effective January 1, 2015 including:

   - The final disposition of the smart meter costs recorded in the Minimum Functionality (1555) and Exceeding Minimum Functionality (1556) variance accounts. Hydro One is seeking the cost recovery associated with smart meter activities from 2009 through 2013 consistent with the Board's filing instructions set out in the OEB guideline G-2011-0001 "Smart Meter Funding and Cost Recovery – Final Disposition Guideline" ("Guideline") issued on December 15, 2011;
   - Smart Grid assets up to December 31, 2013;
   - Assets to facilitate Distributed Generation up to December 31, 2013; and
   - Projects approved for interim funding as part of the EB-2012-0136 Incremental Capital Module approved by the Board.

2. Hydro One Networks seeks Board approval to discontinue the following regulatory accounts effective January 1, 2015:

- Smart Meter – Minimum Functionality;
- Smart Meter – Exceeding Minimum Functionality;
- Distribution Generation – Other Costs – HONI - Variance Account;
- Distribution Generation - Express Feeders – HONI - Variance Account;
- Smart Grid Variance Account;
- Distribution System Code (DSC) Exemption Deferral Account;
- Deferred Revenue Project Costs Variance Account (2009);
- Generator Joint Use Revenue Variance Account;
- Special Purpose Charge Variance Account (1595 - Recovery of Regulatory Balances Account – Sub Account);
- Microfit Connection Charge Variance Account (1508 - Other Regulatory Assets – Sub Account); and
- OEB Cost Differential Account.

3. Hydro One Networks also seeks approval of the following additional components of the Company's Custom Application described at Exhibit A, Tab 4, Schedules 1 through 4:

- the proposed Annual Adjustment Mechanisms;
- the proposed Off-Ramp conditions;
- the proposed Adjustments Outside of Normal Course of Business; and
- the proposed Annual Outcome Measurement Reporting.

4. Hydro One Networks seeks Board approval to establish two new deferral/variance accounts effective January 1, 2015:

- Bill Impact Mitigation Variance Account; and
- Rate Smoothing Deferral Account.

5. Hydro One Networks seeks approval to continue the following deferral accounts: the Tax Rate Changes Account and the Pension Cost Differential Account.

6. Hydro One Networks also requests the establishment of a rate rider to implement its proposed rate smoothing methodology over the 2015 to 2019 period.

7. Hydro One Networks also requests an exemption to section 7.5.2 of the Distribution System Code as it applies to section 7.5.1 thereof. Section 7.5.1 directs distributors' obligations respecting missed and re-scheduled appointments with customers. Section 7.5.2 requires that these obligations be met 100 per cent of the time on a yearly basis. Hydro One requests that the Board grant, on a permanent basis, an exemption from the 100 per cent requirement and instead, direct Hydro One to meet these requirements 90 per cent of the time on a yearly basis. Details supporting this request are set out in Exhibit A, Tab 18, Schedule 1, Appendix A.

3.0 CAUSES OF THE INCREASE IN REVENUE REQUIREMENT

The main contributions to the increase in revenue requirement in 2015 are set out below.

- Rate base growth which reflects the capital additions made during the IRM period and proposed additions during the test years, including additions from regulatory assets, as well as the associated increase in return and depreciation amounts since last approved by the Board for the 2011 test year. This expansion is required to meet growth in customer connections as required by regulation, replace assets damaged by

storms, replace end-of-life assets, and include installed smart grid equipment and smart meters. This manifests in capital expenditures which are higher than historical levels and somewhat variable, but sufficiently definitive which permits Hydro One Distribution to commit to manage within the revenue requirement requested in this Custom Application.

- Increases in OM&A requirements, largely precipitated by the need to address a backlog in vegetation management (which should yield cost efficiencies in the long-term once cleared), increased PCB testing of oil-filled equipment to meet legal requirements, increased meter verifications to meet legal requirements, requirements to support the Distribution Management System and other smart grid investments made in response to government policy, and escalated replacement parts, materials and labour rates.

- An increase to the Hydro One Distribution Business' return on equity from 9.66% in 2011 to 9.71% in 2015 with further adjustments in return in subsequent years.

- The work program expenditures throughout the test years reflect forecasted efficiencies resulting from numerous productivity initiatives as described in Exhibit A, Tab 19, Schedule 1.

The Application reflects Hydro One Distribution's efforts to meet customer expectations while ensuring all customers within the Province will continue to be supplied in a secure and reliable manner, thereby contributing to the health and competitiveness of the Province's economy.

FINANCIAL SUMMARY

1.0 INTRODUCTION

Hydro One Distribution is making this Application requesting approval of an appropriate revenue requirement in support of just and reasonable distribution rates for 2015, 2016, 2017, 2018 and 2019.

The proposed revenue requirement and rates included in this application have been prepared on the basis of forward-looking 2015 - 2019 test years. This submission also includes information for the 2014 bridge year, and historical information for 2010, 2011, 2012 and 2013, and historic Board approved levels for 2010 and 2011.

Hydro One is proposing to recover a revenue requirement of $1,415 million for 2015 test year, $1,523 million for 2016, $1,578 million for 2017, $1,615 million for 2018 and $1,660 million for the 2019 test year. The revenue requirement calculation for all test years appears in the evidence at Exhibit E2, Tab 1, Schedule 1.

Hydro One Distribution's capital structure was approved by the Board as part of its April 9, 2010 Decision on Hydro One's Distribution Rate Application (EB-2009-0096). This is consistent with the Board's report on the cost of capital: see the Report of the Board on the Cost of Capital for Ontario's Regulated Utilities dated December 11, 2009 (EB-2009-0084).

The requested return on common equity is 9.71% for 2015, 9.96% for 2016, 10.16% for 2017, 10.21% for 2018 and 2019, as specified by the formula in the report above. Hydro One Distribution's evidence in support of its Cost of Capital and Cost of Third Party Long Term Debt appears at Exhibit B1, Tab 1, Schedule 1 and Exhibit B1, Tab 2, Schedule 1, respectively.

Hydro One Distribution's OM&A expenditures have been determined on the basis of an examination of required work programs to ensure the most appropriate, cost-effective solutions to respond to customers' needs and corporate objectives. A description of Hydro One's planning process is provided at Exhibit A, Tab 17, Schedule 1. The proposed OM&A expenditures are $564.3 million for the 2015 test year, $610.2 million for 2016, $614.0 million for 2017, $603.9 million for 2018 and $600.0 million for the 2019 test year, driven by such factors as the need to meet customer, regulatory and statutory requirements regarding service and reliability. These expenditures are itemized at Exhibit C2, Tab 2, Schedule 1 and discussed in written direct evidence at Exhibit C1, Tabs 1 and 2. Hydro One has used the Corporate Cost Allocation Methodology, based on the methodology accepted by the Board in previous Hydro One Distribution and Transmission Applications and updated for this current filing, to allocate the corporate common OM&A costs between Transmission and Distribution. The 2013 update is described in Exhibit C1, Tab 5, Schedule 1.

Depreciation and amortization expense of $355.4 million for 2015 test year, $374.9 million for 2016, $390.2 million for 2017, $402.9 million for 2018 and $413.6 million for the 2019 test year have been determined based on the results of the accepted Foster's methodology. These costs are described in written evidence at Exhibit C1, Tab 6, Schedule 1 and shown in detail in C2, Tab 4, Schedule 1.

Hydro One has incorporated the methodologies of the Lead Lag study, based on the methodology accepted by the Board in previous Hydro One Distribution and Transmission Applications and updated for this current filing. The calculation of working capital, filed at Exhibit D1, Tab 1, Schedule 3, incorporates the methodologies of the Lead Lag study.

Hydro One Distribution's proposed Rate Base of $6,553.3 million for 2015 test year, $6,864.4 million for 2016, $7,191.4 million for 2017, $7,541.3 million for 2018 and $7,869.6 million for the 2019 are discussed at Exhibit D1, Tab 1, Schedule 1.

This submission reflects Hydro One Distribution's plan to invest in distribution assets to improve customer satisfaction and to meet its objectives regarding public and employee safety; regulatory and legislative compliance; service quality and reliability; and meeting system growth requirements. The capital project and program approval and control policy is presented at Exhibit A, Tab 17, Schedule 5. Hydro One is forecasting total capital expenditures of $648.9 million for the 2015 test year, $654.7 million for 2016, $661.4 million for 2017, $655.1 million for 2018 and $669.1 million for the 2019 test year. Details of Hydro One Distribution's capital budget are illustrated in schedules filed at Exhibit D2, Tab 2 and discussed in detail at Exhibit D1, Tab 3.

Hydro One Distribution earns approximately 2.9% of its revenues from sources other than its distribution tariff. As the costs incurred to generate these revenues are included in Hydro One's cost of service, the external revenues and revenues collected from the Standard Supply Services Administrative Charge (RPP) of $47.9 million for the 2015 test year, $48.9 million for 2106, $49.9 million for 2017, $49.2 million for 2018 and $49.9 million for the 2019 test year are recorded as an offset to the revenue requirement. External revenues are discussed at Exhibit E1, Tab 1, Schedule 2.

In accordance with standard regulatory practice, Hydro One Distribution has incurred prior costs for which it is requesting approval in this submission. An estimated total of $2.6 million will be recorded as at December 31, 2013 in a series of regulatory assets, one of which will continue to adjust throughout 2014 (Rider 9 – Disposition and Recovery of Regulatory Balances – OEB-approved). The 2014 forecast balance

for these accounts is $21.3 million, which includes forecast interest for 2014 on the 2013 balances and the forecasted 2014 balance for Rider 9. Hydro One is proposing to seek recovery from ratepayers in the amount of $21.3 over five years, $4.26 million per year starting in the 2015 test year. Hydro One expects that the Board's final decision on its approval of the recovery of these regulatory accounts will be based on the audited 2013 year end balances which Hydro One will provide when they become available. Hydro One's submissions regarding this account balance and proposed disposition appears at Exhibit F1, Tab 2, Schedule 1.

Table 2 summarizes the financial highlights for the 2015 - 2019 Test Years.

Table 2
Cost of Capital

Line No.		*Total Rate Base Percent*	*2015 Deemed Capital Structure ($ millions)*	*2015 Cost Rate (%)*	*2016 Deemed Capital Strucutre ($ millions)*	*2016 Cost Rate (%)*	*Exhibit*
		(a)	(a)	(c)			(d)
1	Total Debt	60.0%	3,932.0	4.79%	4,118.6	4.94%	B2-1-1
2	Common Equity	40.0%	2,621.3	9.71%	2,745.8	9.96%	B2-1-1
3	Total Rate Base	100.0%	6,553.3	6.76%	6,864.4	6.95%	B2-1-1

Line No.		*Total Rate Base Percent*	*2017 Deemed Capital Structure ($ millions)*	*2017 Cost Rate (%)*	*2018 Deemed Capital Strucutre ($ millions)*	*2018 Cost Rate (%)*	*Exhibit*
		(a)	(a)	(c)			(d)
1	Total Debt	60.0%	4,314.9	5.07%	4,524.8	5.20%	B2-1-1
2	Common Equity	40.0%	2,876.6	10.16%	3,016.5	10.21%	B2-1-1
3	Total Rate Base	100.0%	7,191.4	7.10%	7,541.3	7.21%	B2-1-1

Line No.		*Total Rate Base Percent*	*2019 Deemed Capital Structure ($ millions)*	*2019 Cost Rate (%)*	*Exhibit*
		(a)	(a)	(c)	(d)
1	Total Debt	60.0%	4,721.8	5.40%	B2-1-1
2	Common Equity	40.0%	3,147.9	10.21%	B2-1-1
3	Total Rate Base	100.0%	7,869.6	7.33%	B2-1-1

Financial Highlights

Line No.	*$ millions*	*2015*	*2016*	*2017*	*2018*	*2019*	*Exhibit*
1	Total OM&A Expense	564	610	614	604	600	C2-1-1
2	Capital Expenditures	649	655	661	655	669	D2-2-1
3	Rate Base	6,553.3	6,864.4	7,191.4	7,541.3	7,869.6	D2-1-1
4	Revenue Requirement	1,415	1,523	1,578	1,615	1,660	E2-1-1
5	External Revenues and Other	48	49	50	49	50	E1-2-1
6	Return on Capital	442.7	477.0	510.8	543.3	576.5	E2-1-1
7	Regulatory Assets Recovery	4	4	4	4	4	F2-1-2

SUMMARY OF HYDRO ONE CUSTOM APPLICATION FRAMEWORK

1.0 INTRODUCTION

On October 18, 2012, the Ontario Energy Board released its, Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach ("RRFE"). The Board's new framework calls for distributors to focus on customer requirements and to demonstrate that their investment plans support cost-effective planning and operation of the distribution network. The Board's new approach consists of three main policies: rate-setting, planning, and measuring performance; founded on the principles of good asset management; coordinated long term planning; and measurable performance outcomes.

Hydro One Distribution is applying for a five year Custom Cost of Service application under the Board's new Custom Rate-setting method. Hydro One Distribution has determined that a custom application is most appropriate, given its proposed significant and necessary multi-year investments with relatively certain timing and levels of associated expenditures. This approach has been customized to fit Hydro One Distribution's specific circumstances to ensure that Hydro One Distribution is capable of effectively addressing the large capital expenditure requirements needed to manage its aging infrastructure and plan for future expansion and modernization of the distribution system. This is required to provide a safe, reliable and secure supply of electricity. This custom application process also allows Hydro One to propose a rate smoothing methodology to minimize the initial rate impact to customers resulting from rebasing after a three year IRM term, details of which, are provided in Exhibit F1, Tab 1, Schedule 2.

The Board expects distributors that apply the custom rate setting method to customize their application to fit their particular circumstances, and measure their performance to ensure the Company is delivering on its plan. The specifics of rate recovery and performance monitoring over the term of the plan, as outlined in the RRFE, will be up to the individual distributor to determine. As such, Hydro One has developed and stakeholdered a framework for adjustments and outcome measures.

2.0 HYDRO ONE'S CUSTOM APPLICATION FRAMEWORK

Hydro One Distribution's proposed custom application framework is consistent with the Board's RRFE requirements. Hydro One Distribution's custom application is a five year Cost of Service application that provides five years of revenue requirements to accommodate necessary investments in infrastructure and system integrity work to ensure continued safe, reliable and secure service. To accurately forecast out over a five year duration, Hydro One Distribution has undertaken a rigorous planning process, which is shaped by the customer and asset information it has collected, using the new data and analytical processes it has invested in over the past several years. (This is described further in Exhibit A, Tab 17, Schedules 1 and 7, while the customer information is filed at Exhibit A, Tab 5, Schedule 1.)

Hydro One Distribution recognizes that there are still risks associated with forecasting over a longer period. Changes in the industry may alter the investment needs or require changes to rate setting that could result in a significant impact on Hydro One's capability to execute its plan.

In order to mitigate the risk of externally driven factors that may be impactive; Hydro One Distribution is proposing a number of adjustment mechanisms in the design of its custom application to reflect plan changes outside the normal course of business in order

for the Company to avoid a regulatory review by the Board during the five year custom application period. Hydro One Distribution is also proposing a set of outcome measures to track its performance and delivery of the plan. These mechanisms are summarized in the following sections.

2.1 Adjustments

Hydro One Distribution is proposing adjustments to provide a safeguard to protect both the Company and customers against unexpected results in the operation of the plan. Hydro One Distribution is proposing adjustments only for events that are externally driven and beyond the control of management. The adjustments have been classified into three categories: (i) annual adjustments, (ii) adjustments outside of normal course of business, and (iii) off-ramps. The latter two adjustments will result in either a particular component or the entire plan being examined and adjusted or even possibly terminated.

Annual Adjustments

Hydro One Distribution is proposing annual adjustments for recurring events that are mechanical in nature. The adjustment calculation will be derived based on year-end audited financial statements or parameters issued by the Ontario Energy Board or the Federal or Provincial Government. Hydro One Distribution's proposal for annual adjustments will include such items as:

- changes in the cost of capital and working capital,
- changes in the tax rates,
- changes in other third party pass through charges, and
- disposition of deferral and variance accounts.

Hydro One Distribution's intention is to present to the Board annually an update of adjustments for the upcoming year as part of a draft rate order. Further details on annual adjustments will be provided in Exhibit A, Tab 4, Schedule 2.

Adjustments Outside of Normal Course of Business

Hydro One Distribution is proposing that adjustments outside the normal course of business will be sought for unexpected events that are materially impactive to the operation of the Company and which are outside of the Company's control. Hydro One Distribution's proposal for these adjustments will include such items as:

- new government directives or legislation,
- material changes to codes or standards, or
- material unforeseen weather events.

Hydro One Distribution's intention is to file an application to the Board for a review of a particular component of the plan, when a materially impactive event or cumulative events arises. Hydro One Distribution's proposal would be to track such adjustments in a variance account and adjust rates through a rate rider or adder. Further details will be provided in Exhibit A, Tab 4, Schedule 3.

Off-Ramps

Hydro One Distribution is proposing to apply the Board's policy in relation to off-ramps and to add two additional off-ramps in the event of industry restructuring or a major change to Hydro One's service territory.

Under the Renewed Regulatory Framework, the Board expects that a distributor that applies using the custom rate-setting method will be committed to that method for the duration of the approved term. However, the Board has recognized a distributor may need to seek early termination. Therefore the Board has provided a mechanism for a regulatory review to be initiated if the distributor performs outside of the ±300 basis points earnings dead band or if its performance erodes to unacceptable levels.

Hydro One also submits that industry restructuring of the electricity distribution sector would create a major change in the costs of the distribution business and would prevent continuing with the plan. Similarly, a significant change to Hydro One's licensed service territory which involved the transfer of a large amount of customers would have a very significant impact on revenues and costs and would prevent continuing with the plan. Hydro One proposes that these two items also be approved as off-ramps in this application. At the technical conferences and executive presentation in this proceeding, Hydro One was asked to clarify these off-ramps and give examples of what could trigger these off ramps.

Both off-ramps are designed to address only major events that could be imposed on the company during the five year plan. They are not designed to deal with LDC acquisitions as any acquisitions during the test years will not be included in the plan.

Examples of events that could trigger the industry restructuring off-ramp include:

i) a legislated change to the design of the electricity distribution sector in Ontario such as the introduction of 8 to 12 large regional distributors serving the province proposed in the Ontario Distribution Sector Review Panel report;

ii) a consolidation of Hydro One with Ontario Power Generation as currently being considered by some political parties.

Examples of events that could trigger the significant change to Hydro One's licensed service territory include:

i) a significant number of service area amendments in high density areas bordering LDCs that remove future Hydro One customers that were included in load forecasts and possibly existing customers in the same area as this could have a significant impact on the rates of remaining Hydro One customers; or even more impactive;

ii) a new Board policy resulting from the current Service Area Amendments and MAADS Rate-Making Policy Review (EB-2014-0138) that could allow LDCs to expand to their municipal boundaries. Typically this would result in the high density Hydro One customers transferring to other utilities at potentially less than market prices.

2.2 Outcome Measures

The Board's Renewed Regulatory Framework emphasized the need for utilities to demonstrate results that align with customer preferences, enhance productivity, promote innovation and provide value for money for its customers. Hydro One is proposing a set of outcome measures with targets that will track the Company's performance in meeting its five year plan as described in this application. The outcome measures will be tracked annually and the results of this tracking will be reported to the Board. Details regarding the outcome measures will be provided in Exhibit A, Tab 4, Schedule 4.

OUTCOME MEASURES

1.0 INTRODUCTION

On October 18, 2012, the Ontario Energy Board ("Board" or "OEB") released its Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach ("RRFE"). The Board's new framework calls for distributors to focus on customer requirements and to demonstrate that their investment plans support cost-effective planning and operation of the distribution network. The Board expects distributors to customize their application to fit their particular circumstances, and measure their performance to ensure the Company is delivering on its plan.

The Renewed Regulatory Framework emphasizes the achievement of outcomes that ensure that Ontario's electricity system provides value for money for customers. The Board believes that emphasizing results rather than activities will better respond to customer preferences, enhance distributor productivity and promote innovation. This is a similar objective to that adopted by Ofgem, Britain's utility regulator, in its RIIO model where base revenues and incentives are linked to the delivery of outputs.[1] While the implementation of the RIIO model is still in its formative stages, Ofgem expects the regulated network companies to set out in their business plans the primary outputs they will be delivering and the associated costs of providing these services.[2]

[1] Under this approach Ofgem aims to set **R**evenue using **I**ncentives to deliver **I**nnovation and **O**utputs, hence "RIIO".
[2] Ofgem, Handbook for Implementing the RIIO Model, October 4, 2010, p. 38.

In response to the Board's new direction, Hydro One has developed and stakeholdered a set of outcome measures that address performance monitoring over the term of the plan.[3] As recommended at the technical conferences, Outcome Measure forecast targets have been added to Table 1 and Table 2. These performance metrics are designed to measure the Company's success in delivering results (outcomes) over the course of the proposed five-year plan. Hydro One believes the forecast targets are achievable assuming normal levels of weather-related contingencies, significant events and customer driven requests. The outcome measures will be annually tracked and be reported to the Board.

2.0 RESULTS OF STAKEHOLDER INPUT (STAKEHOLDER MEETING DEC 2, 2013)

On December 2, 2013, the Company held a stakeholder meeting attended by twenty-three participants representing seventeen stakeholders including Board staff. This was Hydro One's 4th Stakeholder Session, conducted to present information to stakeholders and gather feedback on items related to Hydro One's Distribution Custom Rate Application. At the meeting, the Company explained the difference between the OEB Performance Scorecard that is currently being developed and the Hydro One Outcome Measures. The Board's Performance Scorecard is intended to measure performance over the long term against the OEB's expectations for all utilities, to "monitor individual distributor performance and to compare performance across the distribution sector."[4] The Outcome

[3] The Company also consulted with Concentric Energy Advisors to gain the benefit of the firm's experience in the use of productivity and related performance measures in Canada and the U.S.

[4] Report of the Board, Renewed regulatory Framework for Electricity Distributors: A Performance-Based Approach, October 18, 2012, p. 59.

Measurement concept focuses on whether the utility delivered the Outcomes in its particular long term rate plan, in this case 2015 to 2019.

There were several themes that punctuated the discussion with stakeholders:

- The Company provided examples, but there was a general lack of clarity among stakeholders regarding what an "outcome" based measure should look like. This is a new concept, and will require some time and experience for the parties to gain comfort with the distinction between activity based measures (e.g., units of effort, or investment) and outcomes (e.g., targeted reliability improvements).

- Nearly all participants emphasized the need to focus on the customer experience, although there was some skepticism regarding "motherhood" metrics such as "lower prices and more service", versus those more specific to actual outcomes of the plan (e.g., reduced number of tree caused outages). Recurring issues of importance for consumers included: rate levels, reliability, outage communications and response times, reduction in estimated bills, and call center performance.

- While there was broad agreement that metrics should emphasize operational effectiveness, there was not a consensus regarding which specific measures would best represent progress. A stakeholder example cited was vegetation control – the Company should justify these expenditures against a goal of improved SAIDI/SAIFI results, reduced storm damage costs, or fewer tree related outages.

- Stakeholders were sensitive to the costs of performance measurement which should be considered in relation to the value of the information gained and reported.
- It was generally agreed that the focus should be on annual reporting, and the metrics should have the following attributes:

- Metrics should be measurable, controllable and transparent; and
- There should be a manageable number of metrics (anywhere from 4 to fewer than 15 was suggested).

A more detailed summary of the stakeholder comments may be found in Exhibit A, Tab 20 Schedule 1, Appendix E.

3.0 DEVELOPMENT OF OUTCOME METRICS

3.1 Overview

The use of outcome metrics is relatively new to both the OEB and Hydro One. Historically the assessment of Hydro One's performance has primarily been at the corporate level, and not focused on project initiatives. Establishing these new metrics has been a challenge. The metrics had to be targeted to areas where Hydro One intends to increase investment, as opposed to broad measures affected by many factors, such as reliability measures applicable to Hydro One's entire system.

Hydro One is proposing eight areas of focus for assessing the Company's performance on specific areas of spend included in the five-year plan. Specific outcome metrics have been developed for each of the eight areas. These outcome metrics are targeted to areas where Hydro One is proposing to increase Capital or OM&A expenditures over the 5 year test period.

3.2 Outcome Metrics

The proposed areas to be measured are:

1. Vegetation Management;
2. Pole Replacement;
3. PCB Line Equipment;
4. Substation Refurbishments;
5. Distribution Line Equipment Refurbishments;
6. Customer Experience;
7. Handling of Unplanned Outages; and
8. Estimated Bills.

The areas to be measured have, for the most part, been tracked by the Company historically, so data is available against which to measure Hydro One's performance in each area. As will be evident from the following descriptions, the metrics were developed in an attempt to focus on two key issues: (1) was the planned investment made; or (2) were the desired results achieved.

Each of the proposed metrics against which to evaluate Hydro One's performance compared to the 5-year plan is outlined below. The Company will report actual performance for each of the outcome metrics on an annual basis.

Vegetation Management (Sustaining OM&A)

Service interruptions caused by vegetation are an issue faced by most electric distribution companies. Hydro One is proposing an outcome metric against which its efforts to reduce the number of vegetation caused outages will be evaluated.

Vegetation management expenditures related to line clearing are expected to be approximately $540 million in the 5-year forecast as compared to $338 million in the preceding 5 year period. The ramp-up is required to address tree clearing in order to allow Hydro One to move to an 8-year vegetation management cycle across the province.

The number of vegetation related customer outages on Hydro One's system over the last five years is set forth in the following table:

Table 1:
Vegetation Caused Interruptions
(Excluding Force Majeure Events)

	Actuals					Targets					
Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Number of Interruptions	**6,445**	**6,116**	**6,113**	**6,953**	**5,791**	**6,300**	**6,300**	**6,300**	**6,200**	**6,100**	**6,000**

The proposed metric for assessing Hydro One's performance with regards to vegetation management is:

- Reduction in vegetation related customer outages, annual targets for which, are shown in Table 1.

As vegetation is managed to achieve an 8-year vegetation management cycle, Hydro One expects that the number of outages caused by contact of trees with the distribution system will decline.

Pole replacement (Sustaining Capital)

Hydro One has approximately 1.6 million distribution poles in its system. Each year approximately 20,000 poles are installed, a figure that includes both new installations and end of life replacements. Poles that fail can cause customer outages. As such, Hydro One is targeting the replacement of poles as a metric against which the Company's performance can be measured.

At the end of 2011 an asset inventory was completed, and the detailed poles age information largely led to the proposed replacement ramp up. Hydro One is proposing increased funding to address premature decay issues and mitigate the risk of the approaching new wave of poles reaching their expected service life over the period. The plan ramps up replacement quantities each year so that approximately 4,500 additional end-of-life poles will be replaced per year by 2019. Total volumes of accomplishments over the five year plan are expected to be achieved. However, annual variances from the targets may occur due to the complexity of the specific poles to be replaced within a given year.

Hydro One expects to spend approximately $530 million on pole replacements during the course of the 5 year plan. Approximately $323 million was spent on pole replacements during the previous 5 year period.

The following table provides details regarding the number of poles replaced due to end of life within the last five years:

Table 2:
Pole Replacement

	Actuals					Targets					
Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Number of Poles Replaced	**7,485**	**7,518**	**7,282**	**7,452**	**10,720**	**11.000**	**11,600**	**12,200**	**13,200**	**14,200**	**15,200**

The proposed metric for assessing Hydro One's performance with regards to pole replacements is:

- Poles replaced per year, targets for which are shown in Table 2.

Given the current age and condition of the poles, Hydro One expects to replace between 11,000 and 15,000 poles per year during the 5 year plan.

PCB Line Equipment (Sustaining Capital)

Table 3:

PCB Line Equipment

This is a new measure therefore only forecast targets of pole top transformers with PCB oil to be replaced are shown.

Year	2014	2015	2016	2017	2018	2019
Number of pole top Transformers with PCB oil to be replaced	**0**	**400**	**1,000**	**2,200**	**2,200**	**2,200**

It is possible the number of transformers needing replacement may be less than the projected volume of replacements. In that case, the number of transformers replaced, will be reported.

The PCB line equipment capital project was selected as an area to be measured via an outcome metric because of the public safety issues pertaining to the equipment. The initiative addresses Federal PCB regulations and ensures Hydro One's communities' environmental concerns are addressed by decreasing the number of pole top transformers containing PCBs.

The budget for replacing PCB line equipment is approximately $39 million over the term of the 5 year plan. Approximately $4 million had been spent replacing PCB pad-mount transformers in the previous 5-year period.

The proposed metric for assessing Hydro One's performance with regards to PCB equipment replacements is:

- Number of pole top transformers with PCB oil that have been replaced as shown in Table 3.

Substation Refurbishments (Sustaining Capital)

Hydro One maintains 1,004 distribution and regulating station facilities, with an average expected service life of 50 years. The Company is proposing increased funding in this area to manage system reliability in the face of demographic and load requirement pressures on the system, and to mitigate against a growing wave of stations reaching expected service life simultaneously.

Hydro One's distribution system has experienced a number of substation related outages over the last five years. The following table summarizes the number of historical outages:

Table 4:

Substation Caused Interruptions

(Excluding Force Majeure Events & Excluding Planned)

	Actuals					Targets					
Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Number of Interruptions	**153**	**190**	**159**	**144**	**129**	**155**	**155**	**155**	**155**	**155**	**155**

The Company has identified substation related outages as an area to be addressed in the 5 year plan. The projected level of capital spent on substation refurbishments is expected to be $203 million during the 5-year plan period compared to $46 million in the preceding 5 year period.

The proposed metric for assessing Hydro One's performance with regards to substation refurbishments is:

- Number of substation interruptions over the five year period, as shown in Table 4.

Hydro One's goal is to reduce the number of substation interruptions during the 5 year plan.

Distribution Line Equipment Refurbishments (Sustaining Capital)

Hydro One owns over 120,000 circuit km of lines (approximately 3200 feeders). An ongoing assessment of the condition of the lines/feeders is performed by Hydro One. Small and large sustainment projects will be performed over the course of the 5-year plan to improve or sustain the performance of the system. Hydro One anticipates expending approximately $307 million on line projects during the 5-year plan period compared to $155 million in the preceding 5 year period.

Hydro One's distribution system has experienced a number of line equipment related outages over the last five years. The following table summarizes the number of historical outages:

Table 5:
Distribution Line Equipment Caused Interruptions
(Excluding Force Majeure Events)

	Actuals					Targets					
Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Number of Interruptions	**8210**	**5,971**	**7,681**	**7,316**	**7,266**	**7,300**	**7,300**	**8,300**	**7,300**	**7,300**	**7,300**

The proposed metric for assessing Hydro One's performance with regards to line projects is:

- Number of distribution line equipment interruptions over the five year period, targets for which are shown in Table 5 .

Customer Experience (OM&A)

Hydro One is fully committed to continuing to improve the customer's experience. The Company will become a trusted partner to our customers by improving the quality of interactions with our customers and by meeting their expectations regarding reliable power supply. An independent third-party research firm will conduct random bi-annual residential and small-business impression surveys on behalf of Hydro One. The bi-annual Residential and Small Business surveys will cover:

- Overall impression and overall satisfaction with Hydro One;
- Relationship (concerned, fair, flexible);
- Customer Service;
- Rates;
- Billing and payments
- Reliability and outage management; and
- Communication.

For Residential and Small Business customers, the overall 5-year trend in Satisfaction is shown in the following table. The Company attributes the 2011 and 2012 results below 80% to the recession followed by a rate increase.

Table 6:

Residential and Small Business Overall Satisfaction

	Actuals					targets					
Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
% Satisfied	**84**	**80**	**77**	**78**	**80**	**80**	**81**	**82**	**83**	**84**	**85**

The expenses related to Customer Experience relate to the set of work activities required to continue to shape the Company's vision for the ideal customer experience, allowing Hydro One to more effectively respond to evolving customer needs and expectations. Hydro One anticipates spending approximately $21 million on Customer Experience during the 5-year plan period compared to $6 million during the preceding 5 year period.

The proposed metric for assessing Hydro One's performance with regards to Customer Experience is:

- Overall Customer Satisfaction, targets for which are shown in Table 6.

The main goal is to move Hydro One towards a 85% customer satisfaction target in 5 years. Hydro One recognizes that customer satisfaction may also reflect significant changes in economic indicators, the broader electricity industry or impact from new public policy affecting pricing or billing. Customer satisfaction levels during the 5-year plan cycle will be reported annually and evaluated against the target of 85% satisfaction by the end of the 5 year plan period.

Handling of Unplanned Outages

During the term of the 5 year plan, Hydro One plans to maintain current levels of distribution reliability, while improving customer service and satisfaction.

It is important to focus on the entire outage experience – from the time the power went out to shortly after the power was restored. Preventing lengthy outages is important to customers but so is Hydro One's response to customers – timely communication to customers and the level of service provided, particularly by representatives at the Call Centre, are crucial for maintaining current outage satisfaction.

Leveraging technology and proactive notifications and alerts will yield higher levels of satisfaction in this critical customer area. The frequency and severity of storm related outages will continue to be a challenge.

Smart grid technology will allow for greater visibility in near real time to outages which will allow for more efficient and effective response. More proactive and targeted communications and updates through many communications channels such as mobile, web, text message, auto dialer, email, in home display, etc. will also enhance timely response to the customer. Staying in touch and providing relevant information to customers will help them to know what is happening and how long the restoration efforts are expected to take.

The following table summarizes Hydro One's handing of unplanned outages, based on satisfaction levels during the last five years:

Table 7:

Customer Satisfaction with Handling of Unplanned Outages

	Actuals					Targets					
Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
% Satisfied	**82**	**83**	**81**	**79**	**78**	**80**	**80**	**83**	**83**	**83**	**83**

The proposed metric for assessing Hydro One's performance with regards to our handling of unplanned outages is:

- Percent of customers satisfied with the way Hydro One handled the unplanned outage, as shown in Table 7.

An independent third-party research firm will conduct random bi-annual residential and small-business impression surveys regarding Hydro One's handling of unplanned outages.

Estimated Bills

Hydro One understands that targeted customer satisfaction goals are an important outcome metric against which the Company's performance can be measured during the term of the 5 year plan. One area that the Company understands is an issue for our customers "estimated bills". As such, Hydro One proposes an outcome metric that measures the Company's success in reducing the number of estimated bills received by our customers.

The deployment of the smart meter solution allows for improvement in billing accuracy, specifically reduction in the number of Customer Information System ("CIS") estimated bills being issued to customers. The specific area for future improvement is in the area where meter data is not available driving the need for the billing determinants to be estimated by Hydro One's CIS system. Currently communication technologies have not evolved sufficiently to increase network coverage and reliability for smart meter data transport. Due to the remote locations of some of these meters, it may not be economically feasible to travel to manually process the time of use data. This creates a challenge in achieving the forecast target.

The following table summarizes the percent of bills that were sent to our customers that were estimated during the last five years:

Table 8 :
Estimated Bills

	Actuals					Targets					
Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
% of Estimated Bills Issued	**N.A**	**23.9**	**10.2**	**8.5**	**10.8**	**6.0**	**5.5**	**5.0**	**4.5**	**4.0**	**3.5**

The majority of billing quality improvements have already been achieved through the implementation of smart metering system and alignment of meter reading and billing frequencies for mass market customers. Specific quantification of annual improvements in billing accuracy are impossible to project with any accuracy due to limited historical experience with the smart meter solution.

The proposed metric for assessing Hydro One's performance with regards to estimated bills is:

- Percent of estimated bills issued, as shown in Table 8.

Hydro One proposes to reduce the percent of estimated bills during the 5 year plan.

4.0 CONCLUSIONS

Hydro One has proposed a set of reporting metrics based on the general guidance for performance measurement contained in the RRFE, feedback from stakeholders, areas of capital or OM&A growth in the Plan, and measurable metrics tied to those activities. There are eight measures proposed. The Company has considered both activity based measures and outcome based measures, and proposed a true outcome based measure wherever possible. Where not possible, the Company has proposed an activity based

measure that closely corresponds with the desired outcome. To manage costs, where possible we are utilizing information already collected by the Company, although it will require compilation and reporting in new ways. At this stage, we have not proposed specific targets for each measure; our initial emphasis is on measurement, reporting, and directional improvements corresponding to the Plan.

The Company believes these measures are appropriate for outcome based performance monitoring. Just as in Britain with the RIIO program, the RRFE is in its early stages of implementation. Over time, as the Company, stakeholders and the Board gain more experience with outcome measurement, these measures may be refined accordingly. Some may remain for subsequent plans, new metrics may be introduced, and others may be replaced as new data or areas of emphasis evolve. The Company is committed to measurement and reporting that provide the Board, customers and stakeholders with the information required to monitor Hydro One's performance.

VOICE OF THE CUSTOMER

1.0 INTRODUCTION

Hydro One is fully committed to continuing to improve the customer's experience. Hydro One listens to its customers, analyzes their needs and then modifies its work activities to address those needs.

Customers are a major driver of long-term success. Similar to power system asset condition assessments, data is collected to evaluate the overall satisfaction of Hydro One's customers and is then used to identify issues to be addressed. There are many channels through which Hydro One listens to its customer's needs. Customer survey research (impression and perception) is the largest channel that incorporates a broad range of customers, as described below. There are also several other channels described in Section 3.0 of this exhibit.

2.0 CUSTOMER SURVEY RESEARCH

Surveys are conducted annually across various customer segments to gain an understanding of the key drivers impacting customer satisfaction. Hydro One develops its investment strategies and plans to address satisfaction gaps. Hydro One considers the results of the survey research in its risk assessment, prioritization and decision-making processes described in Exhibit A, Tab 7, Schedules 1-7. Customer oriented investment proposals are then developed that span the Sustaining, Development, Operating, Customer and Corporate Services investment categories, described in Exhibits C1, Tab 2, Schedules 2 through 5 and Exhibit D1, Tab 3, Schedules 2 through 5.

Formalized Customer Satisfaction Research began at the Company in 1999, focusing on our Residential & Small Business and Business to Business segments. The goal of the research has been to be timely, representative, unbiased, and conclusive providing the Company with the opportunity to listen, understand and respond.

Through the years, the research has been expanded to include Transactional research in order to focus on more touch points and customer feedback. This research is completed soon after customers interact with Hydro One either through an inbound call centre call, work completed in the field or the self service programs.

All research is conducted by independent experts ensuring results are unbiased. Currently **Ipsos Loyalty** conducts our Residential and Small Business impression studies, **Forum Research** conducts our transactional research and **Northstar Research** conducts our Business to Business studies.

In order to ensure findings are representative, the survey organizations ensure the sample sizes and methodology are appropriate. All surveys are telephone based. The trending of results over time helps to prioritize areas of opportunity to improve satisfaction and also helps to focus investments in areas the customers are saying are most important.

The following table outlines the various surveys conducted on an annual, monthly or as scheduled basis:

Table 1

Residential and Small Business Impressions	•Random sample from base of 1.1M R&SB customers •Bi-annual study (April/September) •Overall satisfaction and impression research
Business to Business Impressions	• Attempts are made to survey all 0.2M Large Distribution, Commercial, and Generator customers •Three studies conducted annually
Transactional Satisfaction Surveys	•Random sample days after the interaction was completed •Calls, Self Service interactions, New Connects/Upgrade services, Forestry services, Distributed Generator connections
Brand Research	•Customer and key stakeholder brand impression research
Event Surveys	•Research completed at or after community events •Fairs, community events, Retail events

Types of questions:

Annual Residential and Small business and Business to Business impression surveys have sections covering:

- Overall impression and overall satisfaction with Hydro One
- Relationship (concerned, fair, flexible)
- Customer service
- Rates
- Billing and payments
- Reliability and outage management
- Communication

Transaction surveys focus on the customer's experience with a specific service or interaction including Contact Handling, New Connects/Upgrades and Forestry request studies:

- Overall satisfaction with transaction
- Resolution
- Speed to complete
- Information quality
- Skill of staff
- Attitude of staff
- Ease of access
- Communication

Our ratings use a mix of scales depending on the question and survey:

- 5 point satisfaction scales (Very/somewhat satisfied, neither, very/somewhat dissatisfied)
- 5 point expectation scales (much better/somewhat better than expected, just as expected, much/somewhat worse than expected
- 10 point agreement scales (10 completely agree, 1 completely disagree)
- Scales anchored to a specific concept in the question such as impression (10 Very favourable, 1 very unfavourable).

2.1 Residential and Small Business Impression Survey Research Results

For **Residential and Small Business** customers the overall Satisfaction has risen to 80% in 2013, statistically similar to 2012 but significantly higher than 2011 (77%), continuing the positive trend from the previous years. The remaining 20% was made up 13% dissatisfied and 7% neutral.

During the surveys, the 20% of Residential and Small Business customers who indicated that they were not satisfied were then asked for their issues or concerns resulting in their dissatisfaction as shown in Figure 1 and Table 2 below. The size of the bill and increasing bill totals continue to be the key stated reasons why customers are not satisfied. Reliability and outage handling was a distant second in mentions. The increase in the 2013 survey regarding "reliability mentions" is most likely related to a major storm occurrence at the time of the survey.

Figure 1:

Overall Residential and Small Business Customer Satisfaction

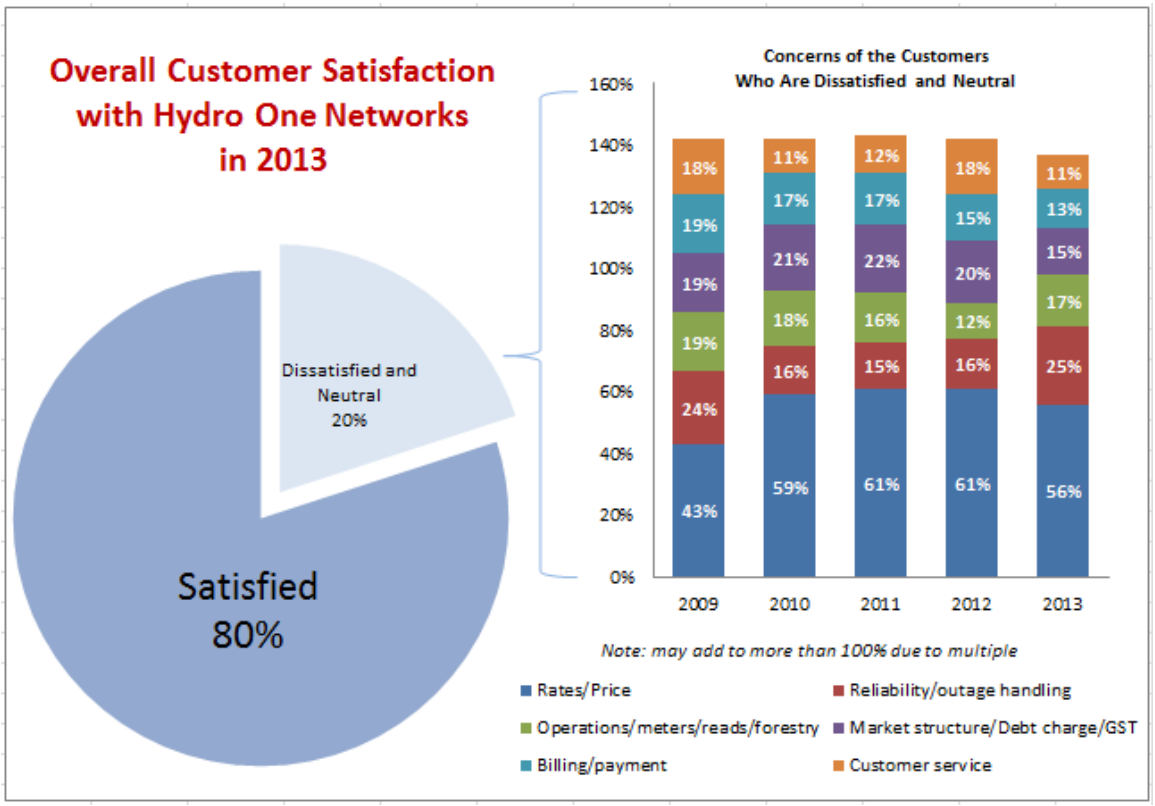


Table 2

Customers whose RATING were 3 OR LESS: **What issues or concerns were you thinking of when you rated Hydro One?**					
Residential & Small Business	**2009**	**2010**	**2011**	**2012**	**2013**
Rates/price	43%	59%	61%	61%	56%
Reliability/outage handling	24%	16%	15%	16%	25%
Operations/meters/reads/forestry	19%	18%	16%	12%	17%
Market structure/Debt charge/GST	19%	21%	22%	20%	15%
Billing/payment	19%	17%	17%	15%	13%
Customer service/concern/empathy	18%	11%	12%	18%	11%
Note: may add to more than 100% due to multiple mentions					

As noted in Exhibit A, Tab 4, Schedule 4, Hydro One will continue to track the Residential and Small Business Customer overall satisfaction rate and report the result annually as one of its outcome measures.

2.2 Residential and Small Business Transaction Survey Research Results

Analysis of the Transaction Satisfaction Surveys focuses on strengths and weakness regarding how we have handled the customer's request or concern. An in-depth analysis is undertaken for each transaction analyzed. Attachment 1 describes an example of how the results of the call handling transactional surveys are analyzed. A call transaction can be handled by an agent, Interactive Voice Response (IVR) handled outage calls or IVR handled self-service calls.

2.3 Business to Business Survey Research Results

Business to Business surveys include all Large Distribution Account and Commercial customers. These customers are asked about the main issue they would like to see Hydro One address. Attachment 2 shows the results of this survey research.

2.4 Booster Survey

The Renewed Regulatory Framework calls for renewed Customer Focus, and in particular, the need to ensure services are provided in a manner that responds to identified needs and customer preferences. On this basis, in addition to conducting two waves of customer satisfaction research each year involving Residential and Small Business Customer Satisfaction Tracking Study, Hydro One conducted an additional "booster" study in 2013. The objective of this booster study was to assess the attitudes and opinions of customers towards Hydro One in regards to the provision of reliable electricity and their willingness to accept additional rate increases to improve current levels of reliability and service.

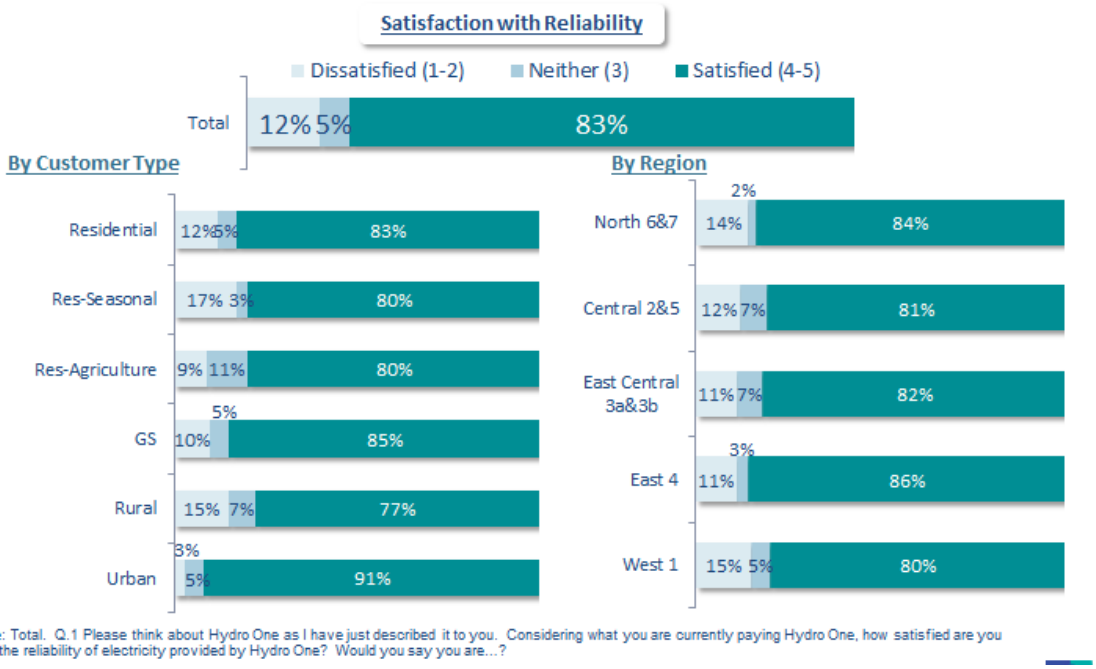
The majority of the customers surveyed (83%) are satisfied with the reliability of electricity provided considering what they are currently paying. Customers were asked to rank three reliability improvements in order of perceived value. Customers indicated that fewer power outages was considered the most valuable improvement by close to half of all customers. More frequent updates of power restoration was ranked the least valuable by half of customers who participated in the survey.

Very few customers (2% to 3%) said they were very willing to pay more for each of the three improvements measured. Slightly more than one in ten customers are somewhat willing or very willing. The main reason customers are unwilling to pay more for

reliability improvements is price related - customers feel that their current prices are high enough. See Figure 2 for details.

Figure 2

Customer Satisfaction with Reliability



Hydro One will continue to, on an annual basis, measure customer attitudes and preferences related to reliability and their willingness to pay for improvements. This will allow the Company to identify trends and changes to customer preferences and to ensure the company has a meaningful body of research from which to draw.

Customer satisfaction is also assessed through other customer engagement activities described below. In combining all the survey and engagement results Hydro One identifies and then prioritizes what the customer responses indicate that they want from Hydro One.

3.0 CUSTOMER ENGAGEMENT BEYOND THE SURVEY

Understanding the voice of the customer and their needs and preferences goes beyond structured customer research processes. The following outlines additional channels of customer engagement facilitated by Hydro One to assist in understanding customer needs.

Customer Advisory Board (CAB)

Hydro One's **Customer Advisory Board** (CAB) was established in September 2002 to provide a forum for ongoing communication with its customers. Its mandate is to provide advice to the management of Hydro One on how best to provide services to Hydro One customers. The CAB meets up to four times a year as a means of reviewing company initiatives, work program progress, and to understand key customer stakeholder concerns and needs. Specific activities include:

- Providing input and direction regarding customer bill changes associated with the recent CIS conversion;
- Reviewing draft rate applications before they are submitted to the OEB.
- sharing of proposed policies in the development stage to allow for the inclusion of customer input; and
- introduction of proposed customer initiatives to review and provide support (i.e. Mobile Electricity Discovery Centre launched in September 2013) to ensure Hydro One is focusing in the correct areas.

The Advisory Board is designed to be representative of Hydro One's customer base, including both Transmission and Distribution customers. The Advisory Board includes customers / representatives who are affiliated with the following associations and groups:

- Association of Major Power Consumers in Ontario (AMPCO)
- Electricity Distributors Association (EDA)
- Association of Power Producers of Ontario (APPrO)
- Consumer's Council Canada (CCC)
- Ontario Federation of Agriculture (OFA)
- Canadian Manufacturers and Exporters (CME)
- Vulnerable Energy Consumers Coalition (VECC)
- Federation of Ontario Cottagers Associations (FOCA)
- Small, Medium and Large LDCs
- End Use Industrial

Customer Relations Centre (CRC)

Hydro One listens to our customers through a sophisticated Call Centre. Within that Centre there is a Specialized Group that reviews escalated complaints called the CRC. This group is dedicated to working with MPPs, the OEB, the Ombudsman, Executive requests and other escalated customer complaints to resolve issues and to determine the root cause of those issues. Hydro One then uses this information to identify areas of work or processes that could be changed or enhanced to prevent recurrence of the same issues.

Customer Focus Groups

Customer Focus Groups are facilitated from time to time as a means of understanding customer preferences and to gather input regarding Hydro One as a service provider, its specific approaches to customer impacting investments and how best to communicate this to the customer. They also are used to test new products and programs that Hydro One may be considering introducing to the marketplace. For example;

- When enhancing our award winning Interactive Voice Response (IVR) system, customer focus groups were held to understand customer preferences and irritation points with IVR systems and to assist with menu, language and voice selections.
- When developing customer oriented communications material to support our Customer Information System (CIS) conversion, customer focus groups were held to ensure the content and language was comprehensive, clear, customer oriented and understandable.

Meetings and Stakeholder Sessions

First Nations Communities Meetings

Meetings are held with Specific Groups such as First Nation Communities to discuss topics that address their needs. For example, Hydro One staff goes to their communities to describe the billing and receivables management processes and policies. During these sessions, staff also ensures there is access to programs that support these communities. Hydro One consults with the First Nations Communities when any new facilities or maintenance activities are proposed.

Stakeholder Sessions

In preparation for the filing of the Hydro One Distribution Rate Application, Hydro One Distribution sought stakeholder input in three main areas: how to address studies in the areas of line loss, rate classification, and seasonal customer rates; what customized features to include in Hydro One's plans for the Custom application framework; and obtain feedback on the key issues and challenges with Hydro One's 2015 to 2019 Distribution Rate Application. For further details regarding the four stakeholder sessions held, refer to Exhibit A, Tab 20.

Other Channels

Hydro One also uses Other Channels such as the bill insert or direct mail to communicate with customers. It may also target getting the information out through its presence at community events, municipal conferences, stakeholder meetings (like Federation of Ontario Cottagers, or Ontario Farmers' Assoc.) or other events that customers may attend. For example, when Time Of Use rates were coming in and rates were increasing in 2010, Hydro One designed an "Understanding Your Power" fall fair tour (approximately 20 events) with customized panels to explain to customers the value of electricity, what Hydro One does and what their Distribution rates pay for.

4.0 WHAT THE CUSTOMER RESPONSES INDICATE

Combining all of the customer survey research results and the other customer engagement activity input Hydro One has determined that the customers currently want Hydro One, in priority order, to:

1. Maintain or reduce their Total Bill; Assist in managing the customer's bill.

2. Meet commitments and timelines for planned outages and ensure accurate and timely Estimated Time of power returning (ETR) for unplanned outages
3. Maintain reliability for residential customers and address power quality for large customers
4. Ensure the customer is the focus in planning work programs by making the link between investments and the levels of service our customers tell us they expect.
5. Demonstrate value; become the customer's trusted advisor; Communicate effectively; and be present in their communities.

5.0 EXECUTIVE CUSTOMER EXPERIENCE GOVERNANCE COUNCIL

Hydro One has an Executive Customer Experience Governance Council (CE Council) that reviews the prioritized list of customer needs described above in order to determine the appropriate internal processes and policies that need to be updated or introduced to address these needs. This cross-functional executive group then assigns initiatives to internal business units in the areas where research analysis has shown that improved processes or programs could yield improvements in customer experience.

Hydro One's Customer Experience Vision, developed by the CE council and illustrated below in Table 3, assists Hydro One in consistently delivering positive customer experiences and shifting the organization's focus towards customer-centricity. Investing in that Vision is assisting Hydro One in building a trusted relationship with its customers; implementing low cost communication channels; driving work efficiencies; lowering operations costs; meeting the company's commitments to customers; having seamless service delivery; and implementing energy efficiency programs.

Table 3

Customer Vision

Ability to develop customized solutions and deliver a superior customer experience

- Gather and leverage customer information
- Proactively segment and treat customers individually
- Respect the customer's time and privacy – be responsive and efficient



Fully connected across Hydro One, enabling seamless service

- Information is consolidated, updated and accessible in real time
- We are engaged and empowered, able to make decisions and get on with the job
- We adapt quickly to changing customer needs

Drive for simplicity in our internal processes and systems

- Strive for 'one and done' at every interaction, reduce hand-offs
- Enhance accessibility: in person, on phone, on web
- Ensure effective self-service for all simple transactions
- Drive for simplicity in our internal processes and systems

Driving efficiency & effectiveness through innovating & service delivery transformation

- Exploit Mobile and GIS to simplify field work
- Focus on reducing overhead costs and improving productivity
- Make timely, prudent investments which add value for customers

6.0 ADDRESSING CUSTOMER CONCERNS

The following Sections demonstrate how Hydro One is specifically addressing each of the key areas of customer concern.

6.1 Maintain or Reduce Total Bill; Assist In Managing the Bill

Hydro One will continue to deliver its core services in an efficient manner and earn customer trust by assisting them in reducing bills through energy efficiency initiatives. Customers have commented that Hydro One helped them to reduce their bills by providing energy conservation tips and describing programs offered by Hydro One when talking to call centre representatives as well as having useful energy conservation messages on their bills and in bill inserts. For example, Hydro One has completed an in-depth review of the rates charged for the various miscellaneous services Hydro One performs. The charges and rates have been revised to reflect the actual costs of performing those services to ensure only the customers using those services are paying for them and no cross-subsidization with the total customer base occurs. For further details of the Miscellaneous Charges see Exhibit G2, Tab 5, Schedule 1.

The Cost Efficiencies / Productivity exhibit (Exhibit A, Tab 19, Schedule 1) illustrates programs and initiatives Hydro One Hydro One is employing to realize cost savings to help maintain the impact on rates.

6.2 Outage Handling/Restoration

Hydro One's goal is to reduce the number and length of outages. This is a great challenge due to the nature of Hydro One's system with overhead distribution lines deployed over long distances, which are subject to significant weather-related events and vegetation encroachment. Keeping customers informed of outages, including timely communication with accurate outage information is crucial to maintaining outage handling satisfaction.

Hydro One is accomplishing this by:

- replacing its current Outage Response Management System (ORMS) which is an integrated set of applications used to manage planned and forced outages with interfaces to the Customer Information System (CIS) and Interactive Voice Response system (IVR) Auto dialer. The replacement of ORMS will provide proactive information to customers, improved call handling and enhanced dispatch capability. See Exhibit D2, Tab2, Schedule 3 for ISD O-06
- Hydro One One is also implementing proactive communication efforts to improve customer service by leveraging the smart meter data to provide real-time outage data to customers including planned outage start and end times, restoration activities and restoration times for unplanned outages. 70% of customers sign up for Proactive Estimated Time of Restoration (PETR) when involved in an outage. Updates are sent automatically when triggered by a change in status outside of the pre-set parameters. 84% of customers are satisfied with the PETR.
- Hydro One Mobile Application - Hydro One is the first Canadian electrical utility to offer their customers a free, downloadable outage tracking application for outages. To date, 250,000 customers have downloaded the application on smart phones, BlackBerrys, iPhones and tablet devices.
- The Integrated Voice Communications and Telephony System (IVCT) Refresh investment (See Exhibit D1, Tab 3, Schedule 4) includes web-based compatibility

to improve outage information updates. Web-based compatibility for the auto dialer will allow high volume proactive calls 3,000 per minute; provide text to speech as well as canned messages; and facilitate pre/post outage communication and updated messages.

Another initiative is proactive, planned pole replacement. For example, a planned outage to replace poles in the same geographic area takes only 2 hours per pole, while an unplanned outage where only the downed or damaged pole is replaced takes 9 hours per pole. This initiative minimizes outage duration and costs. Further details can be found in Exhibit D1, Tab 3, Schedule 2.

6.3 Reliability

Average reliability levels are accepted by the vast majority of customers. Hydro One is introducing new customer tools, data and technology to improve system reliability such as lightning arrestors, new switches, automatic sectionalizing devices, or tie-line construction for more critical use customers.

Examples include:

- Network Outage Management System (NOMS) Refresh (ISD O-02) - This Operationally Effective investment is to review the viability of NOMS. NOMS is an essential tool for planning, scheduling, assessing and executing distribution system outages. For further details see Exhibit D2, Tab 2, Schedule 3.
- Reliability Improvements (ISD D-06) - This customer-focused investment is to maintain reliability for residential customers and address power quality for large distribution customers. For further details see Exhibit D2, Tab 2, Schedule 3.

- Field Workforce Optimization and Mobile IT (ISD IT-05) - This Operationally Effective investment is to eliminate inefficiencies resulting from duplicated manual processes. For details see Exhibit D2, Tab 2, Schedule 3.
- Trouble Call and Storm Response Program (ISD S-08) - This customer-focused investment is to maintain reliability for residential customers and to improve power quality issues for Large Distribution Account customers in accordance with the Distribution System Code. For details see Exhibit D2, Tab 2, Schedule 3.

6.4 Prioritization and Planning

Based on customer priorities and customer satisfaction strategies, investment alternatives are developed and included in the Investment Prioritization Process (IPP) found in Exhibit A, Tab 17, Schedule 3. Customer focused considerations are embedded within the IPP; specific investments are evaluated in conjunction with asset and business needs as well as risks and objectives to guide the planning activities.

The result of the IPP is a balanced work program that is mindful of cost effectiveness with customer expectations associated with reliability. Investments and initiatives are prioritized and paced to promote rate predictability and affordability. Hydro One recognizes that a principle driver of customer dissatisfaction is the size of the bill and rate increases. During the IPP, importance is placed on mitigating rate impacts and selecting investments that provide customer value. Recent survey results have led to the development of customer-centric investments designed to build stronger relationships and mitigate cost impacts.

For example;

- the implementation of the Customer Information System (CIS) has improved operational efficiencies and reduced costs; and

- The customer-focused New Connections, Service Upgrades and Metering (ISD D-01) investment is to meet the on-going demand to connect new customers and upgrade services of existing customers in compliance with the Electricity Act s.28 and the Distribution System Code s.3.1. For details see Exhibit D2, Tab 2, Schedule 3.

6.5 Customer's Trusted Advisor; Communicate Effectively and Community Engagement

Communication and customer service have been identified by customers as a priority area for Hydro One to focus on in order to satisfy customer needs and benefits. Recent initiatives to enhance the handling of customer calls and improve the contact experience include: an automated call back service for periods when wait times are longer than standard; continued enhancements to the Interactive Voice Response system (IVR) and improvements to assist customers when accessing Hydro One by telephone during storm outages. Opportunities are assessed based on factors such as finding a balance between service improvements and enhanced features, and the cost to deliver such services. Details on Customer Service investments may be found in Exhibit C1, Tab 2, Schedule 5.

The transaction surveys have indicated a need to focus on first call resolution by providing accurate information and improving the automated system experience. Initiatives to enhance the handling of customer calls to improve the contact experience are ongoing.

Hydro One also has investments planned for a mobile 'My Account' feature extending our web functionality, Time-of-Use Portal and alert and notification services to customers' smart phones. This is an important solution as our customers are looking for

the ability to access Hydro One in ways convenient to them. See ISD IT-06 in Exhibit D2, Tab 2, Schedule 3 for details.

Education and information are key customer expectations. Hydro One has developed the Mobile Electricity Discovery Centre ("the Discovery Centre"). It will be a focal point of Hydro One's customer education and engagement campaign. The Discovery Centre is a mobile classroom which includes interactive displays and exhibits to help customers understand the electricity system and how it is changing. The Discovery Centre allows Hydro One to directly respond to questions about distribution system modernization activities, and future plans. Customer surveys show 94% of visitors had a positive impression of the Discovery Centre.

Being seen in the customer's communities is also a key expectation. Hydro One is a partner in its customers' communities. Hydro One annually participates in a number of community events across the province, including local fairs, cottage shows and the International Plowing Match. These community events demonstrate Hydro One's commitment to the communities it operates within, and provides customers an opportunity to learn more about conservation programs, smart meters, and forestry practices.

Conferences provide an opportunity to speak with elected officials and municipal leaders, promote initiatives and develop partnerships. Some of the annual conferences Hydro One participates in include:

- The Association of Municipalities of Ontario (AMO) Conference;
- The Ontario East Municipal Conference (OEMC);
- The Northwestern Ontario Municipal Association (NOMA) Conference;
- Canada's Smart Grid Roadshow; and
- The Metal Theft Symposium.

Participation in "Arbour week" annually provides Hydro One the opportunity to teach children about the importance of trees in the environment, and staying safe around trees and surrounding power lines. In addition to community events, Hydro One promotes safe and sustainable tree planting through the Right Tree-Right Place campaign and Tree-for-Tree replacement program. The Right Tree-Right Place campaign encourages the planting of compatible vegetation near right-of-ways so that newly planted trees and shrubs never interfere with the safe operation of power lines in the community; this initiative maintains reliability and mitigates future vegetation management costs.

Other educational programs Hydro One participates in include:

- Scientists in Schools - More than 600,000 primary school children participate in the educational charity Scientists in School workshops each year.
- First Nations Youth Skilled Trades Camp - The objective is to expose youth to different trades and career opportunities.
- Lieutenant Governor's First Nations Reading Camp - The camps benefit more than 2,300 children annually through interactive programming focusing on strengthening reading, writing and math skills.

7.0 SUMMARY

As shown throughout this exhibit Hydro One listens to its customers, analyzes their needs and then modifies or creates new work programs that are responsive to the customer's needs. There are many channels through which Hydro One listens to its customer's as described in Sections 2 and 3 of this exhibit. Thorough analysis of all the customer survey research is undertaken using several analytic tools to ensure the results are timely, representative and unbiased leading to customer-centric business and investment planning. This customer and business outcome focus is demonstrated throughout the evidence filed in this application.

RESULTS OF THE TRANSACTIONAL SATISFACTION SURVEYS

Analysis of the **Transaction Satisfaction Surveys** focuses on strengths and weakness regarding how Hydro One has addressed the customer's concern for each transaction investigated. An in depth analysis is undertaken for each transaction analyzed. For example, in meeting the callers' needs when the call is completely handled by technology requires a different approach than when the call is handled by an agent. When an agent takes a call they need to focus on sharing information and investigating the background circumstances that caused the customer to need to speak with an agent to resolve the call. They can solicit feedback throughout the call to understand if they are meeting customer needs. The automated calls need to focus on anticipating all the information needs of the customer. In 2013, the overall Satisfaction rate for Agent handled calls at the Call Centre was 82%. Below find results of the analysis for this example.

Agent Handled Calls

Of Agent Handled Calls, Highest ranked questions where customers were "Very Satisfied" and their score is 75% or better YTD 2013	**Of Agent Handled Calls, Lowest ranked questions where customers were "**Very satisfied" but their score is 60% or worse YTD 2013
• Courtesy of Agent • Agent understanding what was wanted or needed • Agent showing a genuine commitment to help • Agent answering questions promptly	• Agent going above and beyond service level expected

IVR Handled Outage Calls

The IVR system is the tool used to advise customers of the status of an outage or to report an outage when they call in. The overall satisfaction rate for IVR handled outage calls was 87%.

Of IVR Handled Calls, Highest ranked questions where customers were "Very Satisfied" and their score is 75% or better YTD 2013	**Of IVR Handled Calls, Lowest ranked questions where customers were "**Very satisfied" but their score is 60% or worse YTD 2013
• Menu categories included the reason customer called • System was easy to use • System was familiar with location once customer told it where he/she lived	• System letting customer know what actions would be taken when call was finished • System providing accurate information • System fully explaining the reason for the outage • System letting customer know when power would be restored • Accuracy of Estimated Restoration Time

IVR Handled Self-Serve Calls

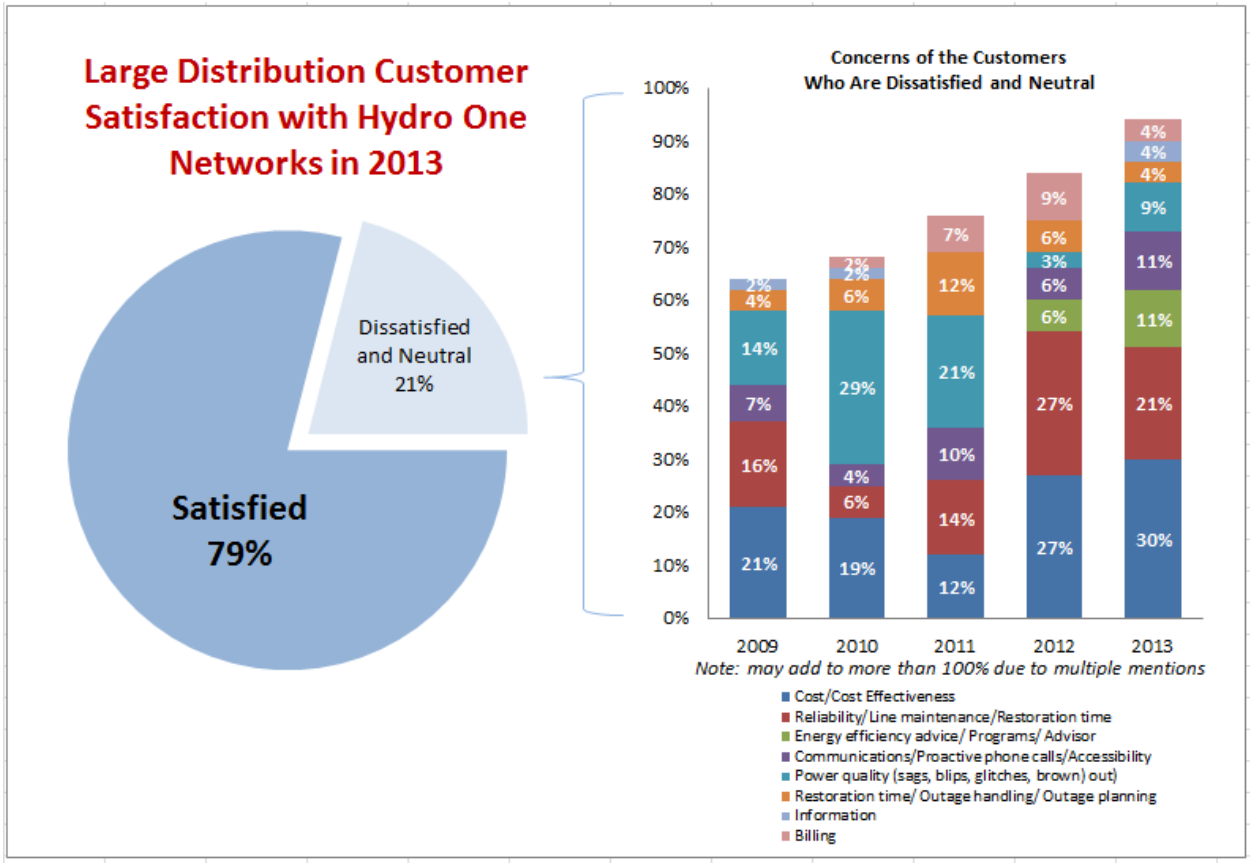
Survey results from customers opting to use the IVR self-serve system indicate an 88% overall Satisfaction rate.

Of IVR Handled Self-Serve Calls, Highest ranked questions where customers were "Very Satisfied" and their score is 75% or better YTD 2013	**Of IVR Handled Self-Serve Calls, Lowest ranked questions where customers were** "Very satisfied" but their score is 60% or worse YTD 2013
• Menu categories included the reason you called	• System being quick to use • System giving confidence that needs were understood

RESULTS OF THE LARGE DISTRIBUTION AND COMMERCIAL CUSTOMER SURVEYS

All **Large Distribution Account** customers are asked about the main issue they would like to see Hydro One address. As shown in the table below, the growing concern regarding costs and reliability observed in 2012 has continued into 2013 survey results. Overall Satisfaction for the Large Distribution Account customers is 79%. 21% of Large Distribution Account customers were either Dissatisfied (14%) or Neutral (7%).

Large Distribution Account Customers Overall Satisfaction



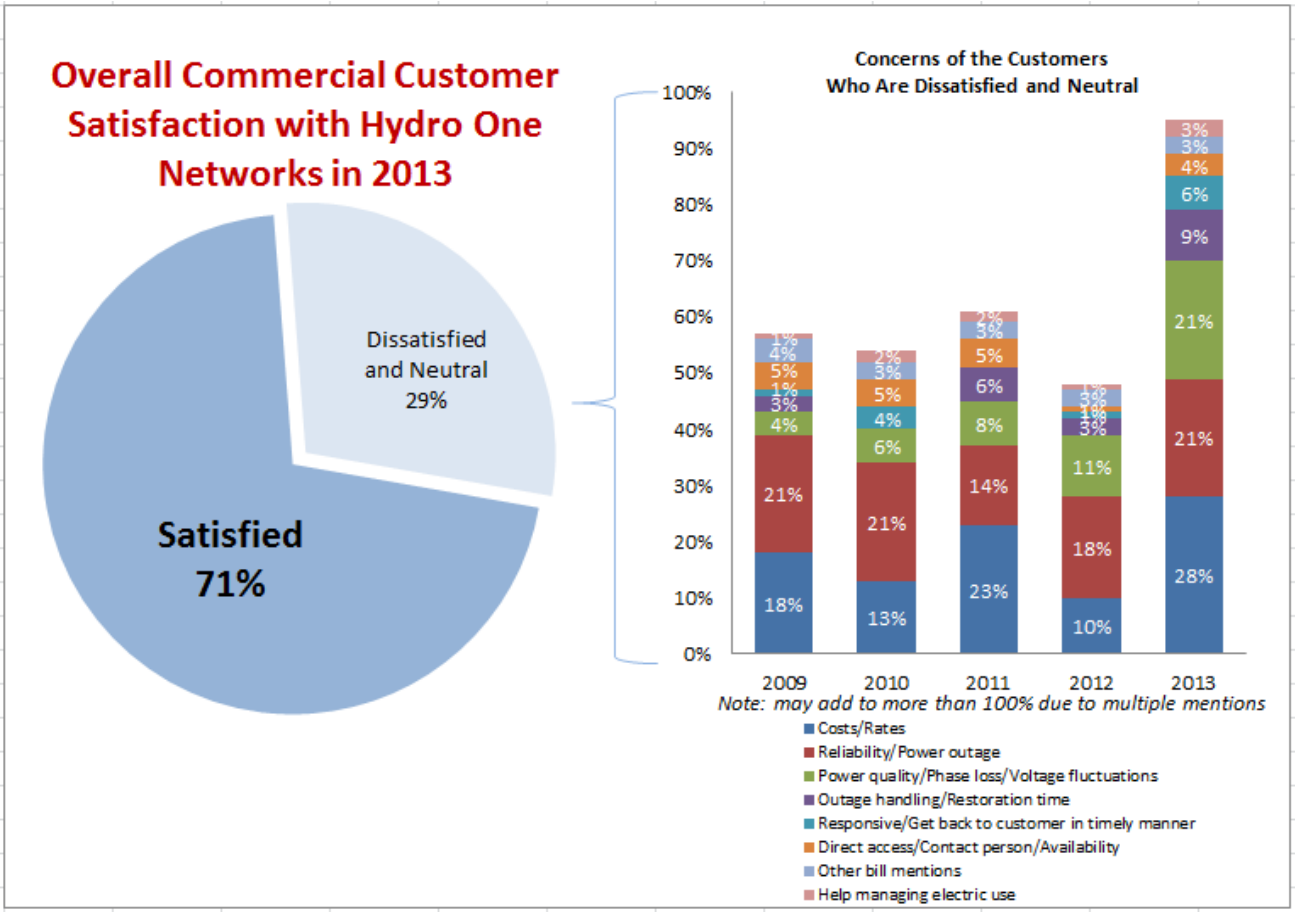
Customers whose RATING were 3 OR LESS:

What issues or concerns were you thinking of when you rated Hydro One?

Large Distribution Accounts	2009	2010	2011	2012	2013
Cost/cost effectiveness	21%	19%	12%	27%	30%
Reliability/line maintenance/restoration time	16%	6%	14%	27%	21%
Energy efficiency advice/ programs/ advisor				6%	11%
Communications/proactive phone calls/accessibility	7%	4%	10%	6%	11%
Power quality (sags, blips, glitches,	14%	29%	21%	3%	9%
Restoration time/ outage handling/ outage planning	4%	6%	12%	6%	4%
Information	2%	2%			4%
Billing		2%	7%	9%	4%

Similar to Large Distribution customers, **Commercial** customers would like Hydro One to focus on Costs and reliability, power quality, restoration time and outage handling equally. Commercial Customers overall satisfaction rate was 71%. 29% of customers who were either Dissatisfied (13%) or Neutral (13%)

Commercial Customer Overall Satisfaction



Commercial	2009	2010	2011	2012	2013
Costs/rates	18%	13%	23%	10%	28%
Reliability/power outage	21%	21%	14%	18%	21%
Power quality/phase loss/voltage fluctuations	4%	6%	8%	11%	21%
Outage Handling/restoration time	3%		6%	3%	9%
Responsive/get back to customer in timely manner	1%	4%		1%	6%
Direct access/contact person/availability	5	5	5	1	4%
Other bill mentions	4%	3%	3%	3%	3%
Help managing electric use	1%	2%	2%	1%	3%

SUMMARY OF DISTRIBUTION BUSINESS

1.0 INTRODUCTION

Hydro One Networks Inc. is licensed by the Ontario Energy Board (the "Board") to own, operate and maintain electricity distribution facilities in the Province of Ontario.

Hydro One's mandate is "the safe, reliable and cost-effective transmission and distribution of electricity to Ontario electricity users." In delivering on its mandate, Hydro One operates as a commercial enterprise with an independent Board of Directors that will at all times exercise its fiduciary responsibility and duty of care to act in the best interests of Hydro One.

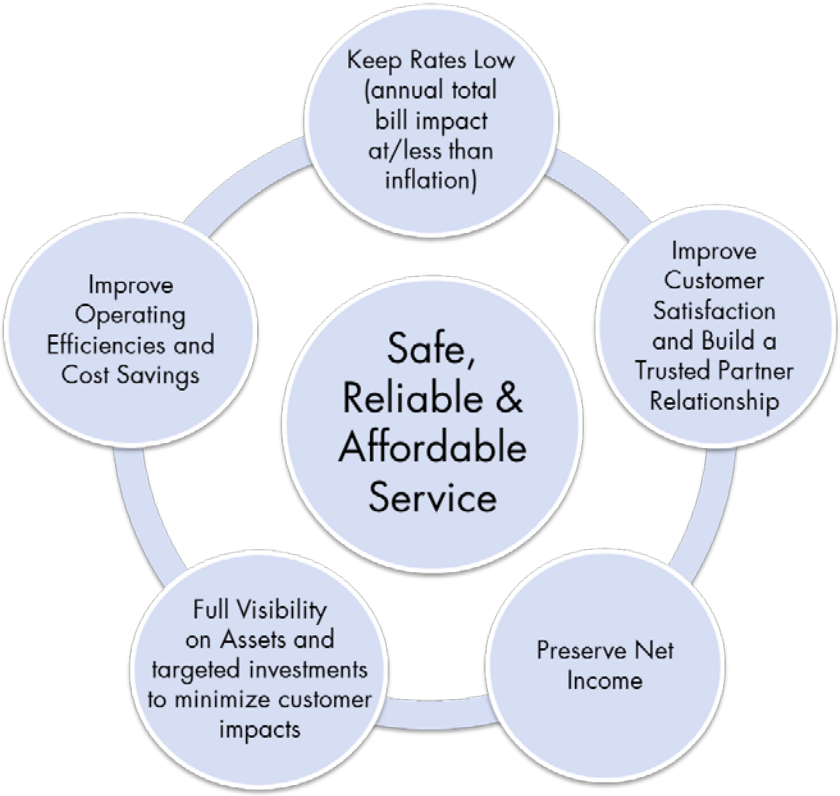
Hydro One's distribution system is one of the largest systems in North America, serving a predominately rural customer base. Hydro One's distribution facilities are the backbone of Ontario's electricity system, covering 75% of the province's geography and serving 28% of Ontario's customers. In recent years, Hydro One's distribution system has experienced changes such as the influx of distributed generation, the installation of advanced distribution equipment and the introduction of new tools leveraging existing technology.

1.1 Hydro One's Values

Hydro One is driven by the values of Safety, Stewardship, Excellence and Innovation with the ultimate goal of providing safe, reliable and affordable service. The company works in an environment that can be dangerous for both workers and the public, and so safety is of the utmost importance. The stewardship of critical provincial assets is a serious responsibility. The Company demonstrates sound stewardship in a manner that

respects both customers' needs and the environment. Excellence is achieved through continuous training to ensure the Company is prepared and equipped to deliver high quality and affordable service. The Company values innovation because it is a key success factor for its future that allows it to find better ways to meet customer needs. Hydro One's Value Proposition is summarized in Figure 1.

Figure 1: Hydro One Value Proposition



Customers expect and deserve reliable power at reasonable rates. Hydro One's strategy and business plan must ensure rates can finance infrastructure investment needs while maintaining affordable and reliable service. While customer satisfaction with the Company's performance remains strong, customers face a growing array of changes and challenges, and they increasingly look to Hydro One to help them manage their use of

power, maintain high levels of service reliability and keep prices reasonable. With the introduction of smart meters and the smart grid, Hydro One Distribution will face increasing demands from its customers. The Company is prepared to meet their expectations.

1.2 Strategic Goals and Performance Targets

The company's strategic objectives commit it to:

- Creating an injury-free workplace and maintaining public safety.
- Satisfying our customers.
- Focusing on continuous innovation to ensure a modern, flexible and advanced distribution system.
- Building and maintaining reliable and affordable transmission and distribution systems.
- Protecting and sustaining the environment for future generations.
- Championing people and culture.
- Maintaining a commercial culture that increases value for our shareholder.
- Achieving productivity improvements and cost-effectiveness.

These strategic objectives do not stand alone and are inextricably linked. They drive the fulfillment of the Company's mandate and the achievement of its mission and vision, which is:

> "*Hydro One will be an innovative and trusted company delivering electricity safely, reliably and efficiently to create value for our customers.*"

The company will operate with clear operational and financial performance targets. Where data is available, Hydro One will benchmark its performance against that of other North American utilities and will put plans and programs in place to achieve its vision. The five-year goals associated with the Company's strategic objectives are shown in Table 1.

Table 1

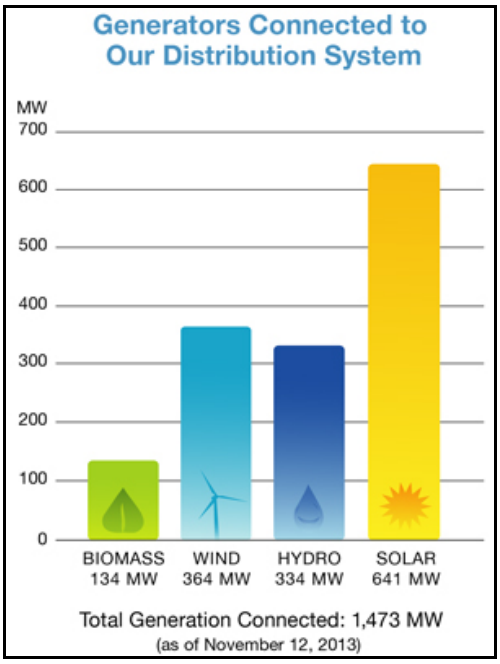
STRATEGIC OBJECTIVES	FIVE-YEAR VISION
Creating an injury-free workplace and maintaining public safety	Achieve world-class standing for medical attentions for utilities
Satisfying our customers	Achieve an on average of 90% customer satisfaction across all segments
Focusing on continuous innovation to ensure a modern, flexible and advanced distribution system	Meet 100% of advanced distribution system plan
Building and maintaining reliable, affordable transmission and distribution systems	Maintain the current levels of reliability relative to comparable utilities, while we improve customer service and satisfaction
Protecting and sustaining the environment for future generations	Reduce our environmental footprint
Championing people and culture	Achieve and maintain employee engagement at top quartile of comparable utilities
Maintaining a commercial culture that increases value for our shareholder	Achieve the Return on Equity allowed by the Ontario Energy Board and maintain an "A" credit rating
Achieving productivity improvements and cost-effectiveness	Achieve top-quartile unit costs against comparable utilities

The strategic objectives identified in Table 1 underpin and drive the Company's business planning process and all of its activities going forward.

2.0 SYSTEM BACKGROUND

The Hydro One distribution system has evolved over more than 100 years. Hydro One manages over $5 billion in distribution assets supplying electricity to customers across the province of Ontario. The assets consist of about 120,000 circuit kilometers of distribution line and 1,004 distributing and regulating stations. The distribution system delivers electricity at voltages below 50 kV from Ontario's transmission and generation systems to 34 Local Distribution Companies and approximately 1.2 million Retail Customers and 44 directly connected large users (> 5MW). The system is also increasingly being used to serve distributed generators. As of November 2013, approximately 1,500 MW of generation has been connected, consisting of micro-embedded, small, medium and large sized facilities. This is displayed in Figure 2 below. Further, Hydro One forecasts that DG connections will continue to grow by an additional 1,380 MW by 2019. Hydro One plans to continue upgrading the distribution system to improve the operation and monitoring of these DG connections.

Figure 2: Generation Connected to H1 Distribution System



The Hydro One distribution system is mainly radial in design, with very little transfer capability in supply to customers, which is consistent with other rural systems. Because of this configuration, most component failures require immediate repair to restore service. To effectively manage the response to trouble calls from customers, the initial problem assessment and dispatching of a response is handled through a single facility, the Ontario Grid Control Centre ("OGCC").

The Hydro One distribution system typically operates in a service territory characterized by low customer densities. To cost-effectively provide operating, maintenance and restoration services there are a number of Service Centers located throughout the Province. These Service Centers provide base locations for field crews and related materials, tools and equipment.

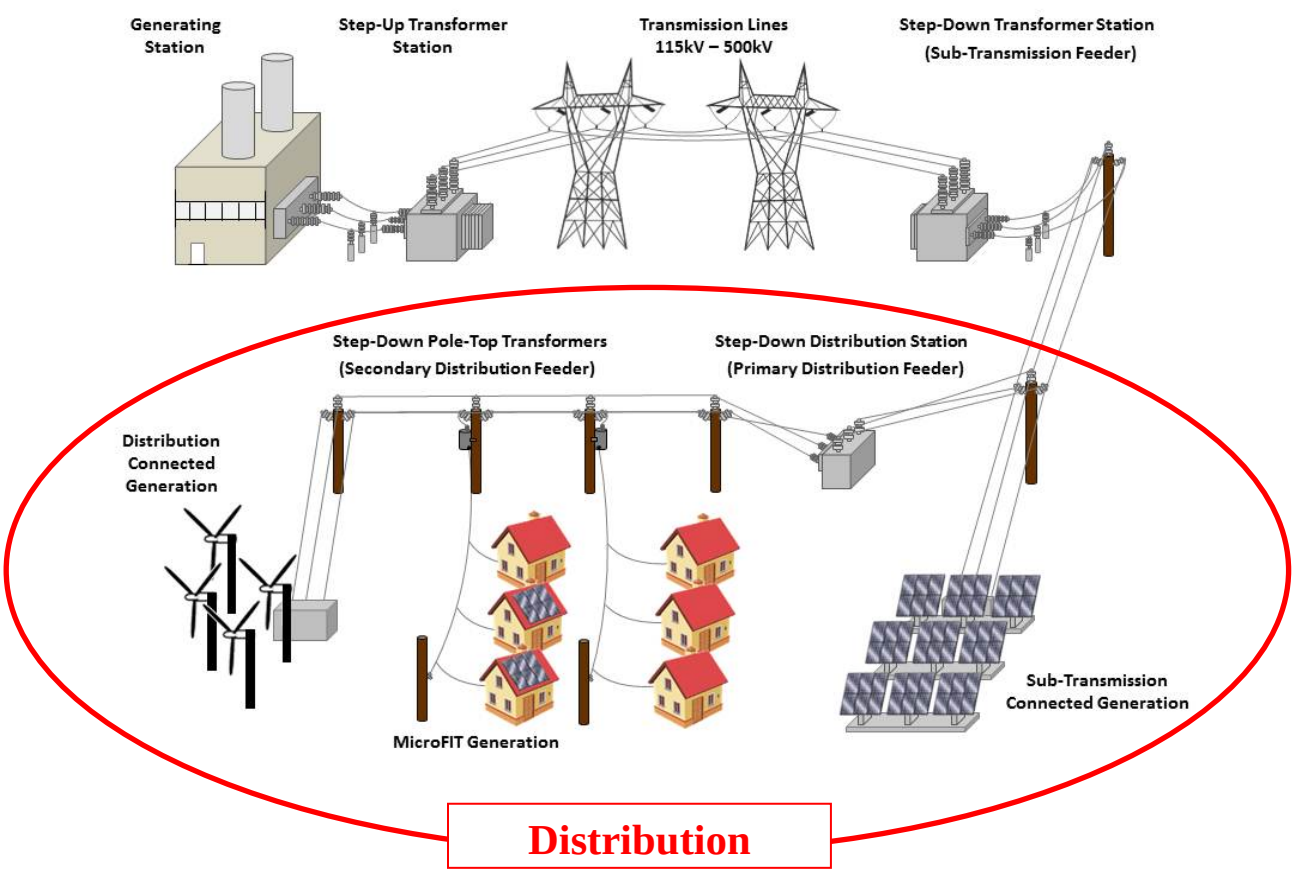
3.0 DISTRIBUTION SYSTEM COMPONENTS

The Hydro One Distribution system receives wholesale electricity from the transmission system and delivers it to consumers at lower voltages through a series of radial assets. It is also used to take electricity from distributed generation facilities connected directly to the distribution system. The system consists primarily of the following assets:

- Subtransmission feeders
- Distribution stations
- Primary distribution feeders
- Pole top and pad mounted transformers
- Secondary distribution feeders

Figure 3 provides a simplified illustration of Hydro One Networks' distribution system.

Figure 3: Hydro One Networks' Distribution System



3.1 Subtransmission Feeders

Hydro One's 25,000 circuit kilometers of subtransmission feeders predominately originate at transmission transformer stations and in some cases at distribution stations. They provide a link between Hydro One Networks' system and large distribution connected customers, (e.g. generators, distribution LDCs) and other end use customers. Typically, subtransmission feeders supply service at 44 kV, 27.6 kV, 25 kV, 22 kV and

13.8 kV directly to end-use customers or deliver service to distribution stations, owned by either Hydro One or other LDCs, where further voltage transformation takes place.

In some cases, regulating stations are used to maintain voltages on subtransmission feeders within the prescribed limits. This is needed because the line voltage increases or decreases depending on load variations at the distribution stations supplied by the sub-transmission feeders.

3.2 Distribution Stations

Distribution stations step down voltage from transmission or sub-transmission levels to primary distribution voltage for distribution to commercial, industrial, farm, year-round residential and seasonal residential customers. When the output of distributed generation served from a distribution station exceeds the demand of load customers served by that station, the distribution station may also step up voltages back to the transmission or sub-transmission level as the flow reverses from the normal direction of serving load.

Distribution stations typically consist of one or two transformers, depending on the load that needs to be supplied. A loss of any one element (such as a transformer or a feeder) at a distribution station will normally result in the interruption of service to all customers served from that element until the failed component is repaired or replaced, or until an alternate service is enabled.

3.3 Primary Distribution Feeders

Hydro One Distribution has 95,000 circuit kilometers of primary distribution feeders operating from 4 kV to 13.8 kV. These feeders are radial circuits that deliver power from distribution stations to individual customers via pole top and pad mounted transformers,

and include overhead circuits, underground cables and submarine cables. These feeders are also being used to serve increasing numbers of new generators. Since the system was originally designed to provide power flow in only one direction, upgrades to both equipment and protective devices are often required to ensure that unsafe flows from distributed generation facilities do not occur.

3.4 Pole Top and Pad Mounted Transformers

Hydro One has 450,000 pole top transformers that are used to step down primary distribution voltages to secondary voltage levels, the voltage level used by residential and small commercial customers. Hydro One's system also has almost 50,000 pad mounted transformers which perform the same function when power is supplied by underground feeders.

Depending on the proximity of adjacent customers, each single-phase pole top or pad mounted transformer may supply several customers at 240/120 volts whereas a three-phase pole top or pad mounted transformer supplies a single customer at 600/347 volts or 208/120 volts.

3.5 Secondary Distribution Feeders

Hydro One Distribution's system has approximately 52,000 kilometers of secondary distribution feeders to connect pole top or pad mounted transformers to individual customers with the secondary voltage levels described previously. These feeders could be either underground or overhead when originating from a pole top transformer and underground only when originating from a pad mounted transformer.

4.0 WORK PLANNING AND SYSTEM OPERATIONS

Hydro One's distribution investment needs are determined as part of the corporate business planning process discussed in Exhibit A, Tab 17, Schedule 1. Individual investments are developed taking into account various factors such as asset risk assessment, historical performance data, asset criticality, availability of spare equipment and material, asset demographics, load growth and future capacity requirements using the process described in Exhibit A, Tab 17, Schedule 3. Individual investments are submitted for further evaluation against all other investments proposed by the Company using the prioritization approach described in Exhibit A, Tab 17, Schedule 4.

The annual work plan is broadly grouped into Sustaining, Development and Operations categories, as further described below.

4.1 Sustaining

Asset sustaining work is defined as the work required to maintain existing infrastructure and facilities such that they operate at their required performance level. Hydro One Distribution plans and executes asset sustainment work to maintain customer delivery reliability system-wide while meeting applicable legislative, regulatory, safety and environmental requirements. The capital component of sustaining work deals primarily with refurbishment or replacement of end of life components or systems. The OM&A component of sustaining work addresses preventive and breakdown (corrective) maintenance within the useful life span of the asset.

The Sustainment OM&A and Capital components of the investment plan are described in Exhibit C1, Tab 2, Schedule 2 and Exhibit D1, Tab 3, Schedule 2, respectively.

4.2 Development

Hydro One plans and executes development projects and programs on the distribution system to connect new load and generation customers, and to ensure that the system has sufficient capability to supply existing and forecast loads. These projects and programs also maintain service reliability to customers, ensure that service is within acceptable utility standards, and in some cases mitigate risks through improvements to network configuration. The work is largely driven by load and generator customer demand and involves both short-term and long-term system reinforcement projects. Funding levels are based on system reinforcement needs while meeting the requirements of the Distribution System Code and Hydro One's Conditions of Service.

The Development OM&A and Capital components of the investment plan are described in Exhibit C1, Tab 2, Schedule 3 and Exhibit D1, Tab 3, Schedule 3, respectively.

4.3 Operations

The Operations category primarily includes work to operate the distribution system on a day-to-day basis. The distribution system is operated through a combination of central control and dispatch via the OGCC, and local response by field crews operating from service centers across Hydro One Distribution's service territory. This approach allows for efficient problem-identification and dispatch of personnel as well as timely customer notification. Currently the Hydro One Distribution system relies on power-off calls by customers to identify interruptions except at locations where a sub-transmission feeder originates at a transformer station. Real time monitoring exists at these transformer stations, but not on other locations on the distribution system. With Smart Meters, there exists the potential to further develop monitoring and operational abilities. The operating environment is also evolving rapidly due to the impact of increased distributed generation

connections. Hydro One has initiated pilot smart grid projects to test new technologies to leverage the potential benefits of smart meters and distributed generation while still satisfying high standards of safety and reliability.

The Operations OM&A and Capital components of the investment plan are described in Exhibit C1, Tab 2, Schedule 4 and Exhibit D1, Tab 3, Schedule 4, respectively.

5.0 ASSET MANAGEMENT MODEL

Hydro One has adopted an Asset Management model in designing the processes used to plan, approve and implement work. The key principles include having functions primarily responsible for defining the work requirements (Asset Management functions) and functions primarily responsible for delivering asset and customer based services in accordance with the defined work (Work Execution functions). Primary responsibility for planning and decision making associated with the management of distribution assets falls under the Asset Management functions, whereas primary responsibility for providing engineering, design, estimating, construction, maintenance, operating, and customer care services falls under the Work Execution functions.

Both components of the business participate in all phases of work planning and implementation. However, the focus created by this approach allows Hydro One Distribution to better create the competencies and cost-efficiencies to effectively plan and implement the work.

5.1 Asset Management Functions

Hydro One manages its distribution assets using two main processes, Strategy Development and System Investment.

5.1.1 Asset Stewardship & Strategy

The Asset Stewardship & Strategy function provides a managed approach for developing strategies, policies, and standards associated with the operation, maintenance and expansion of the distribution system. This function is specifically responsible for designing programs to:

- Ensure compliance with regulatory and reliability requirements.
- Achieve business objectives such as public and employee safety, reliability, productivity and customer service.
- Provide feedback for continually improving process effectiveness and asset/business performance.
- Incorporate new methodologies and refine existing methodologies to improve effectiveness and productivity of processes in place.

The Asset Stewardship & Strategy function provides the strategies and framework used by the System Investment function to develop programs and investments for Hydro One's distribution assets.

5.1.2 System Investment

Hydro One's distribution business strives to continually improve the efficiency and effectiveness of the regulated wires assets. This involves asset management processes and practices to ensure that the asset related decisions are consistent with customer service standards, are cost-efficient and effective. These decisions are aimed at developing a prioritized and rationalized investment plan for the operation, maintenance and upgrade of existing assets, and the addition of new assets.

Hydro One utilizes a planning approach which recognizes that the distribution business encompasses a portfolio of assets that must be managed over the long term and reflects the fact that not all assets have the same life cycle characteristics or the same criticality with respect to achieving business values and performance.

In preparing investment plans, the planning function utilizes asset risk assessment information described in Exhibit A, Tab 17, Schedule 7, historical performance data, asset criticality, availability of spares and asset demographics to develop a detailed list of specific work needs.

Each specific work need is evaluated against Hydro One's business values to establish the benefit of the work and the associated risks of not conducting it. Solutions are developed to mitigate these risks on a program-by-program basis. For each program the costs, benefits and risks are assessed to determine the impact ratings for each business value and all investments are then prioritized in accordance with the process described in Exhibit A, Tab 17, Schedule 4. This prioritized list of programs is then detailed, scheduled and implemented by the work execution functions.

Substantial new generation will continue to connect to Hydro One's distribution system over the next few years, and the distribution planning function has evolved to proactively accommodate this new generation, while continuing to maintain reliability and power quality for other customers, and ensuring the necessary operational and planning flexibility to respond to changing system needs.

5.2 Work Execution Functions

The primary work execution functions within Hydro One include Customer Operations, Grid Operations, Engineering and Construction Services.

5.2.1 Customer Operations

The Customer Operations function is responsible for the design, estimating, scheduling and completion of line construction and maintenance work for lines, including forestry and customer care support services. As well, the Customer Operations function has accountability for planning and connecting new retail customers to the distribution system and to address local system planning issues. The work activities are managed through the following core processes:

- Estimating Process,
- Planning and Scheduling Process,
- Project Management Process,
- Customer Connection Process,
- Condition Assessment, Line Maintenance, and Lines Sustaining Capital work execution,
- Lines Trouble Response and Corrective Action Process,
- Lines Development Capital work execution,
- Work Program Management, and
- Work Reporting Processes.

Lines and Forestry services provide for the maintenance of overhead and underground distribution lines and for vegetation management. The vegetation management program is necessary to ensure that clearances to energized equipment are maintained and that these clearances provide a sustainable level of reliability.

Customer care services may be divided into the following high-level functions: meter reading; billing; settlements; customer contact handling; and collections.

5.2.2 Grid Operations

The Grid Operations function provides maintenance and technical services for stations and protection and control. This function also provides central operations and services for distribution which includes distribution system operation from the OGCC. The work activities are managed through the following core processes:

- Estimating Process,
- Planning and Scheduling Processes,
- Condition Assessment, Station Maintenance, and Station Sustaining Capital work execution,
- Trouble Response and Corrective Action Process,
- Work Program Management, and
- Work Reporting Processes.

The OGCC coordinates an extensive outage program with various internal stakeholders and external customers to support Hydro One's distribution expansion and maintenance programs. Required outages are assessed and coordinated to minimize their impact on reliability and customer operation.

Grid Operations also maintains back-up operating facilities which serve as a fully redundant back-up to the OGCC.

5.2.3 Engineering and Construction Services

The Engineering and Construction Services functions provide services ranging from engineering and design to the construction and commissioning of new or enhanced facilities. These projects include the engineering, estimating, project management, and

construction of stations, system protection and control, as well as engineering services as required. The work activities are managed through the following core processes:

- Estimating Process,
- Planning and Scheduling Process,
- Project Management Process, and
- Project/Program Controls Process.

6.0 RELIABILITY

The reliability of the distribution system and its ability to deliver power to customers without interruption is measured using the following two OEB and industry metrics:

- System Average Interruption Duration Index ("SAIDI")
- System Average Interruption Frequency Index ("SAIFI")

SAIDI is a measure that indicates the amount of time without power that an average customer on Hydro One's distribution system experienced in a given year. SAIFI is a measure that indicates the number of times that an average customer on Hydro One's distribution system experienced an interruption in a given year.

Reliability performance is affected by the level of equipment maintenance and replacement programs, which ensure assets remain in good operating condition, and by the level of vegetation management, which ensures that outages caused by tree contacts are minimized. In addition, the time required to respond to a power interruption has a direct impact on restoration time and therefore impacts the SAIDI measure.

The following two figures illustrate Hydro One's reliability performance over the 2010 to 2013 period. Note that an event is considered *force majeure* when it impacts more that 10% of customers served by Hydro One.

Figure 4: Yearly SAIDI Performance

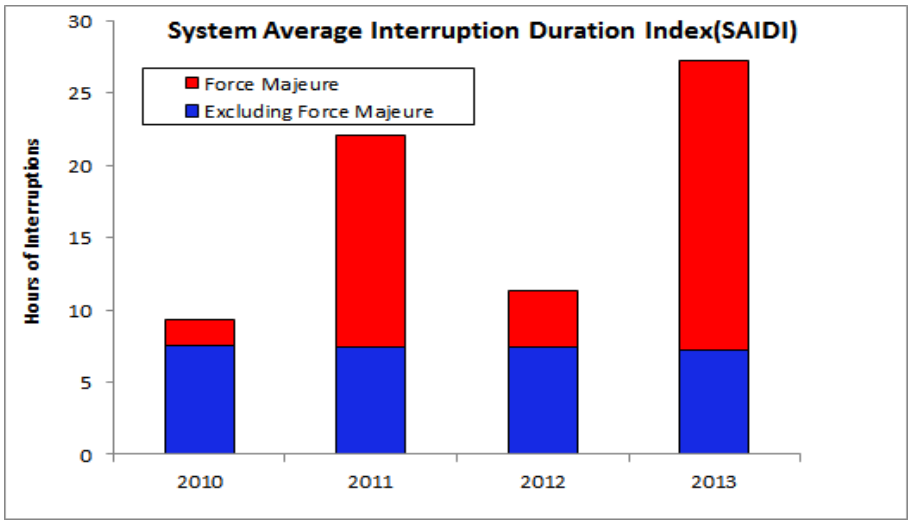
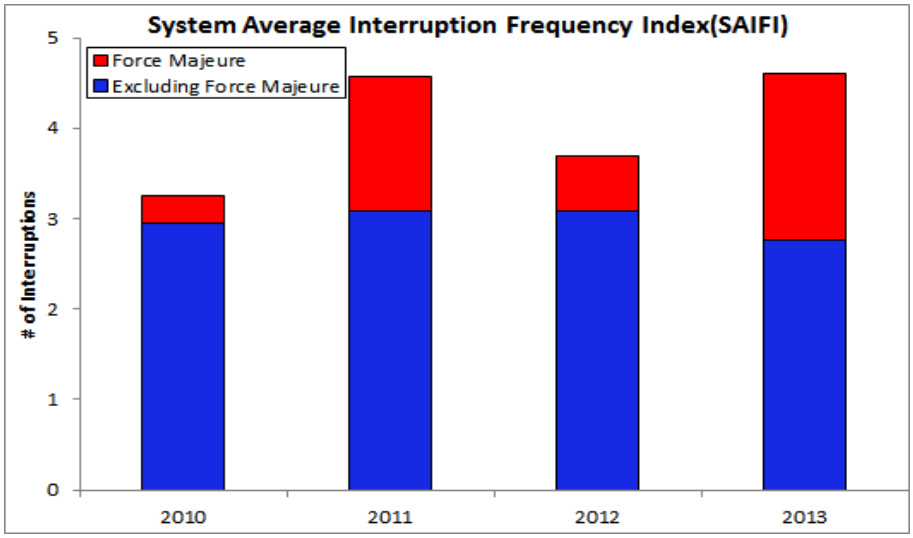


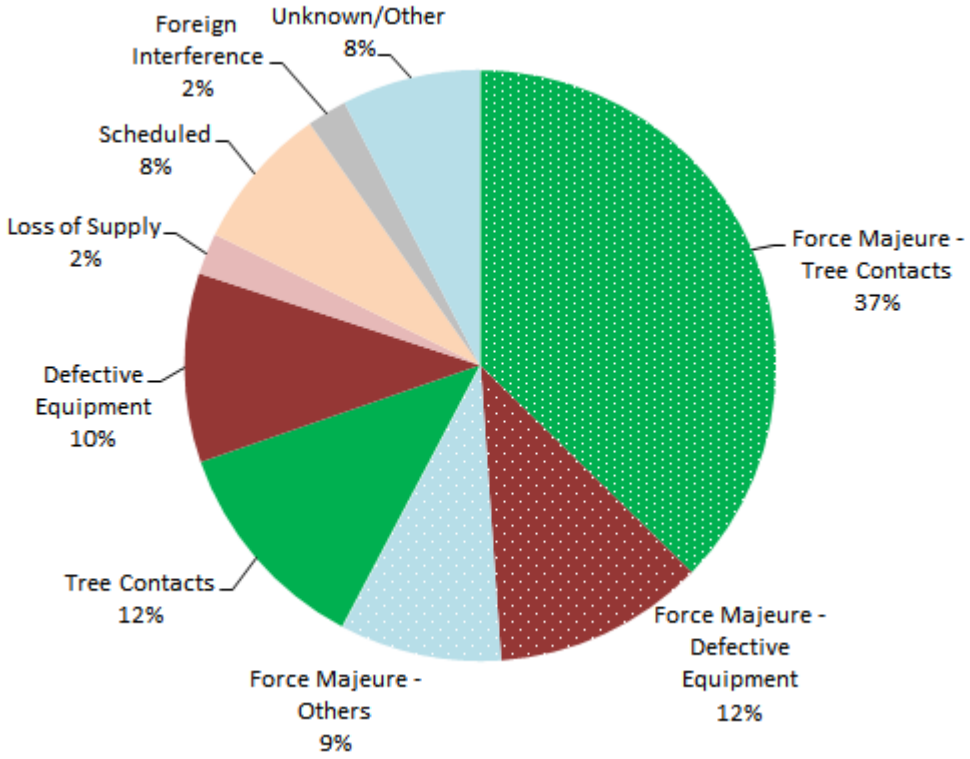
Figure 5: Yearly SAIFI Performance



Excluding *force majeure* events, performance for SAIDI and SAIFI has remained relatively consistent during the 2010 to 2013 period. Including *force majeure* events, performance has varied significantly from year to year due to variations in the number and severity of storms that have affected the Hydro One distribution system in a given year.

Figure 6 below illustrates the factors that contributed to the SAIDI performance over the 2010 to 2013 period.

Figure 6: Contributions to SAIDI - Four Year Average 2010 – 2013

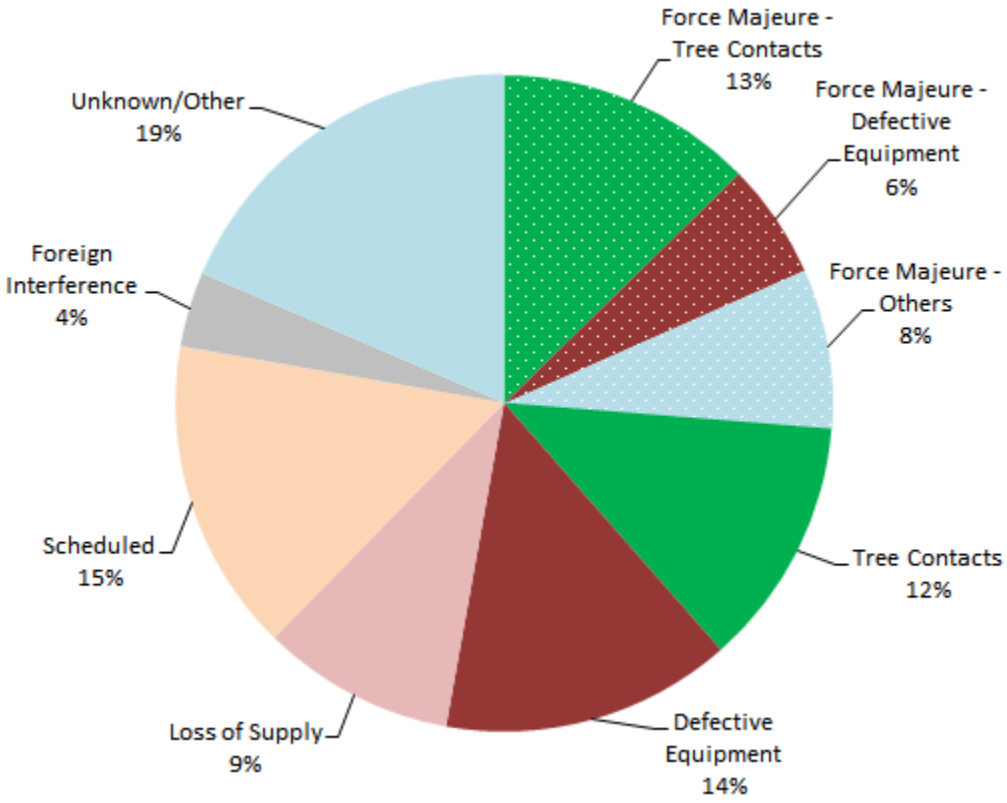


Outages attributed *to force majeure* events (e.g. high winds, ice or snow) contributed to 58% of SAIDI. With a focus on specific causes, it is noted that tree contacts account for

49% of total SAIDI (37% *force majeure* and a further 12% excluding *force majeure*). The next largest contributor to SAIDI was defective equipment at 22% (12% *force majeure* and a further 10% excluding *force majeure*).

Figure 7 below illustrates the factors that contributed to the SAIFI performance over the 2010 to 2013 period.

Figure 7: Contributions to SAIFI - Four Year Average 2010 – 2013



Tree contact was the main contributor to SAIFI totaling 25% (i.e. 13% *force majeure* and a further 12% excluding *force majeure*). The other significant contributor was defective equipment at 20% (i.e. 6% *force majeure* and a further 14% excluding *force majeure*).

DISTRIBUTION SYSTEM PLAN

Hydro One Distribution's application contains the information described in Chapter 5 of the Ontario Energy Board *Filing Requirements for Electricity Distribution Rate Applications (last revised on July 17, 2013) – Consolidated Distribution System Plan Filing Requirements*. Table 1 in section 2.0 below maps the Chapter 5 headings to the corresponding exhibits in this application.

1.0 DISTRIBUTION SYSTEM PLAN OVERVIEW

This section contains an overview of Hydro One's Distribution System Plan ("DSP") as described in section 5.2.1 of Chapter 5.

(a) The DSP aims to maintain fourth quartile reliability service levels through the test years, while targeting improvements in some more problematic areas. The key elements of the DSP that affects Hydro One Distribution's rates proposal are: the capital expansion or enhancement of the distribution system to accommodate system-wide load growth or to relieve system capacity constraints; the replacement of assets that have reached end-of-life, that pose a safety/environmental hazard, or that have sustained damage by storms in order to maintain a reliable distribution systems. This involves increasing the replacement rate of wood poles, refurbishing aging distribution stations, replacing PCB-contaminated equipment, and increasing the number of line refurbishment projects. Details on the forecast capital requirements are set out in Exhibit D1, Tab 3.

(b) Hydro One Distribution anticipates realizing cost savings due to business transformation initiatives, back office efficiencies, investments in technology and

other business sytem replacements. More details are available in Exhibit A, Tab 19, Schedule 1.

(c) The DSP covers the period 2015 to 2019. Where appropriate, information has been provided for years 2010 to 2014 (historical and bridge years). Financial information for 2014 is forecasted information.

(d) The DSP for 2015 to 2019 was approved as part of the overall Hydro One business plan by the Hydro One Board of Directors in November 2013.

(e) An important change in Hydro One Distribution's asset management process since its last rebasing application (EB-2009-0096) is the adoption of its "Asset Risk Assessment" methodology in its decision-making process. Previously, Hydro One Distribution relied upon an "Asset Condition Assessment and Analysis" methodology, which is described in its last application. Building upon that approach, Hydro One Distribution has since enhanced the quality of its asset data and process to systematically evaluate the risk associated with distribution assets in order to improve decision-making and prioritize investments. The end result is its "Asset Risk Assessment" process. Details on these improvements are set out in Exhibit A, Tab 17, Schedule 7.

(f) Aspects of the DSP that relate to or are contingent upon the outcome of unknown future events are addressed in Exhibit A, Tab 4, Schedule 3. Details with respect to the regional planning process are set out in Exhibit A, Tab 17, Schedule 8.

2.0 RELEVANT EXHIBITS

Table 1 below maps the exhibits used in this application to the section headings used in Chapter 5 of the Ontario Energy Board *Filing Requirements for Electricity Distribution Rate Applications (last revised on July 17, 2013) – Consolidated Distribution System Plan Filing Requirements*.

Table 1

Chapter 5 Headings and the Corresponding Exhibits in this Application

Chapter 5 Headings		Corresponding Exhibit	
5.1.4.1	Regional planning and consultations	A-17-8	Regional Planning Process (and Attachment)
5.1.4.2	Renewable energy generation investments	A-7-1 (App.A)	Distribution System Plan
5.1.5	Performance reporting	A-4-4	Outcome Measures
5.2.1	Distribution system plan overview	A-7-1	Distribution System Plan
5.2.2	Coordinated planning with 3rd parties	A-17-8	Regional Planning Process
5.2.3	Performance measurement for continuous improvement	A-4-4	Outcome Measurements
		A-18-1	Service Quality Indicators
5.3.1	Asset management process overview	A-17-1	Planning Process
		A-17-2	Asset Management Planning Process
		A-17-3	Investment Plan Development
		A-17-4	Investment Prioritization Process
		A-17-5	Project/Program Approval & Control
		A-17-7	Asset Risk Assessment
5.3.2	Overview of assets managed	A-6-1	Summary of Distribution Business
		D1-2-1	Distribution Assets Investment Overview
		C1-06-1	Depreciation and Amortization Expenses (Attachment 1 – 2013

Chapter 5 Headings		Corresponding Exhibit	
			Depreciation Rate Review pp.42-53.)
5.3.3	Asset lifecycle optimization policies and practices	A-17-2	Asset Management Planning Process
		A-17-3	Investment Plan Development
		A-17-4	Investment Prioritization Process
		A-17-7	Asset Risk Assessment
		C1-2-2	Sustaining OM&A
		C-02-09	Common Corporate Costs OM&A – Asset Management
5.4.1	Capital expenditure plan – Summary	D1-3-1	Summary of Capital Expenditures
5.4.2	Capital expenditure planning	A-17-1	Planning Process
		A-17-2	Asset Management Planning Process
		A-17-3	Investment Plan Development
		A-17-4	Investment Prioritization Process
		A-17-7	Asset Risk Assessment
5.4.3	System capability assessment for renewable energy generation	D1-3-3	Development Capital
		C1-2-3	Development OM&A
5.4.4	Capital expenditure summary	D1-3-1	Summary of Capital Expenditures
		D2-2-1	Comparison of Net Capital Expenditures – Historic, Bridge, and Test Years
		A-17-1 to A-17-8	Planning Process Asset Managing Planning Process Investment Plan Development

Chapter 5 Headings		Corresponding Exhibit	
			Investment Prioritization Process Project/Program Approval & Control
5.4.5	Justifying Capital Expenditures	D1-3-2	Sustaining Capital
		D1-3-3	Development Capital
		D1-3-4	Operations Capital
		D1-3-5	Customer Service Capital
		D1-3-6	Summary of Corporate Common Costs Capital
		D1-3-7	Corporate Common Costs Capital – Information Technology
		D1-3-8	Corporate Common Costs Capital – Facilities and Real Estate and Station Security Infrastructure
		D1-3-9	Corporate Common Costs Capital – Transport, Work and Service Equipment
		D2-2-2	List of Capital Expenditure Programs/Projects in excess of $1M
		D2-2-3	Investment Summary for Programs/Projects in excess of $1M

3.0 INVESTMENT TERMINOLOGY

In this application, Hydro One Distribution has continued to use the terminology of "Sustaining", "Development", "Operations", "Customer Services" and "Common Corporate Costs" to accurately reflect the company's internal system of investment planning and to apply consistent definitions to historical expenditures and forecast expenditures. This identification of assets is consistent with all previous distribution and transmission applications filed with the Board. This

categorization of investments is similar to, but does not precisely align with the categorization of investments set out in Chapter 5.

Table 2 below reconciles the Ontario Energy Board's investment categories of "System Access", "System Renewal", "System Service", and "General Plant" with Hydro One Distribution's investment categories.

Table 2

OEB Investment Categories and Hydro One Distribution Investment Categories

OEB Category	Hydro One Distribution Category
System Access	Development, Sustaining
System Renewal	Sustaining
System Service	Development, Sustaining
General Plant	Sustaining, Development, Operations, Common Corporate Costs
System O&M	Sustaining, Development, Operations, Customer Services, Common Corporate Costs

Attached as Appendix A is the OPA Comment Letter on Hydro One Distribution's Renewable Energy Generation Investments.

CORPORATE ORGANIZATION CHARTS

1.0 INTRODUCTION

Hydro One Networks Inc. ("Hydro One Networks") is the electricity transmission and distribution successor to the original Hydro-Electric Power Commission of Ontario, which became Ontario Hydro in 1974.

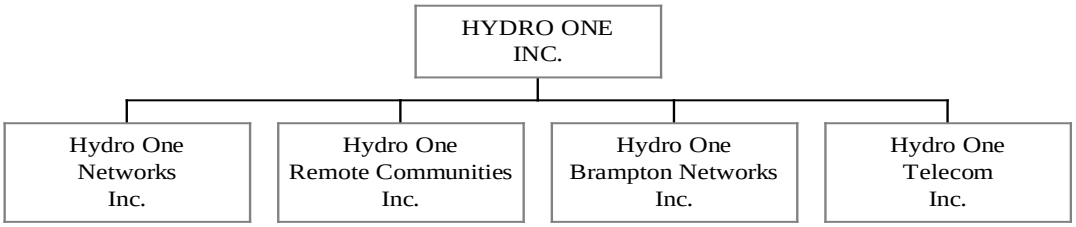
This schedule describes the current organization of Hydro One's electricity distribution business, beginning with an overview of the parent company (Hydro One Inc.), a discussion of the primary utility subsidiary - Hydro One Networks, the distribution business and a brief summary of affiliates and related parties.

2.0 A BRIEF OVERVIEW OF HYDRO ONE INC.

Following the enactment of the *Electricity Act, 1998* and the restructuring of the former Ontario Hydro, Hydro One Inc. was incorporated under Ontario's *Business Corporations Act* on December 1, 1998 as Ontario Hydro Services Company Inc. and commenced carrying on business on May 1, 1999. On May 1, 2000, the company's name was changed to Hydro One Inc. In accordance with Section 48.1 of the *Electricity Act, 1998*, as amended, Hydro One Inc. is a holding company operating through its subsidiaries. Its principal subsidiary, Hydro One Networks is the largest electricity transmitter and distributor in Ontario.

Figure 1 below shows Hydro One Inc.'s principal subsidiaries, each of which is wholly-owned and incorporated under the laws of Ontario. The business functions of Hydro One Networks and of the remaining active subsidiaries are discussed in Sections 3.0 and 5.0 of this Exhibit.

Figure 1
Hydro One Inc.



3.0 HYDRO ONE NETWORKS INC.

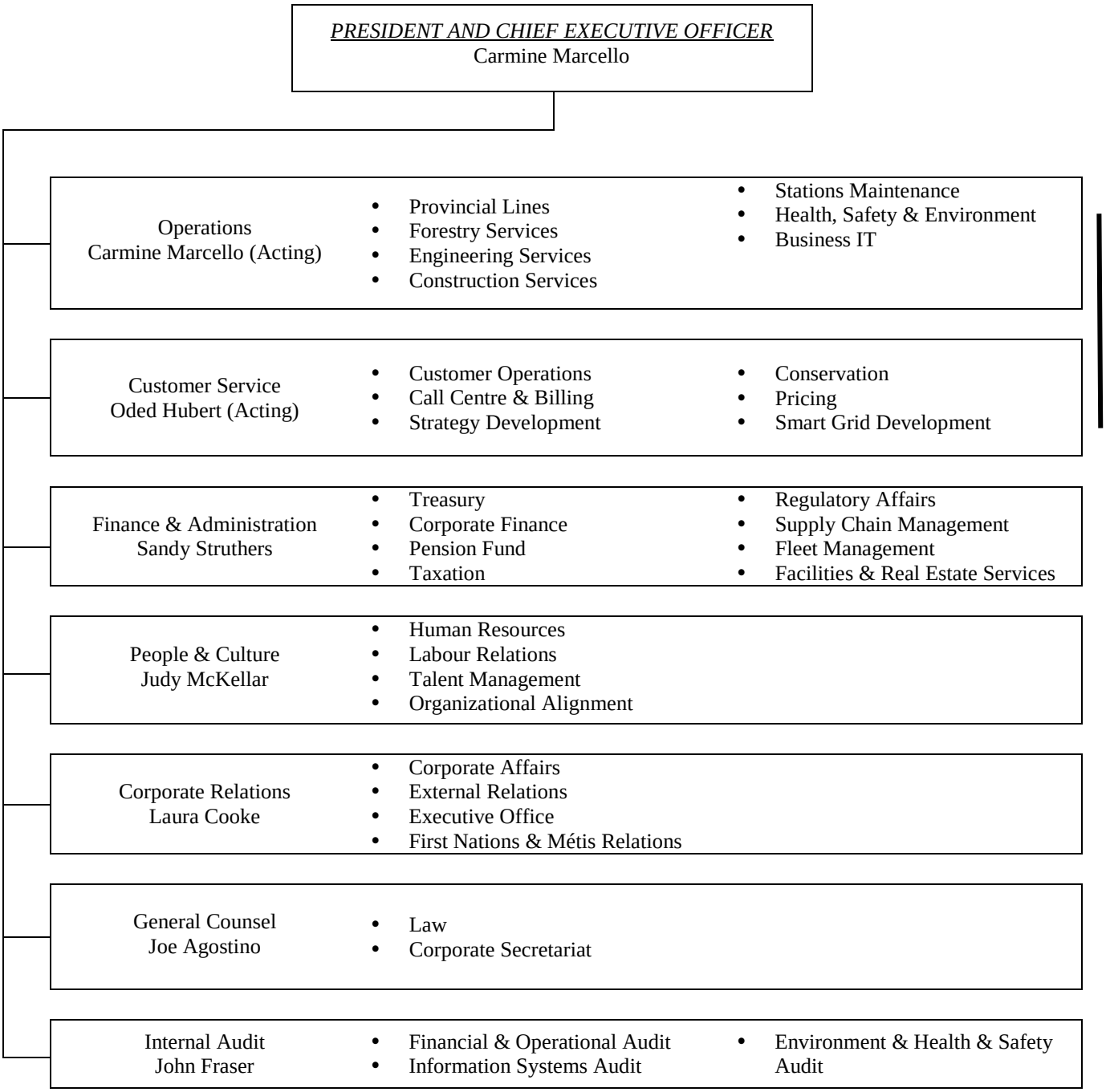
Hydro One Networks is the primary subsidiary of Hydro One Inc. Its principal mandate is established by Section 48 (1) of the *Electricity Act, 1998,* which states:

> *"The objects of Hydro One Inc. include, in addition to any other objects, owning and operating transmission systems and distribution systems through one or more subsidiaries."*

Accordingly, Hydro One Networks, as a subsidiary of Hydro One Inc., is permitted to carry on business related to the ownership, operation and management of both electricity transmission and distribution systems and facilities, under a separate Board-approved licence for each business.

Hydro One Network's business is carried out by two operating divisions (Operations and Customer Service). There are also five service groups (Finance & Administration, People & Culture, Corporate Relations, General Counsel and Internal Audit). An organization chart indicating these divisions and the main functions of each is provided in Figure 2.

Figure 2
Hydro One Networks Inc. Organization



4.0 HYDRO ONE'S DISTRIBUTION BUSINESS

Hydro One Networks is licensed to provide both the transmission and distribution of electricity to customers in Ontario. Operating both businesses from one company has enabled Hydro One Networks to take advantage of a multi-skilled work force. Efficiencies have been realized through the sharing of certain facilities and equipment, where possible.

Although staff, equipment and facilities may be shared, the definition of work specific to the Distribution Business is undertaken annually and appropriate systems, processes and models provide for the isolation of costs related to this work. High level descriptions of the work to be performed by Networks from 2015 through to 2019 in relation to Hydro One's Distribution Business or on distribution assets can be found in the Summary of OM&A Expenses and Summary of Capital Expenditures Exhibits (Exhibit C1, Tab 2, Schedule 1 and Exhibit D1, Tab 3, Schedule 1, respectively), followed by their companion exhibits for Sustainment, Development, Operations, Customer Service and Corporate Common Costs. Details of costs are captured in the historic and test year exhibits for OM&A and Capital (C and D families of exhibits, respectively).

Hydro One utilizes a centralized shared services model to deliver its common services. This serves as the most economic approach. Accordingly, common services are provided to the Transmission and Distribution businesses of Hydro One Networks and to other Hydro One subsidiaries on a centralized basis.

The costs of these services and assets are assigned to business units on the basis of cost causation. These costs and assets are directly assigned where it is possible to do so. All other costs are allocated based on cost drivers, direct benefits or other methods as

appropriate. Exhibit C1, Tab 5 describes these allocation methods, as well as the derivation of the overhead capitalization rate, which determines the assignment of overhead costs to capital expenditures.

Hydro One Distribution has used the results of the 2013 Black & Veatch study to assign common corporate costs as explained in Exhibit C1, Tab 5. This methodology is based on the R. J. Rudden Associates Study that the Board first accepted in the Distribution rate decision in RP-2005-0020/EB-2005-0378 and has accepted in subsequent rate decisions since that time.

5.0 AFFILIATES AND RELATED PARTIES

5.1 Other Subsidiaries of Hydro One Inc.

At the time of filing, as noted in section 2.0 of this Exhibit, Hydro One Inc. holds three other active subsidiaries - Hydro One Remote Communities Inc., Hydro One Brampton Networks Inc. and Hydro One Telecom Inc. The business function of each is provided below:

a) Hydro One Remote Communities Inc. carries on all business relating to ownership, operation, maintenance and construction of generating and distribution assets used in the supply of electricity to remote communities throughout northern Ontario that are not connected to the transmission grid.
b) Hydro One Brampton Networks Inc. carries on all business relating to the ownership, operation and management of electricity distribution systems and facilities in Brampton, Ontario.

c) Hydro One Telecom Inc. carries on all business relating to leasing dark fibre and providing lit capacity to other telecommunications carriers, large corporations, government, health care and education institutions.

5.2 Related Parties

The Ontario Electricity Financial Corporation (the "OEFC"), the Independent Electricity System Operator (the "IESO"), the Ontario Power Authority (the "OPA") and Ontario Power Generation Inc. ("OPG") are related parties of Hydro One Inc., due to their ownership by the Province. Each is described below:

a) The OEFC was established with the passage of the *Electricity Act, 1998*. Its primary responsibility is the management and retirement of Ontario Hydro's outstanding debt and other obligations.
b) The IESO is the centralized independent electricity system operator responsible for maintaining the security and reliability of electricity supply in Ontario and for directing the operations of the IESO-controlled grid. The Board approves the licence, business plan and fees of the IESO.
c) The OPA is mandated to ensure the adequacy and efficiency of electricity supply in the Province through planning of electricity supply and demand.
d) OPG's principal business is the generation and sale of electricity to customers in Ontario and its inter-connected markets. OPG is licensed by the Ontario Energy Board.

HYDRO ONE GOVERNANCE AND CONTROL FRAMEWORK

1.0 OVERVIEW

The Corporate Governance structure and Internal Control Framework of Hydro One Inc. provide assurance regarding Hydro One's effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations. In the past few years, federal and provincial governments and regulators have moved decisively to increase the robustness and transparency of corporate governance, as well as expand the requirements for internal control and disclosure (for example, Ontario's Bill 198).

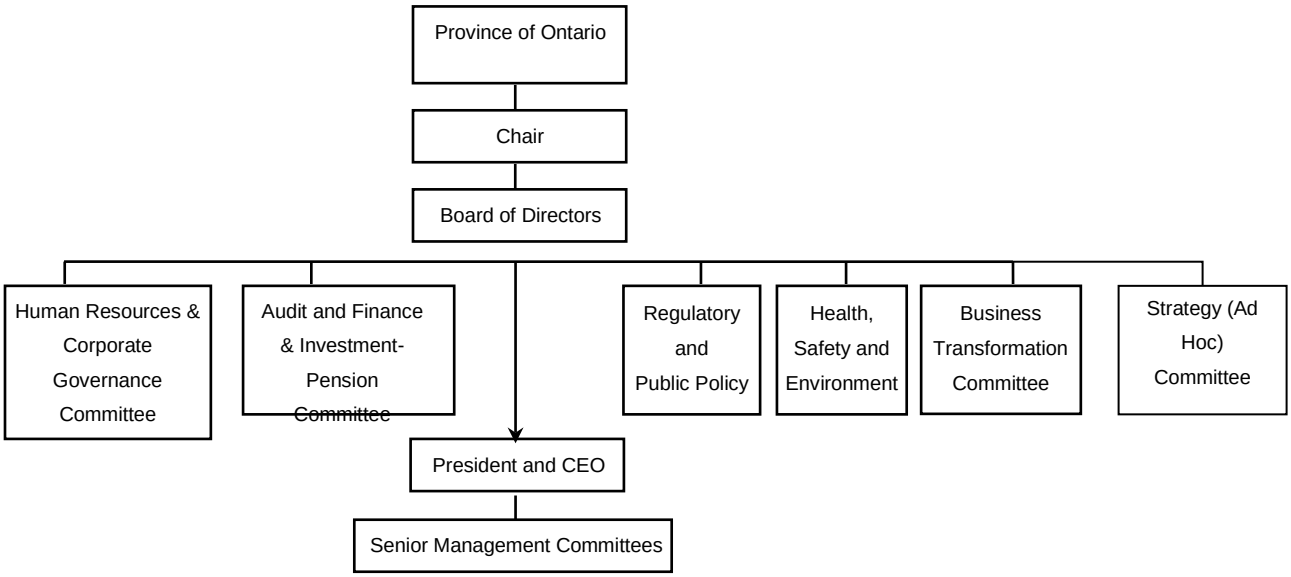
2.0 CORPORATE GOVERNANCE

Corporate governance is the mechanism by which a corporation ensures independent oversight of management activities on behalf of the shareholder(s). For Hydro One Inc., the Board of Directors and its associated committees fulfill this objective, and provide direction and accountability to senior officers to prudently and ethically manage the company's business and affairs, as well as the review and/or approval of mission, goals and business objectives, organizational authorities and business plans.

The company's corporate governance structure is illustrated in Figure 1. Hydro One's Board and Senior Management committees are also described in detail below.

Figure 1

Hydro One Corporate Governance



2.1 The Hydro One Board of Directors

The Board is responsible for the stewardship of the company and the supervision of management of the business and affairs of Hydro One. The Board's accountabilities and responsibilities include development of the company's approach to corporate governance, approval of a strategic plan, oversight of corporate risk management, as well as oversight of the company's pension plan. The mandate of the Board is attached hereto as Attachment 1.

The Board is elected by the sole Shareholder, the Province of Ontario, as represented by the Minister of Energy. By special resolution of the sole Shareholder dated April 25, 2014, it was determined that the number of directors of the Corporation to be elected at each annual meeting of the sole shareholder is fourteen (14).

The Board has undertaken an independence assessment and determined that, except as noted below, all of Hydro One's current directors are "independent" and within the meaning of the rules adopted by the Canadian Securities Administrators. Although the Chair and the President and Chief Executive Officer are Board members, they are considered executive officers of the company.

The Board has separated the roles of Chair and Chief Executive Officer. The prime responsibility of the Chair of the Board is to provide leadership to the Board and to enhance Board effectiveness. The Chair, as the presiding member of the Board, also ensures that the relationships between the Board, management, the shareholder and other stakeholders are effective, efficient and further the best interests of the company. The Chair also encourages input and significant participation of independent directors in the leadership of the company.

2.1.1 Board Meetings

Directors hold regularly scheduled meetings at which members of management are not in attendance. Each Committee of the Board also holds regular in camera sessions without management present. As well, the Audit and Finance Committee regularly holds such sessions with the external auditors and with the internal auditor. All of these sessions encourage open and candid discussion among the directors including the independent directors. A copy of the 2013 Board and Committee meeting Schedule is attached as Attachment 2.

2.1.2 Orientation and Continuing Education

Hydro One's "The Director Orientation and Continuing Education Program" was established in accordance with the principles set out in the *Business Corporations* Act

(Ontario), National Policy 58-201: *Corporate Governance Guidelines*, under the mandate of the Board and the mandates of the Corporate Governance and Audit and Finance Committees. The Director Orientation and Continuing Education Program consists of two elements: the New Director Orientation Program and the Continuing Director Education Program.

The New Director Orientation Program consists of a Hydro One Directors' Guide, which is made available electronically to all new directors upon joining the Board to provide them with an overview of the key organizational, financial, regulatory, and operational aspects of our company. The Directors Guide also contains information on the structure of the Board and its committees, committee mandates and general information on a director's obligations. In addition, new directors receive orientation sessions with the Chair, the President and Chief Executive Officer and members of the senior management team as well as tours of our company's facilities. The orientation sessions familiarize directors with Hydro One's strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its Pension Plan and the directors' obligations as plan fiduciaries, and the Code of Business Conduct.

The Continuing Director Education Program is included on an ongoing basis, as part of regular Board and Committee meetings and the Program includes information briefings, presentations and updates from senior management on relevant topics related to our company's business. These information items are either suggested by management or may be requested by members of the Board. As well, directors receive information from management in response to any actions arising at a board meeting or otherwise. The Continuing Director Education Program also requires reviewing articles and other information from relevant publications forwarded to directors for their information, visits to Hydro One facilities, and attendance at industry events, conferences and seminars where relevant to their duties.

2.2 Committees of the Board of Directors

The Board discharges its responsibilities both directly and through its Committees each of which were established to address specific areas and accountabilities. However, the Board retains its oversight function and ultimate accountability for all matters delegated to committees. Recently, at the Board of Directors meeting of May 6, 2014, the Board approved an amended Board Committee Structure and Membership. The main changes include the establishment of an adhoc Strategy Committee, the merger of the Audit and Finance and Investment Pension Committee and the merger of the Human Resources Committee and the Corporate Governance Committee.

The mandate of the new Strategy Committee will be developed and submitted for review and recommendation to the Board for approval at the Board meeting following the first meeting of the Committee; and the mandates of the two new merged Committees will be amended and submitted to the Board for approval at the August, 2014 Board meeting.

As at May 6, 2014, the Committees of the Board are the Human Resources & Corporate Governance Committee, the Audit and Finance & Investment Pension Committee, the Regulatory and Public Policy Committee, the Health, Safety and Environment Committee the Business Transformation Committee, and the ad hoc Strategy Committee.. The function of these committees is described in the following sections and copies of the mandates of the former Human Resources, Corporate Governance, Audit and Finance and Investment Pension Committees, as well as the mandates of the current Regulatory and Public Policy, Health, Safety and Environment and Business Transformation Committees are attached as Attachment 3.

2.2.1 Human Resources & Corporate Governance Committee

The Human Resources & Corporate Governance Committee reviews the appropriateness of current and future organizational structures, succession plans for corporate and divisional officers and it conducts an annual review of the Code of Business Conduct. The Committee also reviews and approves base salary levels, base salary funding increases and funding for short term incentives. The Committee also acts as the nominating committee for the Hydro One Board of Directors. It recommends director candidates, committee assignments, director compensation and corporate governance policy for Committees and the Board as a whole. The Committee reviews the general and specific criteria applicable to candidates to be considered for nomination to the Board. The objective of this review is to maintain the composition of the Board in a way that provides the best mix of skills and experience to guide the long-term strategy and ongoing business operations of the company. In addition, the Committee undertakes an annual evaluation of the Board and makes recommendations on modifications of the evaluation process. Other obligations include, performing an annual review of the mandates of each Committee of the Board and subsidiary Boards, recommending issues for discussion at Board meetings and monitoring the quality of management's relationship with the Board. The Committee is composed of independent directors.

2.2.2 Audit and Finance & Investment-Pension Committee

The Audit and Finance & Investment-Pension Committee is responsible for overseeing the integrity of accounting policies and financial reporting, internal controls, auditing practices, financial risk exposures, financial compliance, ethics policies for Hydro One Inc. and its subsidiaries and assists the Board of Directors in fulfilling its oversight accountabilities in all matters related to the Hydro One Pension Plan and the Hydro One Pension Fund. Specifically, the Committee makes recommendations regarding financial objectives, plans and the financial risk management strategies of the company. It is accountable for reviewing and recommending to the Board approval of:

- interim and annual audited consolidated financial statements;
- management discussion and analysis disclosures; and
- financial statements in debt securities offering documents and other related matters.

In addition, the Committee reviews the internal audit procedures of the company and advises the Board on its auditing practices and procedures, selects and oversees the work of external auditors and confirms that internal controls are adequate. The Committee also conducts annual reviews (more frequently if deemed necessary) of anonymous complaints brought forward under the Code of Business Conduct. All members of the Committee are independent and financially literate. At least one member of the Committee is an “audit committee financial expert” within the meaning of applicable U.S. federal securities laws. The Committee is composed of independent directors.

2.2.3 Regulatory and Public Policy Committee

The Regulatory and Public Policy Committee monitors the company's compliance with regulatory requirements and related risks and ensures that management is effectively managing those risks. The Committee is responsible for reviewing management's regulatory proposals for transmission and distribution rate applications and the status of outstanding applications. The Committee further identifies, assesses and provides advice to the Board on public affairs issues that may have a significant impact on the company. The Committee is composed of independent directors.

2.2.4 Health, Safety and Environment Committee

The Health, Safety and Environment Committee is responsible for reviewing and ensuring compliance with occupational health, safety and environment legislation, policies, standards and programs. It annually reviews the company's state of readiness to respond to crisis situations, as well as reports of any occupational accidents. This Committee plays an advisory role with respect to changes or additions to environmental policies, standards, accountabilities and programs, and recommends such to the Board for approval. It may also review other health, safety and environment matters, including public health and safety, as appropriate. The Committee is composed of independent directors.

2.2.5 Business Transformation Committee

The Business Transformation Committee is responsible for assisting the Board of Directors in its oversight of matters related to the company's Cornerstone Project, the Advanced Distribution System and Continuous Innovation Strategy. In 2010, the Committee's mandate was further amended to include oversight accountability for all matters related to the planning, development and implementation of major transmission system or distribution projects. The Committee is composed of independent directors.

2.2.6 Strategy Committee (Ad Hoc)

The Strategy Committee's function is to assist the Board of Directors in fulfilling its responsibilities for the Strategic Direction of the Corporation in response to the establishment of the Premier's Advisory Council on Government Assets. The Committee is composed of a majority of independent directors.

3.0 SENIOR MANAGEMENT COMMITTEES

Prudent decision-making and business transparency are supported by three key senior management committees: Executive Committee, Management Pension Committee, and Disclosure Committee.

3.1 Executive Committee

This committee is a decision-making body established to review and approve business plans, capital projects and investments, key operating decisions, regulatory filings, labour strategy, financial performance indicators and other items as required. The Executive Committee also reviews all project approvals prior to going to the Hydro One Board.

3.2 Management Pension Committee

The Management Pension Committee is responsible for approving appropriate pension policies, standards and programs and for ensuring compliance with all applicable legislation, policies and standards.

3.3 Disclosure Committee

The Disclosure Committee operates under the mandate that communications to the public should be timely, factual and accurate and broadly disseminated in accordance with all applicable legal and securities regulatory requirements in Canada and the United States. The committee meets quarterly to review consolidated financial statements and management's discussion and analysis disclosures, offering documents for debt securities, as well as risk assessments prepared for credit rating agencies and the government.

4.0 INTERNAL CONTROL FRAMEWORK

Internal controls ensure the company achieves its mission and goals, by enabling management to deal with rapidly changing economic and competitive environments, customer demands and priorities, and restructuring for future growth. Internal controls promote efficiency, reduce risk of asset loss, and help ensure the integrity and reliability of financial statements and compliance with laws and regulations.

Hydro One Inc.'s Internal Control Framework has five components: the Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring. The framework addresses the elements of each component at the subsidiary (Board) level, corporate (senior management) level and operational (local) level. The

framework is consistent with accepted external standards and control criteria set out by standard setting bodies such as the Canadian Institute of Chartered Accountants and the US Committee of Sponsoring Organizations. Key components of the framework are described in more detail in the following sections.

4.1 The Control Environment

The "Control Environment" refers to direction and oversight from the top of the organization. The control environment component in the framework captures ethical and prudent financial management as established by the Board of Directors and senior management (see Section 2.0), and sets the tone for all financial and project management policies and practices established at lower levels. Regular education sessions on policies, processes and practices/procedures are provided to all staff.

4.1.1 Ethical Business Conduct

The Board has adopted a written Code of Business Conduct (the “Code”) and a Disclosure Policy. The Code sets out a comprehensive set of principles and expectations relating to ethical conduct, conflicts of interest and compliance with laws. The Code is part of Hydro One’s internal control framework, an entity level control, and applies to all of Hydro One’s directors, officers and employees including its subsidiary companies. The Code also applies to Hydro One’s agents, consultants, contractors and business partners, to the extent feasible. The Code is posted on the corporate intranet site and on the external corporate website at www.HydroOne.com. A copy of the Code is attached as Attachment 4.

The Code of Business Conduct requires all management employees to sign an annual compliance form to document that they have read, understood and complied with the

Code, and that all conflicts or potential conflicts of interest have been disclosed. The Corporate Ethics Officer ensures that this process is performed on a timely basis and that a compliance register is maintained and submitted to the President and CEO of Hydro One Inc. Lastly, individual annual performance contracts of management employees are intended to capture the understanding between a manager and a direct report as to expectations and accountabilities and the means by which such performance results will be measured and achieved.

The Hydro One Ethics Officer is accountable for making sure that the appropriate actions are taken to investigate and resolve known or suspected violations of the Code, and for ensuring the tracking and reporting of all violations. The Board monitors compliance with the Code through the Human Resources Committee and the Audit and Finance Committee, to whom the Corporate Ethics Officer reports. The President and Chief Executive Officer is ultimately responsible for our company's compliance with the Code. Further, the Board abides by a Conflict of Interest Policy (see attachment 5) which requires directors to exercise independent judgment when considering transactions and contracts in respect of which a director has a material interest.

4.2 Risk Assessment

"Risk Assessment" is the identification and analysis by management of the key risks to achieving the company's business objectives. This annual assessment provides the basis for business planning decisions. Programs that mitigate existing risks to acceptable residual levels, or provide mitigation for emerging risks, are captured in business plans. Risk assessment extends to individual investment decisions through the Investment Prioritization process (see Exhibit A, Tab 16, Schedule 4) and its associated justification for Programs/Projects (Exhibit D2, Tab 2, Schedule 3). This process assesses whether

any proposed solutions for a specific operational need will achieve a level of residual risk acceptable to senior management and the company's shareholders and customers. Projects and programs underway are regularly assessed for new and changing risks. Moreover, at the operational level, extensive emergency and contingency plans exist and are regularly tested and updated.

4.3 Control Activities

"Control Activities" refers to the systems, policies and procedures that ensure management's objectives are achieved and risk mitigation plans are affected. Policies and procedures exist to govern annual, monthly and day to day operations at the business unit and local levels. The policies have been updated and focus on the core activities of transmission and distribution. Each revised policy has an issue date and last review date. In most locations, policies and procedures are available on internal web sites. More information on Hydro One's policies may be found in Exhibit A, Tab 14, Schedule 2.

4.3.1 Authority Registers

One of the foundations of good control is the establishment of appropriate levels of authority for spending and other business decisions. The delegation and exercise of authorities are governed by 'Guiding Principles', the Code of Business Conduct, and policies and procedures. The approval of the business plans and budgets establish authorized spending levels.

The budgeting and business planning process is a critical element of effective internal controls. Annually a budget and business plan are prepared and submitted to the Board for approval. The budget and business plan set the parameters of the company's activities for a specific fiscal period. More information on Hydro One's planning process may be

found in Exhibit A, Tab 16, Schedule 1. Information on the Company's Investment Prioritization process and Project and Program approval process may be found in Exhibit A, Tab 16, Schedule 4 and Exhibit A, Tab 16, Schedule 5, respectively.

The Executive/Organizational Authority Registers (EAR/OAR) are a key element of the internal control framework of the Organization. The Executive Authority Register (EAR) delegates authorities from the Board to senior management. Organizational Authority Registers (OARs) exist at subsidiary and business unit levels to delegate authorities from senior management to business unit and local levels.

The Inergi outsourcing agreement further provides approvals assigned by Hydro One to Inergi LP for specific transactions and spending levels.

4.4 Information and Communication

"Information and Communication" supports all other control components. Pertinent information must be identified, captured and communicated in a form and timeframe that enables staff to carry out their accountabilities safely, efficiently and productively. Communication occurs to all staff from the Chief Administration Officer and Chief Financial Officer and from the Vice President, Corporate Controller with respect to new or changed policies and procedures. Presentations on various internal control matters also occur regularly. Policies and procedures are posted on internal websites at most locations or are available in other formats.

4.5 Monitoring

"Monitoring" is the oversight of internal controls by management or independent parties outside the process and the application of independent methodologies such as customized

procedures or standard checklists, by employees within a process. Monitoring also includes assessing the quality of internal controls over time and implementing required changes.

Management provides assurance with respect to internal controls and the validity of financial statements. This includes:

- information on legal claims;
- changes in accounting policies, practices, systems, and procedures that have occurred in the period; and
- financial accounting matters that could have a significant impact on financial statements.

Management also provides assurance that internal control systems, policies and procedures are in place and functioning properly and financial statements are a true representation of the business.

Every month, each line of business is required to conduct a detailed review of financial results by comparing operating results to budgets and responding to variances if required. Project details with major accounts are reconciled monthly to source sub-systems and suspense accounts are also explained and reconciled. Monthly control reports related to key aspects of operations financial and project activity are prepared centrally and delivered to managers for review and follow-up action as appropriate. A month-end close schedule is established to ensure timely production of financial statements. In addition, compliance testing of key financial activities is performed.

Compliance monitoring with respect to codes and policies is performed by multiple groups. Regulatory compliance is monitored by Regulatory Affairs (e.g. Affiliate

Relationships Code: see Exhibit A, Tab 9, Schedule 3). Internal Audit uses a risk-based audit approach for prioritizing audits and performs audits of areas of highest risk based on an annual program approved by the Hydro One Board's Audit and Finance Committee. Internal controls are reviewed on a recurring cycle, again linked to level of risk. Furthermore, regular review of all outstanding items from past audits is performed. Annual year-end audits are also conducted by Hydro One's external auditor.

The outsourcing contract with Inergi LP requires that Inergi conduct an independent confirmation of the integrity of financial controls for all Hydro One transactions, and allows for auditing of processes and systems by Hydro One Internal Audit. Such audits are designed to assess the appropriate occurrence, proper measurement, completeness and accuracy of transactions and whether they were classified, described and disclosed in accordance with generally accepted accounting principles.

THIS AGREEMENT made in duplicate this 1st day of January, 2014 (the "Effective Date").

BETWEEN:

HYDRO ONE INC.
(the "Services Provider")

- and -

HYDRO ONE REMOTE COMMUNITIES INC., HYDRO ONE NETWORKS INC., HYDRO ONE TELECOM INC. and HYDRO ONE BRAMPTON NETWORKS INC.
(individually, the "Services Recipient" and collectively, the "Services Recipients")

1.0 PREFACE

This Agreement is intended to identify the services that are to be provided to each of the Services Recipients by the Services Provider in accordance with the terms and conditions herein. Except as otherwise specified, the term of this Agreement shall be for a period of 1 year commencing on the Effective Date.

2.0 SERVICES

The Services Provider shall provide to each of the Services Recipients (as may be required by each of them respectively from time to time during the term of this Agreement) the following services (the "**Services**"), which Services are more particularly described in Schedule "A" attached hereto:

- General Counsel & Secretary (including Corporate Executive Office) services
- President / CEO / Chairman services
- Chief Financial Office services (including Strategic Financial services)

3.0 FEES PAYABLE

(a) The price for the performance of the Services for each of the Services Recipients shall be as identified in Schedule "A" attached hereto, exclusive of any sales and use taxes, as may be applicable. The relevant price for the Services shall be paid by each of the Services Recipients to the Services Provider by means of monthly electronic journal transfers which shall be reflected in the applicable books and records of each party. Each electronic journal transfer amount shall include HST (as this term is defined in clause 4.0(a)(iv) below) calculated at the rate applicable at the time such journal transfer is recorded in the books of the Services Provider. In addition, each Services Recipient shall pay for any material costs which the Services Provider, acting reasonably, incurs as a result of resources, services and products that the Services Provider must purchase and that are in addition to the Services Provider's existing resources, services and products, in

order to provide the said Services Recipient with specific services it requires and requests.

(b) If at any time during the performance of the Services, a Services Recipient is of the opinion that there are deficiencies in the Services provided to it and/or that the price payable is in any way inaccurate, the said Services Recipient shall pay the entire relevant price payable by it in full and its sole remedy shall be to follow the dispute resolution procedures outlined in Section 6.0 herein to determine what amount, if any, shall be refunded to the said Services Recipient and/or what Services, if any, shall be rectified or redone by the Services Provider.

4.0 REPRESENTATIONS AND WARRANTIES

(a) The Services Provider represents and warrants that:

(i) it has all the necessary authority and capacity to enter into this Agreement and to perform its obligations hereunder;

(ii) the execution of this Agreement and compliance with and performance of the terms, conditions, and covenants contemplated herein have been duly authorized by all necessary corporate action on the part of the Services Provider;

(iii) all staff employed in the performance of the Services shall have the qualifications, expertise and experience which could reasonably be expected of staff of a services provider performing work similar to the Services; and

(iv) it is a HST registrant in good standing under the *Excise Tax Act* (Canada), and that its HST registration number is 869994731RT0001. For the purposes of this Agreement, HST means the federal Harmonized Sales Tax chargeable in accordance with Part IX of the *Excise Tax Act* (Canada), as amended, or any similar value-added tax that may be applicable during the term of this Agreement to the Services to be provided hereunder.

(b) Each Services Recipient represents and warrants that:

(i) it has all the necessary authority and capacity to enter into this Agreement and to perform its obligations hereunder; and

(ii) the execution of this Agreement and compliance with and performance of the terms, conditions, and covenants contemplated herein have been duly authorized by all necessary corporate action on the part of the Services Recipient.

5.0 PERFORMANCE OF THE SERVICES

(a) **Compliance with Standards and Applicable Law**: The Services Provider shall perform the Services in a diligent and professional manner and shall comply with the Services Recipient's computer data management and data access protocols contained in the Services Recipient's document entitled "Information Security Policy" (SP 0908 R2) dated December 17, 2012 and any amendments thereto which may be made from time to time by the Services Recipient. The Services Provider shall comply at all times with the statutes, regulations, by-laws, standards and codes, as amended, as may be applicable to the Services Provider in respect of the Services and the performance of its obligations hereunder and it shall, at its own expense, obtain and maintain in good standing all permits and licences required by any authorities having jurisdiction to perform the Services.

(b) **Safety and Security Measures**: When any part of the Services is to be performed at any of the Services Recipients' premises, all of the Services Provider's staff engaged in the performance of the Services at the said premises shall comply with the safety and security requirements and measures in effect at the said premises.

(c) **Meetings**: Each of the Services Recipient and the Services Provider shall, after the Effective Date, meet at least twice during the term of this Agreement to review performance, quality and timeliness of the Services provided by the Services Provider pursuant to this Agreement.

6.0 DISPUTE RESOLUTION PROCEDURES

Any controversy, dispute, difference, question or claim arising between any of the parties in connection with the interpretation, performance, construction or implementation of this Agreement that cannot be resolved by a director or manager from each of the said parties (collectively "Dispute") shall be settled in accordance with this Section. The aggrieved party shall send the other affected party(ies) written notice identifying the Dispute, the amount involved, if any, and the remedy sought, and invoking the procedures of this Section. The Presidents of each affected party shall confer in an effort to resolve the Dispute. If the Presidents are unable to resolve the Dispute within 5 business days after receipt of the written notice of the Dispute, then the affected parties shall submit the Dispute to the President of Hydro One Inc. for resolution.

7.0 CONFIDENTIALITY AND INTELLECTUAL PROPERTY

(a) Confidentiality:

Each party (the "Receiving Party") shall maintain in strict confidence all information, analysis, conclusions, drawings, reports, specifications or other information, proprietary or otherwise, whether transmitted orally, electronically or in written form, and received in furtherance of this Agreement from any of the other parties (the "Disclosing Party") or any of the Disclosing Party's directors, officers, employees, consultants, agents or legal and other advisors (the "Disclosing Party Representatives") (collectively the "Confidential Information"). Except as permitted herein, the Receiving Party shall not publish, reproduce, or disclose, either directly or indirectly, the said Confidential Information to any third party and shall not use the said Confidential Information for any purpose other than for purposes of this Agreement without the prior written consent of the Disclosing Party. The Receiving Party may disclose the Confidential Information only to its shareholder, directors, officers, employees, consultants, agents or professional advisors (the "Receiving Party Representatives") having a need to know same and who have undertaken a like obligation to maintain its confidentiality.

For greater certainty, Confidential Information includes any and all personal information (as that term is defined in the *Freedom of Information and Protection of Privacy Act* (Ontario) and the *Personal Information Protection and Electronic Documents Act* (Canada), as they may be amended, and any and all information regarding a consumer, retailer, wholesale buyer, wholesale supplier, or a generator, provided by the Disclosing Party to the Receiving Party for purposes of this Agreement, whether or not such information was initially provided prior to the Effective Date.

The Receiving Party undertakes to protect and safeguard all Confidential Information in its possession or under its control and received by the Disclosing Party, in the manner described in Schedule "B" attached hereto. The Disclosing Party may, on reasonable notice, and during regular business hours, audit the information management practices of the Receiving Party to confirm compliance with the terms and conditions of this Section 7.0 and all applicable statutes, regulations, by-laws, standards and codes, as amended.

The Receiving Party undertakes to notify the Disclosing Party immediately upon discovery of any unauthorized use and/or disclosure of any of the Disclosing Party's Confidential Information, to co-operate with the Disclosing Party to help regain possession of such Confidential Information, and to prevent its further unauthorized use and/or disclosure.

The foregoing obligations with respect to confidentiality, use, reproduction, dissemination, publication and non-disclosure herein shall not apply to any information that:

(i) is previously known to or lawfully in the possession of the Receiving Party prior to the date of disclosure as evidenced by the Receiving Party's written record;
(ii) is independently known to or discovered by the Receiving Party, without any reference to the information or material;
(iii) is obtained by the Receiving Party from an arm's length third party having a bona fide right to disclose same and who was not otherwise under an obligation of confidence or fiduciary duty to the Disclosing Party or the Disclosing Party Representatives;
(iv) is or becomes public knowledge through no fault or omission of, or breach of this Agreement by the Receiving Party or the Receiving Party Representatives; or
(v) is required to be disclosed pursuant to a final judicial or governmental order or other legal process.

Confidential Information shall remain the sole and exclusive property of the Disclosing Party that has disclosed the Confidential Information, and the Disclosing Party shall retain all right, title and interest in and to the said Confidential Information.

The Receiving Party shall keep a record of written Confidential Information furnished to it by the Disclosing Party in a location separate from those locations where the Receiving Party has stored information in respect of other third parties for which it performs work and it shall advise the Disclosing Party of such location.

All Confidential Information furnished by the Disclosing Party, including that portion of the Confidential Information which is contained in analyses, compilations, studies or other documents prepared by the Receiving Party or by the Receiving Party Representatives, is the Disclosing Party's property and will be returned immediately to the Disclosing Party upon its request.

(b) Intellectual Property:

Each of the Services Recipients shall obtain all rights, title and interests, including copyright ownership, to any reports and any other deliverable that is to be produced and delivered to it by the Services Provider and, subject to applicable legislation and notwithstanding clause 7.0(a) above, the said Services Recipient may use, disclose or modify such reports or deliverable in any manner it deems appropriate. The Services Provider shall not do any act which may compromise or diminish the said Services Recipient's interest as aforesaid.

(c) Survival of Obligations:

This Section 7.0 shall forever survive the termination or expiration of this Agreement.

8.0 LIABILITY

The Services Provider shall indemnify each of the Services Recipients and the Services Recipient's respective successors and assigns, directors, officers, employees, contractors and agents from and against all costs or damages attributable to the Services Provider's performance and/or non-performance of its obligations under this Agreement and any amendments thereto, whether arising from or based upon breach of contract, tort, negligence, strict liability or otherwise. Each Services Recipient shall indemnify the Services Provider and the Services Provider's successors and assigns, directors, officers, employees, contractors and agents from and against all costs or damages attributable to the said Services Recipient's performance and/or non-performance of its obligations under this Agreement and any amendments thereto, whether arising from or based upon breach of contract, tort, negligence, strict liability or otherwise. Notwithstanding any other provision of this Agreement, no party hereto shall be liable for any economic loss, loss of goodwill, loss of profit or for any special, indirect or consequential damages, where the said losses or damages are incurred by the other parties or any of them or by any third party claiming through or under the other parties or any of them.

This Section 8.0 shall forever survive the termination or expiration of this Agreement.

9.0 AUTHORIZED REPRESENTATIVES

The authorized representatives of the parties hereto for purposes of this Agreement are the following:

HYDRO ONE TELECOM INC.
65 Kelfield Street,
Rexdale, Ontario M9W 5A3

Attention: **Cliff Truax**
Telephone: 416-240-6713
Telecopier: 416-240-6802

HYDRO ONE REMOTE COMMUNITIES INC.
483 Bay Street,
Toronto, Ontario M5G 2P5

Attention: **Una O'Reilly**
TCT5
Telephone: 416-345-6698
Telecopier: 416-345-6356

HYDRO ONE NETWORKS INC.
483 Bay Street,
Toronto, Ontario M5G 2P5

Attention:	**Glenn Scott**
	TCT 7
Telephone:	416-345-6363
Telecopier:	416-345-6833

HYDRO ONE INC.
483 Bay Street,
Toronto, Ontario M5G 2P5

Attention:	**Sandy Struthers**
	TCT15
Telephone:	416-345-6140
Telecopier:	416-345-5695

HYDRO ONE BRAMPTON NETWORKS INC.
175 Sandalwood Parkway West,
Brampton, Ontario
L7A 1E8

Attention:	**Marc Villett**
Telephone:	(905) 452-5505
Telecopier:	(905) 840-0967

All correspondence, reports, documents and/or other communication concerning this Agreement and the Schedule attached hereto shall be directed to the attention of the authorized representatives noted above and shall be deemed to be sufficiently given if delivered personally, mailed or transmitted by fax to the attention of the authorized representatives at the addresses above, and any notice so given shall be deemed to have been made and received on the date of delivery or on the 5th business day following the day of mailing of same or on the day of transmission if transmitted during normal business hours, otherwise on the next business day, as the case may be.

10.0 CHANGE OF CONTROL

In the event of a change of control of any of the Services Recipients, this Agreement shall immediately terminate as between the said Services Recipient and the Services Provider only. A change of control shall mean, as applicable, a purchase of more than fifty (50) percent of the outstanding capital by a non-affiliate third party.

11.0 ASSIGNMENT

Neither this Agreement nor any rights and obligations shall be assigned by any of the Services Recipients without the prior written consent of the Services Provider and by the Services Provider without the prior written consent of the affected Services Recipient, in either case which consent shall not be unreasonably withheld. Subject to the foregoing, this Agreement shall enure to the benefit of the parties hereto and their respective successors and permitted assigns.

12.0 SCHEDULES

Schedules "A" and "B" attached hereto are to be read with and form part of this Agreement.

13.0 COUNTERPARTS

This Agreement may be executed in counterparts and the counterparts together shall constitute an original.

IN WITNESS THEREOF the parties hereto have caused this Agreement to be executed by their respective representatives duly authorized in that behalf.

HYDRO ONE TELECOM INC.

Name: Paul Marchant
Title: President and CEO
I have authority to bind the corporation.

HYDRO ONE REMOTE COMMUNITIES INC.

Name: Peter Gregg
Title: President and CEO
I have authority to bind the corporation.

HYDRO ONE NETWORKS INC.

Name:
Title:
I have authority to bind the corporation.

HYDRO ONE INC.

Name: Sandy Struthers
Title: CAO and CFO
I have authority to bind the corporation.

HYDRO ONE BRAMPTON NETWORKS INC.

Name: Paul Tremblay
Title: President and CEO
I have authority to bind the corporation.

11.0 ASSIGNMENT

Neither this Agreement nor any rights and obligations shall be assigned by any of the Services Recipients without the prior written consent of the Services Provider and by the Services Provider without the prior written consent of the affected Services Recipient, in either case which consent shall not be unreasonably withheld. Subject to the foregoing, this Agreement shall enure to the benefit of the parties hereto and their respective successors and permitted assigns.

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Title: President and CEO
I have authority to bind the corporation.

HYDRO ONE REMOTE COMMUNITIES INC.

Name: Peter Gregg
Title: President and CEO
I have authority to bind the corporation.

HYDRO ONE NETWORKS INC.

Name: CARMINE MARCELLO
Title: PRESIDENT & CEO
I have authority to bind the corporation.

HYDRO ONE INC.

Name: Sandy Struthers
Title: CAO and CFO
I have authority to bind the corporation.

HYDRO ONE BRAMPTON NETWORKS INC.

Name: Paul Tremblay
Title: President and CEO
I have authority to bind the corporation.

11.0 ASSIGNMENT

Neither this Agreement nor any rights and obligations shall be assigned by any of the Services Recipients without the prior written consent of the Services Provider and by the Services Provider without the prior written consent of the affected Services Recipient, in either case which consent shall not be unreasonably withheld. Subject to the foregoing, this Agreement shall enure to the benefit of the parties hereto and their respective successors and permitted assigns.

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Title: President and CEO
I have authority to bind the corporation.

HYDRO ONE NETWORKS INC.

Name:
Title:
I have authority to bind the corporation.

HYDRO ONE INC.

Name: Sandy Struthers
Title: CAO and CFO
I have authority to bind the corporation.

HYDRO ONE BRAMPTON NETWORKS INC.

Name: Paul Tremblay
Title: President and CEO
I have authority to bind the corporation.

Schedule "A"

The annual cost for the performance of the Services to be delivered is summarized as follows:

Services	SERVICES TO BE PROVIDED BY HYDRO ONE INC. TO: (in $Thousands)			
	Hydro One Networks Inc.	**Hydro One Remote Communities Inc.**	**Hydro One Telecom Inc.**	**Hydro One Brampton Networks Inc.**
General Counsel & Secretary (including Corporate Executive Office)	770	21	8	16
President / CEO / Chairman Services	4,746	19	28	35
Chief Financial Office Services (including Strategic Financial services)	685	8	17	26
Totals	**6,201**	**48**	**53**	**77**

DESCRIPTION OF SERVICES:

General Counsel and Secretary

The Services Provider shall provide the Services Recipient with professional legal advice and input. This advice shall include, but shall not be limited to, interpretation and analysis of legislation and regulations, advice concerning corporate structure and governance, development of regulatory instruments (licences), contracts, and environmental and health and safety issues. The Services Provider will also provide guidance on business ethics and support in the form of a business code of conduct.

President / CEO / Chairman services

The Services Provider shall provide the Services Recipient with strategic direction and management in an attempt to ensure that the Services Recipient's corporate goals are achieved.

Chief Financial Office services (including Strategic Financial services)

The Services Provider shall provide the Services Recipient with strategic direction and management in an attempt to ensure that the Services Recipient's corporate financial goals are achieved.

The Services Provider shall provide the Services Recipient with strategic approval with respect to investment decisions. Services relating to the review of policies and procedures, treasury operations and tax planning, financial control and reporting will also be provided by the Services Provider to the Services Recipient as required by the Services Recipient.

Schedule "B"

Receiving Party Security Safeguards Regarding Confidential Information Received from the Disclosing Party

The Receiving Party shall protect the Confidential Information by security safeguards appropriate to the sensitivity of the information.

1) The Receiving Party shall protect the Confidential Information against such risks as loss or theft, unauthorized access, disclosure, copying, use, modification or destruction, through appropriate security measures, regardless of the format in which it is held.

2) All of the Receiving Party's Representatives with access to the Confidential Information shall be contractually required to respect the confidentiality of that information.

3) The Receiving Party acknowledges and agrees that the nature of the safeguards will vary depending on the sensitivity, amount, distribution and format of the information, and the method of storage. The Receiving Party shall ensure that more sensitive information will be safeguarded by a higher level of protection.

4) The Receiving Party shall ensure that methods of protection will include:

(a) physical measures, for example, locked filing cabinets and restricted access to offices;

(b) organizational measures, for example, controlling entry to data centers and limiting access to information on a "need-to-know" basis;

(c) technological measures, for example, the use of passwords and encryption; and

(d) investigative measures, in cases where the Receiving Party has reasonable grounds to believe that the Confidential Information is being inappropriately collected, used or disclosed by anyone whom in law the Receiving Party is responsible.

THIS AGREEMENT made in duplicate this 1st day of January, 2014 (the "Effective Date").

BETWEEN:

HYDRO ONE NETWORKS INC.
(the "Services Provider")

- and -

HYDRO ONE REMOTE COMMUNITIES INC, HYDRO ONE INC.
HYDRO ONE TELECOM INC., and HYDRO ONE BRAMPTON NETWORKS INC.

(individually, the "Services Recipient" and collectively, the "Services Recipients")

1.0 PREFACE

This Agreement is intended to identify the services that are to be provided to each of the Services Recipients by the Services Provider in accordance with the terms and conditions herein. Except as otherwise specified, the term of this Agreement shall be for a period of 1 year commencing on the Effective Date.

2.0 SERVICES

The Services Provider shall provide to each of the Services Recipients (as may be required by each of them respectively from time to time during the term of this Agreement) the following services (collectively, the "**Services**"), which Services are more particularly described in Schedule "A" hereto:

- General Counsel and Secretary services
- Financial services
- Corporate services
- Telecommunications Services
- Other services
- System Services for Hydro One Remote Communities Inc. ("Remotes") and Hydro One Telecom Inc. ("Telecom") only
- Lease of Computer Equipment used to provide System Services for Remotes and Telecom only

Any additional terms and conditions applicable to a given Service shall be set out in Schedule "A".

3.0 FEES PAYABLE

(a) The price for the performance of the Services for each of the Services Recipients shall be as identified in Schedule "A" attached hereto, exclusive of any sales and use taxes, as may be applicable. The relevant price for the Services shall be paid by each of the Services Recipients to the Services Provider by means of monthly electronic journal transfers which shall be reflected in the applicable books and records of each party. In addition, each Services Recipient shall pay for

any material costs which the Services Provider, acting reasonably, incurs as a result of resources, services and products that the Services Provider must purchase and that are in addition to the Services Provider's existing resources, services and products, in order to provide the said Services Recipient with specific services it requires and requests.

(b) If at any time during the performance of the Services, a Services Recipient is of the opinion that there are deficiencies in the Services provided to it and/or that the price payable is in any way inaccurate, the said Services Recipient shall pay the entire relevant price payable by it in full and its sole remedy shall be to follow the dispute resolution procedures outlined in Section 6.0 herein to determine what amount, if any, shall be refunded to the said Services Recipient and/or what Services, if any, shall be rectified or redone by the Services Provider.

(c) The parties acknowledge and agree that, with the exception of Hydro One Inc., they qualify as specified members of a closely related group under subsection 156(1) of the Excise Tax Act (Canada), as amended (the "Act") and have jointly executed a Form GST25, to make an election under subsection 156(2) of the Act to deem the purchase and sale of the Services to be made for nil consideration for purposes of HST. For the purposes of this Agreement, "HST" means the federal Harmonized Sales Tax chargeable in accordance with Part IX of the *Excise Tax Act* (Canada), as amended, or any similar value-added tax that may be applicable during the term of this Agreement to the Services to be provided hereunder.

4.0 REPRESENTATIONS AND WARRANTIES

(a) The Services Provider represents and warrants that:

(i) it has all the necessary authority and capacity to enter into this Agreement and to perform its obligations hereunder;

(ii) the execution of this Agreement and compliance with and performance of the terms, conditions, and covenants contemplated herein have been duly authorized by all necessary corporate action on the part of the Services Provider; and

(iii) all staff employed in the performance of the Services shall have the qualifications, expertise and experience which could reasonably be expected of staff of a services provider performing work similar to the Services.

(b) Each Services Recipient represents and warrants that:

(i) it has all the necessary authority and capacity to enter into this Agreement and to perform its obligations hereunder; and

(ii) the execution of this Agreement and compliance with and performance of the terms, conditions, and covenants contemplated herein have been duly authorized by all necessary corporate action on the part of the Services Recipient.

5.0 PERFORMANCE OF THE SERVICES

(a) **Compliance with Standards and Applicable Law:** The Services Provider shall perform the Services in a diligent and professional manner and shall comply with the Services Recipient's computer data management and data access protocols contained in the Services Recipient's document entitled "Information Security Policy" (SP 0908 R2) dated December 17, 2012 and any amendments thereto which may be made from time to time by the Services Recipient. The Services Provider shall comply at all times with the statutes, regulations, by-laws, standards and codes, as amended, as may be applicable to the Services Provider in respect of the Services and the performance of its obligations hereunder and it shall, at its own expense,

obtain and maintain in good standing all permits and licences required by any authorities having jurisdiction to perform the Services.

(b) **Safety and Security Measures**: When any part of the Services is to be performed at any of the Services Recipients' premises, all of the Services Provider's staff engaged in the performance of the Services at the said premises shall comply with the safety and security requirements and measures in effect at the said premises.

(c) **Meetings**: Each of the Services Recipient and the Services Provider shall, after the Effective Date, meet at least twice during the term of this Agreement to review performance, quality and timeliness of the Services provided by the Services Provider pursuant to this Agreement.

6.0 DISPUTE RESOLUTION PROCEDURES

Any controversy, dispute, difference, question or claim arising between any of the parties in connection with the interpretation, performance, construction or implementation of this Agreement that cannot be resolved by a director or manager from each of the said parties (collectively "Dispute") shall be settled in accordance with this Section. The aggrieved party shall send the other affected party(ies) written notice identifying the Dispute, the amount involved, if any, and the remedy sought, and invoking the procedures of this Section. The Presidents of each affected party shall confer in an effort to resolve the Dispute. If the Presidents are unable to resolve the Dispute within 5 business days after receipt of the written notice of the Dispute, then the affected parties shall submit the Dispute to the President of Hydro One Inc. for resolution.

7.0 CONFIDENTIALITY AND INTELLECTUAL PROPERTY

(a) Confidentiality:

Each party (the "Receiving Party") shall maintain in strict confidence all information, analysis, conclusions, drawings, reports, specifications or other information, proprietary or otherwise, whether transmitted orally, electronically or in written form, and received in furtherance of this Agreement from any of the other parties (the "Disclosing Party") or any of the Disclosing Party's directors, officers, employees, consultants, agents or legal and other advisors (the "Disclosing Party Representatives") (collectively the "Confidential Information"). Except as permitted herein, the Receiving Party shall not publish, reproduce, or disclose, either directly or indirectly, the said Confidential Information to any third party and shall not use the said Confidential Information for any purpose other than for purposes of this Agreement without the prior written consent of the Disclosing Party. The Receiving Party may disclose the Confidential Information only to its shareholder, directors, officers, employees, consultants, agents or professional advisors (the "Receiving Party Representatives") having a need to know same and who have undertaken a like obligation to maintain its confidentiality.

For greater certainty, Confidential Information includes any and all personal information (as that term is defined in the *Freedom of Information and Protection of Privacy Act* (Ontario) and the *Personal Information Protection and Electronic Documents Act* (Canada), as they may be amended, and any and all information regarding a consumer, retailer, wholesale buyer, wholesale supplier, or a generator provided by the Disclosing Party to the Receiving Party for purposes of this Agreement, whether or not such information was initially provided prior to the Effective Date.

The Receiving Party undertakes to protect and safeguard all Confidential Information in its possession or under its control and received by the Disclosing Party, in the manner described in Schedule "B" attached hereto. The Disclosing Party may, on reasonable notice, and during regular business hours, audit the information management practices of the Receiving Party to confirm compliance with the terms and conditions of this Section 7.0 and all applicable statutes, regulations, by-laws, standards and codes, as amended.

The Receiving Party undertakes to notify the Disclosing Party immediately upon discovery of any unauthorized use and/or disclosure of any of the Disclosing Party's Confidential Information, to co-operate with the Disclosing Party to help regain possession of such Confidential Information, and to prevent its further unauthorized use and/or disclosure.

The foregoing obligations with respect to confidentiality, use, reproduction, dissemination, publication and non-disclosure herein shall not apply to any information that:

(i) is previously known to or lawfully in the possession of the Receiving Party prior to the date of disclosure as evidenced by the Receiving Party's written record;
(ii) is independently known to or discovered by the Receiving Party, without any reference to the information or material;
(iii) is obtained by the Receiving Party from an arm's length third party having a bona fide right to disclose same and who was not otherwise under an obligation of confidence or fiduciary duty to the Disclosing Party or the Disclosing Party Representatives;
(iv) is or becomes public knowledge through no fault or omission of, or breach of this Agreement by the Receiving Party or the Receiving Party Representatives; or
(v) is required to be disclosed pursuant to a final judicial or governmental order or other legal process.

Confidential Information shall remain the sole and exclusive property of the Disclosing Party that has disclosed the Confidential Information, and the Disclosing Party shall retain all right, title and interest in and to the said Confidential Information.

The Receiving Party shall keep a record of written Confidential Information furnished to it by the Disclosing Party in a location separate from those locations where the Receiving Party has stored information in respect of other third parties for which it performs work and it shall advise the Disclosing Party of such location.

All Confidential Information furnished by the Disclosing Party, including that portion of the Confidential Information which is contained in analyses, compilations, studies or other documents prepared by the Receiving Party or by the Receiving Party Representatives, is the Disclosing Party's property and will be returned immediately to the Disclosing Party upon its request.

(b) Intellectual Property:

Each of the Services Recipients shall obtain all rights, title and interests, including copyright ownership, to any reports and any other deliverable that is to be produced and delivered to it by the Services Provider and, subject to applicable legislation and notwithstanding clause 7.0(a) above, the said Services Recipient may use, disclose or modify such reports or deliverable in any manner it deems appropriate. The Services Provider shall not do any act which may compromise or diminish the said Services Recipient's interest as aforesaid.

(c) Survival of Obligations:

The obligations in this Section 7.0 shall forever survive the termination or expiration of this Agreement.

8.0 LIABILITY

The Services Provider shall indemnify each of the Services Recipients and the Services Recipient's respective successors and assigns, directors, officers, employees, contractors and agents from and against all costs or damages attributable to the Services Provider's performance and/or non-performance of its obligations under this Agreement and any amendments thereto, whether arising from or based upon breach of contract, tort, negligence, strict liability or otherwise. Each Services Recipient shall indemnify the Services Provider and the Services Provider's successors and assigns, directors, officers, employees, contractors and agents from and against all costs or damages attributable to the said Services Recipient's performance and/or non-performance of its obligations under this Agreement and any amendments thereto, whether arising from or based upon breach of contract, tort, negligence, strict liability or otherwise. Notwithstanding any other provision of this Agreement, no party hereto shall be liable for any economic loss, loss of goodwill, loss of profit or for any special, indirect or consequential damages, where the said losses or damages are incurred by the other parties or any of them or by any third party claiming through or under the other parties or any of them.

This Section 8.0 shall forever survive the termination or expiration of this Agreement.

9.0 AUTHORIZED REPRESENTATIVES

The authorized representatives of the parties hereto for purposes of this Agreement are the following:

HYDRO ONE TELECOM INC.
65 Kelfield Street,
Rexdale, Ontario M9W 5A3

Attention: **Cliff Truax**
Telephone: 416-240-6713
Telecopier: 416-240-6802

HYDRO ONE REMOTE COMMUNITIES INC.
483 Bay Street,
Toronto, Ontario M5G 2P5

Attention: **Una O'Reilly**
TCT 5
Telephone: 416-345-6698
Telecopier: 416-345-6356

HYDRO ONE NETWORKS INC.
483 Bay Street,
Toronto, Ontario M5G 2P5

Attention: **Glenn Scott**
TCT 7
Telephone: 416-345-6363
Telecopier: 416-345-6833

HYDRO ONE INC.
483 Bay Street,
Toronto, Ontario M5G 2P5

Attention: **Sandy Struthers**
TCT 15
Telephone: 416-345-6140
Telecopier: 416-345-5695

HYDRO ONE BRAMPTON NETWORKS INC.
175 Sandalwood Parkway West,
Brampton, Ontario
L7A 1E8

Attention: **Marc Villett**
Telephone: (905) 452-5505
Telecopier: (905) 840-0967

All correspondence, reports, documents and/or other communication concerning this Agreement and the Schedule attached hereto shall be directed to the attention of the authorized representatives noted above and shall be deemed to be sufficiently given if delivered personally, mailed or transmitted by fax to the attention of the authorized representatives at the addresses above, and any notice so given shall be deemed to have been made and received on the date of delivery or on the 5th business day following the day of mailing of same or on the day of transmission if transmitted during normal business hours, otherwise on the next business day, as the case may be.

10.0 CHANGE OF CONTROL

In the event of a change of control of the Services Provider, this Agreement shall immediately terminate as between each of the Services Recipients and the Services Provider. A change of control shall mean, as applicable, a purchase of more than fifty (50) percent of the outstanding capital by a non-affiliate third party.

11.0 ASSIGNMENT

Neither this Agreement nor any rights and obligations shall be assigned by any of the Services Recipients without the prior written consent of the Services Provider and by the Services Provider without the prior written consent of the affected Services Recipient, in either case which consent shall not be unreasonably withheld. Subject to the foregoing, this Agreement shall enure to the benefit of the parties hereto and their respective successors and permitted assigns.

12.0 SCHEDULES

Schedules "A" and "B" attached hereto are to be read with and form part of this Agreement.

13.0 COUNTERPARTS

This Agreement may be executed in counterparts and the counterparts together shall constitute an original.

IN WITNESS THEREOF the parties hereto have caused this Agreement to be executed by their respective representatives duly authorized in that behalf.

HYDRO ONE TELECOM INC.

Name: Paul Marchant
Title: President and CEO
I have authority to bind the corporation

HYDRO ONE REMOTE COMMUNITIES INC.

Name:
Title:
have authority to bind the corporation.

HYDRO ONE NETWORKS INC.

Name:
Title:
I have authority to bind the corporation.

HYDRO ONE INC.

Name:
Title:

I have authority to bind the corporation.

HYDRO ONE BRAMPTON NETWORKS INC.

Name: Paul Tremblay
Title: President and CEO
I have authority to bind the corporation.

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Name: Paul Marchant
Title: President and CEO
I have authority to bind the corporation

HYDRO ONE REMOTE COMMUNITIES INC.

Name: PETER GREEN
Title: PRESIDENT & CEO
have authority to bind the corporation.

HYDRO ONE NETWORKS INC.

Name: CARMINE MARCELLO
Title: PRESIDENT & CEO
I have authority to bind the corporation.

HYDRO ONE INC.

Name: Sandy Struthers
Title: CAO & CFO

I have authority to bind the corporation.

HYDRO ONE BRAMPTON NETWORKS INC.

Name: Paul Tremblay
Title: President and CEO
I have authority to bind the corporation.

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I have authority to bind the corporation

HYDRO ONE REMOTE COMMUNITIES INC.

Name:
Title:
have authority to bind the corporation.

HYDRO ONE NETWORKS INC.

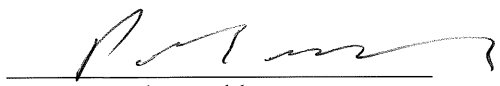
Name:
Title:
I have authority to bind the corporation.

HYDRO ONE INC.

Name:
Title:

I have authority to bind the corporation.

HYDRO ONE BRAMPTON NETWORKS INC.



Name: Paul Tremblay
Title: President and CEO
I have authority to bind the corporation.

Schedule "A"

The annual cost for the performance of the Services to be delivered is summarized as follows:

	SERVICES TO BE PROVIDED BY HYDRO ONE NETWORKS INC. TO: (in $Thousands)			
SERVICES	**Hydro One Inc.**	**Hydro One Remote Communities Inc.**	**Hydro One Telecom Inc.**	**Hydro One Brampton Networks Inc.**
General Counsel and Secretary Services	264	343	101	202
Financial Services	49	211	414	256
Corporate Services	2	297	308	34
Telecommunication Services	-	125	272	-
Other Services	-	359	1,086	2
System Services	-	150	260	-
Lease of Computer Equipment	-	150	320	-
Totals	**315**	**1,635**	**2,761**	**494**

DESCRIPTION OF SERVICES:

The following provides a generic description of all Services to be provided by the Services Provider. Any additional terms and conditions which may be applicable to a Service are set out under its description.

GENERAL COUNSEL AND SECRETARY SERVICES

The Services Provider shall provide the Services Recipient with professional legal advice and input which shall include, but not be limited to, interpretation and analysis of legislation and regulations, advice concerning corporate structure and governance, development of regulatory instruments (licenses), contracts, and environmental and health and safety issues.

FINANCIAL SERVICES

The Services Provider shall provide financial services support to the Services Recipient by providing timely and reliable financial information. The Services Provider will also provide services relating to business planning, budgeting and financial reporting. As required, services relating to treasury/pension/investor relations, taxation, internal audit and risk management, insurance, financial systems and services, cost and inventory accounting and decision support will also be provided. Other financial services such as transaction processing (accounts payable and receivable), and fixed asset and general accounting will also be provided.

CORPORATE SERVICES

The Services Provider shall provide corporate services in five main areas:

- Human Resources / Labour Relations – provision of human resource policy, strategy and standards to meet legal and other requirements. This includes staff planning, leadership development, succession planning and change management as well as labour relations services, pay equity, diversity, health services and performance management, compensation, health and benefits programs and administration of payroll, benefit plans and incentive plans.
- Business Architecture – provision of information systems support for Cornerstone Phase 1 and 2 as well as the management of legacy tools to support real time operations.
- Information Management – provision of computer and applications management support, internal telecommunications management, IT capital projects and IT strategy management and Inergi applications support management.
- Corporate Security – provision of advice, guidance and investigative support services to ensure the protection of assets and optimize the reliable delivery of electricity.
- First Nations & Métis Relations – provision of leadership and consultation support to address issues with First Nations & Métis communities.
- Corporate Communications – provision of strategy, program and support for corporate communications, public affairs and media relations, as well as corporate and shareholder relations and strategy programs related to internal communications.

TELECOMMUNICATIONS SERVICES

The Services Provider shall provide the Services Recipient with various telecommunications-related services including field and engineering, logistics, corporate, construction, telecommunication and information technology services.

OTHER SERVICES

The Services Provider shall provide the Services Recipient with:

- Customer Services Operation – provision of bill production and dispatch and settlements service, as well as data services related to field-based service orders.

- Information Management – provision of infrastructure operations, including a variety of activities such as system testing and integration, Internet and database management services, as well as services related to mainframe infrastructure operations, end user and desk-top support.

SYSTEM SERVICES (REMOTES AND TELECOM ONLY)

The Services Provider agrees to provide each Services Recipient, as a service, use of the Services Provider's core business systems (the "**Systems**") which are primarily based on:

(i) SAP Enterprise Asset Management Solution;
(ii) SAP Enterprise Resource Planning, SAP Enterprise Business Intelligence solution;
(iii) in the case of Hydro One Remote Communities Inc. only, SAP Customer Relationship and Billing solution; and
(iv) other system software such as middleware, data management software, virtualization software, operating systems, system tools.

Accordingly, the Services Provider hereby grants to each of Remotes and Telecom a non-exclusive, non-transferable license to access the Systems, via the Internet, and to use the System as a service, in object code form only, solely for its business purposes in accordance with the terms set out in this Agreement and the Third Party Terms (the "**License**"). As a condition of the License, the Services Recipient must sign and comply with SAP Canada Inc.'s form of "Authorized Affiliate Agreement" and any other forms required by third party licensors of the Systems (the "**Third Party Terms**") and this Agreement. Additionally, the Services Recipient shall not directly or indirectly:

(i) reverse engineer, decompile, disassemble or otherwise attempt to discover the source code or underlying algorithms of the Systems;
(ii) modify, translate or create derivative works based on the Systems;
(iii) rent, lease, distribute, sell, resell, assign or otherwise transfer rights to the Systems;
(iv) remove any proprietary notices from the software contained in the Systems.

Each Services Recipient hereby acknowledges that the copyright in use of the Systems as a service is the property of the Services Provider or its third party licensors and that the Services Provider and/or its third party licensors have exclusive ownership of the Systems.

No warranty is expressed or implied herein save as provided by the supplier(s) of the Systems in supplier's form of warranty delivered to the Services Recipient, and the Services Recipient accepts such warranty of the Systems in lieu of any and all other warranties of merchantability and fitness for a particular purpose. This warranty is exclusive, and no other warranty whether written or oral is expressed or implied. The Services Provider specifically disclaims the implied warranties of merchantability and fitness for a particular purpose in relation to the Systems.

The Services Provider may terminate the License to Remotes and/or Telecom by providing written notice of termination to the affected Services Recipient(s). Either Remotes or Telecom may terminate its License by providing the Services Provider with thirty (30) days prior written notice of termination. Upon termination of the License, the affected Services Recipient shall immediately cease using the Systems.

Telecom and Remotes shall:

(i) use the Systems lawfully, for business purposes only, and in accordance with the Services Provider's policies and third party licensor's manuals, warranties or instructions relating thereto;

(ii) not upload or distribute files containing viruses, corrupted files or any other similar software or programs that may damage the operation of the Systems;

(iii) not interfere or disrupt networks connected to the Systems;

(iv) not post, promote or transmit through the Systems any unlawful, harassing, libelous, abusive, threatening, harmful, vulgar, obscene, hateful, racially, ethnically or otherwise objectionable material of any kind or nature;

(v) not transmit or post any material that encourages conduct which could constitute a criminal offense or give rise to civil liability; and

(vi) comply with the Hydro One computer policies, procedures, and computer data management and access protocols which apply to use of the Systems, including SP 0908 R1 "Information Security Policy" (January 17, 2012).

LEASE OF COMPUTER EQUIPMENT (REMOTES AND TELECOM ONLY)

The Services Provider hereby leases to each of Telecom and Remotes, and each of Telecom and Remotes hereby leases from the Services Provider, computer servers which house the Systems (the "Equipment") for the term of this Agreement. This is a net lease between the parties (the "Lease").

No warranty is expressed or implied herein save as provided by the supplier of the Equipment in supplier's form of warranty delivered to the Services Recipient, and the Services Recipient accepts such warranty of the Equipment in lieu of any and all other warranties of merchantability and fitness for a particular purpose. This warranty is exclusive, and no other warranty whether written or oral is expressed or implied. The Services Provider specifically disclaims the implied warranties of merchantability and fitness for a particular purpose in respect of the Equipment.

The Services Recipient agrees that the Services Provider may assign, sell or encumber any part of its interest in the Equipment, and to recognize such transfer, assignment or encumbrance thereof and be bound thereby, and to promptly execute and deliver to the Services Provider such documentation as any transferee, assignee, or encumbrance of the Services Provider may require to secure and/or complete such transaction.

Title to the Equipment shall remain in the Services Provider. The Services Recipients shall have no right, title or interest in the Equipment except as expressly provided herein. The Equipment shall always remain and be deemed personal and moveable property notwithstanding that the Equipment may hereinafter become, in any manner, attached or affixed to, imbedded in or permanently resting upon realty.

The Services Provider may terminate the Lease to Telecom and/or Remotes by providing written notice of termination to the affected Services Recipient(s). Telecom or Remotes may terminate its Lease with the Services Provider by providing the Services Provider with thirty (30) days prior written notice of termination, without affecting the Lease between the other Services Recipient.

Schedule "B"

Receiving Party Security Safeguards Regarding Confidential Information Received from the Disclosing Party

The Receiving Party shall protect the Confidential Information by security safeguards appropriate to the sensitivity of the information.

1) The Receiving Party shall protect the Confidential Information against such risks as loss or theft, unauthorized access, disclosure, copying, use, modification or destruction, through appropriate security measures, regardless of the format in which it is held.

2) All of the Receiving Party's Representatives with access to the Confidential Information shall be contractually required to respect the confidentiality of that information.

3) The Receiving Party acknowledges and agrees that the nature of the safeguards will vary depending on the sensitivity, amount, distribution and format of the information, and the method of storage. The Receiving Party shall ensure that more sensitive information will be safeguarded by a higher level of protection.

4) The Receiving Party shall ensure that methods of protection will include:

(a) physical measures, for example, locked filing cabinets and restricted access to offices;

(b) organizational measures, for example, controlling entry to data centers and limiting access to information on a "need-to-know" basis;

(c) technological measures, for example, the use of passwords and encryption; and

(d) investigative measures, in cases where the Receiving Party has reasonable grounds to believe that the Confidential Information is being inappropriately collected, used or disclosed by anyone whom in law the Receiving Party is responsible.

Execution Copy

THIS AGREEMENT made in duplicate as of the 1st day of January, 2014 (the "Effective Date").

BETWEEN:

HYDRO ONE NETWORKS INC.
(the "Services Provider")

- and -

HYDRO ONE REMOTE COMMUNITIES INC.
(the "Services Recipient")

1.0 PREFACE

This Agreement is intended to identify the services that are to be provided to the Services Recipient by the Services Provider in accordance with the terms and conditions herein. Except as otherwise specified, the term of this Agreement shall be for a period of 1 year commencing on the Effective Date.

2.0 SERVICES

The Services Provider shall provide the following types of services to the Services Recipient, which collectively constitute the Services and which are more particularly described in Schedule "A" attached hereto, as may be required by the Services Recipient from time to time during the term of this Agreement:

- Forestry services
- Work Methods and Training services
- Metering services
- Provincial Lines services
- Safety services
- Fleet services
- Environmental services
- Engineering Services
- Flight safety services
- Distribution Planning Technical services
- Joint Use services
- Health and Safety Services

3.0 DEFINITIONS

In this Agreement, including the recitals and Schedules hereto, in addition to terms defined elsewhere in this Agreement, unless there is something in the subject matter or context inconsistent therewith, the following words shall have the following meanings:

(a) "**Agreement**" means this Agreement between the Services Recipient and the Services Provider and shall include Schedules "A", "B", "C", "D", "E" and "F" attached hereto and any amendments to the body of this Agreement and to the Schedules.

(b) **"Substantial Performance of the Services"** means the point at which the Services are ready for use or are being used by the Services Recipient for the purpose intended.

4.0 FEES PAYABLE

(a) The price for the performance of the Services described in Schedule "C" hereto shall be as specified in the said Schedule "C" and shall be exclusive of any sales and use taxes as may be applicable. In the event that the parties agree that the Services Recipient shall pay the Services Provider for the Services on a time and materials basis, such time and materials basis shall be in accordance with the Services Provider's 2014-2015 hourly rates by job category and fleet rates, which hourly rates and fleet rates may be amended from time to time by mutual agreement of the parties. The parties acknowledge and agree that the Services Recipient has received the Services Provider's 2014-2015 hourly and fleet rates from the Services Provider.

The parties agree that the price for the Services shall be paid by the Services Recipient to the Services Provider by means of monthly electronic journal transfers which shall be reflected in the applicable books and records of each party or by direct time reporting through Hydro One Inc.'s payroll system.

(b) The parties acknowledge and agree that they qualify as specified members of a closely related group under subsection 156(1) of the *Excise Tax Act (Canada)*, as amended (the "Act") and have jointly executed a Form GST25, to make an election under subsection 156(2) of the Act to deem the purchase and sale of the Services to be made for nil consideration for purposes of HST. For the purposes of this Agreement, "HST" means the federal Harmonized Sales Tax chargeable in accordance with Part IX of the *Excise Tax Act* (Canada), as amended, or any similar value-added tax that may be applicable during the term of this Agreement to the Services to be provided hereunder.

5.0 REPRESENTATIONS AND WARRANTIES

(a) The Services Provider represents and warrants that:

(i) it has all the necessary corporate power, authority and capacity to enter into this Agreement and to perform its obligations hereunder;

(ii) the execution of this Agreement and compliance with and performance of the terms, conditions, and covenants contemplated herein have been duly authorized by all necessary corporate action on the part of the Services Provider;

(iii) all staff employed in the performance of the Services shall have the qualifications, expertise and experience which could reasonably be expected of staff of a services provider performing work similar to the Services; and

(iv) all material, tools, machinery and equipment provided by the Services Provider to the Services Recipient as part of the Services shall be new and of a quality best suited to the purpose required and their use subject to the approval of the Services Recipient.

(b) The Services Recipient represents and warrants that:

(i) it has all the necessary corporate power, authority and capacity to enter into this Agreement and to perform its obligations hereunder; and

(ii) the execution of this Agreement and compliance with and performance of the terms, conditions, and covenants contemplated herein have been duly authorized by all necessary corporate action on the part of the Services Recipient.

6.0 PERFORMANCE OF THE SERVICES

(a) **Access to Site:** For each type of Services to be performed, the Services Recipient shall provide the Services Provider with an opportunity to visit and examine the site at which the said type of Services are to be performed prior to commencement of the performance of the said type of Services. Upon commencement of performance of the said type of Services, the Services Provider shall be deemed to have represented and warranted, along with the representations and warranties in Section 5.0(a) above, that the Services Provider has visited and examined the site at which the said type of Services are to be performed and that the Services Provider has satisfied itself as to the form and nature of the site, the quantities and nature of the Services to be performed, the labour conditions existing in the area for the Services involved, facilities present on site, access to the site, the seasonal conditions limiting access to the site, the materials necessary for the performance of the Services, and any restrictions or barriers present at the site that would impact the performance of the Services and which the Services Provider was able to reasonably detect upon examination of the site.

(b) **Compliance with Standards, Specifications and Applicable Law:** The Services Provider shall perform the Services in a diligent and professional manner and shall comply with the Services Recipient's computer data management and data access protocols contained in the Services Recipient's documents entitled document entitled "Information Security Policy" (SP 0908 R3) dated August 16, 2013 and any amendments thereto which may be made from time to time by the Services Recipient. The Services Provider shall comply at all times with all statutes, regulations, by-laws, standards and codes as may be applicable to the Services Provider in respect of the Services and the performance of its obligations hereunder and it shall, at its own expense, obtain and maintain in good standing all permits and licences required by any authorities having jurisdiction to perform the Services.

The Services Provider shall also comply with the General Standards and Specifications set out in Schedule "A" attached hereto and the service levels identified in Schedule "C", as may be applicable, in its performance of the Services.

The Services Provider shall be responsible for coordinating all related work activities to be performed.

(c) **Input from Services Recipient:** The Services Recipient shall cooperate and provide any required input as might be requested by the Services Provider, on a timely basis, to facilitate the performance of the Services by the Services Provider. In addition, the Services Recipient shall disclose to the Services Provider on a timely basis any information within the Services Recipient's possession or control which may reasonably affect the ability of the Services Provider to meet its obligations under this Agreement.

(d) **Constructor:** The parties acknowledge and agree that the Services Provider shall be the "Constructor" of the Services performed within the meaning of the Occupational Health and Safety Act, R.S.O. 1990, c. 0.1, as amended and the regulations thereunder and shall have all of the responsibilities and liabilities of a "Constructor".

(e) **Safety and Security Measures:** When any part of the Services is to be performed at the Services Recipient's premises, all of the Services Provider's staff engaged in the performance of the Services at the said premises shall comply with the safety and security requirements and measures in effect at the said premises.

(f) **Cleanup:** The Services Provider shall maintain the location at which the Services are performed in a tidy condition and free from the accumulation of waste products and debris, other than that caused by the Services Recipient, its contractors or their respective employees. Upon completion of the Services, the Services Provider shall remove the material, tools, machinery and equipment and waste products and debris, other than those resulting from the work of the Services Recipient, its contractors and their respective employees.

(g) **Review and Inspection of the Services:** The Services Recipient shall have access to the Services at all times. The Services Provider shall provide sufficient, safe, and proper facilities at all times for the review of the Services by the Services Recipient. The Services Recipient may order any portion or portions of the Services to be examined to confirm that such work is in accordance with the requirements of this Agreement. If the work is not in accordance with the requirements of this Agreement, the Services Provider shall correct the work and pay the cost of examination and correction. If the work is in accordance with the requirements of this Agreement, the Services Recipient shall pay the cost of examination and restoration. No payment by the Services Recipient shall constitute an acceptance of any portion of the Services which are not in accordance with the requirements of this Agreement.

(h) **Defective Services:** The Services Provider shall promptly remove from the site at which the Services have been performed and replace or re-execute defective work that has been rejected by the Services Recipient as failing to conform to this Agreement whether or not the defective work has been incorporated in the Services and whether or not the defect is the result of poor workmanship, use of defective products, or damage through carelessness or other act or omission of the Services Provider. The Services Provider shall promptly make good other contractors' work destroyed or damaged by such removals or replacements at the Services Provider's expense. If, in the reasonable

opinion of the Services Recipient it is not expedient to correct defective work or work not performed as provided in this Agreement, the Services Recipient may deduct from the amount otherwise due to the Services Provider the difference in value between the work as performed and that called for by this Agreement. If the Services Provider and Services Recipient do not agree on the difference in value, they shall follow the dispute resolution procedures outlined in Section 8.0 herein.

(i) **Meetings:** The parties agree to meet quarterly after the Effective Date to review performance, quality and timeliness of the Services provided by the Services Provider.

(j) **Emergency Priority:** Upon determination by the Services Recipient that the Services Recipient is in an emergency situation, the Services Provider shall give first priority to responding to the said emergency, in priority over any emergency response commitments that the Services Provider may have to a third party.

7.0 CHANGES TO SERVICES

Either party may request a change to the scope of work including work already in progress in accordance with this Section.

If either party desires a change in the work described in the Services, it shall complete and submit to the other party, a Change Notification Form (the "CNF") in the form attached hereto as Schedule "B". The CNF shall identify the reasons and impact (cost and schedule) of the change. The other party shall respond to the CNF no later than 10 business days after receipt thereof. In the event that the parties agree with the change in the scope of work, price and/or time for completion, the parties shall execute the CNF and the executed CNF shall be attached to this Agreement.

In the event that the parties agree on the change in the scope of work but do not agree on a revised price for the changed scope of work, the price shall be fixed on a time and materials basis in accordance with the Services Provider's 2014/2015 hourly rates as may be amended pursuant to this Agreement and the CNF shall be executed by the parties accordingly. The Services Provider shall provide the Services Recipient with an invoice for the said changed scope of work that is payable on a time and materials basis and the invoice shall include a description of the work performed, a breakdown of the number of hours worked and applicable hourly rates. The Services Provider shall also provide to the Services Recipient such other information and supporting documentation as the Services Recipient may reasonably require. Such invoices, information and supporting documentation shall at all reasonable times be open to audit, inspection and copying by the Services Recipient and shall be preserved and kept available by the Services Provider for audit by the Services Recipient until the expiration of two years from the completion date of the changed scope of work.

The Services Provider shall not be obligated to carry out any change in the scope of work and the Services Recipient shall not be obligated to pay for any change in the scope of work unless and until the relevant CNF has been executed.

8.0 DISPUTE RESOLUTION PROCEDURES

Any controversy, dispute, difference, question or claim arising between the parties in connection with the interpretation, performance, construction or implementation of this Agreement that

cannot be resolved by a Director from each party (collectively "Dispute"), other than a Dispute regarding any change to the scope of work activities processed under Section 7.0 above, shall be settled in accordance with this Section. The aggrieved party shall send the other party written notice identifying the Dispute, the amount involved, if any, and the remedy sought, and invoking the procedures of this Section. The Presidents from each party shall confer in an effort to resolve the Dispute. If the Presidents are unable to resolve the Dispute within 5 business days after receipt of the written notice of the Dispute, then the parties shall submit the Dispute in writing to the President of Hydro One Inc. for resolution.

9.0 CONFIDENTIALITY AND INTELLECTUAL PROPERTY

(a) **Confidentiality**: Each party (the "Receiving Party") shall maintain in strict confidence all information, analysis, conclusions, drawings, reports, specifications or other information, proprietary or otherwise, whether transmitted orally, electronically or in written form, and received in furtherance of this Agreement from the other party (the "Disclosing Party") or any of the Disclosing Party's directors, officers, employees, consultants, agents or legal, financial or professional advisors (the "Disclosing Party Representatives") (collectively the "Confidential Information"). Except as permitted herein, the Receiving Party shall not publish, reproduce, or disclose, either directly or indirectly, the said Confidential Information to any third party and shall not use the said Confidential Information for any purpose other than for purposes of this Agreement without the prior written consent of the Disclosing Party. The Receiving Party may disclose the Confidential Information only to its shareholder, directors, officers, employees, consultants, agents or professional advisors (the "Receiving Party Representatives") having a need to know same and who have undertaken a like obligation to maintain its confidentiality.

For greater certainty, Confidential Information includes any and all personal information (as that term is defined in the Freedom of Information and Protection of Privacy Act (Ontario) and the Personal Information Protection and Electronic Documents Act (Canada), as they may be amended) and any and all information regarding a consumer, retailer, wholesale buyer, wholesale supplier, or a generator, provided by the Disclosing Party to the Receiving Party for purposes of this Agreement, whether or not such information was initially provided prior to the Effective Date.

The Receiving Party undertakes to protect and safeguard all Confidential Information in its possession or under its control and received by the Disclosing Party, in the manner described in Schedule "F" attached hereto. The Disclosing Party may, on reasonable notice, and during regular business hours, audit the information management practices of the Receiving Party to confirm compliance with the terms and conditions of this Section 9.0 and all applicable statutes, regulations, by-laws, standards and codes, as amended.

The Receiving Party undertakes to notify the Disclosing Party immediately upon discovery of any unauthorized use and/or disclosure of any of the Disclosing Party's Confidential Information, to co-operate with the Disclosing Party to help regain possession of such Confidential Information, and to prevent its further unauthorized use and/or disclosure.

The foregoing obligations with respect to confidentiality, use, reproduction, dissemination, publication and non-disclosure herein shall not apply to any information that:

(i) is previously known to or lawfully in the possession of the Receiving Party prior to the date of disclosure as evidenced by the Receiving Party's written record;

(ii) is independently known to or discovered by the Receiving Party, without any reference to the information or material;

(iii) is obtained by the Receiving Party from an arm's length third party having a bona fide right to disclose same and who was not otherwise under an obligation of confidence or fiduciary duty to the Disclosing Party or the Disclosing Party Representatives;

(iv) is or becomes public knowledge through no fault or omission of, or breach of this Agreement by, the Receiving Party or the Receiving Party Representatives; or

(v) is required to be disclosed pursuant to a final judicial or governmental order or other legal process, including, without limitation, an order of or legal process involving a regulatory authority such as the Ontario Energy Board.

The parties acknowledge and agree that the Confidential Information shall remain the sole and exclusive property of the Disclosing Party that has disclosed the Confidential Information, and the Disclosing Party shall retain all right, title and interest in and to the Confidential Information it has disclosed to the Receiving Party.

The Receiving Party agrees that it shall keep a record of written Confidential Information furnished to it by the Disclosing Party in a location separate from those locations where the Receiving Party has stored information in respect of other third parties for which it performs work and it shall advise the Disclosing Party of such location.

All Confidential Information furnished by the Disclosing Party, including that portion of the Confidential Information which is contained in analyses, compilations, studies or other documents prepared by the Receiving Party or by the Receiving Party Representatives, is the Disclosing Party's property and will be returned immediately to the Disclosing Party upon its request.

(b) **Intellectual Property:** Unless otherwise agreed, the Services Recipient shall obtain all rights, title and interests, including copyright ownership, to any reports and any other deliverable that is to be produced and delivered to the Services Recipient by the Services Provider in accordance with this Agreement and, subject to applicable legislation, and notwithstanding clause 9.0(a) above, the Services Recipient may use, disclose or modify such reports or deliverable in any manner it deems appropriate. The Services Provider shall not do any act which may compromise or diminish the Services Recipient's interest as aforesaid.

(c) **Survival of Obligations:** The obligations in this Section 9.0 shall forever survive the termination or expiration of this Agreement.

10.0 INSURANCE

The Services Provider shall maintain in full force and effect during the term of this Agreement and with financially responsible insurance carriers, the following insurance coverage and the insurance coverage specified in Schedule "E" attached hereto as may be applicable for any and all Services:

(i) Workers Compensation as required by *the Ontario Workplace Safety and Insurance Act, 1997,* S.O. 1997, c.16, Schedule A, as amended or similar applicable legislation covering all persons employed by the Services Provider for the Services performed under this Agreement. For U.S. employees, appropriate State Workers Compensation must be carried including Employer's Liability for a minimum limit of $5,000,000 U.S., with a Foreign Coverage Endorsement and, to the extent applicable, Jones Act and U.S. Longshoreman's and Harbor Workers coverage and FELA. To achieve the desired limit, umbrella or excess liability insurance may be used. A waiver of subrogation shall be provided by the insurers to the Services Recipient.

(ii) Automobile Liability Insurance, covering all licensed motor vehicles owned, rented or leased and used in connection with the Services to be performed by the Services Provider under this Agreement covering Bodily Injury and Property Damage Liability to a combined inclusive minimum limit of $5,000,000 and mandatory Accident Benefits. To achieve the desired limit, umbrella or excess liability insurance may be used.

(iii) Commercial General and Excess Liability Insurance with limits of $5,000,000 inclusive for both bodily injury, including death, personal injury and damage to property, including loss of use thereof, for each occurrence. To achieve the desired limit, umbrella or excess liability insurance may be used. This coverage shall specifically include, but not be limited to, the following:

a. Blanket Contractual Liability;
b. Damage to property of the Owner including loss of use thereof;
c. Pollution Liability coverage on at least a Sudden and Accidental basis;
d. Products & Completed Operations to be continuously maintained through the operational liability insurance.
e. Employer's Liability;
f. Non-Owned Automobile Liability; and
g. Broad Form Property Damage

Prior to the commencement of the performance of the Services under this Agreement, the Services Provider shall provide to the Services Recipient's representative and address noted immediately below, evidence of the minimum coverages required under this Section 10.0 in the form attached hereto as Schedule "D", noting the policy number and term and executed by a duly authorized representative of their respective insurers.

Manager, Risk and Insurance, Hydro One Networks Inc. 483 Bay Street, South Tower TCT 07, Toronto, Ontario M5G 2P5

With the exception of subparagraph (ii) above, all insurance coverages noted above shall specify that it is primary coverage and not contributory with or in excess of any other insurance that may be maintained by the Services Recipient.

The Services Recipient shall be included as a Named Insured subject to the Sole Agent provision under coverages noted in subparagraph (iii) above, but only to the extent to which the Services

Provider is liable to the Services Recipient for breach of its obligations under this Agreement. In addition, the parties acknowledge and agree that the insurance coverages noted in subparagraph (iii) above shall contain a cross liability clause and a severability of interests clause.

The parties further acknowledge and agree that the Insurance coverage described in this Section and provided for the Services Provider shall not be invalidated by actions or inactions of others.

11.0 LIABILITY

Unless otherwise agreed in writing, each party shall indemnify the other party and that other party's successors and assigns, directors, officers, employees, contractors and agents from and against all direct costs or damages attributable to the indemnifying party's performance and/or non-performance of its obligations under this Agreement and any amendments or additions thereto that are mutually agreed to in writing, whether arising from or based on breach of contract, tort, negligence, strict liability or otherwise. Notwithstanding any other provision of this Agreement, neither party shall be liable for any special, indirect or consequential damages or for economic loss, incurred by the other or by any third party claiming through or under the other.

The foregoing paragraph shall forever survive the termination or expiration of this Agreement.

12.0 AUTHORIZED REPRESENTATIVES

The authorized representatives of the parties hereto for purposes of this Agreement are the following:

HYDRO ONE REMOTE COMMUNITIES INC.
483 Bay St.
South Tower, 8th Floor
Toronto, Ontario
M5G 2P5
Attention: Una O'Reilly
Telephone: (416) 345-6698
Telecopier: (416) 345-6356

HYDRO ONE NETWORKS INC.
483 Bay St.
South Tower, 7th Floor
Toronto, Ontario
M5G 2P5
Attention: Ryan Lee
Telephone: (416) 345-5158
Telecopier: (416) 345-5063

All correspondence, reports, documents and/or other communication concerning this Agreement, the Schedules attached hereto or any of the Services shall be directed to the attention of the authorized representatives noted above. Any notice permitted or required to be given hereunder shall be deemed to be sufficiently given if delivered personally, mailed or transmitted by fax to the attention of the authorized representatives at the addresses above, and any notice so given shall be deemed to have been made and received on the date of delivery or on the 5th business day following the day of

mailing of same or on the day of transmission if transmitted during normal business hours, otherwise on the next business day, as the case may be.

13.0 FORCE MAJEURE

Except for the payment of any monies required hereunder, neither party shall be deemed to be in default of this Agreement where the failure to perform or the delay in performing any obligation is due to a cause beyond its reasonable control, including, but not limited to, an act of God, act of any federal, provincial, municipal or government action, or order of court or administrative or regulatory authority, civil commotion, strikes, lockouts and other labour disputes, fires, floods, sabotage, earthquakes, storms, ice storms and epidemics. As soon as a party anticipates that a force majeure event may occur which will delay or prevent it from performing any of its obligations under this Agreement, it shall promptly notify the other party and shall exercise all reasonable efforts to mitigate or limit the effect on the other party.

Once a party becomes subject to such an event of force majeure, it shall promptly notify the other party of its inability to perform, or of any delay in performing, due to an event of force majeure and shall provide an estimate, as soon as practicable, as to when the obligation will be performed. The party subject to the force majeure event shall also continue to furnish timely reports to the other party with respect to the force majeure event during the continuation of the said event and the said party shall exercise all reasonable efforts to mitigate or limit damages to the other party. The party subject to the force majeure event shall use its best efforts to continue to perform its obligations under this Agreement, as the case may be, and to correct or cure the event or condition excusing performance and when the said party is able to resume performance of its obligations thereunder, it shall give the other party written notice to that effect and shall promptly resume performance thereunder. The time for performing the obligation shall be extended for a period equal to the time during which the party was subject to the event of force majeure. The parties shall explore all reasonable avenues available to avoid or resolve events of force majeure in the shortest time possible.

Notwithstanding the two preceding paragraphs, the settlement of any strike, lockout, restrictive work practice or other labour disturbance constituting a force majeure event shall be within the sole discretion of the party involved in such strike, lockout, restrictive work practice or other labour disturbance and nothing in the two preceding paragraphs shall require the said party to mitigate or alleviate the effects of such strike, lockout, restrictive work practice or other labour disturbance.

14.0 ASSIGNMENT

Neither this Agreement nor any the rights and obligations hereunder may be assigned by either party hereto without the prior written consent of the other, which consent shall not be unreasonably withheld. Subject to the foregoing, this Agreement shall enure to the benefit of the parties hereto and their respective successors and permitted assigns.

15.0 AMENDMENTS

Any amendment, modification or supplement to this Agreement shall not be valid or binding unless set out in writing and executed by the parties with the same degree of formality as the execution of this Agreement. Notwithstanding the foregoing, the parties acknowledge and agree that the Services Recipient shall be entitled to unilaterally change the General Standards and Specifications attached hereto as Schedule "A" provided however that the parties shall negotiate

in good faith the effect of any such changes to the scope of work, time for completion of the said scope of work and the price therefor, in accordance with the process outlined in Section 7.0 above.

16.0 ENTIRE AGREEMENT

This Agreement, together with Schedules "A", "B", "C", "D", "E" and "F" attached hereto, represents the entire agreement between the parties hereto respecting the subject matter hereto and supersedes all prior agreements, understandings, discussions, negotiations, representations and correspondence made by or between them respecting the subject matter hereto.

17.0 CONFLICTS

In the event of any conflict between this Agreement and Schedules "A", "B", "C", "D", "E" and "F", the provisions of the former shall prevail. In the event of any conflict amongst the Schedules, then the Schedules shall take precedence in the following order: (i) Schedule "C", (ii) Schedule "D"; (iii) Schedule "B"; (iv) Schedule "A"; (v) Schedule "E" and (vi) Schedule "F".

18.0 GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

19.0 SCHEDULES

Schedules "A", "B", "C", "D", "E" and "F" attached hereto are to be read with and form part of this Agreement.

20.0 RELATIONSHIP OF PARTIES

Nothing in this Agreement creates the relationship of principal and agent, employer and employee, partnership or joint venture between the parties. The parties agree that they are and will at all times remain independent and are not and shall not present themselves to be the agent, employee, partner or joint venturer of the other. No representations will be made or acts taken by either party which could establish any apparent relationship of agency, employment, joint venture or partnership and neither party shall be bound in any manner whatsoever by any agreements, warranties or representations made by the other party to any other person nor with respect to any other action of the other party.

21.0 COUNTERPARTS

This Agreement may be executed in counterparts and the counterparts together shall constitute an original.

IN WITNESS THEREOF the parties hereto have caused this Agreement to be executed by their respective representatives duly authorized in that behalf.

HYDRO ONE REMOTE COMMUNITIES INC.

Name: Lee Anne Cameron
Title: Director
I have authority to bind the corporation.

HYDRO ONE NETWORKS INC.

Name: Sandy Struthers
Title: CAO and CFO
I have authority to bind the corporation.

Schedule "A"

GENERAL STANDARDS AND SPECIFICATIONS



REVISION HISTORY

Date	Revision No.	Modification	Comments

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GSS #1 USED, REUSABLE AND WASTE MATERIALS

1.1 DEFINITIONS

1.1.1 Reusable Material

Where practical, the Services Provider shall reuse and re-deploy all material that is removed from service, provided such material is still in good operating condition and satisfies the criteria indicated in this GSS #1.

1.1.2 Waste Material

All other material that is removed from service will be considered to be waste material.

1.1.3 Recycling

Recycling means using waste material for purposes other than those for which the material was originally intended: it does not include destruction (such as incineration or burning as a supplementary fuel) or use as land fill.

1.2 EXPECTATIONS

Costs for the management of used material that is associated with capital projects, including the disposition of such material for re-deployment, re-use and/or disposal, shall be identified in Schedule "C", where applicable (e.g. the cost to pickup, transport and dispose of PCB fluids and contaminated waste).

The Services Provider shall handle all reusable material removed from service in a manner that is consistent with Schedule "C" (where identified) and in accordance with applicable legislation, statutes, by-laws, codes, guidelines, regulations, and Hydro One procedures. Such material shall be stored in a safe and secure manner to minimize any risk of physical damage and/or of environmental or health and safety impacts associated with such damage, pending re-deployment or shipment to storage.

The Services Provider shall manage and dispose of waste material in a manner that is consistent with Schedule "C" (where identified) and in accordance with applicable legislation, statutes, by-laws, codes, guidelines, regulations, and Hydro One procedures. Preference will be given, where practical, to disposal options that maximize the potential for recycling.

1.3 CRITERIA FOR USED MATERIALS

Material	Criteria and Action
Poles	• Distribution poles shall be less than 16 years old • Transmission poles shall be less than 12 year old • Penta-treated poles shall not be reused • All wood poles no longer required by the Services Recipient shall be returned to the appropriate service/operations centre. • All wood poles no longer required by the Services Recipient shall be disposed of appropriately.

Material	Criteria and Action
Pole-Mounted Transformers	• Must be no older than 1974 • If less than 200ppm PCB, a pole-mounted transformer shall be drained, refilled and re-tested after 2 years • If bushings are side-mounted they shall be recycled • Pole-Mounted Transformers shall be visually inspected (remove cover). If the inspection indicates no damage to the coil, they shall be returned for repair • If a transformer fails inspection and is over 50ppm PCB, it shall be scrapped as PCB-contaminated waste
Pad-mount Transformers	• All such transformers shall be returned for repair • If less than 200ppm PCB, a pad-mounted transformer shall be drained, refilled and re-tested after 2 years • Pad-mounted transformers shall be visually inspected. If the inspection indicates no damage to the coil, they shall be returned for repair • If a transformer fails inspection and is over 50ppm PCB, it shall be scrapped as PCB-contaminated waste
Line Voltage Regulators	• This includes any 50A line regulator retained for parts; all others shall be returned for repair • If less than 200ppm PCB, line voltage regulators shall be drained, refilled and re-tested after 2 years • Line voltage regulators shall be visually inspected (remove cover). If the inspection indicates no damage to the coil, they shall be returned for repair • If a regulators fails inspection and is over 50ppm PCB, it shall be scrapped as PCB-contaminated waste
Oil Circuit Reclosers	• If less than 200ppm PCB, the reclosers shall be drained, refilled, and re-tested after 2 years • Reclosers shall be visually inspected (remove cover). If the inspection indicates that there is no damage, they shall be returned for repair • If a recloser fails inspection and is over 50ppm PCB, it shall be scrapped as PCB-contaminated waste
Metering Transformers / Units	• If less than 200ppm PCB, the units shall be drained, refilled and re-tested after 2 years • The units shall be visually inspected (remove cover). If the inspection indicates no damage to the coil, it shall be returned for repair • If a unit fails inspection and is over 50ppm PCB, it shall be scrapped as PCB-contaminated waste
Capacitors	• No PCB or Dielektrol I- or II-filled capacitors shall be reused • Capacitors shall not have an unknown PCB content unless permission is obtained from the Services Recipient. Some capacitors manufactured before January 1981 may contain PCB over 50 ppm.
Primary Conductors	• If less than 3/0, primary conductors shall be reused for extensions where the main line is of the same size • Before reusing, #2 shall be inspected for deterioration in the core • All other conductors shall be reused
Secondary Conductors/ Underground Cable	• Secondary Conductors/Underground Cables shall be reused if they pass an asset condition test • The units must contain no splices (in the underground cable) that test greater than 50 mg/kg PCB. In addition, end sections must not have come from terminations that test greater than 50 mg/kg PDB. • All secondary conductors shall be reused • No underground cables shall be reused if they are more than 10 years old
Submarine Cable	• No submarine cable shall be used if it is more than 5 years old

Material	Criteria and Action
Insulators	• All single piece porcelain pin insulators shall be reused (not other porcelain insulators): the intent is to replace insulators with silicone (polymer) types on 115 kv and 230 kv, where practical • Epac insulators shall not be reused • Cob porcelain post insulators shall not be reused
Cross-arms	***Distribution:*** • Cross-arms shall be reused if no apparent cracking or excessive aging is evident
	Transmission: • All wooden cross-arms shall be removed and disposed • All steel cross-arms shall be reused
Spool Bolts	• All spool bolts shall be reused
Switches	***Distribution:*** • No Kearney switches nor rigid polymeric insulator-type switches shall be reused
	Transmission: • All shall be 115 kV & 230 kV in-line polymeric switches • Only those switches that have tested satisfactorily shall be reused
Insulating Oil	• All insulating oil is required to meet specification for Voltesso 35 Category "B" oil OR have the potential to be upgraded to meet this specification • Insulating oil must contain less than 50 mg/kg PCB by laboratory test

1.4 FINANCIAL TREATMENT OF USED MATERIAL

The Services Provider shall report all units removed from service. When used materials are reused for capital or maintenance work, the materials shall be charged to the work as if the material was new.

1.5 INFORMATION REQUIREMENTS

The Services Provider shall record and report the following information to the Services Recipient according to a schedule specified in the description of Services in Schedule "C" to the Agreement.

- Transformer Units by MVA/kVA and voltage, whether installed, salvaged or disposed as waste (new or used material)
- Regulator/Rabbit Units by kVA and voltage, whether installed, salvaged or disposed as waste (new or used material)
- Recloser Units by voltage and interrupting rating
- Switches by manufacturer type and voltage rating
- Capacitor Units by total MVA/kVAR, including voltage, number of phases and control type, whether installed, salvaged or disposed as waste (new or used material)
- Transmission line structures and distribution pole units by type (steel or wood pole), height, age, ownership (Hydro/Bell Canada/MEU), Bell Canada I.D. (exchange, route and pole number), structure number
- Conductor Units by size, type and length, whether installed, salvaged or disposed as waste (new or used material)
- Cable size, type, length and voltage, whether installed, salvaged or disposed as waste (new or used material)
- Record or retained material, including volumes scrapped, reused or repaired and reused.

(1) Note: The information listed above is required for accounting purposes at the plant.

1.6 WASTE MATERIAL

For waste material that is classified as either hazardous or as liquid industrial, the Services Provider shall follow specific requirements. These requirements are detailed in the appropriate legislation (e.g., *Environmental Protection Act, Occupational Health & Safety Act*) and internal policies/standards/procedures (e.g., Waste Management Manual). Records of hazardous waste volumes shipped to disposal shall be reported to the Services Recipient and such records shall be maintained according to established records management. All hazardous waste material shall be handled and managed with due regard for worker and public health and safety.

GSS #2 ENVIRONMENT, HEALTH & SAFETY REQUIREMENTS

2.1 GENERAL STATEMENT OF COMPLIANCE AND REQUIREMENTS

The Services Recipient expects to receive the same level of compliance, where applicable, for services provided under the Agreement. As a minimum, the Services Provider shall comply with the following:

- Federal and Provincial legislation;
- Municipal by-laws;
- The Services Recipient's Safety Rules and Policies;
- All legacy Ontario Hydro policies, procedures and standards still applicable to the Services Recipient;
- Policies approved by the Services Recipient's Board of Directors;
- The Services Recipient's Environment, Health & Safety Management policies, procedures and associated standards; and
- The Services Recipient's Policy for Health & Safety Incident Management.

2.2 ENVIRONMENTAL REQUIREMENTS

2.2.1 General Requirements for Management of the Environment

For managing the environment, the Services Provider shall abide by the following:

a) The Services Provider shall design, construct, operate, maintain and decommission the Services Recipient's facilities in accordance with standards to be developed by the Services Recipient and made available to the Services Provider.

b) The Services Provider shall perform all work on behalf of the Services Recipient in a manner that is consistent with the principles of an environmental management system including, as a minimum:
   - Assigning and communicating individual accountability and responsibility for the environment;
   - Engaging qualified employees and agents (i.e. with respect to knowledge, training and experience to perform the work assigned) to perform the work;
   - Having emergency preparedness and response capability suitable to the range of issues that could be encountered during the course of the work detailed in Schedule "C" to the Agreement;
   - Inspecting, maintaining and monitoring equipment, facilities and employees during the course of providing the Services;
   - Reporting environmental incidents, performing incident investigations and implementing corrective actions in response to an incident; and
   - Periodically reviewing environmental management processes and making improvements, as necessary.

c) The Services Provider shall consider the environmental implications of all work and integrate environmental considerations into its plans for all work that could have an adverse effect on the environment.

d) In performing the services, the Services Provider shall:
   - Use materials, products and equipment that are government-approved, industry-accepted and sustainable (i.e., from environmental, economical, social perspectives). The Services provider shall give preference, where practical, to materials and products that have low toxicity and do not contain substances that are included on Schedule 1 (List of Toxic Substances) of the *Canadian Environmental Protection Act* or on the Priority Substances Lists 1 and 2.
   - Maximize the efficient use of resources;
   - Be energy efficient; and
   - Conserve heritage resources.

e) The Services Provider shall, when included in the project scope, prepare and implement project-specific environmental specifications when the prevention or mitigation of predicted environmental impacts can only be assured by the application of a specific damage prevention or mitigation approach. Such environmental management specifications will be consistent with applicable standards.

f) The Services Provider shall prepare and provide to the Services Recipient, project-specific, As-Constructed Reports for all projects that require any one or more of the following, where the Services Recipient and the Services Provider shall mutually determine which environmental authorities or industry or legislative standards shall be used in developing such reports:

- Environmental permits;
- Environmental considerations or special commitments;
- Access agreements, construction property agreements and special conditions that contain a record of the final environmental state of the project;
- Documentation of significant environmental situations or activities; and
- Property rights summaries.

g) The Services Provider shall provide to the Services Recipient, the records identified in (b), (e) and (f).

2.2.2 Environmental Incident Management

The Services Provider shall consistently respond and report environmental incidents and ensure that all such incidents involving Distribution or Transmission assets and lands are managed effectively. Included as "environmental incidents" are:

- Vandalism, natural events (such as lightning, ice, and wind) and animal activity;
- Accidental or inadvertent public contact with electrical system assets or equipment (such as motor vehicle accidents, ladders into lines);
- Mechanical/electrical failure for no apparent reason or unknown cause;
- Asset management standards that are subsequently shown to have contributed to the incident; and
- Operation or maintenance activities in accordance with accepted standards that would not normally be expected to cause leaking, equipment failure or malfunction.

The Services Provider shall document all environmental incidents (such as spills and fires) involving the Services Recipient's assets and/or lands (owned or easement) (e.g., complete a Hydro One Environmental Incident Report). The Services provider shall enter this information into the Web Environmental Incident Collector (WebEIC) database and/or any other similar database, as directed by the Services Recipient.

The Services Provider shall consistently respond to, and report, environmental incidents. The Services Provider shall also ensure that all environmental incidents involving the Services Recipient's assets and land are managed effectively.

2.3 HEALTH & SAFETY

2.3.1 Potential Hazards

There are two significant hazards associated with work on the Services Recipient's assets:

- Hazards inherent to working in proximity to electrical equipment; and
- Hazards inherent to working at heights.

The Services Provider may also work in buildings or at sites where hazardous substances are present. Inventories and assessments of potentially hazardous or hazardous substances have been completed for the majority of the Services Recipient's sites; they are available to the Services Provider on request. All requests should be made locally.

The Services Provider shall manage all hazards associated with all Services with the Services Recipient.

2.3.2 General Requirements for the Management of Health & Safety

The Services Provider shall perform all work on behalf of the Services Recipient in a manner that is consistent with the principles of a health and safety management system including, as a minimum:

(a) Assigning and communicating individual accountability and responsibility for health and safety;
(b) Engaging qualified employees and agents (i.e. with respect to knowledge, training and experience to perform the work assigned) to perform the work;
(c) Having emergency preparedness and response capability suitable to the range of issues that could be encountered during the course of the work detailed in Schedule "C" to the Agreement;
(d) Inspecting, maintaining and monitoring equipment, facilities and employees during the course of providing the Services;

(e) Reporting safety events, performing event investigations and implementing corrective actions in response to an event;
(f) Periodically reviewing health and safety management processes periodically and making improvements, as necessary; and
(g) Submitting the records identified in (e) and (f) to the Services Recipient.

The Services Provider shall ensure the protection of the public in the performance of all work for the Services Recipient.

2.3.3 Health & Safety Event Management

The Services Provider shall consistently respond and report all health and safety events involving the Services Recipient staff and/or members to the Services Recipient. Included as health and safety events are:

- Vandalism, natural events (such as lightning, ice, and wind) and animal activity;
- Accidental or inadvertent public contact with electrical system assets or equipment (such as motor vehicle accidents, ladders into lines);
- Mechanical/electrical failure for no apparent reason or unknown cause;
- Asset management standards that are subsequently shown to have contributed to the event; and
- Operation or maintenance activities in accordance with accepted standards that would not normally be expected to cause leaking, equipment failure or malfunction.

Schedule "B"

CHANGE NOTIFICATION FORM (No. xxx)

Date issued: xx-xxx-xx

Services Description		
Project ID	**Services Recipient**	**Services Provider**
Scope Change		
Reason for Change		
Schedule/Delivery Impact		
Impact on Price	**Old Price:** **New Price:**	
Approvals	**Hydro One Networks Inc.**	**Hydro One Remote Communities Inc.**
Effective Date of Change:		
Proposed By:		
Date:		
Reviewed By:		
Date:		
Approved by:	(Authorized Signatory)	(Authorized Signatory)
Date:		

Schedule "C"

Description of Services

FORESTRY SERVICES:

A. Description of Services:

The Services Provider shall provide the Services Recipient with the following forestry services:

1. Upon the Services Recipient's request, perform condition assessments of the Services Recipient's distribution systems, and prepare a proposed multi-year forestry maintenance cycle for the Services Recipient.

2. Upon the Services Recipient's request, perform condition assessments of the Services Recipient's assets, and prepare cost estimates depicting at a minimum: labour hours and type (Technician, Supervisory, Maintainer, HH, etc.), TWE rates and requirements, material costs, board and lodging expenses, transportation costs excluding air charters, and applicable sundries in sufficient detail necessary for work scheduling and business planning purposes. As well, the amount of joint use right of way and associated clearing costs shall be identified by the Services Provider within the estimates.

3. Site monitoring of line clearing and/or brush control performed by third party contractors retained by the Services Recipient for servicing its rights of way in First Nation Communities as identified by the Services Recipient's representative. As required, the Services Provider shall clear lines and remove brush within the limits of approach to make it safe for First Nation Community contractors to clear lines and control brush outside the limits of approach.

4. Perform line-clearing in all communities within the Services Recipient's designated territory and brush control on all assets located on provincial land as identified by the Services Recipient. As well, from time to time as requested by the Services Recipient, the Services Provider will perform brush control activities on First Nation lands when the First Nation is unable to unwilling to perform the task to meet applicable standards.

5. Perform brush control measures including herbicide application where applicable in all station yards within the Services Recipient's territory.

6. Assist with the development of the line clearing and brush control specifications and standards necessary for negotiations with third party contractors and First Nations Administration.

7. Assist in providing notification of forestry services to communities and attaining necessary permissions from property owners or custodians.

8. Obtain various work permits such as cutting rights and stumpage fees on Crown Land or from companies with assigned cutting rights, fuel wood and stream crossing permits from the Ministry of Natural Resources, or transportation/crossing arrangements with the Canadian National Railway or Canadian Pacific Railway for the performance of the forestry services.

9. Provide forestry support for emergency line clearing and trouble calls.

10. Provide forestry support for line clearing and brush control as required for work driven by extensions, connections, betterments and upgrades to distribution facilities.

11. Provide documentation and support to enable the Services Recipient to obtain Purchase Service Agreements (PSA) with the Power Workers Union (PWU) for line clearing in First Nation communities, as well as, necessary sole source and procurement documentation.

12. Prepare and provide detail cost estimates of identified planned work to the Services Recipient by April 15, 2014 in order to facilitate business planning for the following year as may be needed. The Services Recipient shall identify the work to be estimated by March 1, 2014. Other estimates that may be required throughout the year and will be prepared and provided 15 days after the request is received by Forestry Services Scheduling.

13. The Services Provider shall prepare and provide necessary PSA and procurement documentation for First Nation brushing contracts by April 15, 2014. The Services Recipient will be responsible for managing and completing PSA negotiations with the PWU and approve procurement documents as it deems necessary.

14. The Services Provider shall complete 100% of the annual planned line clearing and brush control operations by December 15, 2014. The details of the annual plan will be discussed at a meeting between the Services Recipient's Customer Service Manager or delegate and the Services Provider's Forestry Superintendent - Northern Zone or Territory Manager delegate and shall be held before the end of February, 2014 where the parties will confirm activities and expectations for the year.

B. **Price and Terms of Payment**:

The Services Recipient shall pay the Services Provider for the forestry services on a time and materials basis in accordance with the wage schedules of the Services Provider.

The above fees payable excludes all airfares and lodging and contractual obligations as required under the collective agreement for the Services Provider's costs while working at

the Services Recipient's facilities, which shall be paid directly by the Services Recipient. The Services Recipient will arrange and pay for the scheduling of charter flights to the Services Recipient's sites.

C. **Service Levels**:

The Services Provider shall report the following information in writing to the Services Recipient by December 15, 2014:

- Kilometers of line controlled / treated in each community
- Number of helicopter landing sites cleared
- Total actual cost of the forestry services in each community
- Instances of customer objection to use of herbicides and/or treatment of vegetation by any method; such customer disputes shall be resolved by the Services Recipient if resolution could not be attained through the Services Provider's regular procedures
- Detailed work completion reports of line clearing and brush control in each community upon completion of project.

WORK METHODS AND TRAINING SERVICES:

A. Description of Services:

The Services Provider shall provide the Services Recipient, as required by the Services Recipient, with the following services related to specific job procedures outlining sequence, tools, resources, safety precautions, and hazards relating to job tasks (collectively, the "Work Methods") and trades/technical training support for distribution lines, customer service and station maintenance trades in accordance with the specific terms and conditions noted therein:

1. Training Delivery

- The Services Provider will provide requested trades training for the Services Recipient.
- The Services Recipient will provide the names of all employees working for the Services Recipient on a continual basis (i.e. new employees/apprentices) to the Services Provider.
- The Services Provider shall schedule the training in such manner so as to meet the Services Recipient's reasonable needs. In order for the Services Provider to meet these needs, the Services Recipient shall submit a "Request for Training" form 30 days in advance of the training requested, which form may be amended from time to time by the Services Provider. The "Request for Training" form is posted, and can be accessed, electronically at the Hydro One Plugin Website>HSE>Training>Forms (http://hydronet.hydroone.com/Pages/default.aspx).
- The Services Recipient shall determine and notify the Services Provider as to whether or not training will be delivered in a centralized or decentralized manner.
- The Services Recipient will also notify the Services Provider with as much time as possible in the event there is a need for Training course cancellation, but in any event no less than 10 Business Days' prior written notice. The Services Recipient acknowledges and agrees that if it does not provide the Services Provider with a minimum 10 Business Days prior written notification of training course cancellation, the Services Recipient will bear all costs that may have been incurred by the Services Provider for training development, scheduling, travel, and accommodations related to said training course.

The Services Provider and the Services Recipient shall comply with the following accountability matrix:

Accountabilities Matrix	
Task	**Accountability**
Approval of Course Content	Services Recipient
Course Participants	Services Recipient
Course Instructors	Services Provider
Course Scheduling	Services Provider
Development of Course Material	Services Provider
Quarterly Report of all training activities to Services Recipient	Services Provider

2. Records Maintenance

- The Services Provider shall input all of the Services Recipient's training data into the Services Provider's centralized database within ***(10) ten*** Business Days after the Services Provider's receipt from the Services Recipient of the completed "Training Record Input Form", which form may be amended from time to time by the Services Provider. The "Training Record Input Form" is posted, and can be accessed,

electronically at the Hydro One Plugin Website>HSE>Training>Forms (http://hydronet.hydroone.com/Pages/default.aspx).

- The training record maintained by the Services Provider will include all legislated, Corporate-mandated and trade specific training. Other topics will be included at the request of the Services Recipient.
- All training records/information shall be accessible via the Hydro One Learning Management System (view only – HOLMs on the Hydro One Plugin Website - (http://hydronet.hydroone.com/Pages/default.aspx) by the Services Recipient.

3. Training Material Development

- The Services Recipient will identify to the Services Provider the skill sets required, including all mandatory-training requirements. The Services Recipient shall inform the Services Provider requests to develop new training material by completing the "WM&T Creation of New Projects" Form, which form may be amended from time to time by the Services Provider. The "WM&T Creation of New Projects" Form is posted, and can be accessed, electronically at the Hydro One Plugin Website>HODS>SP-0699 (http://hydronet.hydroone.com/Pages/default.aspx).
- The Services Provider will produce and maintain all course materials as directed by the Services Recipient, including a list of Subject Matter Experts participating and/or completing the project.
- The modification of training packages will be developed by the Services Provider within a timeframe agreed to by both parties, after the Services Provider's receipt of signed terms of reference from the Services Recipient. The Services Provider shall ensure that the modifications shall include such items as new equipment, legislative changes, performance requirements and new procedures as requested by the Services Recipient.

4. Communication

- The Services Recipient's training contact will be identified to the Services Provider by no later than October 30, 2014 and will speak with the Services Provider's representative identified in the body of the Agreement on a quarterly basis to review the Services Provider's performance of the work methods and training services as required by the Services Recipient. The Agenda for these quarterly meetings will be developed by the Services Recipient and forwarded to the Services Provider.
- A course catalogue and availability of training courses for the coming year will be provided by the Services Provider to the Services Recipient on an ongoing basis. This is currently available to the Services Recipient through HOLMs.

5. Work Methods and Procedures Development

- The Services Provider will provide assistance to the Services Recipient in the development of new Work Methods and/or procedures as required by the Services Recipient.
- The development and assessment of new work procedures/tools will be a joint effort between the parties based on a terms of reference document which shall be provided by the Services Recipient to the Services Provider with timeframes for completion established by both parties.
- The Services Provider will provide the Services Recipient with access to all work procedures and bulletins developed by the Services Provider.

B. Price and Terms of Payment:

The Services Recipient shall pay the Services Provider for the Work Methods services on a time and materials basis in accordance with the wage schedules of the Services Provider.

In addition, the Services Recipient will pay the cost of all material, travel and per diem costs incurred by the Services Provider related to the provision of these work methods and training services. The scheduling of charter flights to the Services Recipient's sites will be arranged and paid for by the Services Recipient. The Training Specialist/officer's time includes development and scheduling and shall be paid by the Services Recipient. The Training Manager's costs, including managing these work methods and training services, shall be paid by the Services Recipient in accordance with the hours in the chart above.

C. Service Levels:

- Training schedules/course availabilities for all required training (which are currently provided/available through the Services Provider's HOLMS database) shall be issued by the Services Provider within 90 days after the date first written above.
- The Services Provider shall provide the Services Recipient with post-course assessments of trainee accomplishment/performance to ensure employee competencies in areas trained.
- The Services Provider shall ensure that 95% of the scheduled training shall be provided to the Services Recipient prior to expiry of the term of the Agreement.

METERING SERVICES:

A. Description of Services

The Services Provider shall provide the Services Recipient with the following metering services:

- manage the Services Recipient's annual Meter Reverification and Sample Program : issuing work orders to the Services Recipient's field forces for meter change-outs of recalled (due meters), seal expired (overdue), sample and failed meters;
- verify/reverify and seal meters to meet the Services Recipient's field demand for meter change-outs;
- manage physical meter inventory by maintaining adequate stock of metering equipment to meet the needs for annual meter reverification, new services, service upgrades and replacement of failed or defective/damaged meters;
- acquire / provide data to the Services Recipient as required by the Services Recipient to resolve meter disputes and customer complaints, including, as required, metering documentation and documentation about hardware;
- manage meter requirements for change-outs of reported damaged or defective meters (i.e. defective replacements) and disputed meters. The Services Provider shall issue meter equipment within 4 working days of a field request therefore from the Services Recipient;
- maintain and track accurate meter and instrument transformer records in the Customer Service System in compliance with the requirements in the federal Electricity and Gas Inspection Act as amended;
- develop metering specifications/standards and provide engineering support to the Services Recipient;
- provide access to training and conferences for Remotes Metering and Distribution Engineering Technician and other Services Recipient staff;
- liaise with Canada Revenue Agency on behalf of the Services Recipient including with respect to audit +and metering installation reporting.

The Services Provider shall provide the Services Recipient with a written report by no later than December 15, 2014 wherein it shall specify the cost and accomplishments of the metering services provided by its personnel for the said year.

B. Price and Terms of Payment:

The Services Recipient shall pay to the Services Provider a fee of $10,000.00 for the metering services

The parties acknowledge and agree that the payment terms are as specified in the Agreement.

C. Service Levels:

All metering services will be provided by the Services Provider in accordance with ISO 9001:2008 requirements.

PROVINCIAL LINES SERVICES:

A. Description of Services:

Demand Work and Trouble Repairs:

Subject to the Services Provider's availability of personnel and resources which shall be determined by the Services Provider in its sole discretion, the Services Provider shall, in accordance with the Services Recipient's request from time to time, maintain the Services Recipient's distribution system (which distribution system supplies customers in remote communities at voltages of less than 50kV) by providing the following activities, as may be requested by the Services Recipient:

- Customer connection/disconnection to/from the primary distribution system
- Trouble Call Response, power restoration and storm damage repairs
- Line layout, estimating and staking
- Service Layouts and Collections
- Power line maintenance, construction and repair
- Distribution system operation including application of the Work Protection Code
- Arc Facilities Management (ArcFM) technical trouble support

For the performance of the above-referenced provincial lines services, the Services Provider shall provide:

1. subject to staff availability, short duration release of up to a maximum of 2 Regional Line Maintainers (RLMs) to cover absence/augment crew size. The Services Recipient will contact the Services Provider (Customer and Business Service Manager) as soon as practical to identify the need for all resources;

2. trouble Call Response: provide work crew(s) from appropriate geographical locations (Thunder Bay, Ear Falls, Dryden, Kenora, Timmins) in response to customer trouble calls dispatched by either the Services Recipient's First Line Manager/Union Trades Supervisor lines or the Services Provider's Supervisor on call. Trouble Calls crews shall be provided by the Services Provider on short notice and are subject to availability;

3. subject to staff availability, Customer Demand Work: Provide work crew(s) from appropriate geographical locations (Thunder Bay, Ear Falls, Dryden, Kenora, Timmins) in response to customer connection/ minor line construction requests from the Services Recipient's First Line Manager;

4. subject to staff availability, Lines Technical Work: Provide an Area Distribution Engineering Technician, (ADET)/Metering Technician, or Line Technician for short duration work assignments upon request from the Services Recipient's First Line Manager;

5. respond to requests for distribution system technical services and engineering approval(s).

Planned Work:

The Services Provider will work with the Services Recipient's First Line Manager to include in the Services Provider's plans the availability and supply of personnel and resources to meet the requirements for planned work in the Services Recipient's service territory. The Services Provider shall, in accordance with the Services Recipient's work plans respond to the Services Recipient's requests, from time to time, to maintain the Services Recipient's distribution system (which distribution system supplies customers in remote communities at voltages of less than 50kV) by providing the following activities, as may be requested by the Services Recipient:

- Line layout, estimating and staking
- Service Layouts and Collections
- Power line maintenance, construction and repair
- Sentinel light installation, repair or removal
- Distribution system operation including application of the Work Protection Code
- Meter Installation and reverification and sample meter changes
- Processing requests for railway and water crossing approvals
- Joint Use Consultation/Technical support
- Technical services in support of the Hydro One distribution line standards
- Engineering approval(s) and updates to the Distribution line standards
- MDx (Distribution system) data collection training and assistance
- Training and technical support for implementation and maintenance of ArcFM.

For the performance of the above-referenced provincial lines services, the Services Provider shall:

1. include in the Services Provider's plans, and make available, staff for short durations (up to 6 weeks) release of up to a maximum of 2 RLMs to cover absence/augment crew size;

2. include in the Services Provider's plans, and make available, staff for short durations (up to 6 weeks) work crew(s) from appropriate geographical locations (Thunder Bay, Ear Falls, Dryden, Kenora, Timmins) in response to customer connection/ minor line construction, MDX data collection requests from the Services Recipient's First Line Manager;

3. include in the Services Provider's plans, and make available, staff for short durations (up to 6 weeks), Area Distribution Engineering Technician, (ADET)/Metering Technician and Line Technician upon request from the Services Recipient's First Line Manager;

4. respond to requests for distribution system technical services and engineering approval(s).

Supervision, Administration, Health and Safety

The Services Provider shall comply with the following supervision, administration, health and safety, and work management conditions in its performance of the provincial lines services:

1. All training, supervision and administration costs associated with staff on rotation shall be accounted for within the Services Recipient's work program. Core/mandatory training shall be scheduled within the regular work location whenever possible.

2. Whenever possible, the Services Provider will provide advice for all Lines and Technician training requirements. Also, whenever possible, the Services Provider will provide notification for all Lines and Technician training that will be delivered at the local Hydro One Thunder Bay office. It is agreed that the Services Recipient will pay for all costs incurred by its staff to attend this training. Costs associated per Services Recipient employee will be agreed to prior to the Services Recipient employee attending the training.

3. Health and Safety incidents involving crews under the Services Provider's direct supervisory control shall be the responsibility of the Services Provider's lines operations centres.

Transport and Work Equipment (TWE) Provision

1. The Services Recipient will provide TWE at all fly-in sites for types of work, i.e. Trouble Calls, other Line work, Technician work.

2. For demand work at road access sites, trouble calls and new connects, the Services Provider will supply TWE, the cost of which will be included in the fees payable by the Services Recipient.

3. For Technician work at road access sites, the Services Provider will supply TWE and the costs of TWE will be included in the fees payable by the Services Recipient.

B. Price and Terms of Payment:

Except as specifically provided herein, the following fees:

- At the end of each calendar year of the Term, the Services Recipient shall pay the Services Provider for the Services provided by the Services Provider an amount equal to the greater of (i) $112,500.00 and (ii) the total of the amounts payable for each type of Service provided by the Services Provider during the said year.
- The amount payable at the end of each year as described in the foregoing bullet hereunder shall be exclusive of applicable taxes.

Demand Work and Trouble Repair

- Time and Materials including any required overtime.
- The Services Recipient pays for all costs associated with fly-in work.

Planned Work

- Time and Materials including any required overtime.
- The Services Recipient shall pay all incremental travel/overtime costs for the assignment of personnel from locations other than Thunder Bay for Lines, Technician and Customer Service personnel.
- In addition, the Services Recipient will pay the Services Provider's costs of the administration and reporting in respect of these provincial lines services, material, transport and work equipment, travel and per diem costs related to the provision of these provincial line services other than trouble call response services.

C. Service Levels:

Demand Work – 100% of requests shall be satisfied within 14 days' after receipt of the request

Service Level for Demand Work:

For short duration Line and Technician work – an email request will be provided by the Services Recipient to the Services Provider for all planned work assignments. Fourteen days prior written notice is required to be provided by the Services Recipient to the Services Provider for cancellation/withdrawal of staff/crews committed to short duration assignments. The Services Recipient may request personnel and resources of up to 2 RLMs and 2 Distribution Line/Metering Technicians.

Trouble Response – 24/7

Service Level for Trouble Call Response:

Subject to the immediately proceeding sentence, the Services Provider shall restore service to customer and/or community within 24 hours after receipt by the Services Provider of the Trouble Call from the Services Recipient. The Services Recipient acknowledges and agrees that during major storm events, the Services Provider's staff may not be available to meet the 24-hour response timeframe, however, staff not

involved in emergency work will be dispatched immediately and other staff will be dispatched as soon as conditions allow.
Scope of Trouble Calls that will be responded to by the Services Provider:

- 24 calls/year
- Work is mainly transformer re-fusing and switch re-fusing
- Each call is typically 3-4 hours of work and 6-8 hours of travel

Planned Work
The Services Provider will meet with the Services Recipient's FLM quarterly and include the Services Recipient's personnel and resource needs in the Services Provider's personnel and resource planning and scheduling. In order to facilitate integration of resource requirements, a meeting will be held during the first quarter of the term with the Services Provider's Zone 7 contact person where the Services Recipient will make known all major planned work for the year. Planned work not identified during this meeting will be subject to staff availability; however, efforts will be made to accommodate and may include resourcing from other parts of the Province.

The Services Recipient's contact person for work assignments is First Line Manager (FLM) Customer Service/Lines and Scheduling.

The Services Provider's contact person for work assignments in Zone 7 is the Business Manager; for other Zones, it will be the Superintendent, his delegate or scheduling group as agreed by the parties. Special requirements, scheduling conflicts and service level performance concerns will be discussed with the respective Zone Superintendent.

SAFETY SERVICES:

A. Description of Services:

The Services Provider shall provide the Services Recipient with following services related to safety:

1. Incident Reporting

The Services Provider shall assist the Services Recipient's Line Management with the proper and timely notification of safety related incidents for:

- Corporate reporting requirements
- Workplace Safety and Insurance Board
- Ministry of Labour

2. Incident Investigation

The Services Provider shall provide assistance/leadership for the investigation of high MRPH (Maximum Reasonable Potential for Harm) incidents and other lower incidents as requested by the Services Recipient's Line Management, the scope of which activities shall include, but not be limited to, the following:

- Prepare an initial bulletin notice of incident occurrence
- Assist with the Terms of Reference for incident investigations
- Being an investigation team member/leader
- Review/present the final report of the incident investigations to the Services Recipient's Line Management
- Assist with the development of an action plan to implement investigation recommendations

3. Health and Safety Management

The Services Provider shall assist the Services Recipient's Line Management with the development and maintenance of the Services Recipient's Health and Safety Activities, in support of their Environmental Health and Safety Management System (EHSMS) which may include the following:

- conduct an annual review of the Services Recipient's EHSMS, provide analysis and make recommendations for improvements;
- identify Hydro One safety requirements and provide information/advice on legal and other requirements applicable to the Services Recipient's business;
- prepare/issue a quarterly newsletter of recent H/S legislative changes and developments affecting Remotes.

4. Compliance Reviews

In consultation with the Services Recipient's Line Management, coordinate and conduct an annual compliance review of the Services Recipient's legal and other requirements that pertain to health and safety. Where required, the Services Provider shall develop

appropriate protocols for the evaluation of health and safety compliance, in accordance with the Services Recipient's EHSMS procedures. The Services Provider shall also prepare and provide to the Services Recipient a written report summarizing the findings of the compliance review within 3 weeks of the field visits.

5. **Miscellaneous Services**

The Services Provider shall:

- attend Safety Meeting presentations given by both parties and provide support on urgent items or significant rule and regulation changes
- provide Job Planning Assistance including site visits, upon request
- review quality of work process inspections performed by the Services Recipient and recommend improvements, upon request
- perform work process inspections upon request and provide results to the Services Recipient
- provide the Services Recipient with a monthly written report at the end of each month during the term of the Agreement wherein it will describe the costs and accomplishments of these miscellaneous services provided by its personnel for the said month.

B. Price and Terms of Payment:

The Services Recipient shall pay to the Services Provider a fee not exceeding $50,000 for the safety services, based on actual time and expenses incurred, in accordance with the hourly rates referred to in the Agreement.

In addition, the Services Recipient will pay the cost of the administration and reporting in respect of the safety services, material, travel and per diem costs related to the provision of the safety services. The Services Recipient will arrange and pay for the scheduling of charter flights to the Services Recipient's sites.

C. Service Levels:

None.

FLEET SERVICES:

A. Description of Services:

The Services Provider shall provide the Services Recipient with the following fleet management, maintenance, repair and rental services relating to the use of transport and work equipment:

a) Inspections, maintenance and repair of fleet transport and work equipment. The identification and completion of minor repairs and maintenance (under $500.00) will be the Services Recipient's responsibility and at the Services Recipient's expense.

b) Supply of fleet licensing and provision of insurance as per Hydro One Inc. requirements.

c) Advise on fleet planning and acquisition as per the Services Recipient's evolving requirements. Increase or decrease of fleet compliment will be reviewed annually and fees paid adjusted accordingly.

d) Supply the current transport and work equipment complement for the fee specified,

e) Co-ordinate the replacement program including assistance with justifications for additions and replacements to current complement.

B. Price and Terms of Payment:

The Services Recipient shall pay to the Services Provider the depreciation costs of the Services Recipient's vehicles and the Services Recipient's costs for fuel, labour and external repairs. The scheduling of charter flights to the Services Recipient's sites will be arranged and paid for directly by the Services Recipient.

C. Service Levels:

The Services Provider shall, on a monthly basis during the term of the Agreement, provide the Services Recipient with a written summary of the total fleet costs by transport and work equipment unit and a written monthly fuel usage report for any equipment, spare parts, material and fuel purchases made by the Services Recipient from the Services Provider using the fleet credit card.

ENVIRONMENTAL SERVICES:

A. Description of Services:

The Services Provider shall provide the Services Recipient with the following environmental services as required:

- Quarterly Legislative Review
- Compliance Reviews and compliance support
- Emission Calculations and verification
- Certificate of Approval Amendments
- Support for remediation projects
- Investigations of diesel fuel alternatives
- Waste Management support
- Emergency response support

B. Price and Terms of Payment:

The Services Recipient shall pay to the Services Provider the cost of time and materials required to perform these services.

C. Service Levels:

All environmental services will be provided by the Services Provider in accordance with a jointly agreed work plan. Quarterly reviews of progress to be performed.

ENGINEERING SERVICES:

A. Description of Services:

The Services Provider shall provide the Services Recipient with the following engineering services:

Drawing Services

- Modify contractor drawings for designated stations as required and incorporate them into Meridian
- Make up connection and elementary wiring diagrams, mechanical layout and architectural drawings as required
- Develop connection wiring and elementary wiring diagrams for switchgear design that resembles the standards used by the Services Provider

Technical Support

- Assist in the development of Distributed Generation Connection Requirements
- Provide technical analysis of station transformer equipment and arcflash requirements for switchgear
- Assist with fuse co-ordination analysis

B. Price and Terms of Payment:

The Services Provider shall pay to Services Recipient for thee engineering services on a time and materials basis.

C. Service Levels:

None.

FLIGHT SAFETY SERVICES:

A. Description of Services:

The Services Provider shall provide the Services Recipient with the following services related to flight safety:

1. Monitor all aviation occurrences between the Services Recipient and the commercial passenger charter companies with which it contracts, which occurrences shall include but not be limited to the following:

    - Accidents, incidents or occurrences as defined in GEN 3.3 of the Aeronautical Information Publication and the Canadian Aviation Regulations

    - Non-airworthiness defects (*cosmetic repairs*) and airworthiness defects (*that would result in the aircraft being grounded until repaired*)

    - Feedback from the Flight Evaluation Report *(internal report used to provide feedback from passengers and pilots to the Services Recipient to identify aircraft and contract problems*)

    - All incidents deemed to be High MRPH (*High Maximum Reasonable Potential for Harm*)

    - occurrences of a lesser risk, low MRPH, and occurrences handled at the Services Recipient's local operations level in Thunder Bay; the Services Provider shall track these occurrences and the Services Recipient when the number of these occurrences becomes of concern.

2. Assess, control and respond to occurrence reports.

3. Provide Team Lead/key resource for all High MRPH incident investigations.

4. Provide charter contract administration of all technical job specifications along with liaison representation with the Services Recipient's Superintendent of Operations and maintenance for new pilot interviews as well as current pilot presentations.

5. Assist with the planning of and participate in the annual Flight Safety Staff Meeting which shall be arranged by the Services Recipient at a date and time to be mutually agreed upon by the Services Recipient and the Services Provider. The Services Provider will arrange for its "Flight Safety Officer" to attend and present new and current information relevant to flight charter contracts and the aviation industry including a presentation of related flight safety information, approved pilot and aircraft lists, audit and monitoring results, and corrective action feedback.

6. Perform pre-award audits and provide a summary report on any fixed wing charter carriers prior to the award of any contract for passenger charter air service.

B. Price and Terms of Payment:

The Services Recipient shall pay to the Services Provider a fee of $10,000 for the Services.

In addition, the Services Recipient will pay the cost of the administration and reporting in respect of this Contract, material, travel and per diem costs related to the provision of the Services described in this Contract. The scheduling of charter flights to the Services Recipient's sites will be arranged and paid for by the Services Recipient.

C. Service Levels:

The Services Provider will report on a monthly basis the cost and accomplishment of the Services provided by its personnel.

DISTRIBUTION PLANNING TECHNICAL SERVICES:

A. Description of Services:

The Services Provider shall provide the Services Recipient with the following services related to distribution planning:

- conduct fuse co-ordination studies;
- carry out distribution system modeling;
- conduct short circuit/fault analyses;
- conduct tingle voltage studies;
- produce engineering drawings for unique situations/requirements;
- conduct voltage irregularity analyses;
- distribution Lines and Metering construction standards support;
- special distribution engineering standard support;
- GIS data maintenance and migration support;
- distribution design technology and tool support;
- distribution metering technical support;
- distribution lines technical support; and
- support with ESA Regulation 22/04.

B. Price and Terms of Payment:

The Services Provider shall pay to Services Recipient for thee engineering services on a time and materials basis.

C. Service Levels:

None.

JOINT USE SERVICES:

A. Description of Services:

The Services Provider shall provide the Services Recipient with the following services in order to assist the Services Recipient with its Joint Use Program:

(a) Support and participate with the Services Recipient's staff in drafting, negotiating, tracking and arranging for execution of joint use agreements for the Services Recipient as required and requested by the Services Recipient;
(b) add, remove and change permits or similar authorizations and update and/or remove documents as required by the Services Recipient;
(c) issue invoices to tenants/licensee for the Services Recipient in accordance with the Services Recipient's joint use agreements and manage the related accounts receivables accordingly;
(d) manage and input information concerning the Services Recipient's joint use agreements into the Services Provider's "Joint Use" database and maintain said information separate from the Services Provider's own joint use information;
(e) liaise with the Services Provider's "Joint Use" database on behalf of the Services Recipient; and
(f) provide training to the Services Recipient's staff with regard to the Database, joint use agreements and other joint use activities, all as requested by the Services Recipient.

B. Price and Terms of Payment:

The annual price for the performance of the Services for the Services Recipient shall be $15,000.00, exclusive of any sales and use taxes, as may be applicable.

C. Service Levels:

None.

HEALTH AND SAFETY SERVICES:

A. Description of Services:

The Services Provider shall provide the Services Recipient with the following services in order to assist the Services Recipient with its health and safety program:

(i) WSIB Claims Management

- support the supervisor in WSIB reporting and early and safe return to work;
- provide guidance and interpretation of WSIB policy and legislation to the Services Recipient's line management;
- manage the financial impact of the WSIB claim cost statement and submit monthly premium remittance the Workplace Safety and Insurance Board on behalf of the Services Recipient.

(ii) Care Management

- support the Services Recipient's sick leave program that deals with sick leaves greater than 5 days and that is medically supported;
- support (via the Services Provider's Disability Management Consultant, the affected supervisor and employee through a third party provider while the employee is absent from work due to a major medical absence with a view to assisting in providing the right care at the right time for the right outcome

(iii) Long Term Disability (LTD)

- provide the Services Recipient with LTD case management services including application assignment to LTD payroll and ongoing case management and rehabilitation activities through a third party provider

(iv) Audiometric Testing

- support the Services Recipient's supervisors to carry out an Audiometric Program through the Health, Safety and Environment Management System (HSEMS) that establishes the requirement to implement operational controls to minimize a health and safety risk

(v) Respiratory Screening Program

- support the Services Recipient's supervisors in determining how respirators will be managed at the Services Provider's premises

(vi) Ergonomic Assessments

- support the workplace parties through the Workstation or Vehicle Ergonomic Assessment process.

(vii) Physical Demands Analysis (PDAs)

- develop and maintain Physical Demand Analyses to assist with the Services Recipient's employees fitness to return to work

B. Price and Terms of Payment:

The annual price for the performance of the Services for the Services Recipient shall be $10,000.00 exclusive of any sales and use taxes, as may be applicable.

C. Service Levels:

None.

Schedule "D"

COMMERCIAL GENERAL LIABILITY INSURANCE CERTIFICATE
SUPPLY ONLY TRADES

Issued in favour:
Insured:
XXXXXXXXXXXXXXXXXXXXX
XXXXXXXXXXXXXXXXXXXXX
XXXXXXXXXXXXXXXXXXXXX
XXXXXXXXXXXXXXXXXXXXX

This is to certify that policies of insurance listed below have been issued to the insured named above for the period indicated and cover operations of the insured in connection with the **SERVICES BEING PERFORMED UNDER THE MASTER AGREEMENT**

		Effective	Expiration	
	Policy	Date	Date	
Type of insurance	**Number**	**MM/DD/YR**	**MM/DD/YR**	
Commercial General Liability				$5,000,000
(X) Blanket Contractual Liability				$5,000,000
(X) Broad Form Property Damage				$5,000,000
(X) 3rd Party Property damage including loss of use				
(X) Sudden and Accidental Pollution Liability coverage				
(X) Products and Completed operations				
(X) Employer's Liability				
(X) Non-Owned Automobile Liability				
Automobile Liability				
(X) Owners				$5,000,000

Special Condition

Commercial General Liability policy shall i) include Hydro One Remote Communities Inc. as a named insured subject to sole agent provisions and ii) be primary non-contributing with and not excess of any other insurance available to Hydro One Remote Communities Inc. iii) contain a cross liability and severability of interest clause

The Insurer agrees to notify the certificate holder by registered mail not less than 30 days prior to any material change, which reduces or restricts cover, cancellation, termination or non-renewal.

Date:	
Name of Insurer:	
By: Authorized Official of the Insurance Company	
Print Name and Title of Above Official	

Schedule "E"

ADDITIONAL INSURANCE COVERAGES

1.01 Commercial General Liability and Excess Liability Insurance on an occurrence basis in an amount not less than $5,000,000 inclusive for both bodily injury, including death, personal injury and damage to property, including loss of use thereof, for each occurrence. To achieve the desired limit, umbrella or excess liability insurance may be used.

Coverage shall specifically include, but not be limited to, the following

i) Blasting, pile driving, caisson work, underground work;
ii) Products & Completed Operations including a provision that such coverage to be maintained for a period not less than 24 months post Final Performance;
iii) Errors and omissions integral to the operation of the Insured;
iv) Tenant's Legal Liability;
iv) Pesticide Liability; and
v) Rail Liability.

1.02 Contractor's Equipment Insurance covering equipment and tools, owned, rented or leased for the full replacement cost of such equipment on an "All Risks" basis including marine based risk subject to normal exclusions.

1.03 Pollution Liability Insurance: When remediation or abatement is included in the work, the Services Provider shall purchase a policy with limits of not less than $5,000,000 per occurrence covering bodily injury and property damage claims, including cleanup costs as a result of pollution conditions arising from the Services Provider's and/or its subcontractors' operations and completed operations. Completed operations coverage will remain in effect for no less than 3 years after final completion. The policy will have a retroactive date before the start of the work. To achieve the desired limit, umbrella or excess liability insurance may be used.

1.04 Errors & Omissions Insurance: Engineering, Architectural, Design or other Professionals or Consultants and the EPCM (Engineering, Procurement, Construction and Maintenance). The Services Provider shall, at all times, maintain in full force and effect professional liability insurance in an amount not less than $10,000,000 aggregate limit covering the period from start of conceptual design through to completion of the project and for a further discovery period of 5 years from the issuance of the certificate of Final Completion.

1.05 Transit insurance (including loading, unloading and storage during the course of transit including storage at secondary processing facilities) against All Risks of physical damage to the property of the Services Recipient in the Services Provider's care, custody and control until such property is received on the Services Recipient's site.

1.06 Aircraft and watercraft liability insurance with respect to owned or non-owned aircraft and watercraft if used directly or indirectly in the performance of the Services, including use of additional premises, shall be subject to limits of not less than $5,000,000.00 inclusive per occurrence for bodily injury, death and damage to property including loss of use thereof and limits of not less than $5,000,000.00 for aircraft passenger hazard. Such insurance shall be in a form acceptable to the Services Recipient. The policies shall be endorsed to provide the Services Recipient with not less than 15 days' notice in writing in advance of cancellation, change, or

amendment restricting coverage. To achieve the desired limit, umbrella or excess liability insurance may be used.

1.07 Such other insurance as is mutually agreed upon between the Services Recipient and the Services Provider.

Where any of the above coverages are required for any of the Services, the Services Provider shall be bound by and comply with the following:

1. Prior to the commencement of the performance of the Services, the Services Provider shall provide the Services Recipient with a certificate of insurance completed by a duly authorized representative of its insurer certifying that at least the minimum coverages required here are in effect and that the coverages will not be cancelled, nonrenewed, or materially changed by endorsement or otherwise so as to restrict or reduce coverage, without 30 days' advance written notice by registered mail, or courier, receipt required, to:

   Manager, Risk & Insurance Department, Hydro One Remote Communities Inc. 483 Bay Street, TCT7, South Tower, Toronto, Ontario. M5G 2P5

   If any of the coverages are required to remain in force after final payment, an additional certificate evidencing continuation of such coverage will be submitted with the Services Provider's final invoice.

2. All deductibles shall be to the account of the Services Provider.

3. All insurance noted above shall specify that it is primary coverage and not contributory with or in excess of any other insurance that may be maintained by the Services Recipient.

4 A waiver of subrogation shall be provided by the insurers to the Services Recipient for coverages 1.02 (Contractor's Equipment).

6. The Services Recipient shall be included as a Named Insured under coverages noted in 1.03 (Pollution Liability) subject to Sole Agent provisions.

7. Coverages noted in 1.03 (Pollution Liability) shall contain a Cross Liability clause and a Severability of Interests clause.

8. Coverage provided for shall not be invalidated by actions or inactions of others.

Schedule "F"

Receiving Party Security Safeguards Regarding Confidential Information Received from the Disclosing Party

The Receiving Party shall protect the Confidential Information by security safeguards appropriate to the sensitivity of the information.

1) The Receiving Party shall protect the Confidential Information against such risks as loss or theft, unauthorized access, disclosure, copying, use, modification or destruction, through appropriate security measures, regardless of the format in which it is held.

2) All of the Receiving Party's Representatives with access to the Confidential Information shall be contractually required to respect the confidentiality of that information.

3) The Receiving Party acknowledges and agrees that the nature of the safeguards will vary depending on the sensitivity, amount, distribution and format of the information, and the method of storage. The Receiving Party shall ensure that more sensitive information will be safeguarded by a higher level of protection.

4) The Receiving Party shall ensure that methods of protection will include:

(a) physical measures, for example, locked filing cabinets and restricted access to offices;

(b) organizational measures, for example, controlling entry to data centers and limiting access to information on a "need-to-know" basis;

(c) technological measures, for example, the use of passwords and encryption; and

(d) investigative measures, in cases where the Receiving Party has reasonable grounds to believe that the Confidential Information is being inappropriately collected, used or disclosed by anyone whom in law the Receiving Party is responsible.

THIS AGREEMENT made in duplicate this 1st day of January, 2014 (the "Effective Date").

BETWEEN:

HYDRO ONE NETWORKS INC.
(the "Services Provider")

- and -

HYDRO ONE TELECOM INC.
(the "Services Recipient")

1.0 PREFACE

This Agreement is intended to identify the services that are to be provided to the Services Recipient by the Services Provider in accordance with the terms and conditions herein. Except as otherwise specified, the term of this Agreement shall be for a period of 1 year commencing on the Effective Date.

2.0 SERVICES

The Services Provider shall provide supply chain services to the Services Recipient, which collectively constitute the Services and which are more particularly described in Schedule "A" attached hereto, as may be required by the Services Recipient from time to time during the term of this Agreement.

3.0 FEES PAYABLE

(a) The annual price for the performance of the Services for the Services Recipient shall be $200,000, exclusive of any sales and use taxes, as may be applicable. The said annual price for the Services shall be paid by the Services Recipient to the Services Provider by means of monthly electronic journal transfers which shall be reflected in the applicable books and records of each party In addition, each Services Recipient shall pay for any material costs which the Services Provider, acting reasonably, incurs as a result of resources, services and products that the Services Provider must purchase and that are in addition to the Services Provider's existing resources, services and products, in order to provide the said Services Recipient with specific services it requires and requests.

(b) If at any time during the performance of the Services, the Services Recipient is of the opinion that there are deficiencies in the Services provided to it and/or that the price payable is in any way inaccurate, the Services Recipient shall pay the entire relevant price payable by it in full and its sole remedy shall be to follow the dispute resolution procedures outlined in Section 6.0 herein to determine what amount, if any, shall be refunded to the Services Recipient and/or what Services, if any, shall be rectified or redone by the Services Provider.

c) The parties acknowledge and agree that they qualify as specified members of a closely related group under subsection 156(1) of the Excise Tax Act (Canada), as amended (the "Act") and have jointly executed a Form GST25, to make an election under subsection 156(2) of the Act to deem the purchase and sale of the Services to be made for nil consideration for purposes of HST. For the purposes of this Agreement, "HST" means the federal Harmonized Sales Tax chargeable in accordance with Part IX of the *Excise Tax Act* (Canada), as amended, or any similar value-added tax that may be applicable during the term of this Agreement to the Services to be provided hereunder.

4.0 REPRESENTATIONS AND WARRANTIES

(a) The Services Provider represents and warrants that:

(i) it has all the necessary authority and capacity to enter into this Agreement and to perform its obligations hereunder;

(ii) the execution of this Agreement and compliance with and performance of the terms, conditions, and covenants contemplated herein have been duly authorized by all necessary corporate action on the part of the Services Provider; and

(iii) all staff employed in the performance of the Services shall have the qualifications, expertise and experience which could reasonably be expected of staff of a services provider performing work similar to the Services.

(b) The Services Recipient represents and warrants that:

(i) it has all the necessary authority and capacity to enter into this Agreement and to perform its obligations hereunder; and

(ii) the execution of this Agreement and compliance with and performance of the terms, conditions, and covenants contemplated herein have been duly authorized by all necessary corporate action on the part of the Services Recipient.

5.0 PERFORMANCE OF THE SERVICES

(a) **Compliance with Standards and Applicable Law**: The Services Provider shall perform the Services in a diligent and professional manner and shall comply with the Services Recipient's computer data management and data access protocols contained in the Services Recipient's document entitled "Information Security Policy" (SP 0908 R2) dated December 17, 2012 and any amendments thereto which may be made from time to time by the Services Recipient. The Services Provider shall comply at all times with the statutes, regulations, by-laws, standards and codes, as amended, as may be applicable to the Services Provider in respect of the Services and the performance of its obligations hereunder and it shall, at its own expense, obtain and maintain in good standing all permits and licences required by any authorities having jurisdiction to perform the Services.

(b) **Safety and Security Measures**: When any part of the Services is to be performed at any of the Services Recipient's premises, all of the Services Provider's staff engaged in the performance of the Services at the said premises shall comply with the safety and security requirements and measures in effect at the said premises.

(c) **Meetings**: The parties shall, after the Effective Date, meet at least twice a year during the term of this Agreement to review performance, quality and timeliness of the Services provided by the Services Provider pursuant to this Agreement.

6.0 DISPUTE RESOLUTION PROCEDURES

Any controversy, dispute, difference, question or claim arising between the parties in connection with the interpretation, performance, construction or implementation of this Agreement that cannot be resolved by a director or manager from each of the said parties (collectively "Dispute") shall be settled in accordance with this Section. The aggrieved party shall send the other party written notice identifying the Dispute, the amount involved, if any, and the remedy sought, and invoking the procedures of this Section. The Presidents of each party shall confer in an effort to resolve the Dispute. If the Presidents are unable to resolve the Dispute within 5 business days after receipt of the written notice of the Dispute, then the parties shall submit the Dispute to the President of Hydro One Inc. for resolution.

7.0 CONFIDENTIALITY AND INTELLECTUAL PROPERTY

(a) Confidentiality:

Each party (the "Receiving Party") shall maintain in strict confidence all information, analysis, conclusions, drawings, reports, specifications or other information, proprietary or otherwise, whether transmitted orally, electronically or in written form, and received in furtherance of this Agreement from any of the other parties (the "Disclosing Party") or any of the Disclosing Party's directors, officers, employees, consultants, agents or legal and other advisors (the "Disclosing Party Representatives") (collectively the "Confidential Information"). Except as permitted herein, the Receiving Party shall not publish, reproduce, or disclose, either directly or indirectly, the said Confidential Information to any third party and shall not use the said Confidential Information for any purpose other than for purposes of this Agreement without the prior written consent of the Disclosing Party. The Receiving Party may disclose the Confidential Information only to its shareholder, directors, officers, employees, consultants, agents or professional advisors (the "Receiving Party Representatives") having a need to know same and who have undertaken a like obligation to maintain its confidentiality.

For greater certainty, Confidential Information includes any and all personal information (as that term is defined in the Freedom of Information and Protection of Privacy Act (Ontario) and the Personal Information Protection and Electronic Documents Act (Canada), as they may be amended, and any and all information regarding a consumer, retailer, wholesale buyer, wholesale supplier, or a generator, provided by the Disclosing Party to the Receiving Party for purposes of this Agreement, whether or not such information was initially provided prior to the Effective Date.

The Receiving Party undertakes to protect and safeguard all Confidential Information in its possession or under its control and received by the Disclosing Party, in the manner described in Schedule "B" attached hereto. The Disclosing Party may, on reasonable notice, and during regular business hours, audit the information management practices of the Receiving Party to confirm compliance with the terms and conditions of this Section 7.0 and all applicable statutes, regulations, by-laws, standards and codes, as amended.

The Receiving Party undertakes to notify the Disclosing Party immediately upon discovery of any unauthorized use and/or disclosure of any of the Disclosing Party's Confidential Information, to co-operate with the Disclosing Party to help regain possession of such Confidential Information, and to prevent its further unauthorized use and/or disclosure.

The foregoing obligations with respect to confidentiality, use, reproduction, dissemination, publication and non-disclosure herein shall not apply to any information that:

(i) is previously known to or lawfully in the possession of the Receiving Party prior to the date of disclosure as evidenced by the Receiving Party's written record;
(ii) is independently known to or discovered by the Receiving Party, without any reference to the information or material;
(iii) is obtained by the Receiving Party from an arm's length third party having a bona fide right to disclose same and who was not otherwise under an obligation of confidence or fiduciary duty to the Disclosing Party or the Disclosing Party Representatives;
(iv) is or becomes public knowledge through no fault or omission of, or breach of this Agreement by the Receiving Party or the Receiving Party Representatives; or
(v) is required to be disclosed pursuant to a final judicial or governmental order or other legal process.

Confidential Information shall remain the sole and exclusive property of the Disclosing Party that has disclosed the Confidential Information, and the Disclosing Party shall retain all right, title and interest in and to the said Confidential Information.

The Receiving Party shall keep a record of written Confidential Information furnished to it by the Disclosing Party in a location separate from those locations where the Receiving Party has stored information in respect of other third parties for which it performs work and it shall advise the Disclosing Party of such location.

All Confidential Information furnished by the Disclosing Party, including that portion of the Confidential Information which is contained in analyses, compilations, studies or other documents prepared by the Receiving Party or by the Receiving Party Representatives, is the Disclosing Party's property and will be returned immediately to the Disclosing Party upon its request.

(b) Intellectual Property:

The Services Recipient shall obtain all rights, title and interests, including copyright ownership, to any reports and any other deliverable that is to be produced and delivered to it by the Services Provider and, subject to applicable legislation and notwithstanding clause 7.0(a) above, the said Services Recipient may use, disclose or modify such reports or deliverable in any manner it deems appropriate. The Services Provider shall not do any act which may compromise or diminish the Services Recipient's interest as aforesaid.

(c) Survival of Obligations:

The obligations in this Section 7.0 shall forever survive the termination or expiration of this Agreement.

8.0 LIABILITY

Unless otherwise agreed in writing, each party shall indemnify the other party and that other party's successors and assigns, directors, officers, employees, contractors and agents from and against all direct costs or damages attributable to the indemnifying party's performance and/or non-performance of its obligations under this Agreement and any amendments or additions thereto that are mutually agreed to in writing, whether arising from or based on breach of contract, tort, negligence, strict liability or otherwise. Notwithstanding any other provision of this Agreement, neither party shall be liable for any economic loss, loss of goodwill, loss of profit or for any special, indirect or consequential damages, where the said losses or damages are incurred by the other or by any third party claiming through or under the other.

This Section 8.0 shall forever survive the termination or expiration of this Agreement.

9.0 AUTHORIZED REPRESENTATIVES

The authorized representatives of the parties hereto for purposes of this Agreement are the following:

HYDRO ONE TELECOM INC.
65 Kelfield Street,
Rexdale, Ontario M9W 5A3

Attention: **Cliff Truax**
Telephone: 416-240-6713
Telecopier: 416-240-6802

HYDRO ONE NETWORKS INC.
483 Bay St.
North Tower, 14th Floor B13
Toronto, Ontario M5G 2P5
Attention: **Rob Berardi**
Telephone: (416) 345-4277
Telecopier: (416) 345-6833

All correspondence, reports, documents and/or other communication concerning this Agreement and the Schedule attached hereto shall be directed to the attention of the authorized representatives noted above and shall be deemed to be sufficiently given if delivered personally, mailed or transmitted by fax to the attention of the authorized representatives at the addresses above, and any notice so given shall be deemed to have been made and received on the date of delivery or on the 5th business day following the day of mailing of same or on the day of transmission if transmitted during normal business hours, otherwise on the next business day, as the case may be.

10.0 CHANGE OF CONTROL

In the event of a change of control of the Services Provider, this Agreement shall immediately terminate. A change of control shall mean, as applicable, a purchase of more than fifty (50) percent of the outstanding capital by a non-affiliate third party.

11.0 ASSIGNMENT

Neither this Agreement nor any rights and obligations shall be assigned by either party without the prior written consent of the other party, which consent shall not be unreasonably withheld. Subject to the foregoing, this Agreement shall enure to the benefit of the parties hereto and their respective successors and permitted assigns.

12.0 RELATIONSHIP OF PARTIES:

Nothing in this Agreement creates the relationship of principal and agent, employer and employee, partnership or joint venture between the parties. The parties agree that they are and will at all times remain independent and are not and shall not present themselves to be the agent, employee, partner or joint venturer of the other. No representations will be made or acts taken by either party which could establish any apparent relationship of agency, employment, joint venture or partnership and neither party shall be bound in any manner whatsoever by any agreements, warranties or representations made by the other party to any other person nor with respect to any other action of the other party.

13.0 SCHEDULES

Schedules "A" and "B" attached hereto are to be read with and form part of this Agreement.

14.0 COUNTERPARTS

This Agreement may be executed in counterparts and the counterparts together shall constitute an original.

IN WITNESS THEREOF the parties hereto have caused this Agreement to be executed by their respective representatives duly authorized in that behalf.

HYDRO ONE NETWORKS INC.

Name: Deb Vines
Title: Director, Sourcing
I have authority to bind the corporation

HYDRO ONE TELECOM INC.

Name: Paul Marchant
Title: President and CEO
have authority to bind the corporation.

12.0 RELATIONSHIP OF PARTIES:

Nothing in this Agreement creates the relationship of principal and agent, employer and employee, partnership or joint venture between the parties. The parties agree that they are and will at all times remain independent and are not and shall not present themselves to be the agent, employee, partner or joint venturer of the other. No representations will be made or acts taken by either party which could establish any apparent relationship of agency, employment, joint venture or partnership and neither party shall be bound in any manner whatsoever by any agreements, warranties or representations made by the other party to any other person nor with respect to any other action of the other party.

13.0 SCHEDULES

Schedules "A" and "B" attached hereto are to be read with and form part of this Agreement.

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IN WITNESS THEREOF the parties hereto have caused this Agreement to be executed by their respective representatives duly authorized in that behalf.

HYDRO ONE NETWORKS INC.

Name: Deb Vines
Title: Director, Sourcing
I have authority to bind the corporation

HYDRO ONE TELECOM INC.

Name: Paul Marchant
Title: President and CEO
I have authority to bind the corporation.

Schedule "A"

DESCRIPTION OF SERVICES:

The Services Provider shall provide the Services Recipient with the following supply chain services:

- demand planning;
- management and procurement;
- vendor and inventory management;
- process development;
- data management;
- warehousing;
- waste management; and
- investment recovery.

Schedule "B"

Receiving Party Security Safeguards Regarding Confidential Information Received from the Disclosing Party

The Receiving Party shall protect the Confidential Information by security safeguards appropriate to the sensitivity of the information.

1) The Receiving Party shall protect the Confidential Information against such risks as loss or theft, unauthorized access, disclosure, copying, use, modification or destruction, through appropriate security measures, regardless of the format in which it is held.

2) All of the Receiving Party Representatives with access to the Confidential Information shall be contractually required to respect the confidentiality of that information.

3) The Receiving Party acknowledges and agrees that the nature of the safeguards will vary depending on the sensitivity, amount, distribution and format of the information, and the method of storage. The Receiving Party shall ensure that more sensitive information will be safeguarded by a higher level of protection.

4) The Receiving Party shall ensure that methods of protection will include:

(a) physical measures, for example, locked filing cabinets and restricted access to offices;

(b) organizational measures, for example, controlling entry to data centers and limiting access to information on a "need-to-know" basis;

(c) technological measures, for example, the use of passwords and encryption; and

(d) investigative measures, in cases where the Receiving Party has reasonable grounds to believe that the Confidential Information is being inappropriately collected, used or disclosed by anyone whom in law the Receiving Party is responsible.

THIS AGREEMENT made in duplicate this 1st day of January, 2014 (the "Effective Date").

BETWEEN:

HYDRO ONE NETWORKS INC.
(the "Services Provider")

- and -

HYDRO ONE REMOTE COMMUNITIES INC.
(the "Services Recipient")

1.0 PREFACE

This Agreement is intended to identify the services that are to be provided to the Services Recipient by the Services Provider in accordance with the terms and conditions herein. Except as otherwise specified, the term of this Agreement shall be for a period of 1 year commencing on the Effective Date.

2.0 SERVICES

The Services Provider shall provide supply chain services to the Services Recipient, which collectively constitute the Services and which are more particularly described in Schedule "A" attached hereto, as may be required by the Services Recipient from time to time during the term of this Agreement.

3.0 FEES PAYABLE

(a) The annual price for the performance of the Services for the Services Recipient shall be $76,000.00, exclusive of any sales and use taxes, as may be applicable. The said annual price for the Services shall be paid by the Services Recipient to the Services Provider by means of monthly electronic journal transfers which shall be reflected in the applicable books and records of each party In addition, each Services Recipient shall pay for any material costs which the Services Provider, acting reasonably, incurs as a result of resources, services and products that the Services Provider must purchase and that are in addition to the Services Provider's existing resources, services and products, in order to provide the said Services Recipient with specific services it requires and requests.

(b) If at any time during the performance of the Services, the Services Recipient is of the opinion that there are deficiencies in the Services provided to it and/or that the price payable is in any way inaccurate, the Services Recipient shall pay the entire relevant price payable by it in full and its sole remedy shall be to follow the dispute resolution procedures outlined in Section 6.0 herein to determine what amount, if any, shall be refunded to the Services Recipient and/or what Services, if any, shall be rectified or redone by the Services Provider.

c) The parties acknowledge and agree that they qualify as specified members of a closely related group under subsection 156(1) of the Excise Tax Act (Canada), as amended (the "Act") and have jointly executed a Form GST25, to make an election under subsection 156(2) of the Act to deem the purchase and sale of the Services to be made for nil consideration for purposes of HST. For the purposes of this Agreement, "HST" means the federal Harmonized Sales Tax chargeable in accordance with Part IX of the *Excise Tax Act* (Canada), as amended, or any similar value-added tax that may be applicable during the term of this Agreement to the Services to be provided hereunder.

4.0 REPRESENTATIONS AND WARRANTIES

(a) The Services Provider represents and warrants that:

(i) it has all the necessary authority and capacity to enter into this Agreement and to perform its obligations hereunder;

(ii) the execution of this Agreement and compliance with and performance of the terms, conditions, and covenants contemplated herein have been duly authorized by all necessary corporate action on the part of the Services Provider; and

(iii) all staff employed in the performance of the Services shall have the qualifications, expertise and experience which could reasonably be expected of staff of a services provider performing work similar to the Services.

(b) The Services Recipient represents and warrants that:

(i) it has all the necessary authority and capacity to enter into this Agreement and to perform its obligations hereunder; and

(ii) the execution of this Agreement and compliance with and performance of the terms, conditions, and covenants contemplated herein have been duly authorized by all necessary corporate action on the part of the Services Recipient.

5.0 PERFORMANCE OF THE SERVICES

(a) **Compliance with Standards and Applicable Law**: The Services Provider shall perform the Services in a diligent and professional manner and shall comply with the Services Recipient's computer data management and data access protocols contained in the Services Recipient's document entitled "Information Security Policy" (SP 0908 R2) dated December 17, 2012 and any amendments thereto which may be made from time to time by the Services Recipient. The Services Provider shall comply at all times with the statutes, regulations, by-laws, standards and codes, as amended, as may be applicable to the Services Provider in respect of the Services and the performance of its obligations hereunder and it shall, at its own expense, obtain and maintain in good standing all permits and licences required by any authorities having jurisdiction to perform the Services.

(b) **Safety and Security Measures**: When any part of the Services is to be performed at any of the Services Recipient's premises, all of the Services Provider's staff engaged in the performance of the Services at the said premises shall comply with the safety and security requirements and measures in effect at the said premises.

(c) **Meetings**: The parties shall, after the Effective Date, meet at least twice a year during the term of this Agreement to review performance, quality and timeliness of the Services provided by the Services Provider pursuant to this Agreement.

6.0 DISPUTE RESOLUTION PROCEDURES

Any controversy, dispute, difference, question or claim arising between the parties in connection with the interpretation, performance, construction or implementation of this Agreement that cannot be resolved by a director or manager from each of the said parties (collectively "Dispute") shall be settled in accordance with this Section. The aggrieved party shall send the other party written notice identifying the Dispute, the amount involved, if any, and the remedy sought, and invoking the procedures of this Section. The Presidents of each party shall confer in an effort to resolve the Dispute. If the Presidents are unable to resolve the Dispute within 5 business days after receipt of the written notice of the Dispute, then the parties shall submit the Dispute to the President of Hydro One Inc. for resolution.

7.0 CONFIDENTIALITY AND INTELLECTUAL PROPERTY

(a) Confidentiality:

Each party (the "Receiving Party") shall maintain in strict confidence all information, analysis, conclusions, drawings, reports, specifications or other information, proprietary or otherwise, whether transmitted orally, electronically or in written form, and received in furtherance of this Agreement from any of the other parties (the "Disclosing Party") or any of the Disclosing Party's directors, officers, employees, consultants, agents or legal and other advisors (the "Disclosing Party Representatives") (collectively the "Confidential Information"). Except as permitted herein, the Receiving Party shall not publish, reproduce, or disclose, either directly or indirectly, the said Confidential Information to any third party and shall not use the said Confidential Information for any purpose other than for purposes of this Agreement without the prior written consent of the Disclosing Party. The Receiving Party may disclose the Confidential Information only to its shareholder, directors, officers, employees, consultants, agents or professional advisors (the "Receiving Party Representatives") having a need to know same and who have undertaken a like obligation to maintain its confidentiality.

For greater certainty, Confidential Information includes any and all personal information (as that term is defined in the Freedom of Information and Protection of Privacy Act (Ontario) and the Personal Information Protection and Electronic Documents Act (Canada), as they may be amended, and any and all information regarding a consumer, retailer, wholesale buyer, wholesale supplier, or a generator, provided by the Disclosing Party to the Receiving Party for purposes of this Agreement, whether or not such information was initially provided prior to the Effective Date.

The Receiving Party undertakes to protect and safeguard all Confidential Information in its possession or under its control and received by the Disclosing Party, in the manner described in Schedule "B" attached hereto. The Disclosing Party may, on reasonable notice, and during regular business hours, audit the information management practices of the Receiving Party to confirm compliance with the terms and conditions of this Section 7.0 and all applicable statutes, regulations, by-laws, standards and codes, as amended.

The Receiving Party undertakes to notify the Disclosing Party immediately upon discovery of any unauthorized use and/or disclosure of any of the Disclosing Party's Confidential Information, to co-operate with the Disclosing Party to help regain possession of such Confidential Information, and to prevent its further unauthorized use and/or disclosure.

The foregoing obligations with respect to confidentiality, use, reproduction, dissemination, publication and non-disclosure herein shall not apply to any information that:

(i) is previously known to or lawfully in the possession of the Receiving Party prior to the date of disclosure as evidenced by the Receiving Party's written record;
(ii) is independently known to or discovered by the Receiving Party, without any reference to the information or material;
(iii) is obtained by the Receiving Party from an arm's length third party having a bona fide right to disclose same and who was not otherwise under an obligation of confidence or fiduciary duty to the Disclosing Party or the Disclosing Party Representatives;
(iv) is or becomes public knowledge through no fault or omission of, or breach of this Agreement by the Receiving Party or the Receiving Party Representatives; or
(v) is required to be disclosed pursuant to a final judicial or governmental order or other legal process.

Confidential Information shall remain the sole and exclusive property of the Disclosing Party that has disclosed the Confidential Information, and the Disclosing Party shall retain all right, title and interest in and to the said Confidential Information.

The Receiving Party shall keep a record of written Confidential Information furnished to it by the Disclosing Party in a location separate from those locations where the Receiving Party has stored information in respect of other third parties for which it performs work and it shall advise the Disclosing Party of such location.

All Confidential Information furnished by the Disclosing Party, including that portion of the Confidential Information which is contained in analyses, compilations, studies or other documents prepared by the Receiving Party or by the Receiving Party Representatives, is the Disclosing Party's property and will be returned immediately to the Disclosing Party upon its request.

(b) Intellectual Property:

The Services Recipient shall obtain all rights, title and interests, including copyright ownership, to any reports and any other deliverable that is to be produced and delivered to it by the Services Provider and, subject to applicable legislation and notwithstanding clause 7.0(a) above, the said Services Recipient may use, disclose or modify such reports or deliverable in any manner it deems appropriate. The Services Provider shall not do any act which may compromise or diminish the Services Recipient's interest as aforesaid.

(c) Survival of Obligations:

The obligations in this Section 7.0 shall forever survive the termination or expiration of this Agreement.

8.0 LIABILITY

Unless otherwise agreed in writing, each party shall indemnify the other party and that other party's successors and assigns, directors, officers, employees, contractors and agents from and against all direct costs or damages attributable to the indemnifying party's performance and/or non-performance of its obligations under this Agreement and any amendments or additions thereto that are mutually agreed to in writing, whether arising from or based on breach of contract, tort, negligence, strict liability or otherwise. Notwithstanding any other provision of this Agreement, neither party shall be liable for any economic loss, loss of goodwill, loss of profit or for any special, indirect or consequential damages, where the said losses or damages are incurred by the other or by any third party claiming through or under the other.

This Section 8.0 shall forever survive the termination or expiration of this Agreement.

9.0 AUTHORIZED REPRESENTATIVES

The authorized representatives of the parties hereto for purposes of this Agreement are the following:

HYDRO ONE REMOTE COMMUNITIES INC.
483 Bay Street,
South Tower, 8th Floor
Toronto, Ontario M5G 2P5
Attention: **Una O'Reilly**
TCT 8
Telephone: 416-345-6698
Telecopier: 416-345-6356

HYDRO ONE NETWORKS INC.
483 Bay St.
North Tower, 14th Floor B13
Toronto, Ontario M5G 2P5
Attention: **Rob Berardi**
Telephone: (416) 345-4277
Telecopier: (416) 345-6833

All correspondence, reports, documents and/or other communication concerning this Agreement and the Schedule attached hereto shall be directed to the attention of the authorized representatives noted above and shall be deemed to be sufficiently given if delivered personally, mailed or transmitted by fax to the attention of the authorized representatives at the addresses above, and any notice so given shall be deemed to have been made and received on the date of delivery or on the 5th business day following the day of mailing of same or on the day of transmission if transmitted during normal business hours, otherwise on the next business day, as the case may be.

10.0 CHANGE OF CONTROL

In the event of a change of control of the Services Provider, this Agreement shall immediately terminate. A change of control shall mean, as applicable, a purchase of more than fifty (50) percent of the outstanding capital by a non-affiliate third party.

11.0 ASSIGNMENT

Neither this Agreement nor any rights and obligations shall be assigned by either party without the prior written consent of the other party, which consent shall not be unreasonably withheld. Subject to the foregoing, this Agreement shall enure to the benefit of the parties hereto and their respective successors and permitted assigns.

12.0 RELATIONSHIP OF PARTIES:

Nothing in this Agreement creates the relationship of principal and agent, employer and employee, partnership or joint venture between the parties. The parties agree that they are and will at all times remain independent and are not and shall not present themselves to be the agent, employee, partner or joint venturer of the other. No representations will be made or acts taken by either party which could establish any apparent relationship of agency, employment, joint venture or partnership and neither party shall be bound in any manner whatsoever by any agreements, warranties or representations made by the other party to any other person nor with respect to any other action of the other party.

13.0 SCHEDULES

Schedules "A" and "B" attached hereto are to be read with and form part of this Agreement.

14.0 COUNTERPARTS

This Agreement may be executed in counterparts and the counterparts together shall constitute an original.

IN WITNESS THEREOF the parties hereto have caused this Agreement to be executed by their respective representatives duly authorized in that behalf.

HYDRO ONE NETWORKS INC.

Name: Deb Vines
Title: Director, Sourcing
I have authority to bind the corporation

HYDRO ONE REMOTE COMMUNITIES INC.

Name:
Title:
have authority to bind the corporation.

12.0 RELATIONSHIP OF PARTIES:

Nothing in this Agreement creates the relationship of principal and agent, employer and employee, partnership or joint venture between the parties. The parties agree that they are and will at all times remain independent and are not and shall not present themselves to be the agent, employee, partner or joint venturer of the other. No representations will be made or acts taken by either party which could establish any apparent relationship of agency, employment, joint venture or partnership and neither party shall be bound in any manner whatsoever by any agreements, warranties or representations made by the other party to any other person nor with respect to any other action of the other party.

13.0 SCHEDULES

Schedules "A" and "B" attached hereto are to be read with and form part of this Agreement.

14.0 COUNTERPARTS

This Agreement may be executed in counterparts and the counterparts together shall constitute an original.

IN WITNESS THEREOF the parties hereto have caused this Agreement to be executed by their respective representatives duly authorized in that behalf.

HYDRO ONE NETWORKS INC.

Name: Deb Vines
Title: Director, Sourcing
I have authority to bind the corporation

HYDRO ONE REMOTE COMMUNITIES INC.

Name: Kraemer Coulter
Title: Director
have authority to bind the corporation.

Schedule "A"

DESCRIPTION OF SERVICES:

The Services Provider shall provide the Services Recipient with the following supply chain services:

- demand planning;
- management and procurement;
- vendor and inventory management;
- process development;
- data management;
- warehousing;
- waste management; and
- investment recovery.

Schedule "B"

Receiving Party Security Safeguards Regarding Confidential Information Received from the Disclosing Party

The Receiving Party shall protect the Confidential Information by security safeguards appropriate to the sensitivity of the information.

1) The Receiving Party shall protect the Confidential Information against such risks as loss or theft, unauthorized access, disclosure, copying, use, modification or destruction, through appropriate security measures, regardless of the format in which it is held.

2) All of the Receiving Party Representatives with access to the Confidential Information shall be contractually required to respect the confidentiality of that information.

3) The Receiving Party acknowledges and agrees that the nature of the safeguards will vary depending on the sensitivity, amount, distribution and format of the information, and the method of storage. The Receiving Party shall ensure that more sensitive information will be safeguarded by a higher level of protection.

4) The Receiving Party shall ensure that methods of protection will include:

(a) physical measures, for example, locked filing cabinets and restricted access to offices;

(b) organizational measures, for example, controlling entry to data centers and limiting access to information on a "need-to-know" basis;

(c) technological measures, for example, the use of passwords and encryption; and

(d) investigative measures, in cases where the Receiving Party has reasonable grounds to believe that the Confidential Information is being inappropriately collected, used or disclosed by anyone whom in law the Receiving Party is responsible.

THIS AGREEMENT made in duplicate this 1st day of January, 2014 (the "Effective Date").

BETWEEN:

HYDRO ONE REMOTE COMMUNITIES INC.
(the "Services Provider")

- and -

HYDRO ONE NETWORKS INC.
(the "Services Recipient")

1.0 PREFACE

This Agreement is intended to identify the services that are to be provided to the Services Recipient by the Services Provider in accordance with the terms and conditions herein. Except as otherwise specified, the term of this Agreement shall be for a period of 1 year commencing on the Effective Date.

2.0 SERVICES

Subject to the Services Provider's availability of personnel and resources, which availability shall be determined by the Services Provider in its sole discretion, the Services Provider shall provide metering work, lines work and training for lines work to the Services Recipient, which collectively constitute the Services and which are more particularly described in Schedule "A" attached hereto, as may be required by the Services Recipient from time to time during the term of this Agreement.

3.0 FEES PAYABLE

(a) The price for the performance of the Services shall be on a time and materials basis in accordance with the Services Provider's 2014-2015 hourly rates by job category, which rates may be amended from time to time by mutual agreement of the parties. The parties acknowledge and agree that the Services Recipient has received the Services Provider's 2014-2015 hourly rates from the Services Provider.

(b) The parties agree that the price for the Services shall be paid by the Services Recipient to the Services Provider by direct time reporting through Hydro One Inc.'s payroll system.

(c) In addition, the Services Recipient shall pay for any material costs which the Services Provider, acting reasonably, incurs as a result of resources, services and products that the Services Provider must purchase and that are in addition to the Services Provider's existing resources, services and products, in order to provide the said Services Recipient with specific services it requires and requests.

(d) If at any time during the performance of the Services, the Services Recipient is of the opinion that there are deficiencies in the Services provided to it and/or that the price payable is in any way inaccurate, the Services Recipient shall pay the entire relevant price payable by it in full and its sole remedy shall be to follow the dispute resolution procedures outlined in Section 6.0 herein to determine what amount, if any, shall be refunded to the Services Recipient and/or what Services, if any, shall be rectified or redone by the Services Provider.

(e) The parties acknowledge and agree that they qualify as specified members of a closely related group under subsection 156(1) of the Excise Tax Act (Canada), as amended (the "Act") and have jointly executed a Form GST25, to make an election under subsection 156(2) of the Act to deem the purchase and sale of the Services to be made for nil consideration for purposes of HST. For the purposes of this Agreement, "HST" means the federal Harmonized Sales Tax chargeable in accordance with Part IX of the *Excise Tax Act* (Canada), as amended, or any similar value-added tax that may be applicable during the term of this Agreement to the Services to be provided hereunder.

4.0 REPRESENTATIONS AND WARRANTIES

(a) The Services Provider represents and warrants that:

(i) it has all the necessary authority and capacity to enter into this Agreement and to perform its obligations hereunder;

(ii) the execution of this Agreement and compliance with and performance of the terms, conditions, and covenants contemplated herein have been duly authorized by all necessary corporate action on the part of the Services Provider; and

(iii) all staff employed in the performance of the Services shall have the qualifications, expertise and experience which could reasonably be expected of staff of a services provider performing work similar to the Services.

(b) The Services Recipient represents and warrants that:

(i) it has all the necessary authority and capacity to enter into this Agreement and to perform its obligations hereunder; and

(ii) the execution of this Agreement and compliance with and performance of the terms, conditions, and covenants contemplated herein have been duly authorized by all necessary corporate action on the part of the Services Recipient.

5.0 PERFORMANCE OF THE SERVICES

(a) **Compliance with Standards and Applicable Law**: The Services Provider shall perform the Services in a diligent and professional manner and shall comply with the Services Recipient's computer data management and data access protocols contained in the Services Recipient's document entitled "Information Security Policy" (SP 0908 R3) dated August 16, 2013 and any amendments thereto which may be made from time to time by the Services Recipient. The Services Provider shall comply at all times with the statutes, regulations, by-laws, standards and codes, as amended, as may be applicable to the Services Provider in respect of the Services and the performance of its obligations hereunder and it shall, at its own expense, obtain and maintain in good standing all permits and licences required by any authorities having jurisdiction to perform the Services.

(b) **Safety and Security Measures**: When any part of the Services is to be performed at any of the Services Recipient's premises, all of the Services Provider's staff engaged in the performance of the Services at the said premises shall comply with the safety and security requirements and measures in effect at the said premises.

(c) **Meetings**: The parties shall, after the Effective Date, meet at least once during the term of this Agreement to review performance, quality and timeliness of the Services provided by the Services Provider pursuant to this Agreement.

6.0 DISPUTE RESOLUTION PROCEDURES

Any controversy, dispute, difference, question or claim arising between the parties in connection with the interpretation, performance, construction or implementation of this Agreement that cannot be resolved by a director or manager from each of the parties (collectively "Dispute") shall be settled in accordance with this Section. The aggrieved party shall send the other party written notice identifying the Dispute, the amount involved, if any, and the remedy sought, and invoking the procedures of this Section. The Presidents of each party shall confer in an effort to resolve the Dispute. If the Presidents are unable to resolve the Dispute within 5 business days after receipt of the written notice of the Dispute, then the parties shall submit the Dispute to the President of Hydro One Inc. for resolution.

7.0 CONFIDENTIALITY AND INTELLECTUAL PROPERTY

(a) Confidentiality:

Each party (the "Receiving Party") shall maintain in strict confidence all information, analysis, conclusions, drawings, reports, specifications or other information, proprietary or otherwise, whether transmitted orally, electronically or in written form, and received in furtherance of this Agreement from any of the other parties (the "Disclosing Party") or any of the Disclosing Party's directors, officers, employees, consultants, agents or legal and other advisors (the "Disclosing Party Representatives") (collectively the "Confidential Information"). Except as permitted herein, the Receiving Party shall not publish, reproduce, or disclose, either directly or indirectly, the said Confidential Information to any third party and shall not use the said Confidential Information for any purpose other than for purposes of this Agreement without the prior written consent of the Disclosing Party. The Receiving Party may disclose the Confidential Information only to its shareholder, directors, officers, employees, consultants, agents or professional advisors (the "Receiving Party Representatives") having a need to know same and who have undertaken a like obligation to maintain its confidentiality.

For greater certainty, Confidential Information includes any and all personal information (as that term is defined in the Freedom of Information and Protection of Privacy Act (Ontario) and the Personal Information Protection and Electronic Documents Act (Canada), as they may be amended, and any and all information regarding a consumer, retailer, wholesale buyer, wholesale supplier, or a generator, provided by the Disclosing Party to the Receiving Party for purposes of this Agreement, whether or not such information was initially provided prior to the Effective Date.

The Receiving Party undertakes to protect and safeguard all Confidential Information in its possession or under its control and received by the Disclosing Party, in the manner described in Schedule "B" attached hereto. The Disclosing Party may, on reasonable notice, and during regular business hours, audit the information management practices of the Receiving Party to confirm compliance with the terms and

conditions of this Section 7.0 and all applicable statutes, regulations, by-laws, standards and codes, as amended.

The Receiving Party undertakes to notify the Disclosing Party immediately upon discovery of any unauthorized use and/or disclosure of any of the Disclosing Party's Confidential Information, to co-operate with the Disclosing Party to help regain possession of such Confidential Information, and to prevent its further unauthorized use and/or disclosure.

The foregoing obligations with respect to confidentiality, use, reproduction, dissemination, publication and non-disclosure herein shall not apply to any information that:

(i) is previously known to or lawfully in the possession of the Receiving Party prior to the date of disclosure as evidenced by the Receiving Party's written record;
(ii) is independently known to or discovered by the Receiving Party, without any reference to the information or material;
(iii) is obtained by the Receiving Party from an arm's length third party having a bona fide right to disclose same and who was not otherwise under an obligation of confidence or fiduciary duty to the Disclosing Party or the Disclosing Party Representatives;
(iv) is or becomes public knowledge through no fault or omission of, or breach of this Agreement by the Receiving Party or the Receiving Party Representatives; or
(v) is required to be disclosed pursuant to a final judicial or governmental order or other legal process.

Confidential Information shall remain the sole and exclusive property of the Disclosing Party that has disclosed the Confidential Information, and the Disclosing Party shall retain all right, title and interest in and to the said Confidential Information.

The Receiving Party shall keep a record of written Confidential Information furnished to it by the Disclosing Party in a location separate from those locations where the Receiving Party has stored information in respect of other third parties for which it performs work and it shall advise the Disclosing Party of such location.

All Confidential Information furnished by the Disclosing Party, including that portion of the Confidential Information which is contained in analyses, compilations, studies or other documents prepared by the Receiving Party or by the Receiving Party Representatives, is the Disclosing Party's property and will be returned immediately to the Disclosing Party upon its request.

(b) Intellectual Property:

The Services Recipient shall obtain all rights, title and interests, including copyright ownership, to any reports and any other deliverable that is to be produced and delivered to it by the Services Provider and, subject to applicable legislation and notwithstanding clause 7.0(a) above, the said Services Recipient may use, disclose or modify such reports or deliverable in any manner it deems appropriate. The Services Provider shall not do any act which may compromise or diminish the Services Recipient's interest as aforesaid.

(c) Survival of Obligations:

The obligations in this Section 7.0 shall forever survive the termination or expiration of this Agreement.

8.0 LIABILITY

Unless otherwise agreed in writing, each party shall indemnify the other party and that other party's successors and assigns, directors, officers, employees, contractors and agents from and against all direct costs or damages attributable to the indemnifying party's performance and/or non-performance of its obligations under this Agreement and any amendments or additions thereto that are mutually agreed to in writing, whether arising from or based on breach of contract, tort, negligence, strict liability or otherwise. Notwithstanding any other provision of this Agreement, neither party shall be liable for any economic loss, loss of goodwill, loss of profit or for any special, indirect or consequential damages, where the said losses or damages are incurred by the other or by any third party claiming through or under the other.

This Section 8.0 shall forever survive the termination or expiration of this Agreement.

9.0 AUTHORIZED REPRESENTATIVES

The authorized representatives of the parties hereto for purposes of this Agreement are the following:

HYDRO ONE REMOTE COMMUNITIES INC.
483 Bay Street,
South Tower, 8th Floor
Toronto, Ontario M5G 2P5
Attention: **Una O'Reilly**
TCT 8
Telephone: 416-345-6698
Telecopier: 416-345-6356

HYDRO ONE NETWORKS INC.
483 Bay St.
South Tower, 7th Floor
Toronto, Ontario M5G 2P5
Attention: **Ryan Lee**
Telephone: (416) 345-5158
Telecopier: (416) 345-5063

All correspondence, reports, documents and/or other communication concerning this Agreement and the Schedule attached hereto shall be directed to the attention of the authorized representatives noted above and shall be deemed to be sufficiently given if delivered personally, mailed or transmitted by fax to the attention of the authorized representatives at the addresses above, and any notice so given shall be deemed to have been made and received on the date of delivery or on the 5th business day following the day of mailing of same or on the day of transmission if transmitted during normal business hours, otherwise on the next business day, as the case may be.

10.0 CHANGE OF CONTROL

In the event of a change of control of the Services Provider, this Agreement shall immediately terminate. A change of control shall mean, as applicable, a purchase of more than fifty (50) percent of the outstanding capital by a non-affiliate third party.

11.0 ASSIGNMENT

Neither this Agreement nor any rights and obligations shall be assigned by either party without the prior written consent of the other party, which consent shall not be unreasonably withheld. Subject to the foregoing, this Agreement shall enure to the benefit of the parties hereto and their respective successors and permitted assigns.

12.0 RELATIONSHIP OF PARTIES:

Nothing in this Agreement creates the relationship of principal and agent, employer and employee, partnership or joint venture between the parties. The parties agree that they are and will at all times remain independent and are not and shall not present themselves to be the agent, employee, partner or joint venturer of the other. No representations will be made or acts taken by either party which could establish any apparent relationship of agency, employment, joint venture or partnership and neither party shall be bound in any manner whatsoever by any agreements, warranties or representations made by the other party to any other person nor with respect to any other action of the other party.

13.0 SCHEDULES

Schedules "A" and "B" attached hereto are to be read with and form part of this Agreement.

14.0 COUNTERPARTS

This Agreement may be executed in counterparts and the counterparts together shall constitute an original.

IN WITNESS THEREOF the parties hereto have caused this Agreement to be executed by their respective representatives duly authorized in that behalf.

HYDRO ONE NETWORKS INC.

Name: Sandy Struthers
Title: Chief Administration Officer and CFO
I have authority to ~~bind the~~ corporation

HYDRO ONE REMOTE COMMUNITIES INC.

Name: Kraemer Coulter
Title: Director
have authority to bind the corporation.

Schedule "A"

DESCRIPTION OF SERVICES:

Subject to the Services Provider's availability of personnel and resources, which availability shall be determined by the Services Provider in its sole discretion, the Services Provider shall provide the Services Recipient with the following services as may be required by the Services Recipient from time to time during the term of this Agreement:

a. Metering/Technician Work:

- update, install, reverify and sample meters
- Smart meter change-outs
- line layout, estimating and staking
- voltage/current surveys and responding to voltage/current complaints
- update Emergency Site Plans

b. Lines Work:

- maintain the Services Recipient's transmission and distribution system in Northwestern Ontario by providing the following activities, as may be requested by the Services Recipient:
- power line maintenance, construction and repair
- trouble Call Response, power restoration and storm damage repairs

c. Training:

- Provide lines apprenticeship program instruction services

Schedule "B"

Receiving Party Security Safeguards Regarding Confidential Information Received from the Disclosing Party

The Receiving Party shall protect the Confidential Information by security safeguards appropriate to the sensitivity of the information.

1) The Receiving Party shall protect the Confidential Information against such risks as loss or theft, unauthorized access, disclosure, copying, use, modification or destruction, through appropriate security measures, regardless of the format in which it is held.

2) All of the Receiving Party Representatives with access to the Confidential Information shall be contractually required to respect the confidentiality of that information.

3) The Receiving Party acknowledges and agrees that the nature of the safeguards will vary depending on the sensitivity, amount, distribution and format of the information, and the method of storage. The Receiving Party shall ensure that more sensitive information will be safeguarded by a higher level of protection.

4) The Receiving Party shall ensure that methods of protection will include:

(a) physical measures, for example, locked filing cabinets and restricted access to offices;

(b) organizational measures, for example, controlling entry to data centers and limiting access to information on a "need-to-know" basis;

(c) technological measures, for example, the use of passwords and encryption; and

(d) investigative measures, in cases where the Receiving Party has reasonable grounds to believe that the Confidential Information is being inappropriately collected, used or disclosed by anyone whom in law the Receiving Party is responsible.

THIS AGREEMENT made in duplicate this 1st day of January, 2014 (the "Effective Date").

BETWEEN:

HYDRO ONE NETWORKS INC.
(the "Services Provider")

- and -

HYDRO ONE BRAMPTON NETWORKS INC.
(the "Services Recipient")

1.0 PREFACE

This Agreement is intended to identify the services that are to be provided to the Services Recipient by the Services Provider in accordance with the terms and conditions herein. Except as otherwise specified, the term of this Agreement shall be for a period of 1 year commencing on the Effective Date.

2.0 SERVICES

The Services Provider shall provide disability management services to the Services Recipient, which collectively constitute the Services and which are more particularly described in Schedule "A" attached hereto, as may be required by the Services Recipient from time to time during the term of this Agreement.

3.0 FEES PAYABLE

(a) The annual price for the performance of the Services for the Services Recipient shall be $6,000.00, exclusive of any sales and use taxes, as may be applicable. The said annual price for the Services shall be paid by the Services Recipient to the Services Provider by means of monthly electronic journal transfers which shall be reflected in the applicable books and records of each party In addition, each Services Recipient shall pay for any material costs which the Services Provider, acting reasonably, incurs as a result of resources, services and products that the Services Provider must purchase and that are in addition to the Services Provider's existing resources, services and products, in order to provide the said Services Recipient with specific services it requires and requests.

(b) If at any time during the performance of the Services, the Services Recipient is of the opinion that there are deficiencies in the Services provided to it and/or that the price payable is in any way inaccurate, the Services Recipient shall pay the entire relevant price payable by it in full and its sole remedy shall be to follow the dispute resolution procedures outlined in Section 6.0 herein to determine what amount, if any, shall be refunded to the Services Recipient and/or what Services, if any, shall be rectified or redone by the Services Provider.

c) The parties acknowledge and agree that they qualify as specified members of a closely related group under subsection 156(1) of the Excise Tax Act (Canada), as amended (the "Act") and have jointly executed a Form GST25, to make an election under subsection 156(2) of the Act to deem the purchase and sale of the Services to be made for nil consideration for purposes of HST. For the purposes of this Agreement, "HST" means the federal Harmonized Sales Tax chargeable in accordance with Part IX of the *Excise Tax Act* (Canada), as amended, or any similar value-added tax that may be applicable during the term of this Agreement to the Services to be provided hereunder.

4.0 REPRESENTATIONS AND WARRANTIES

(a) The Services Provider represents and warrants that:

(i) it has all the necessary authority and capacity to enter into this Agreement and to perform its obligations hereunder;

(ii) the execution of this Agreement and compliance with and performance of the terms, conditions, and covenants contemplated herein have been duly authorized by all necessary corporate action on the part of the Services Provider; and

(iii) all staff employed in the performance of the Services shall have the qualifications, expertise and experience which could reasonably be expected of staff of a services provider performing work similar to the Services.

(b) The Services Recipient represents and warrants that:

(i) it has all the necessary authority and capacity to enter into this Agreement and to perform its obligations hereunder; and

(ii) the execution of this Agreement and compliance with and performance of the terms, conditions, and covenants contemplated herein have been duly authorized by all necessary corporate action on the part of the Services Recipient.

5.0 PERFORMANCE OF THE SERVICES

(a) **Compliance with Standards and Applicable Law**: The Services Provider shall perform the Services in a diligent and professional manner and shall comply with the Services Recipient's computer data management and data access protocols contained in the Services Recipient's document entitled "Information Security Policy" (SP 0908 R2) dated December 17, 2012 and any amendments thereto which may be made from time to time by the Services Recipient. The Services Provider shall comply at all times with the statutes, regulations, by-laws, standards and codes, as amended, as may be applicable to the Services Provider in respect of the Services and the performance of its obligations hereunder and it shall, at its own expense, obtain and maintain in good standing all permits and licences required by any authorities having jurisdiction to perform the Services.

(b) **Safety and Security Measures**: When any part of the Services is to be performed at any of the Services Recipient's premises, all of the Services Provider's staff engaged in the performance of the Services at the said premises shall comply with the safety and security requirements and measures in effect at the said premises.

(c) **Meetings**: The parties shall, after the Effective Date, meet at least twice a year during the term of this Agreement to review performance, quality and timeliness of the Services provided by the Services Provider pursuant to this Agreement.

6.0 DISPUTE RESOLUTION PROCEDURES

Any controversy, dispute, difference, question or claim arising between the parties in connection with the interpretation, performance, construction or implementation of this Agreement that cannot be resolved by a director or manager from each of the said parties (collectively "Dispute") shall be settled in accordance with this Section. The aggrieved party shall send the other party written notice identifying the Dispute, the amount involved, if any, and the remedy sought, and invoking the procedures of this Section. The Presidents of each party shall confer in an effort to resolve the Dispute. If the Presidents are unable to resolve the Dispute within 5 business days after receipt of the written notice of the Dispute, then the parties shall submit the Dispute to the President of Hydro One Inc. for resolution.

7.0 CONFIDENTIALITY AND INTELLECTUAL PROPERTY

(a) Confidentiality:

Each party (the "Receiving Party") shall maintain in strict confidence all information, analysis, conclusions, drawings, reports, specifications or other information, proprietary or otherwise, whether transmitted orally, electronically or in written form, and received in furtherance of this Agreement from any of the other parties (the "Disclosing Party") or any of the Disclosing Party's directors, officers, employees, consultants, agents or legal and other advisors (the "Disclosing Party Representatives") (collectively the "Confidential Information"). Except as permitted herein, the Receiving Party shall not publish, reproduce, or disclose, either directly or indirectly, the said Confidential Information to any third party and shall not use the said Confidential Information for any purpose other than for purposes of this Agreement without the prior written consent of the Disclosing Party. The Receiving Party may disclose the Confidential Information only to its shareholder, directors, officers, employees, consultants, agents or professional advisors (the "Receiving Party Representatives") having a need to know same and who have undertaken a like obligation to maintain its confidentiality.

For greater certainty, Confidential Information includes any and all personal information (as that term is defined in the Freedom of Information and Protection of Privacy Act (Ontario) and the Personal Information Protection and Electronic Documents Act (Canada), as they may be amended, and any and all information regarding a consumer, retailer, wholesale buyer, wholesale supplier, or a generator, provided by the Disclosing Party to the Receiving Party for purposes of this Agreement, whether or not such information was initially provided prior to the Effective Date.

The Receiving Party undertakes to protect and safeguard all Confidential Information in its possession or under its control and received by the Disclosing Party, in the manner described in Schedule "B" attached hereto. The Disclosing Party may, on reasonable notice, and during regular business hours, audit the information management practices of the Receiving Party to confirm compliance with the terms and conditions of this Section 7.0 and all applicable statutes, regulations, by-laws, standards and codes, as amended.

The Receiving Party undertakes to notify the Disclosing Party immediately upon discovery of any unauthorized use and/or disclosure of any of the Disclosing Party's Confidential Information, to co-operate with the Disclosing Party to help regain possession of such Confidential Information, and to prevent its further unauthorized use and/or disclosure.

The foregoing obligations with respect to confidentiality, use, reproduction, dissemination, publication and non-disclosure herein shall not apply to any information that:

(i) is previously known to or lawfully in the possession of the Receiving Party prior to the date of disclosure as evidenced by the Receiving Party's written record;

(ii) is independently known to or discovered by the Receiving Party, without any reference to the information or material;

(iii) is obtained by the Receiving Party from an arm's length third party having a bona fide right to disclose same and who was not otherwise under an obligation of confidence or fiduciary duty to the Disclosing Party or the Disclosing Party Representatives;

(iv) is or becomes public knowledge through no fault or omission of, or breach of this Agreement by the Receiving Party or the Receiving Party Representatives; or

(v) is required to be disclosed pursuant to a final judicial or governmental order or other legal process.

Confidential Information shall remain the sole and exclusive property of the Disclosing Party that has disclosed the Confidential Information, and the Disclosing Party shall retain all right, title and interest in and to the said Confidential Information.

The Receiving Party shall keep a record of written Confidential Information furnished to it by the Disclosing Party in a location separate from those locations where the Receiving Party has stored information in respect of other third parties for which it performs work and it shall advise the Disclosing Party of such location.

All Confidential Information furnished by the Disclosing Party , including that portion of the Confidential Information which is contained in analyses, compilations, studies or other documents prepared by the Receiving Party or by the Receiving Party Representatives, is the Disclosing Party's property and will be returned immediately to the Disclosing Party upon its request.

(b) Intellectual Property:

The Services Recipient shall obtain all rights, title and interests, including copyright ownership, to any reports and any other deliverable that is to be produced and delivered to it by the Services Provider and, subject to applicable legislation and notwithstanding clause 7.0(a) above, the said Services Recipient may use, disclose or modify such reports or deliverable in any manner it deems appropriate. The Services Provider shall not do any act which may compromise or diminish the Services Recipient's interest as aforesaid.

(c) Survival of Obligations:

The obligations in this Section 7.0 shall forever survive the termination or expiration of this Agreement.

8.0 LIABILITY

Unless otherwise agreed in writing, each party shall indemnify the other party and that other party's successors and assigns, directors, officers, employees, contractors and agents from and against all direct costs or damages attributable to the indemnifying party's performance and/or non-performance of its obligations under this Agreement and any amendments or additions thereto that are mutually agreed to in writing, whether arising from or based on breach of contract, tort, negligence, strict liability or otherwise. Notwithstanding any other provision of this Agreement, neither party shall be liable for any economic loss, loss of goodwill, loss of profit or for any special, indirect or consequential damages, where the said losses or damages are incurred by the other or by any third party claiming through or under the other.

This Section 8.0 shall forever survive the termination or expiration of this Agreement.

9.0 AUTHORIZED REPRESENTATIVES

The authorized representatives of the parties hereto for purposes of this Agreement are the following:

HYDRO ONE BRAMPTON NETWORKS INC.
175 Sandalwood Parkway West,
Brampton, Ontario
L7A 1E8

Attention: **Marc Villett**
Telephone: (905) 452-5505
Telecopier: (905) 840-0967

HYDRO ONE NETWORKS INC.
1225 King Road
Burlington, Ontario L7R 3X5
Attention: **Jim Harding**
Telephone: (905) 681-4424
Telecopier: (905) 681-4431

All correspondence, reports, documents and/or other communication concerning this Agreement and the Schedule attached hereto shall be directed to the attention of the authorized representatives noted above and shall be deemed to be sufficiently given if delivered personally, mailed or transmitted by fax to the attention of the authorized representatives at the addresses above, and any notice so given shall be deemed to have been made and received on the date of delivery or on the 5th business day following the day of mailing of same or on the day of transmission if transmitted during normal business hours, otherwise on the next business day, as the case may be.

10.0 CHANGE OF CONTROL

In the event of a change of control of the Services Provider, this Agreement shall immediately terminate. A change of control shall mean, as applicable, a purchase of more than fifty (50) percent of the outstanding capital by a non-affiliate third party.

11.0 ASSIGNMENT

Neither this Agreement nor any rights and obligations shall be assigned by either party without the prior written consent of the other party, which consent shall not be unreasonably withheld. Subject to the foregoing, this Agreement shall enure to the benefit of the parties hereto and their respective successors and permitted assigns.

12.0 RELATIONSHIP OF PARTIES:

Nothing in this Agreement creates the relationship of principal and agent, employer and employee, partnership or joint venture between the parties. The parties agree that they are and will at all times remain independent and are not and shall not present themselves to be the agent, employee, partner or joint venturer of the other. No representations will be made or acts taken by either party which could establish any apparent relationship of agency, employment, joint venture or partnership and neither party shall be bound in any manner whatsoever by any agreements, warranties or representations made by the other party to any other person nor with respect to any other action of the other party.

13.0 SCHEDULES

Schedules "A" and "B" attached hereto are to be read with and form part of this Agreement.

14.0 COUNTERPARTS

This Agreement may be executed in counterparts and the counterparts together shall constitute an original.

IN WITNESS THEREOF the parties hereto have caused this Agreement to be executed by their respective representatives duly authorized in that behalf.

HYDRO ONE NETWORKS INC.

Name: Jim Harding
Title: Manager, Health Services and Rehab

I have authority to bind the corporation

HYDRO ONE BRAMPTON NETWORKS INC.

Name: Marc Villett
Title: Vice-President, Finance and Administration

have authority to bind the corporation.

Schedule "A"

DESCRIPTION OF SERVICES:

The Services Provider shall provide the Services Recipient with the following disability management services:

(i) WSIB Claims Management

- support the supervisor in WSIB reporting and early and safe return to work;
- provide guidance and interpretation of WSIB policy and legislation to the Services Recipient's line management;
- manage the financial impact of the WSIB New Experience Experimental Rating cost statement

(ii) Care Management

- support the Services Recipient's sick leave program that deals with sick leaves greater than 5 days and that is medically supported;
- support (via the Services Provider's Disability Management Consultant, the affected supervisor and employee through a third party provider while the employee is absent from work due to a major medical absence with a view to assisting in providing the right care at the right time for the right outcome

(iii) Long Term Disability (LTD)

- provide the Services Recipient with LTD case management services including application assignment to LTD payroll and ongoing case management and rehabilitation activities through a third party provider

(iv) Ergonomic Assessments

- support the workplace parties through the Workstation or Vehicle Ergonomic Assessment process.

Schedule "B"

Receiving Party Security Safeguards Regarding Confidential Information Received from the Disclosing Party

The Receiving Party shall protect the Confidential Information by security safeguards appropriate to the sensitivity of the information.

1) The Receiving Party shall protect the Confidential Information against such risks as loss or theft, unauthorized access, disclosure, copying, use, modification or destruction, through appropriate security measures, regardless of the format in which it is held.

2) All of the Receiving Party Representatives with access to the Confidential Information shall be contractually required to respect the confidentiality of that information.

3) The Receiving Party acknowledges and agrees that the nature of the safeguards will vary depending on the sensitivity, amount, distribution and format of the information, and the method of storage. The Receiving Party shall ensure that more sensitive information will be safeguarded by a higher level of protection.

4) The Receiving Party shall ensure that methods of protection will include:

(a) physical measures, for example, locked filing cabinets and restricted access to offices;

(b) organizational measures, for example, controlling entry to data centers and limiting access to information on a "need-to-know" basis;

(c) technological measures, for example, the use of passwords and encryption; and

(d) investigative measures, in cases where the Receiving Party has reasonable grounds to believe that the Confidential Information is being inappropriately collected, used or disclosed by anyone whom in law the Receiving Party is responsible.

HYDRO ONE NETWORKS INC.

DISTRIBUTION BUSINESS

FINANCIAL STATEMENTS

DECEMBER 31, 2013

HYDRO ONE NETWORKS INC.
DISTRIBUTION BUSINESS
INDEPENDENT AUDITORS' REPORT

To the Directors of Hydro One Networks Inc.

We have audited the accompanying financial statements of the Distribution Business (a business of Hydro One Networks Inc.), which comprise the balance sheet as at December 31 2013, the statements of operations and comprehensive income, and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management in accordance with the basis of accounting in Note 2 of these financial statements.

Management's Responsibility for the Financial Statements

Management of Hydro One Networks Inc. is responsible for the preparation of these financial statements in accordance with the basis of accounting in Note 2 to these financial statements; this includes determining that the basis of accounting is an acceptable basis for the preparation of these financial statements in the circumstances, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Distribution Business (a business of Hydro One Networks Inc.) as at December 31, 2013, and its statement of operations and comprehensive income, and its cash flows for the year then ended, in accordance with the basis of accounting as set out in Note 2 to these financial statements.

Basis of Accounting and Restriction of Use

Without modifying our opinion, we draw attention to Note 2 to these financial statements, which describes the basis of accounting and composition of the Distribution Business (a business of Hydro One Networks Inc.). In particular, in preparing these financial statements, long-term debt, shared functions and service costs, and payments in lieu of corporate income taxes have been allocated to the Distribution Business (a business of Hydro One Networks Inc.) using the method of allocation described in Note 2 to these financial statements. As a result of this basis of accounting, these financial statements may not necessarily be identical to the financial position, results of operations and cash flows that would have resulted had the Distribution Business (a business of Hydro One Networks Inc.) historically operated on a stand-alone basis. These financial statements are prepared to assist Hydro One Networks Inc. to comply with its reporting requirements of the Ontario Energy Board. As a result, these financial statements may not be suitable for another purpose. Our report is intended solely for Hydro One Networks Inc. and the Ontario Energy Board and should not be used by parties other than Hydro One Networks Inc. or the Ontario Energy Board.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Canada
March 26, 2014

HYDRO ONE NETWORKS INC.
DISTRIBUTION BUSINESS
STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
For the years ended December 31, 2013 and 2012

Year ended December 31 (millions of Canadian dollars)	**2013**	**2012**
Revenues		
Energy sales	3,806	3,536
Rural rate protection *(Note 18)*	125	125
Other	40	53
	3,971	3,714
Costs		
Purchased power *(Note 18)*	2,620	2,413
Operation, maintenance and administration *(Note 18)*	611	553
Depreciation and amortization *(Note 4)*	321	308
	3,552	3,274
Income before financing charges and provision for payments in lieu of corporate income taxes	419	440
Financing charges *(Notes 5, 18)*	137	138
Income before provision for payments in lieu of corporate income taxes	282	302
Provision for payments in lieu of corporate income taxes *(Notes 6, 18)*	24	44
Net income	258	258
Other comprehensive income	–	–
Comprehensive income	258	258

See accompanying notes to Financial Statements.

HYDRO ONE NETWORKS INC.
DISTRIBUTION BUSINESS
BALANCE SHEETS
At December 31, 2013 and 2012

December 31 (millions of Canadian dollars)	**2013**	**2012**
Assets		
Current assets:		
Inter-company demand facility *(Notes 12, 13, 18)*	47	5
Accounts receivable (net of allowance for doubtful accounts – $32; 2012 – $20) *(Notes 7,18)*	853	778
Regulatory assets *(Note 10)*	15	14
Materials and supplies	6	7
Deferred income tax assets *(Note 6)*	8	7
Derivative instruments *(Note 12)*	1	–
Other	11	12
	941	823
Property, plant and equipment *(Note 8)*:		
Property, plant and equipment in service	8,864	8,363
Less: accumulated depreciation	3,279	3,078
	5,585	5,285
Construction in progress	323	314
Future use land, components and spares	45	45
	5,953	5,644
Other long-term assets:		
Regulatory assets *(Note 10)*	705	612
Intangible assets (net of accumulated amortization – $145; 2012 – $178) *(Note 9)*	204	159
Goodwill	73	73
Deferred debt costs	13	12
Derivative instruments *(Note 12)*	2	5
	997	861
Total assets	7,891	7,328

See accompanying notes to Financial Statements.

HYDRO ONE NETWORKS INC.
DISTRIBUTION BUSINESS
BALANCE SHEETS (continued)
At December 31, 2013 and 2012

December 31 (millions of Canadian dollars)	**2013**	**2012**
Liabilities		
Current liabilities:		
Accounts payable	59	58
Accrued liabilities *(Notes 6, 14, 15, 18)*	592	592
Accrued interest *(Note 18)*	38	35
Regulatory liabilities *(Note 10)*	26	38
Long-term debt payable within one year *(Notes 11, 12, 13, 18)*	176	230
	891	953
Long-term debt *(Notes 11, 12, 13, 18)*	3,140	2,785
Other long-term liabilities:		
Post-retirement and post-employment benefit liability *(Note 14)*	824	785
Deferred income tax liabilities *(Note 6)*	306	230
Environmental liabilities *(Note 15)*	139	132
Regulatory liabilities *(Note 10)*	110	96
Net unamortized debt premiums	11	12
Asset retirement obligations *(Note 16)*	4	3
Long-term accounts payable and other liabilities	1	13
	1,395	1,271
Total liabilities	5,426	5,009
Contingencies and commitments (Notes 20, 21)		
Excess of assets over liabilities *(Notes 13, 17)*	2,465	2,319
Total liabilities and excess of assets over liabilities	7,891	7,328

See accompanying notes to Financial Statements.

On behalf of the Board of Directors:



Carmine Marcello
Chair



Sandy Struthers
Director

HYDRO ONE NETWORKS INC.
DISTRIBUTION BUSINESS
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2013 and 2012

Year ended December 31 (millions of Canadian dollars)	**2013**	**2012**
Operating activities		
Net income	258	258
Environmental expenditures	(9)	(9)
Adjustments for non-cash items:		
Depreciation and amortization (excluding removal costs)	270	262
Regulatory assets and liabilities	(12)	(5)
Deferred income taxes	3	2
Other	2	1
Changes in non-cash balances related to operations *(Note 19)*	(30)	(45)
Net cash from operating activities	482	464
Financing activities		
Long-term debt issued	533	454
Long-term debt retired	(230)	(324)
Payments to Hydro One Inc. to finance dividends	(112)	(107)
Other	(2)	–
Net cash from financing activities	189	23
Investing activities		
Capital expenditures *(Note 19)*		
Property, plant and equipment	(579)	(562)
Intangible assets	(66)	(73)
Other	16	12
Net cash used in investing activities	(629)	(623)
Net change in inter-company demand facility	42	(136)
Inter-company demand facility, beginning of year	5	141
Inter-company demand facility, end of year	47	5

See accompanying notes to Financial Statements.

1. DESCRIPTION OF THE BUSINESS

Hydro One Inc. (Hydro One) was incorporated on December 1, 1998, under the *Business Corporations Act* (Ontario) and is wholly owned by the Province of Ontario (Province). The principal businesses of Hydro One are the transmission and distribution of electricity to customers within Ontario.

Hydro One Networks Inc. (Hydro One Networks or the Company) was incorporated on March 4, 1999 under the *Business Corporations Act* (Ontario) and is a wholly-owned subsidiary of Hydro One. The Company owns and operates Hydro One's regulated transmission and distribution businesses. The regulated distribution business (Distribution Business) operates a low-voltage electrical distribution network that distributes electricity from the transmission system, or directly from generators, to customers within Ontario. The Distribution Business is regulated by the Ontario Energy Board (OEB).

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

These Financial Statements are prepared and presented in accordance with the accounting policies summarized below and in Canadian dollars. These policies are consistent with United States (US) Generally Accepted Accounting Principles (GAAP). These Financial Statements have been prepared for the specific use of the OEB. Consolidated Financial Statements of Hydro One for the year ended December 31, 2013 have been prepared and are publicly available.

These Financial Statements have been prepared on a carve-out basis to provide the financial position, results of operations and cash flows of the Company's regulated Distribution Business on a basis approved by the OEB. The Financial Statements are considered by management to be a reasonable representation, prepared on a rational, systematic and consistent basis, of the financial results of the Company's Distribution Business. As a result of this basis of accounting, these Financial Statements may not necessarily be identical to the financial position and results of operations that would have resulted had the Distribution Business historically operated on a stand-alone basis.

The Financial Statements have been constructed primarily through specific identification of assets, liabilities (other than debt), revenues and expenses that relate to the Distribution Business. The Company's long-term debt is allocated based on the respective borrowing requirements of the Company's transmission and distribution businesses. A portion of the Company's shared functions and services costs is allocated to the Distribution Business on a fully allocated-cost basis, consistent with OEB-approved independent studies. Payments in lieu of corporate income taxes (PILs) have been recorded at effective rates based on income taxes as reported in the Statements of Operations and Comprehensive Income as though the Distribution Business was a separate taxpaying entity. Certain other amounts presented in these Financial Statements represent allocations subject to review and approval by the OEB. Certain comparative figures have been reclassified to conform to the presentation of these Financial Statements (see Note 19 – Statements of Cash Flows).

Hydro One Networks performed an evaluation of subsequent events through to March 26, 2014, the date these Financial Statements were available to be issued, to determine whether any events or transactions warranted recognition and disclosure in these financial statements. See Note 22 – Subsequent Events.

Use of Management Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains and losses during the reporting periods. Management evaluates these estimates on an on-going basis based upon: historical experience; current conditions; and assumptions believed to be reasonable at the time the assumptions are made with any adjustments being recognized in results of operations in the period they arise. Significant estimates relate to regulatory assets and regulatory liabilities, environmental liabilities, post-retirement and post-employment benefits, asset retirement obligations (AROs), goodwill and asset impairments, contingencies, unbilled revenues, allowance for doubtful accounts, derivative instruments, and deferred income tax assets and liabilities. Actual results may differ significantly from these estimates, which may be impacted by future decisions made by the OEB or the Province.

Rate Setting

The OEB has approved the use of US GAAP for rate setting and regulatory accounting and reporting by the Company's Distribution Business beginning with the year 2012.

In 2010, the OEB approved a revised 2011 revenue requirement of $1,218 million and 2011 distribution rates. Hydro One Networks elected to retain the same distribution rates for 2012 as approved by the OEB for the 2011 rate year. In June 2012, Hydro One Networks filed an Incentive Regulation Mechanism (IRM) application with the OEB for 2013 distribution rates. In December 2012, the OEB approved an increase in average distribution rates of approximately 1.3%, with an effective date of January 1, 2013.

Regulatory Accounting

The OEB has the general power to include or exclude revenues, costs, gains or losses in the rates of a specific period, resulting in a change in the timing of accounting recognition from that which would have applied in an unregulated company. Such change in timing involves the application of rate-regulated accounting, giving rise to the recognition of regulatory assets and liabilities. The Distribution Business' regulatory assets represent certain amounts receivable from future customers and costs that have been deferred for accounting purposes because it is probable that they will be recovered in future rates. In addition, the Distribution Business has recorded regulatory liabilities that generally represent amounts that are refundable to future customers. The Distribution Business continually assesses the likelihood of recovery of each of its regulatory assets and continues to believe that it is probable that the OEB will factor its regulatory assets and liabilities into the setting of future rates. If, at some future date, the Distribution Business judges that it is no longer probable that the OEB will include a regulatory asset or liability in setting future rates, the appropriate carrying amount will be reflected in results of operations in the period that the assessment is made.

Revenue Recognition

Distribution revenues are recognized on an accrual basis and include billed and unbilled revenues. Distribution revenues attributable to the delivery of electricity are based on OEB-approved distribution rates and are recognized as electricity is delivered to customers. The Company estimates monthly revenue for a period based on wholesale electricity purchases because customer meters are not generally read at the end of each month. At the end of each month, the electricity delivered to customers, but not billed, is estimated and revenue is recognized. The unbilled revenue estimate is affected by energy demand, weather, line losses and changes in the composition of customer classes. Distribution revenue also includes an amount relating to rate protection for rural, residential and remote customers, which is received from the Independent Electricity System Operator (IESO) based on a standardized customer rate that is approved by the OEB. Current legislation provides rate protection for prescribed classes of rural, residential and remote consumers by reducing the electricity rates that would otherwise apply. Revenues are recorded net of indirect taxes.

Accounts Receivable and Allowance for Doubtful Accounts

Billed accounts receivable are recorded at the invoiced amount, net of allowance for doubtful accounts. Unbilled accounts receivable are estimated and recorded based on wholesale electricity purchases. Overdue amounts related to regulated billings bear interest at OEB-approved rates. The allowance for doubtful accounts reflects the Distribution Business' best estimate of losses on billed accounts receivable balances. The allowance is based on accounts receivable aging, historical experience and other currently available information. The Distribution Business estimates the allowance for doubtful accounts on customer receivables by applying internally developed loss rates to the outstanding receivable balances by risk segment. Risk segments represent groups of customers with similar credit quality indicators and are computed based on various attributes, including number of days receivables are past due, delinquency of balances and payment history. Loss rates applied to the accounts receivable balances are based on historical average write-offs as a percentage of accounts receivable in each risk segment. An account is considered delinquent if the amount billed is not received within 110 days of the invoiced date. Accounts receivable are written off against the allowance when they are deemed uncollectible. The existing allowance for uncollectible accounts will continue to be affected by changes in volume, prices and economic conditions.

Corporate Income Taxes

Under the *Electricity Act, 1998*, Hydro One Networks is required to remit PILs to the Ontario Electricity Financial Corporation (OEFC). These payments are calculated in accordance with the rules for computing income and other relevant amounts contained in the *Income Tax Act* (Canada) and the *Taxation Act, 2007* (Ontario) as modified by the *Electricity Act, 1998* and related regulations.

Current and deferred income taxes are computed based on the tax rates and tax laws enacted at the balance sheet date. Tax benefits associated with income tax positions taken, or expected to be taken, in a tax return are recorded only when the "more-likely-than-not" recognition threshold is satisfied and are measured at the largest amount of benefit that has a greater than 50% likelihood of being realized upon settlement. Management evaluates each position based solely on the technical merits and facts and circumstances of the position, assuming the position will be examined by a taxing authority having full knowledge of all relevant information. Significant management judgment is required to determine recognition thresholds and the related amount of tax benefits to be recognized in the Financial Statements. Management re-evaluates tax positions each period in which new information about recognition or measurement becomes available.

Current Income Taxes

The provision for current taxes and the assets and liabilities recognized for the current and prior periods are measured at the amounts receivable from, or payable to, the OEFC.

Deferred Income Taxes

Deferred income taxes are provided for using the liability method. Deferred income taxes are recognized based on the estimated future tax consequences attributable to temporary differences between the carrying amount of assets and liabilities in the Financial Statements and their corresponding tax bases.

Deferred income tax liabilities are generally recognized on all taxable temporary differences. Deferred tax assets are recognized to the extent that it is more-likely-than-not that these assets will be realized from taxable income available against which deductible temporary differences can be utilized.

Deferred income taxes are calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on the tax rates and tax laws that have been enacted at the balance sheet date. Deferred income taxes that are not included in the rate-setting process are charged or credited to the Statements of Operations and Comprehensive Income.

If management determines that it is more-likely-than-not that some or all of a deferred income tax asset will not be realized, a valuation allowance is recorded against the deferred income tax asset to report the net asset balance at the amount expected to be realized. Previously unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become more-likely-than-not that the tax benefit will be realized.

The Distribution Business has recognized regulatory assets and liabilities associated with deferred income taxes that will be included in the rate-setting process.

The Distribution Business uses the flow-through method to account for investment tax credits (ITCs) earned on eligible scientific research and experimental development expenditures, and apprenticeship job creation. Under this method, only non-refundable ITCs are recognized as a reduction to income tax expense.

Inter-company Demand Facility

Hydro One maintains pooled bank accounts for its use and for the use of its subsidiaries, and implicitly, by the regulated businesses of its subsidiaries. The balance in the inter-company demand facility represents the cumulative net effect of all deposits and withdrawals made by the Distribution Business to and from the pooled bank accounts. Interest is earned on

positive inter-company balances based on the average of the bankers' acceptance rate at the beginning and end of the month, less 0.02%. Interest is charged on overdraft inter-company balances based on the same bankers' acceptance rate, plus 0.15%.

Materials and Supplies

Materials and supplies represent consumables, small spare parts and construction materials held for internal construction and maintenance of property, plant and equipment. These assets are carried at average cost less any impairments recorded.

Property, Plant and Equipment

Property, plant and equipment is recorded at original cost, net of customer contributions received in aid of construction and any accumulated impairment losses. The cost of additions, including betterments and replacements of asset components, is included on the Balance Sheets as property, plant and equipment.

The original cost of property, plant and equipment includes direct materials, direct labour (including employee benefits), contracted services, attributable capitalized financing costs, asset retirement costs, and direct and indirect overheads that are related to the capital project or program. Indirect overhead includes a portion of corporate costs such as finance, treasury, human resources, information technology and executive costs. Overhead costs, including corporate functions and field services costs, are capitalized on a fully allocated basis, consistent with an OEB-approved methodology.

Property, plant and equipment in service consists of distribution, communication, administration and service assets and land easements. Property, plant and equipment also includes future use assets, such as land, major components and spare parts, and capitalized project development costs associated with deferred capital projects.

Distribution

Distribution assets include assets related to the distribution of low-voltage electricity, including lines, poles, switches, transformers, protective devices and metering systems.

Communication

Communication assets include the fibre-optic and microwave radio system, optical ground wire, towers, telephone equipment and associated buildings.

Administration and Service

Administration and service assets include administrative buildings, personal computers, transport and work equipment, tools and other minor assets.

Easements

Easements include amounts incurred to acquire land rights and other access rights.

Intangible Assets

Intangible assets separately acquired or internally developed are measured on initial recognition at cost, which comprises purchased software, direct labour (including employee benefits), consulting, engineering, overheads and attributable capitalized financing charges. Following initial recognition, intangible assets are carried at cost, net of any accumulated amortization and accumulated impairment losses. The Distribution Business' intangible assets primarily represent major administrative computer applications.

Capitalized Financing Costs

Capitalized financing costs represent interest costs attributable to the construction of property, plant and equipment or development of intangible assets. The financing cost of attributable borrowed funds is capitalized as part of the acquisition cost of such assets. The capitalized portion of financing costs is a reduction to financing charges recognized in the Statements of Operations and Comprehensive Income. Capitalized financing costs are calculated using the Company's weighted average effective cost of debt.

Construction and Development in Progress

Construction and development in progress consists of the capitalized cost of constructed assets that are not yet complete and which have not yet been placed in service.

Depreciation and Amortization

The cost of property, plant and equipment and intangible assets is depreciated or amortized on a straight-line basis based on the estimated remaining service life of each asset category, except for transport and work equipment, which is depreciated on a declining balance basis.

Hydro One periodically initiates an external independent review of its property, plant and equipment and intangible asset depreciation and amortization rates, as required by the OEB. Any changes arising from OEB approval of such a review are implemented on a remaining service life basis, consistent with their inclusion in electricity rates. The last review resulted in changes to rates effective January 1, 2013. A summary of average service lives and depreciation and amortization rates for the various classes of assets is included below:

	Average	Rate (%)	
	Service Life	Range	Average
Distribution	40 years	1% – 20%	2%
Communication	10 years	2% – 9%	9%
Administration and service	17 years	3% – 9%	7%

The cost of intangible assets is included primarily within the administration and service classification above. Amortization rates for computer applications software assets range from 9% to 11%.

In accordance with group depreciation practices, the original cost of property, plant and equipment, or major components thereof, and intangible assets that are normally retired, is charged to accumulated depreciation and amortization, with no gain or loss being reflected in results of operations. Where a disposition of property, plant and equipment occurs through sale, a gain or loss is calculated based on proceeds and such gain or loss is included in depreciation expense. Depreciation expense also includes the costs incurred to remove property, plant and equipment where no ARO has been recorded.

Goodwill

Goodwill represents the cost of acquired local distribution companies that is in excess of the fair value of the net identifiable assets acquired at the acquisition date. Goodwill is not included in rate base.

Goodwill is evaluated for impairment on an annual basis, or more frequently if circumstances require. The Company performs a qualitative assessment to determine whether it is more-likely-than-not that the fair value of the applicable reporting unit is less than its carrying amount. If the Company determines, as a result of its qualitative assessment, that it is not more-likely-than-not that the fair value of the applicable reporting unit is less than its carrying amount, no further testing is required. If the Company determines, as a result of its qualitative assessment, that it is more-likely-than-not that the fair value of the applicable reporting unit is less than its carrying amount, a goodwill impairment assessment is performed using a two-step, fair value-based test. The first step compares the fair value of the applicable reporting unit to its carrying amount, including goodwill. If the carrying amount of the applicable reporting unit exceeds its fair value, a second step is performed. The second step requires an allocation of fair value to the individual assets and liabilities using purchase price allocation in

order to determine the implied fair value of goodwill. If the implied fair value of goodwill is less than the carrying amount, an impairment loss is recorded as a reduction to goodwill and as a charge to results of operations.

For the year ended December 31, 2013, based on the qualitative assessment performed as at September 30, 2013, the Company has determined that it is not more-likely-than-not that the fair value of each applicable reporting unit assessed is less than its carrying amount. As a result, no further testing was performed, and the Company has concluded that goodwill was not impaired at December 31, 2013.

Long-Lived Asset Impairment

When circumstances indicate the carrying value of long-lived assets may not be recoverable, the Company evaluates whether the carrying value of such assets, excluding goodwill, has been impaired. For such long-lived assets, impairment exists when the carrying value exceeds the sum of the future estimated undiscounted cash flows expected to result from the use and eventual disposition of the asset. When alternative courses of action to recover the carrying amount of a long-lived asset are under consideration, a probability-weighted approach is used to develop estimates of future undiscounted cash flows. If the carrying value of the long-lived asset is not recoverable based on the estimated future undiscounted cash flows, an impairment loss is recorded, measured as the excess of the carrying value of the asset over its fair value. As a result, the asset's carrying value is adjusted to its estimated fair value.

The carrying costs of most of the Distribution Business' long-lived assets are included in rate base where they earn an OEB-approved rate of return. Asset carrying values and the return are recovered through approved rates. As a result, such assets are only tested for impairment in the event that the OEB disallows recovery, in whole or in part, or if such a disallowance is judged to be probable. As at December 31, 2013, no asset impairment had been recorded.

Costs of Arranging Debt Financing

For financial liabilities classified as other than held-for-trading, the Company defers its proportionate share of the relevant Hydro One external transaction costs related to obtaining debt financing and presents such amounts as deferred debt costs on the Balance Sheets. Deferred debt costs are amortized over the contractual life of the related debt on an effective-interest basis and the amortization is included within financing charges in the Statements of Operations and Comprehensive Income. Transaction costs for items classified as held-for-trading are expensed immediately.

Comprehensive Income

Comprehensive income is comprised of net income and other comprehensive income (OCI). OCI includes the amortization of net unamortized hedging losses on the Company's proportionate share of Hydro One's discontinued cash flow hedges, and the change in fair value on the Company's proportionate share of existing cash flow hedges to the extent that the hedge is effective. The Company amortizes its share of unamortized hedging losses on discontinued cash flow hedges to financing charges using the effective interest method over the term of the allocated hedged debt. OCI and net income are presented in a single continuous Statement of Operations and Comprehensive Income.

Financial Assets and Liabilities

All financial assets and liabilities are classified into one of the following five categories: held-to-maturity investments; loans and receivables; held-for-trading; other liabilities; or available-for-sale. Financial assets and liabilities classified as held-for-trading are measured at fair value. All other financial assets and liabilities are measured at amortized cost, except accounts receivable which are measured at the lower of cost or fair value. Accounts receivable are classified as loans and receivables. The Company considers the carrying amount of accounts receivable to be a reasonable estimate of fair value because of the short time to maturity of these instruments. Provisions for impaired accounts receivable are recognized as adjustments to the allowance for doubtful accounts and are recognized when there is objective evidence that the Company will not be able to collect amounts according to the original terms.

Derivative instruments are measured at fair value. Gains and losses from fair valuation are included within financing charges in the period in which they arise. Hydro One Networks determines the classification of its financial assets and liabilities at the

date of initial recognition. The Company designates certain of its financial assets and liabilities to be held at fair value, when it is consistent with its risk management policy disclosed in Note 12 – Fair Value of Financial Instruments and Risk Management.

All financial instrument transactions are recorded at trade date.

Derivative Instruments and Hedge Accounting

Hydro One closely monitors the risks associated with changes in interest rates on its operations and, where appropriate, uses various derivative instruments to hedge these risks. Certain of these derivative instruments qualify for hedge accounting and are designated as accounting hedges, while others either do not qualify as hedges or have not been designated as hedges (hereinafter referred to as undesignated contracts) as they are part of economic hedge relationships. Hydro One's derivative instruments, or portions thereof, are mirrored down to Hydro One Networks, and are allocated between the Company's transmission and distribution businesses. The derivative instruments are classified as fair value hedges or undesignated contracts, consistent with Hydro One's derivative instruments classification.

The accounting guidance for derivative instruments requires the recognition of all derivative instruments not identified as meeting the normal purchase and sale exemption as either assets or liabilities recorded at fair value on the Balance Sheets. For derivative instruments that qualify for hedge accounting, Hydro One may elect to designate such derivative instruments as either cash flow hedges or fair value hedges. Hydro One offsets fair value amounts recognized in its Balance Sheets related to derivative instruments executed with the same counterparty under the same master netting agreement.

For derivative instruments that qualify for hedge accounting and which are designated as cash flow hedges, the effective portion of any gain or loss, net of tax, is reported as a component of accumulated OCI (AOCI) and is reclassified to results of operations in the same period or periods during which the hedged transaction affects results of operations. Any gains or losses on the derivative instrument that represent either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in results of operations. For fair value hedges, changes in fair value of both the derivative instrument and the underlying hedged exposure are recognized in the Statement of Operations and Comprehensive Income in the current period. The gain or loss on the derivative instrument is included in the same line item as the offsetting gain or loss on the hedged item in the Statements of Operations and Comprehensive Income. Additionally, Hydro One enters into derivative agreements that are economic hedges that either do not qualify for hedge accounting or have not been designated as hedges. The changes in fair value of these undesignated derivative instruments are reflected in results of operations.

Embedded derivative instruments are separated from their host contracts and carried at fair value on the Balance Sheets when: (a) the economic characteristics and risks of the embedded derivative are not clearly and closely related to the economic characteristics and risks of the host contract; (b) the hybrid instrument is not measured at fair value, with changes in fair value recognized in results of operations each period; and (c) the embedded derivative itself meets the definition of a derivative. Hydro One does not engage in derivative trading or speculative activities and had no embedded derivatives at December 31, 2013.

Hydro One periodically develops hedging strategies taking into account risk management objectives. At the inception of a hedging relationship where Hydro One has elected to apply hedge accounting, Hydro One formally documents the relationship between the hedged item and the hedging instrument, the related risk management objective, the nature of the specific risk exposure being hedged, and the method for assessing the effectiveness of the hedging relationship. Hydro One also assesses, both at the inception of the hedge and on a quarterly basis, whether the hedging instruments are effective in offsetting changes in fair values or cash flows of the hedged items.

Employee Future Benefits

Employee future benefits provided by Hydro One include pension, post-retirement and post-employment benefits. The costs of the pension, post-retirement and post-employment benefit plans are recorded over the periods during which employees render service.

Hydro One recognizes the funded status of its pension, post-retirement and post-employment plans on its Consolidated Balance Sheets and subsequently recognizes the changes in funded status at the end of each reporting year. Pension, post-retirement and post-employment funds are considered to be underfunded when the projected benefit obligation exceeds the fair value of the plan assets. Liabilities are recognized on the Consolidated Balance Sheets of Hydro One for any net underfunded projected benefit obligation. The net underfunded projected benefit obligation may be disclosed as a current liability, long-term liability, or both. The current portion is the amount by which the actuarial present value of benefits included in the benefit obligation payable in the next 12 months exceeds the fair value of plan assets. If the fair value of plan assets exceeds the projected benefit obligation of the plan, an asset is recognized equal to the net overfunded projected benefit obligation. The post-retirement and post-employment benefit plans are unfunded because there are no related plan assets. For the year ended December 31, 2013, the measurement date for the Plans was December 31.

Pension benefits

Hydro One has a contributory defined benefit pension plan covering all regular employees of Hydro One and its subsidiaries, except Hydro One Brampton Networks Inc. The Hydro One pension plan does not segregate assets in a separate account for individual subsidiaries, nor is the accrual cost of the pension plan allocated to, or funded separately by, entities within the consolidated group. Consequently, for purposes of these financial statements, the pension plan is accounted for as a defined contribution plan and no deferred pension asset or liability is recorded.

A detailed description of Hydro One pension benefits is provided in Note 15 – Pension and Post-Retirement and Post-Employment Benefits, to the Consolidated Financial Statements of Hydro One for the year ended December 31, 2013.

Post-retirement and post-employment benefits

Post-retirement and post-employment benefits are recorded and included in rates on an accrual basis. Costs are determined by independent actuaries using the projected benefit method prorated on service and based on assumptions that reflect management's best estimates. Past service costs from plan amendments are amortized to results of operations based on the expected average remaining service period.

The Company records a regulatory asset equal to the incremental net unfunded projected benefit obligation for post-retirement and post-employment plans at each year end based on annual actuarial reports. The regulatory asset for the incremental net unfunded projected benefit obligation for post-retirement and post-employment plans, in absence of regulatory accounting, would be recognized in AOCI. A regulatory asset is recognized because management considers it to be probable that post-retirement and post-employment benefit costs will be recovered in the future through the rate-setting process.

For post-retirement benefits, all actuarial gains or losses are deferred using the "corridor" approach. The amount calculated above the "corridor" is amortized to results of operations on a straight-line basis over the expected average remaining service life of active employees in the plan and over the remaining life expectancy of inactive employees in the plan. The post-retirement benefit obligation is remeasured to its fair value at each year end based on an annual actuarial report, with an offset to associated regulatory asset, to the extent of the remeasurement adjustment.

For post-employment obligations, the actuarial gains and losses that are incurred during the year are recognized immediately to results of operations. The post-employment benefit obligation is remeasured to its fair value at each year end based on an annual actuarial report, with an offset to associated regulatory asset, to the extent of the remeasurement adjustment.

All post-retirement and post-employment future benefit costs are attributed to labour and are either charged to results of operations or capitalized as part of the cost of property, plant and equipment and intangible assets.

A detailed description of Hydro One post-retirement and post-employment benefits is provided in Note 15 – Pension and Post-Retirement and Post-Employment Benefits, to the Consolidated Financial Statements of Hydro One for the year ended December 31, 2013.

Loss Contingencies

Hydro One and its subsidiaries are involved in certain legal and environmental matters that arise in the normal course of business. In the preparation of the Distribution Business' Financial Statements, management makes judgments regarding the future outcome of contingent events and records a loss for a contingency based on its best estimate when it is determined that such loss is probable and the amount of the loss can be reasonably estimated. Where the loss amount is recoverable in future rates, a regulatory asset is also recorded. When a range estimate for the probable loss exists and no amount within the range is a better estimate than any other amount, the Distribution Business records a loss at the minimum amount within the range.

Management regularly reviews current information available to determine whether recorded provisions should be adjusted and whether new provisions are required. Estimating probable losses may require analysis of multiple forecasts and scenarios that often depend on judgments about potential actions by third parties, such as federal, provincial and local courts or regulators. Contingent liabilities are often resolved over long periods of time. Amounts recorded in the Financial Statements may differ from the actual outcome once the contingency is resolved. Such differences could have a material impact on future results of operations, financial position and cash flows of the Distribution Business.

Provisions are based upon current estimates and are subject to greater uncertainty where the projection period is lengthy. A significant upward or downward trend in the number of claims filed, the nature of the alleged injuries, and the average cost of resolving each claim could change the estimated provision, as could any substantial adverse or favorable verdict at trial. A federal or provincial legislative outcome or structured settlement could also change the estimated liability. Legal fees are expensed as incurred.

Environmental Liabilities

Environmental liabilities are recorded in respect of past contamination when it is determined that future environmental remediation expenditures are probable under existing statute or regulation and the amount of the future expenditures can be reasonably estimated. The Distribution Business records a liability for the estimated future expenditures associated with the contaminated land assessment and remediation (LAR) and for the phase-out and destruction of polychlorinated biphenyl (PCB)-contaminated mineral oil removed from electrical equipment, based on the present value of these estimated future expenditures. The present value is determined with a discount rate equal to its credit-adjusted risk-free interest rate on financial instruments with comparable maturities to the pattern of future environmental expenditures. As it is anticipated that the future expenditures will continue to be recoverable in future rates, an offsetting regulatory asset has been recorded to reflect the future recovery of these environmental expenditures from customers. The estimates of future environmental expenditures are reviewed annually or more frequently if there are indications that circumstances have changed.

Asset Retirement Obligations

AROs are recorded for legal obligations associated with the future removal and disposal of long-lived assets. Such obligations may result from the acquisition, construction, development and/or normal use of the asset. Conditional AROs are recorded when there is a legal obligation to perform a future asset retirement activity but where the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the Company. In such a case, the obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and/or method of settlement.

When recording an ARO, the present value of the estimated future expenditures required to complete the asset retirement activity is recorded in the period in which the obligation is incurred, if a reasonable estimate can be made. In general, the present value of the estimated future expenditures is added to the carrying amount of the associated asset and the resulting asset retirement cost is depreciated over the estimated useful life of the asset. Where an asset is no longer in-service when an ARO is recorded, the asset retirement cost is recorded in results of operations.

Some distribution assets, particularly those located on unowned easements and rights-of-way, may have AROs, conditional or otherwise. The majority of the Company's easements and rights-of-way are either of perpetual duration or are automatically renewed annually. Land rights with finite terms are generally subject to extension or renewal. As the Distribution Business expects to use the majority of its facilities in perpetuity, no ARO currently exists for these assets. If, at

some future date, a particular facility is shown not to meet the perpetuity assumption, it will be reviewed to determine whether an estimable ARO exists. In such case, an ARO would be recorded at that time.

The Distribution Business' AROs recorded to date relate to estimated future expenditures associated with the removal and disposal of asbestos-containing materials installed in some of its facilities and with the decommissioning of specific switching stations located on unowned sites.

3. NEW ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncements

In December 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities. This ASU requires an entity to disclose both gross and net information about financial instruments and transactions eligible for offset on the Balance Sheets as well as financial instruments and transactions executed under a master netting or similar arrangement. The ASU was issued to enable users of financial statements to understand the effects or potential effects of those arrangements on an entity's financial position. This ASU was required to be applied retrospectively and was effective for fiscal years, and interim periods within those years, beginning on or after January 1, 2013. The adoption of this ASU did not have a significant impact on the Distribution Business' Financial Statements.

In February 2013, the FASB issued ASU 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. This ASU requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income, but only if the amount reclassified is required under US GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under US GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under US GAAP that provide additional detail about those amounts. This ASU was required to be applied prospectively and was effective for fiscal years, and interim periods within those years, beginning after December 15, 2012. The adoption of this ASU did not have a significant impact on the Distribution Business' Financial Statements.

Recent Accounting Guidance Not Yet Adopted

In July 2013, the FASB issued ASU 2013-11, Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. This ASU provides guidance on the presentation of unrecognized tax benefits. This ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013, and should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Retrospective application is permitted. The adoption of this ASU is not anticipated to have a significant impact on the Distribution Business' Financial Statements.

4. DEPRECIATION AND AMORTIZATION

Year ended December 31 (millions of Canadian dollars)	**2013**	**2012**
Depreciation of property, plant and equipment	235	229
Amortization of intangible assets	26	24
Asset removal costs	51	46
Amortization of regulatory assets	9	9
	321	308

5. FINANCING CHARGES

Year ended December 31 (millions of Canadian dollars)	**2013**	**2012**
Interest on long-term debt	150	154
Other	5	8
Interest on inter-company demand facility	1	–
Less: Interest capitalized on construction and development in progress	(16)	(18)
Gain on interest-rate swap agreements	(3)	(4)
Interest earned on inter-company demand facility	–	(2)
	137	138

6. PROVISION FOR PAYMENTS IN LIEU OF CORPORATE INCOME TAXES

The provision for PILs differs from the amount that would have been recorded using the combined Canadian Federal and Ontario statutory income tax rate. The reconciliation between the statutory and the effective tax rates is provided as follows:

Year ended December 31 (millions of Canadian dollars)	**2013**	**2012**
Income before provision for PILs	282	302
Canadian Federal and Ontario statutory income tax rate	26.50%	26.50%
Provision for PILs at statutory rate	75	80
Increase (decrease) resulting from:		
Net temporary differences included in amounts charged to customers:		
Capital cost allowance in excess of depreciation and amortization	(28)	(8)
Pension contributions in excess of pension expense	(10)	(12)
Overheads capitalized for accounting but deducted for tax purposes	(6)	(6)
Prior year's adjustment	(5)	–
Interest capitalized for accounting but deducted for tax purposes	(4)	(4)
Environmental expenditures	(2)	(2)
Non-refundable ITCs	(2)	(6)
Post-retirement and post-employment benefit expense in excess of cash payments	3	–
Other	2	1
Net temporary differences	(52)	(37)
Net permanent differences	1	1
Total provision for PILs	24	44
Current provision for PILs	21	42
Deferred provision for PILs	3	2
Total provision for PILs	24	44
Effective income tax rate	8.51%	14.57%

The current provision for PILs is remitted to, or received from, the OEFC. At December 31, 2013, $19 million receivable from the OEFC was included in accounts receivable on the Balance Sheet (December 31, 2012 – payable of $7 million included in accrued liabilities).

The total provision for PILs includes deferred provision for PILs of $3 million (2012 – $2 million) that is not included in the rate-setting process, using the balance sheet liability method of accounting. Deferred PILs balances expected to be included in the rate-setting process are offset by regulatory assets and liabilities to reflect the anticipated recovery or disposition of these balances within future electricity rates.

Deferred Income Tax Assets and Liabilities

Deferred income tax assets and liabilities arise from differences between the carrying amounts and tax bases of the Company's assets and liabilities. At December 31, deferred income tax assets and liabilities consisted of the following:

December 31 (millions of Canadian dollars)	**2013**	**2012**
Deferred income tax liabilities		
Capital cost allowance in excess of depreciation and amortization	(547)	(458)
Regulatory amounts not recognized for tax	(87)	(84)
Goodwill	(8)	(8)
Post-retirement and post-employment benefits expense in excess of cash payments	304	290
Environmental expenses	39	36
Other	1	1
Total deferred income tax liabilities	(298)	(223)
Less: current portion	8	7
	(306)	(230)

During 2013, there was no change in the rate applicable to future taxes (2012 – a change in rate applicable to future rates generated a $14 million increase).

7. ACCOUNTS RECEIVABLE

Year ended December 31 (millions of Canadian dollars)	**2013**	**2012**
Accounts receivable – billed	238	200
Accounts receivable – unbilled	647	598
Accounts receivable, gross	885	798
Allowance for doubtful accounts	(32)	(20)
Accounts receivable, net	853	778

The following table shows the movements in the allowance for doubtful accounts for the years ended December 31, 2013 and 2012.

Year ended December 31 (millions of Canadian dollars)	**2013**	**2012**
Allowance for doubtful accounts – January 1	(20)	(15)
Write-offs	23	16
Additions to allowance for doubtful accounts	(35)	(21)
Allowance for doubtful accounts – December 31	(32)	(20)

8. PROPERTY, PLANT AND EQUIPMENT

December 31, 2013 (millions of Canadian dollars)	Property, Plant and Equipment	Accumulated Depreciation	Construction in Progress	Total
Distribution	7,939	2,763	307	5,483
Communication	106	29	–	77
Administration and Service	855	483	16	388
Easements	9	4	–	5
	8,909	3,279	323	5,953

December 31, 2012 (millions of Canadian dollars)	Property, Plant and Equipment	Accumulated Depreciation	Construction in Progress	Total
Distribution	7,476	2,602	220	5,094
Communication	100	21	–	79
Administration and Service	824	451	94	467
Easements	8	4	–	4
	8,408	3,078	314	5,644

Financing charges capitalized on property, plant and equipment under construction were $13 million (2012 – $15 million).

9. INTANGIBLE ASSETS

December 31, 2013 (millions of Canadian dollars)	Intangible Assets	Accumulated Amortization	Development in Progress	Total
Computer applications software	347	144	1	204
Other	1	1	–	–
	348	145	1	204

December 31, 2012 (millions of Canadian dollars)	Intangible Assets	Accumulated Amortization	Development in Progress	Total
Computer applications software	228	176	107	159
Other	2	2	–	–
	230	178	107	159

Financing charges capitalized on intangible assets under development were $3 million (2012 – $3 million). The estimated annual amortization expense for intangible assets is as follows: 2014 – $31 million; 2015 – $31 million; 2016 – $31 million; 2017 – $31 million; and 2018 – $28 million.

10. REGULATORY ASSETS AND LIABILITIES

Regulatory assets and liabilities arise as a result of the rate-making process. The Distribution Business has recorded the following regulatory assets and liabilities:

December 31 (millions of Canadian dollars)	**2013**	**2012**
Regulatory assets:		
Deferred income tax regulatory asset	310	239
Post-retirement and post-employment benefits	172	180
Environmental	152	140
Pension cost variance	59	46
OEB cost assessment differential	9	–
DSC exemption	7	–
Rider 2	–	10
Other	11	11
Total regulatory assets	720	626
Less: current portion	15	14
	705	612

December 31 (millions of Canadian dollars)	**2013**	**2012**
Regulatory liabilities:		
Rider 8	54	45
Retail settlement variance accounts	35	46
Rider 9	19	–
PST savings deferral	14	10
Deferred income tax regulatory liability	7	7
Rider 3	–	9
Rural and remote rate protection variance	–	6
Other	7	11
Total regulatory liabilities	136	134
Less: current portion	26	38
	110	96

Deferred Income Tax Regulatory Asset and Liability

Deferred income taxes are recognized on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. The Distribution Business has recognized regulatory assets and liabilities that correspond to deferred income taxes that flow through the rate-setting process. In the absence of rate-regulated accounting, the Distribution Business' provision for PILs would have been recognized using the liability method and there would be no regulatory accounts established for taxes to be reflected in future rates. As a result, the 2013 provision for PILs would have been higher by approximately $53 million (2012 – $41 million).

Post-Retirement and Post-Employment Benefits

The Distribution Business recognizes the net unfunded status of post-retirement and post-employment obligations on the Balance Sheets with an incremental offset to the associated regulatory assets. A regulatory asset is recognized because management considers it to be probable that post-retirement and post-employment benefit costs will be recovered in the future through the rate-setting process. The post-retirement and post-employment benefit obligation is remeasured to its fair value at each year end based on an annual actuarial report, with an offset to the associated regulatory asset, to the extent of the remeasurement adjustment. In the absence of rate-regulated accounting, 2013 OCI would have been higher by $8 million (2012 – lower by $110 million).

Environmental

The Distribution Business records a liability for the estimated future expenditures required to remediate past environmental contamination. Because such expenditures are expected to be recoverable in future rates, an equivalent amount was recorded as a regulatory asset. In 2013, the environmental regulatory asset decreased by $3 million (2012 – $2 million) to reflect related changes in the PCB liability, and increased by $18 million (2012 – $2 million) due to changes in the LAR liability. The environmental regulatory asset is amortized to results of operations based on the pattern of actual expenditures incurred and charged to environmental liabilities. The OEB has the discretion to examine and assess the prudency and the timing of recovery of all of the Distribution Business' actual environmental expenditures. In the absence of rate-regulated accounting, 2013 operation, maintenance and administration expenses would have been higher by 15 million (2012 – no change). In addition, 2013 amortization expense would have been lower by $9 million (2012 – $9 million), and 2013 financing charges would have been higher by $6 million (2012 – $6 million).

Pension Cost Variance

A pension cost variance account was established for the Distribution Business to track the difference between the actual pension expense incurred and estimated pension costs approved by the OEB. The balance in this regulatory account reflects the excess of pension costs paid as compared to OEB-approved amounts. In the absence of rate-regulated accounting, 2013 revenue would have been lower by $13 million (2012 – $17 million).

OEB Cost Assessment Differential

In April 2010, the OEB announced its decision regarding the Distribution Business' rate application for 2010 and 2011. As part of this decision, the OEB also approved the distribution-related OEB Cost Assessment Differential Account to record the difference between the amounts approved in rates and actual expenditures with respect to the OEB's cost assessments.

DSC Exemption

In June 2010, Hydro One Networks filed an application with the OEB regarding the OEB's new cost responsibility rules contained in the OEB's October 2009 Notice of Amendment to the Distribution System Code (DSC), with respect to the connection of certain renewable generators that were already connected or that had received a connection impact assessment prior to October 21, 2009. The application sought approval to record and defer the unanticipated costs incurred by the Company that resulted from the connection of certain renewable generation facilities. The OEB ruled that expenditures for identified specific expenditures can be recorded in a deferral account, subject to the OEB's review at a future date.

Rider 2

In April 2006, the OEB approved Hydro One Networks' distribution-related deferral account balances. The Rider 2 regulatory asset includes retail settlement and cost variance amounts and distribution low-voltage service amounts, plus accrued interest. In December 2012, as part of Hydro One Networks' 2013 IRM distribution rate application, the OEB approved the balance of the Rider 2 regulatory account for disposition as part of Rider 9, including accrued interest, to be disposed over a 24-month period from January 1, 2013 to December 31, 2014.

Rider 8

In April 2010, the OEB requested the establishment of deferral accounts which capture the difference between the revenue recorded on the basis of Green Energy Plan expenditures incurred and the actual recoveries received.

Retail Settlement Variance Accounts (RSVA)

The Company has deferred certain retail settlement variance amounts under the provisions of Article 490 of the OEB's Accounting Procedures Handbook. In December 2012, the OEB approved the disposition of the total RSVA balance accumulated from January 2010 to December 2011, including accrued interest, to be disposed over a 24-month period from January 1, 2013 to December 31, 2014. The Company has continued to accumulate a net liability in its RSVAs since December 31, 2011.

Rider 9

In December 2012, as part of Hydro One Networks' 2013 IRM distribution rate application, the OEB approved for disposition certain distribution-related deferral account balances, including RSVA amounts and balances of Rider 2 and Rider 3, accumulated up to December 2011, including accrued interest, to be disposed over a 24-month period from January 1, 2013 to December 31, 2014.

PST Savings Deferral Account

The provincial sales tax (PST) and goods and services tax (GST) were harmonized in July 2010. Unlike the GST, the PST was included in operation, maintenance and administrative expenses or capital expenditures for past revenue requirements approved during a full cost of service hearing. Under the harmonized sales tax (HST) regime, the HST included in operation, maintenance and administrative expenses or capital expenditures is not a cost ultimately borne by the Company and as such, a refund of the prior PST element in the approved revenue requirement is applicable and calculations for tracking and refund were requested by the OEB. For the Distribution Business, PST was included in rates between July 1, 2010 and December 31, 2013 and recorded in a deferral account per direction from the OEB.

Rider 3

In December 2008, the OEB approved certain distribution-related deferral account balances sought by the Company, including RSVA amounts, deferred tax changes, OEB costs and smart meters. The OEB approved the disposition of the Rider 3 balance accumulated up to April 2008, including accrued interest, to be disposed over a 27-month period from February 1, 2009 to April 30, 2011. In December 2012, as part of Hydro One Networks' 2013 IRM distribution rate application, the OEB approved the balance of Rider 3 for disposition as part of Rider 9.

Rural and Remote Rate Protection Variance (RRRP)

Hydro One receives rural rate protection amounts from the IESO. A portion of these amounts is provided to retail customers of Hydro One Networks who are eligible for rate protection. The OEB has approved a mechanism to collect the RRRP through the Wholesale Market Service Charge. Variances between the amounts remitted by the IESO to Hydro One Networks and the fixed entitlements defined in the regulation, and subsequent OEB utility rate decisions, are tracked in the RRRP variance account. At December 31, 2013, the RRRP variance account had a $2 million debit balance, which is included in Other regulatory assets.

11. DEBT

Hydro One issues notes for long-term financing under its Medium-Term Note (MTN) Program. The terms of certain issuances are mirrored down to Hydro One Networks through the issuance of inter-company debt, which is then allocated between the Company's transmission and distribution businesses.

The following table presents the outstanding long-term debt of the Distribution Business as at December 31, 2013 and 2012:

December 31 (millions of Canadian dollars)	**2013**	**2012**
Long-term debt	3,313	3,010
Add: Unrealized marked-to-market loss[1]	3	5
Less: Long-term debt payable within one year	(176)	(230)
Long-term debt	3,140	2,785

[1] The unrealized marked-to-market loss relates to $100 million of Distribution Business' $175 million note due 2014, and $100 million of Distribution Business' $200 million note due 2015. The unrealized marked-to-market loss is offset by a $3 million (2012 – $5 million) unrealized marked-to-market gain on the related fixed-to-floating interest-rate swap agreements, which are accounted for as fair value hedges. See Note 12 – Fair Value of Financial Instruments and Risk Management for details of fair value hedges.

The long-term debt is unsecured and denominated in Canadian dollars. The long-term debt is summarized by the number of years to maturity in Note 12 – Fair Value of Financial Instruments and Risk Management.

12. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value is considered to be the exchange price in an orderly transaction between market participants to sell an asset or transfer a liability at the measurement date. The fair value definition focuses on an exit price, which is the price that would be received in the sale of an asset or the amount that would be paid to transfer a liability.

The Company classifies its fair value measurements based on the following hierarchy, as prescribed by the accounting guidance for fair value, which prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that Hydro One has the ability to access. An active market for the asset or liability is one in which transactions for the asset or liability occurs with sufficient frequency and volume to provide ongoing pricing information.

Level 2 inputs are those other than quoted market prices that are observable, either directly or indirectly, for an asset or liability. Level 2 inputs include, but are not limited to, quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs other than quoted market prices that are observable for the asset or liability, such as interest rate curves and yield curves observable at commonly quoted intervals, volatilities, credit risk and default rates. A Level 2 measurement cannot have more than an insignificant portion of the valuation based on unobservable inputs.

Level 3 inputs are any fair value measurements that include unobservable inputs for the asset or liability for more than an insignificant portion of the valuation. A Level 3 measurement may be based primarily on Level 2 inputs.

Non−Derivative Financial Assets and Liabilities

At December 31, 2013 and 2012, the carrying amounts of accounts receivable, inter-company demand facility, and accounts payable are representative of fair value because of the short-term nature of these instruments.

Fair Value Measurements of Long-Term Debt

The fair values and carrying values of the Distribution Business' long-term debt at December 31, 2013 and 2012 are as follows:

December 31 (millions of Canadian dollars)	2013 Carrying Value	2013 Fair Value	2012 Carrying Value	2012 Fair Value
Long-term debt				
$100 million of $175 million notes due 2014[1]	101	101	102	102
$100 million of $200 million notes due 2015[2]	102	102	103	103
Other notes and debentures[3]	3,113	3,370	2,810	3,338
	3,316	3,573	3,015	3,543

[1] The fair value of $100 million of Distribution Business' $175 million notes due 2014, subject to hedging is primarily based on changes in the present value of future cash flows due to a change in the yield in the swap market for the related swap (hedged risk).

[2] The fair value of $100 million of Distribution Business' $200 million notes due 2015, subject to hedging is primarily based on changes in the present value of future cash flows due to a change in the yield in the swap market for the related swap (hedged risk).

[3] The fair value of other notes and debentures, and the portions of Distribution Business' $175 million and $200 million notes that are not subject to hedging, represents the market value of the notes and debentures and is based on unadjusted period-end market prices for the same or similar debt of the same remaining maturities.

Fair Value Measurements of Derivative Instruments

Hydro One enters into interest-rate swaps agreements with respect to its long-term debt. The terms of these interest-rate swap agreements are mirrored down to Hydro One Networks, and are then allocated between the Company's transmission and distribution businesses.

At December 31, 2013, the Distribution Business' share of the Company's derivative instruments include $200 million of interest-rate swaps that were used to convert fixed-rate debt to floating-rate debt (2012 – $200 million). These interest-rate swaps are classified as fair value hedges. The Distribution Business' fair value hedge exposure was equal to about 6% (2012 – 7%) of its long-term debt. At December 31, 2013, the Distribution Business' interest-rate swaps designated as fair value hedges were as follows:

(a) a $100 million fixed-to-floating interest-rate swap agreement to convert $100 million of the $175 million notes maturing November 19, 2014 into three-month variable rate debt; and

(b) two $50 million fixed-to-floating interest-rate swap agreements to convert $100 million of the $200 million notes maturing September 11, 2015 into three-month variable rate debt.

At December 31, 2013, the Distribution Business' share of interest-rate swaps classified as undesignated contracts consisted of the following:

(c) three $100 million floating-to-fixed interest-rate swap agreements that lock in the floating-rate on a portion of the above fixed-to-floating interest-rate swaps from December 11, 2013 to December 11, 2014, from February 19, 2013 to February 19, 2014, and from February 19, 2014 to November 19, 2014, respectively;

(d) two $20 million floating-to-fixed interest-rate swap agreements that lock in the floating-rate on the $20 million floating-rate notes maturing July 24, 2015, from January 24, 2013 to January 24, 2014, and from January 24, 2014 to January 24, 2015, respectively, and;

(e) a $20 million floating-to-fixed interest-rate swap agreement that locks in the floating-rate on the $20 million floating-rate notes maturing December 3, 2016, from December 3, 2013 to December 3, 2014.

At December 31, 2013 and 2012, the carrying amounts of derivative instruments were representative of fair value.

Fair Value Hierarchy

Fair value hierarchy information for financial assets and liabilities at December 31, 2013 and 2012 was as follows:

December 31, 2013 (millions of Canadian dollars)	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Assets:					
Inter-company demand facility	47	47	47	–	–
Derivative instruments					
Fair value hedges – interest-rate swaps	3	3	–	3	–
	50	50	47	3	–
Liabilities:					
Long-term debt	3,316	3,573	–	3,573	–
	3,316	3,573	–	3,573	–

December 31, 2012 (millions of dollars)	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Assets:					
Inter-company demand facility	5	5	5	–	–
Derivative instruments					
Fair value hedges – interest-rate swaps	5	5	–	5	–
	10	10	5	5	–
Liabilities:					
Long-term debt	3,015	3,543	–	3,543	–
	3,015	3,543	–	3,543	–

The fair value of the derivative instruments is determined using inputs other than quoted prices that are observable for these assets. The fair value is primarily based on the present value of future cash flows using a swap yield curve to determine the assumptions for interest rates.

The fair value of the hedged portion of the long-term debt is primarily based on the present value of future cash flows using a swap yield curve to determine the assumption for interest rates. The fair value of the un-hedged portion of the long-term debt is based on unadjusted period-end market prices for the same or similar debt of the same remaining maturities.

There were no significant transfers between any of the levels during the years ended December 31, 2013 and 2012.

Risk Management

Exposure to market risk, credit risk and liquidity risk arises in the normal course of the Company's business.

Market Risk

Market risk refers primarily to the risk of loss that results from changes in commodity prices, foreign exchange rates and interest rates. The Company does not have commodity risk. The Company does have foreign exchange risk as it enters into agreements to purchase materials and equipment associated with capital programs and projects that are settled in foreign currencies. This foreign exchange risk is not material, although Hydro One could in the future decide to issue foreign currency-denominated debt which would be hedged back to Canadian dollars consistent with its risk management policy. This could be mirrored in the Company. The Company is exposed to fluctuations in interest rates as the regulated rate of return for its Distribution Business is derived using a formulaic approach that is based on the forecast for long-term Government of Canada bond yields and the spread in 30-year "A"-rated Canadian utility bonds over the 30-year benchmark Government of Canada bond yield. The Company estimates that a 1% decrease in the forecasted long-term Government of Canada bond yield or the "A"-rated Canadian utility spread used in determining the Distribution Business' rate of return would reduce the Distribution Business' results of operations by approximately $10 million (2012 – $10 million).

Hydro One uses a combination of fixed and variable-rate debt to manage the mix of its debt portfolio. Hydro One also uses derivative financial instruments to manage interest-rate risk. Hydro One utilizes interest-rate swaps, which are typically designated as fair value hedges, as a means to manage its interest rate exposure to achieve a lower cost of debt. In addition, Hydro One may utilize interest-rate derivative instruments to lock in interest rate levels in anticipation of future financing. Hydro One may also enter into derivative agreements such as forward-starting pay fixed-interest-rate swap agreements to hedge against the effect of future interest rate movements on long-term fixed-rate borrowing requirements. Such arrangements are typically designated as cash flow hedges. The Company's derivative instrument policy is consistent with Hydro One. No cash flow hedge agreements were outstanding as at December 31, 2013 or 2012.

A hypothetical 10% increase in the interest rates associated with variable-rate debt would not have resulted in a significant decrease in the Distribution Business' results of operations for the years ended December 31, 2013 or 2012.

Fair Value Hedges

For derivative instruments that are designated and qualify as fair value hedges, the gain or loss on the derivative instruments as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in the Statements of Operations and Comprehensive Income. The Distribution Business' net unrealized loss (gain) on the hedged debt and the related interest-rate swaps for the years ended December 31, 2013 and 2012 are included in financing charges as follows:

Year ended December 31 (millions of Canadian dollars)	**2013**	**2012**
Unrealized loss (gain) on hedged debt	(2)	(4)
Unrealized loss (gain) on fair value interest-rate swaps	2	4
Net unrealized loss (gain)	–	–

At December 31, 2013, the amount of the Distribution Business' fair value hedges outstanding related to interest-rate swaps was $200 million (2012 – $200 million), with assets at fair value of $3 million (2012 – $5 million). During the years ended December 31, 2013 and 2012, there was no significant impact on the Distribution Business' results of operations as a result of any ineffectiveness attributable to fair value hedges.

Credit Risk

Financial assets create a risk that a counterparty will fail to discharge an obligation, causing a financial loss. At December 31, 2013 and 2012, there were no significant concentrations of credit risk with respect to any class of financial assets. The Distribution Business did not earn a significant amount of revenue from any individual customer. At December 31, 2013 and 2012, there was no significant accounts receivable balance due from any single customer.

At December 31, 2013, the Distribution Business' allowance for doubtful accounts was $32 million (2012 – $20 million). Adjustments and write-offs are determined on the basis of a review of overdue accounts, taking into consideration historical experience. At December 31, 2013, approximately 4% of the Distribution Business' net accounts receivable were aged more than 60 days (2012 – 2%).

Hydro One manages its counterparty credit risk through various techniques including: entering into transactions with highly-rated counterparties; limiting total exposure levels with individual counterparties consistent with the Hydro One's Board-approved Credit Risk Policy; entering into master agreements which enable net settlement and the contractual right of offset; and monitoring the financial condition of counterparties. In addition to payment netting language in master agreements, Hydro One establishes credit limits, margining thresholds and collateral requirements for each counterparty. Counterparty credit limits are based on an internal credit review that considers a variety of factors, including the results of a scoring model, leverage, liquidity, profitability, credit ratings and risk management capabilities. The determination of credit exposure for a particular counterparty is the sum of current exposure plus the potential future exposure with that counterparty. The current exposure is calculated as the sum of the principal value of money market exposures and the market value of all contracts that have a positive mark-to-market position on the measurement date. Hydro One would only offset the positive market values against negative values with the same counterparty where permitted by the existence of a legal netting agreement such as an International Swap Dealers Association master agreement. The potential future exposure represents a safety margin to protect against future fluctuations of interest rates, currencies, equities, and commodities. It is calculated based on factors developed by the Bank of International Settlements, following extensive historical analysis of random fluctuations of interest rates and currencies. To the extent that a counterparty's margining thresholds are exceeded, the counterparty is required to post collateral with Hydro One as specified in each agreement. Hydro One monitors current and forward credit exposure to counterparties both on an individual and an aggregate basis. The Company's counterparty credit risk policy is consistent with Hydro One. The Distribution Business' credit risk for accounts receivable is limited to the carrying amounts on its Balance Sheets.

Liquidity Risk

Liquidity risk refers to the Company's ability to meet its financial obligations as they come due. The Company meets its short-term liquidity requirements through the inter-company demand facility with Hydro One and funds from operations. The short-term liquidity available to the Company should be sufficient to fund normal operating requirements.

At December 31, 2013, accounts payable and accrued liabilities in the amount of $651 million (2012 – $650 million) were expected to be settled in cash at their carrying amounts within the next year.

At December 31, 2013, the principal amount of the Distribution Business' long-term debt was $3,313 million (2012 – $3,010 million). Principal outstanding, interest payments and related weighted average interest rates are summarized by the number of years to maturity in the following table:

Years to Maturity	**Principal Outstanding on Long-term Debt** *(millions of Canadian dollars)*	**Interest Payments** *(millions of Canadian dollars)*	**Weighted Average Interest Rate** *(%)*
1 year	175	154	3.2
2 years	220	148	2.9
3 years	200	138	4.4
4 years	195	133	5.2
5 years	338	123	2.8
	1,128	696	3.6
6 – 10 years	381	537	3.6
Over 10 years	1,804	1,588	5.5
	3,313	2,821	4.6

13. CAPITAL MANAGEMENT

The Distribution Business' objective is to manage its capital structure consistent with the deemed capital structure for rate-setting purposes as prescribed by the OEB.

The Distribution Business considers its capital structure to consist of excess of assets over liabilities, long-term debt, and the inter-company demand facility. The following table summarizes this capital structure:

December 31 (millions of Canadian dollars)	**2013**	**2012**
Long-term debt payable within one year	176	230
Inter-company demand facility	(47)	(5)
	129	225
Long-term debt	3,140	2,785
Excess of assets over liabilities	2,465	2,319
Total capital	5,734	5,329

The following table shows the movements in the excess of assets over liabilities for the years ended December 31, 2013 and 2012:

December 31 (millions of Canadian dollars)	**2013**	**2012**
Excess of assets over liabilities, January 1	2,319	2,168
Net income	258	258
Payments to Hydro One to finance dividends	(112)	(107)
Excess of assets over liabilities, December 31	2,465	2,319

14. PENSION AND POST-RETIREMENT AND POST-EMPLOYMENT BENEFITS

Hydro One has a defined benefit pension plan, a supplementary pension plan, and post-retirement and post-employment benefit plans. The defined benefit pension plan (Pension Plan) is contributory and covers all regular employees of Hydro One and its subsidiaries, except Hydro One Brampton Networks Inc. The supplementary pension plan provides members of the Pension Plan with benefits that would have been earned and payable under the Pension Plan but for the limitations imposed by the *Income Tax Act* (Canada). The supplementary pension plan obligation is included in post-retirement and post-employment benefit liability on the Balance Sheets.

Pension Benefits

The Pension Plan provides benefits based on highest three-year average pensionable earnings. For new management employees who commenced employment on or after January 1, 2004, and for new Society of Energy Professionals represented staff hired after November 17, 2005, benefits are based on highest five-year average pensionable earnings. After retirement, pensions are indexed to inflation.

Hydro One and employee contributions to the Pension Plan are based on actuarial valuations performed at least every three years. Hydro One's annual Pension Plan contributions for 2013 of $160 million (2012 – $163 million) were based on an actuarial valuation effective December 31, 2011 and the level of 2013 pensionable earnings. Hydro One's estimated annual Pension Plan contributions for 2014 are approximately $160 million, based on the December 31, 2011 valuation and the projected level of pensionable earnings.

At December 31, 2013, based on the December 31, 2011 actuarial valuation, the present value of Hydro One's projected pension benefit obligation was estimated to be $6,576 million (2012 – $6,507 million). The fair value of Pension Plan assets available for these benefits was $5,731 million (2012 – $4,992 million).

Post-Retirement and Post-Employment Benefits

During the year ended December 31, 2013, the Distribution Business charged $36 million (2012 – $26 million) of post-retirement and post-employment benefit costs to operations, and capitalized $35 million (2012 – $28 million) as part of the cost of property, plant and equipment and intangible assets. Benefits paid in 2013 were $24 million (2012 – $25 million). In addition, the associated post-retirement and post-employment benefits regulatory asset decreased by $8 million (2012 – increased by $110 million).

The Distribution Business presents its post-retirement and post-employment benefit liabilities on its Balance Sheets within the following line items:

December 31 (millions of Canadian dollars)	**2013**	**2012**
Accrued liabilities	22	22
Post-retirement and post-employment benefit liability	824	785
	846	807

15. ENVIRONMENTAL LIABILITIES

The following tables show the movements in environmental liabilities for the years ended December 31, 2013 and 2012:

Year ended December 31, 2013 (millions of Canadian dollars)	**PCB**	**LAR**	**Total**
Environmental liabilities, January 1	116	24	140
Interest accretion	6	–	6
Expenditures	(2)	(7)	(9)
Revaluation adjustment	(3)	18	15
Environmental liabilities, December 31	117	35	152
Less: current portion	7	6	13
	110	29	139

Year ended December 31, 2012 (millions of Canadian dollars)	**PCB**	**LAR**	**Total**
Environmental liabilities, January 1	116	27	143
Interest accretion	6	–	6
Expenditures	(4)	(5)	(9)
Revaluation adjustment	(2)	2	–
Environmental liabilities, December 31	116	24	140
Less: current portion	3	5	8
	113	19	132

The following tables show the reconciliation between the undiscounted basis of the environmental liabilities and the amount recognized on the Balance Sheets after factoring in the discount rate:

December 31, 2013 (millions of Canadian dollars)	**PCB**	**LAR**	**Total**
Undiscounted environmental liabilities	136	37	173
Less: discounting accumulated liabilities to present value	(19)	(2)	(21)
Discounted environmental liabilities	117	35	152

December 31, 2012 (millions of Canadian dollars)	**PCB**	**LAR**	**Total**
Undiscounted environmental liabilities	135	25	160
Less: discounting accumulated liabilities to present value	(19)	(1)	(20)
Discounted environmental liabilities	116	24	140

At December 31, 2013, the estimated future environmental expenditures were as follows:

(millions of Canadian dollars)	
2014	13
2015	15
2016	22
2017	20
2018	19
Thereafter	84
	173

At December 31, 2013, of the total estimated future environmental expenditures, $136 million relates to PCBs (2012 – $135 million) and $37 million relates to LAR (2012 – $25 million).

The Distribution Business records a liability for the estimated future expenditures for the contaminated LAR and for the phase-out and destruction of PCB-contaminated mineral oil removed from electrical equipment. There are uncertainties in estimating future environmental costs due to potential external events such as changes in legislation or regulations, and advances in remediation technologies. In determining the amounts to be recorded as environmental liabilities, the Company estimates the current cost of completing required work and makes assumptions as to when the future expenditures will actually be incurred, in order to generate future cash flow information. A long-term inflation rate assumption of approximately 2% has been used to express these current cost estimates as estimated future expenditures. Future expenditures have been discounted using factors ranging from approximately 3.3% to 6.3%, depending on the appropriate rate for the period when expenditures are expected to be incurred. All factors used in estimating the Distribution Business' environmental liabilities represent management's best estimates of the present value of costs required to meet existing legislation or regulations. However, it is reasonably possible that numbers or volumes of contaminated assets, cost estimates to perform work, inflation assumptions and the assumed pattern of annual cash flows may differ significantly from the Company's current assumptions. In addition, with respect to the PCB environmental liability, the availability of critical resources such as skilled labour and replacement assets and the ability to take maintenance outages in critical facilities may influence the timing of expenditures. Environmental liabilities are reviewed annually or more frequently if significant changes in regulations or other relevant factors occur. Estimate changes are accounted for prospectively. The Distribution Business records a regulatory asset reflecting the expectation that future environmental costs will be recoverable in rates.

PCBs

In September 2008, Environment Canada published regulations governing the management, storage and disposal of PCBs, enacted under the *Canadian Environmental Protection Act, 1999*. The regulations impose timelines for disposal of PCBs based on certain criteria, including type of equipment, in-use status, and PCB-contamination thresholds. Under these regulations and the Company's approved end-of-use extension, PCBs in concentrations of 500 parts per million (ppm) or more have to be disposed of by the end of 2014, with the exception of specifically exempted equipment, and PCBs in concentrations greater than 50 ppm and less than 500 ppm, or greater than 50 ppm for pole-top transformers, pole-top auxiliary electrical equipment and light ballasts, must be disposed of by the end of 2025. Management judges that the Distribution Business currently has very few PCB-contaminated assets in excess of 500 ppm. Contaminated equipment will generally be replaced, or will be decontaminated by removing PCB-contaminated insulating oil and retro filling with replacement oil that contains PCBs in concentrations of less than 2 ppm.

The Distribution Business' best estimate of the total estimated future expenditures to comply with current PCB regulations is $136 million. These expenditures are expected to be incurred over the period from 2014 to 2025. As a result of the Company's annual review of environmental liabilities, the Distribution Business recorded a revaluation adjustment in 2013 to reduce the PCB environmental liability by $3 million (2012 – $2 million).

LAR

The Distribution Business' best estimate of the total estimated future expenditures to complete its LAR program is $37 million. These expenditures are expected to be incurred over the period from 2014 to 2022. As a result of the Company's

annual review of environmental liabilities, the Distribution Business recorded a revaluation adjustment in 2013 to increase the LAR environmental liability by $18 million (2012 – $2 million).

16. ASSET RETIREMENT OBLIGATIONS

The Company records a liability for the estimated future expenditures for the removal and disposal of asbestos-containing materials installed in some of its facilities and for the decommissioning of specific switching stations located on unowned sites. AROs, which represent legal obligations associated with the retirement of certain tangible long-lived assets, are computed as the present value of the projected expenditures for the future retirement of specific assets and are recognized in the period in which the liability is incurred, if a reasonable estimate of fair value can be made. If the asset remains in service at the recognition date, the present value of the liability is added to the carrying amount of the associated asset in the period the liability is incurred and this additional carrying amount is depreciated over the remaining life of the asset. If an ARO is recorded in respect of an out-of-service asset, the asset retirement cost is charged to results of operations. Subsequent to the initial recognition, the liability is adjusted for any revisions to the estimated future cash flows associated with the ARO, which can occur due to a number of factors including, but not limited to, cost escalation, changes in technology applicable to the assets to be retired, changes in legislation or regulations, as well as for accretion of the liability due to the passage of time until the obligation is settled. Depreciation expense is adjusted prospectively for any increases or decreases to the carrying amount of the associated asset.

In determining the amounts to be recorded as AROs, the Company estimates the current fair value for completing required work and makes assumptions as to when the future expenditures will actually be incurred, in order to generate future cash flow information. A long-term inflation assumption of approximately 2% has been used to express these current cost estimates as estimated future expenditures. Future expenditures have been discounted using factors ranging from approximately 3.0% to 5.0%, depending on the appropriate rate for the period when expenditures are expected to be incurred. All factors used in estimating the Distribution Business' AROs represent management's best estimates of the cost required to meet existing legislation or regulations. However, it is reasonably possible that numbers or volumes of contaminated assets, cost estimates to perform work, inflation assumptions and the assumed pattern of annual cash flows may differ significantly from the Company's current assumptions. AROs are reviewed annually or more frequently if significant changes in regulations or other relevant factors occur. Estimate changes are accounted for prospectively.

At December 31, 2013, the Company had recorded AROs of $4 million (2012 – $3 million), related to its Distribution Business, consisting of the estimated future expenditures associated with the removal and disposal of asbestos-containing materials installed in some of its facilities. The amount of interest recorded is nominal and there have been no expenditures associated with these obligations in 2013.

17. HYDRO ONE NETWORKS' SHARE CAPITAL

Hydro One Networks has 14,875,720 issued and outstanding cumulative preferred shares and 148,821,741 issued and outstanding common shares. The Company is authorized to issue an unlimited number of preferred shares and common shares.

Hydro One Networks makes common share and preferred share dividend payments to Hydro One. The Distribution Business makes payments to finance its share of the Company's common share and preferred share dividends. During 2013, the Distribution Business' payments to finance these dividends totaled $112 million (2012 – $107 million).

18. RELATED PARTY TRANSACTIONS

The Distribution Business is a separately regulated business of a subsidiary of Hydro One, and Hydro One is owned by the Province. The OEFC, IESO, Ontario Power Authority (OPA), Ontario Power Generation Inc. (OPG) and the OEB are related parties to the Distribution Business because they are controlled or significantly influenced by the Province. Transactions between these parties and the Distribution Business are described below.

The Distribution Business receives amounts for rural rate protection from the IESO. 2013 revenues include $125 million (2012 – $125 million) related to this program.

In 2013, the Distribution Business purchased power in the amount of $2,077 million (2012 – $2,031 million) from the IESO-administered electricity market, $15 million (2012 – $10 million) from OPG, and $8 million (2012 – $7 million) from power contracts administered by the OEFC.

Under the *Ontario Energy Board Act, 1998*, the OEB is required to recover all of its annual operating costs from gas and electricity distributors and transmitters. In 2013, the Distribution Business incurred $6 million (2012 – $6 million) in OEB fees.

The Company has service level agreements with OPG. These services include field and engineering, logistics, corporate, telecommunications and information technology services. Operation, maintenance and administration costs of the Distribution Business related to the purchase of services with respect to these service level agreements were less than $1 million in both 2013 and 2012.

The OPA funds substantially all of the Company's conservation and demand management programs. The funding includes program costs, incentives, and management fees. In 2013, the Distribution Business received $26 million (2012 – $32 million) from the OPA related to these programs.

Hydro One pays a $5 million annual fee to the OEFC for indemnification against adverse claims in excess of $10 million paid by the OEFC with respect to certain of Ontario Hydro's businesses transferred to Hydro One on April 1, 1999. The Distribution Business' allocation of this fee is $1 million.

PILs and payments in lieu of property taxes were paid or payable to the OEFC.

The amounts due to and from related parties as a result of the transactions referred to above are as follows:

December 31 (millions of Canadian dollars)	**2013**	**2012**
Accounts receivable	56	32
Accrued liabilities[1]	(189)	(185)

[1] Included in accrued liabilities at December 31, 2013 are amounts owing to the IESO in respect of power purchases of $185 million (2012 – $172 million).

Hydro One and Subsidiaries

The Distribution Business provides services to, and receives services from, Hydro One and its subsidiaries. Amounts due to and from Hydro One and its subsidiaries are settled through the inter-company demand facility.

The Company has entered into various agreements with Hydro One and its other subsidiaries related to the provision of shared corporate functions and services, such as legal, financial and human resources services, and operational services, such as environmental, forestry, and line services. 2013 revenues of the Distribution Business include $3 million (2012 – $2 million) related to the provision of services to Hydro One and its subsidiaries. Operation, maintenance and administration costs of the Distribution Business include $12 million (2012 – $11 million) related to the services received from Hydro One and its subsidiaries.

The Distribution Business' long-term debt is due to Hydro One. In addition, balances payable or receivable under the inter-company demand facility are due to or due from Hydro One. Financing charges include interest expense on the long-term debt in the amount of $150 million (2012 – $154 million), and interest income on the inter-company demand facility in the amount of $1 million (2012 – interest expense of $2 million). At December 31, 2013, the Distribution Business had accrued interest payable to Hydro One totaling $38 million (2012 – $35 million).

19. STATEMENTS OF CASH FLOWS

The changes in non-cash balances related to operations consist of the following:

Year ended December 31 (millions of Canadian dollars)	**2013**	**2012**
Accounts receivable	(75)	(34)
Materials and supplies	1	(3)
Other assets	1	(5)
Accounts payable	9	8
Accrued liabilities	(4)	(53)
Accrued interest	3	4
Long-term accounts payable and other liabilities	(12)	9
Post-retirement and post-employment benefit liability	47	29
	(30)	(45)

Capital Expenditures

The following table illustrates the reconciliation between investments in property, plant and equipment and the amount presented in the Statements of Cash Flows after factoring in the net change in related accruals:

Year ended December 31 (millions of Canadian dollars)	**2013**	**2012**
Capital investments in property, plant and equipment	(572)	(562)
Net change in accruals included in capital investments in property, plant and equipment	(7)	–
Capital expenditures – property, plant and equipment	(579)	(562)

The following table illustrates the reconciliation between investments in intangible assets and the amount presented in the Statements of Cash Flows after factoring in the net change in related accruals:

Year ended December 31 (millions of Canadian dollars)	**2013**	**2012**
Capital investments in intangible assets	(65)	(74)
Net change in accruals included in capital investments in intangible assets	(1)	1
Capital expenditures – intangible assets	(66)	(73)

Supplementary Information

Year ended December 31 (millions of Canadian dollars)	**2013**	**2012**
Net interest paid	144	150
PILs	41	81

20. CONTINGENCIES

The Company is a wholly-owned subsidiary of Hydro One. As such, the assets of the Distribution Business are available for the satisfaction of the debts, contingent liabilities and commitments of both the Company and Hydro One.

21. COMMITMENTS

The Company and Hydro One have numerous commitments. These commitments have not been specifically allocated to the Distribution Business. However, the net assets of the Distribution Business are available to satisfy the commitments of both the Company and Hydro One.

22. SUBSEQUENT EVENTS

On January 29, 2014, Hydro One issued $50 million notes under its MTN Program, with a maturity date of January 29, 2064 and a coupon rate of 4.29%. This issuance was mirrored down to Hydro One Networks through the issuance of inter-company debt, of which $20 million was allocated to the Company's Distribution Business.

On March 21, 2014, Hydro One issued $125 million floating-rate notes under its MTN Program, with a maturity date of March 21, 2019. This issuance was mirrored down to Hydro One Networks through the issuance of inter-company debt, of which $50 million was allocated to the Company's Distribution Business.

HYDRO ONE NETWORKS INC.
DISTRIBUTION
Pro Forma Statement of Income
Bridge Year (2014) and Test Years (2015 to 2019)
Year Ending December 31
($ Millions)

Line No.	Particulars	2014 (a)	2015 (b)	2016 (c)	2017 (d)	2018 (e)	2019 (f)
	Revenues						
1	Retail power & energy	1,318	1,371	1,481	1,538	1,577	1,622
2	Commodity flow-through	2,805	2,816	2,831	2,854	2,842	2,832
3	LV	-	-	-	-	-	-
4	Other	43	48	49	50	49	50
5		4,166	4,236	4,361	4,442	4,469	4,503
	Costs						
6	OM&A	581	564	610	614	604	600
7	Cost of power	2,805	2,816	2,831	2,854	2,842	2,832
8	Depreciation	340	358	379	395	409	420
9	Capital tax	-	-	-	-	-	-
10		3,726	3,739	3,821	3,863	3,855	3,851
11	Earnings before interest and income tax	440	497	541	579	614	652
12	Interest expense	140	152	165	179	196	214
13	Earnings before income tax	300	345	376	399	418	438
14	Income tax	27	58	66	68	71	76
15	Net income	273	287	310	331	347	362

HYDRO ONE INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (unaudited)
For the three months ended March 31, 2014 and 2013

Three months ended March 31 (millions of Canadian dollars, except per share amounts)	**2014**	**2013**
Revenues		
Distribution (includes $40 related party revenues; 2013 – $39) *(Note 13)*	1,327	1,184
Transmission (includes $411 related party revenues; 2013 – $370) *(Note 13)*	422	373
Other	15	15
	1,764	1,572
Costs		
Purchased power (includes $794 related party costs; 2013 – $713) *(Note 13)*	922	798
Operation, maintenance and administration *(Note 13)*	311	233
Depreciation and amortization	167	161
	1,400	1,192
Income before financing charges and provision for payments in lieu of corporate income taxes	364	380
Financing charges	90	88
Income before provision for payments in lieu of corporate income taxes	274	292
Provision for payments in lieu of corporate income taxes *(Notes 5, 13)*	34	35
Net income	240	257
Other comprehensive income	–	–
Comprehensive income	240	257
Basic and fully diluted earnings per common share *(Canadian dollars) (Note 11)*	2,357	2,525
Dividends per common share declared *(Canadian dollars) (Note 12)*	1,946	1,250

See accompanying notes to Consolidated Financial Statements (unaudited)

HYDRO ONE INC.
CONSOLIDATED BALANCE SHEETS (unaudited)
At March 31, 2014 and December 31, 2013

(millions of Canadian dollars)	**March 31, 2014**	**December 31, 2013**
Assets		
Current assets:		
Cash and cash equivalents *(Note 8)*	381	565
Accounts receivable (net of allowance for doubtful accounts – $46; 2013 – $36) *(Note 6)*	1,112	923
Due from related parties *(Note 13)*	207	197
Investment *(Notes 8, 13)*	251	251
Regulatory assets	43	47
Materials and supplies	26	23
Deferred income tax assets	18	18
Derivative instruments *(Note 8)*	4	6
Prepaid expenses and other assets	125	28
	2,167	2,058
Property, plant and equipment:		
Property, plant and equipment in service	23,992	23,820
Less: accumulated depreciation	8,749	8,615
	15,243	15,205
Construction in progress	1,191	1,078
Future use land, components and spares	148	148
	16,582	16,431
Other long-term assets:		
Regulatory assets	2,592	2,636
Intangible assets (net of accumulated amortization – $265; 2013 – $252)	304	313
Goodwill	133	133
Deferred debt costs	36	36
Deferred income tax assets	9	11
Derivative instruments *(Note 8)*	5	6
Other	6	1
	3,085	3,136
Total assets	21,834	21,625

See accompanying notes to Consolidated Financial Statements (unaudited)

HYDRO ONE INC.
CONSOLIDATED BALANCE SHEETS (unaudited)(continued)
At March 31, 2014 and December 31, 2013

(millions of Canadian dollars, except number of shares)	**March 31, 2014**	**December 31, 2013**
Liabilities		
Current liabilities:		
Bank indebtedness *(Note 8)*	15	31
Accounts payable	130	135
Accrued liabilities *(Notes 5, 9, 10)*	652	654
Due to related parties *(Note 13)*	184	230
Accrued interest	120	100
Regulatory liabilities	68	85
Long-term debt payable within one year (includes $504 measured at fair value; 2013 – $506) *(Notes 7, 8)*	754	756
	1,923	1,991
Long-term debt (includes $255 measured at fair value; 2013 – $256) *(Notes 7, 8)*	8,475	8,301
Other long-term liabilities:		
Post-retirement and post-employment benefit liability *(Note 9)*	1,510	1,488
Deferred income tax liabilities	1,185	1,129
Pension benefit liability *(Note 9)*	745	845
Regulatory liabilities	244	163
Environmental liabilities *(Note 10)*	237	239
Net unamortized debt premiums	20	20
Long-term accounts payable and other liabilities	25	20
Asset retirement obligations	14	14
	3,980	3,918
Total liabilities	14,378	14,210
Contingencies and commitments (Notes 15, 16)		
Preferred shares (authorized: unlimited; issued: 12,920,000) *(Notes 11, 12)*	323	323
Shareholder's equity		
Common shares (authorized: unlimited; issued: 100,000) *(Notes 11, 12)*	3,314	3,314
Retained earnings	3,828	3,787
Accumulated other comprehensive loss	(9)	(9)
Total shareholder's equity	7,133	7,092
Total liabilities, preferred shares and shareholder's equity	21,834	21,625

See accompanying notes to Consolidated Financial Statements (unaudited)

HYDRO ONE INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY (unaudited)
For the three months ended March 31, 2014 and 2013

Three months ended March 31, 2014 (millions of Canadian dollars)	**Common Shares**	**Retained Earnings**	**Accumulated Other Comprehensive Loss**	**Total Shareholder's Equity**
January 1, 2014	3,314	3,787	(9)	7,092
Net income	–	240	–	240
Dividends on preferred shares	–	(4)	–	(4)
Dividends on common shares	–	(195)	–	(195)
March 31, 2014	3,314	3,828	(9)	7,133

Three months ended March 31, 2013 (millions of Canadian dollars)	**Common Shares**	**Retained Earnings**	**Accumulated Other Comprehensive Loss**	**Total Shareholder's Equity**
January 1, 2013	3,314	3,202	(9)	6,507
Net income	–	257	–	257
Dividends on preferred shares	–	(4)	–	(4)
Dividends on common shares	–	(125)	–	(125)
March 31, 2013	3,314	3,330	(9)	6,635

See accompanying notes to Consolidated Financial Statements (unaudited)

HYDRO ONE INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)
For the three months ended March 31, 2014 and 2013

Three months ended March 31 (millions of Canadian dollars)	**2014**	**2013**
Operating activities		
Net income	240	257
Environmental expenditures	(3)	(4)
Adjustments for non-cash items:		
Depreciation and amortization (excluding removal costs)	151	144
Regulatory assets and liabilities	63	7
Deferred income taxes	6	4
Changes in non-cash balances related to operations *(Note 14)*	(308)	(247)
Net cash from operating activities	149	161
Financing activities		
Long-term debt issued	175	–
Short-term notes payable	–	74
Dividends paid	(199)	(129)
Change in bank indebtedness	(16)	(3)
Other	(1)	–
Net cash used in financing activities	(41)	(58)
Investing activities		
Capital expenditures *(Note 14)*		
Property, plant and equipment	(287)	(256)
Intangible assets	(5)	(26)
Other	–	(7)
Net cash used in investing activities	(292)	(289)
Net change in cash and cash equivalents	(184)	(186)
Cash and cash equivalents, beginning of period	565	195
Cash and cash equivalents, end of period	381	9

See accompanying notes to Consolidated Financial Statements (unaudited)

1. DESCRIPTION OF THE BUSINESS

Hydro One Inc. (Hydro One or the Company) was incorporated on December 1, 1998, under the *Business Corporations Act* (Ontario) and is wholly owned by the Province of Ontario (Province). The principal businesses of Hydro One are the transmission and distribution of electricity to customers within Ontario. The electricity rates of these businesses are regulated by the Ontario Energy Board (OEB).

The demand for electricity generally follows normal weather-related variations, and therefore the Company's energy-related revenues, all other things being equal, will tend to be higher in the first and third quarters than in the second and fourth quarters.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

These unaudited interim Consolidated Financial Statements include the accounts of the Company and its wholly owned subsidiaries: Hydro One Networks Inc. (Hydro One Networks), Hydro One Remote Communities Inc. (Hydro One Remote Communities), Hydro One Brampton Networks Inc. (Hydro One Brampton Networks), Hydro One Telecom Inc., Hydro One Lake Erie Link Management Inc., Hydro One Lake Erie Link Company Inc., and Hydro One B2M Holdings.

Intercompany transactions and balances have been eliminated.

Basis of Accounting

These unaudited interim Consolidated Financial Statements are prepared and presented in accordance with United States (US) Generally Accepted Accounting Principles (GAAP) and in Canadian dollars. These unaudited interim Consolidated Financial Statements do not contain all disclosures required by US GAAP for annual audited consolidated financial statements. Accordingly, they should be read in conjunction with the Company's annual Consolidated Financial Statements as at, and for the year ended December 31, 2013. In particular, the Company's significant accounting policies are presented in Note 2 to the annual Consolidated Financial Statements and have been applied consistently in the preparation of these unaudited interim Consolidated Financial Statements. The Company reclassified certain comparative balances on the consolidated balance sheet and consolidated statement of cash flows to conform to the current presentation of the interim consolidated financial statements. These reclassifications had no impact on the net income for the comparative periods. The Company has determined that these amounts were not material to its consolidated financial statements for any prior interim or annual period. In the opinion of management, these unaudited interim Consolidated Financial Statements include all adjustments that are necessary to fairly state the financial position and results of operations of Hydro One as at, and for the three months ended March 31, 2014. Financial results for this interim period are not necessarily indicative of results that may be expected for any other interim periods or for the year ending December 31, 2014.

Hydro One performed an evaluation of subsequent events through to May 7, 2014, the date these unaudited interim Consolidated Financial Statements were issued, to determine whether any events or transactions warranted recognition and disclosure in these unaudited interim Consolidated Financial Statements. See Note 18 – Subsequent Event.

Rate Setting

The Company's Transmission Business includes the separately regulated transmission business of Hydro One Networks. The Company's consolidated Distribution Business includes the separately regulated distribution business of Hydro One Networks, as well as the subsidiaries Hydro One Brampton Networks and Hydro One Remote Communities.

Transmission

In May 2012, Hydro One Networks filed a cost-of-service application with the OEB for 2014 transmission rates. In December 2012, the OEB approved the 2014 revenue requirement of $1,528 million. In December 2013, Hydro One Networks filed a draft Rate Order with the OEB for 2014 transmission rates. The 2014 transmission revenue requirement was increased to $1,535 million from the originally-approved revenue requirement of $1,528 million, primarily due to changes in the cost of capital parameters for 2014 released by the OEB in November 2013. On January 9, 2014, the OEB approved the draft Rate Order for 2014 transmission rates as filed.

Distribution

In April 2013, Hydro One Networks filed an Incentive Regulation Mechanism (IRM) rate application with the OEB for 2014 distribution rates. In December 2013, the OEB approved an increase in average distribution rates of approximately 2.4%, with an effective date of January 1, 2014.

In August 2013, Hydro One Brampton Networks filed an IRM application with the OEB for 2014 distribution rates. In December 2013, the OEB issued a decision that resulted in a reduction in distribution rates of approximately 2.5%, with an effective date of January 1, 2014.

In October 2013, Hydro One Remote Communities filed an IRM application with the OEB for 2014 rates, seeking approval for a rate increase of approximately 0.5%. In March 2014, the OEB approved an increase of approximately 1.7% to basic rates for the distribution and generation of electricity, with an effective date of May 1, 2014. The final rate increase was adjusted by the OEB's updated rate adjustment parameters and Hydro One Remote Communities' IRM stretch factor.

3. NEW ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncements

In July 2013, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2013-11, Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. This ASU provides guidance on the presentation of unrecognized tax benefits. This ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013, and should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Retrospective application is permitted. The adoption of this ASU did not have a significant impact on the Company's interim Consolidated Financial Statements.

4. BUSINESS ACQUISITION

Norfolk Power Purchase Agreement

On April 2, 2013, Hydro One reached an agreement with The Corporation of Norfolk County to acquire 100% of the common shares of Norfolk Power Inc. (Norfolk Power), an electricity distribution and telecom company located in southwestern Ontario. The acquisition is pending a regulatory decision from the OEB. The purchase price for Norfolk Power will be approximately $93 million, subject to final closing adjustments. The transaction is anticipated to be completed in 2014. In anticipation of the Norfolk Power acquisition, the Company made a refundable deposit totaling $5 million, which was recorded in other current assets on the interim Consolidated Balance Sheet.

5. PROVISION FOR PAYMENTS IN LIEU OF CORPORATE INCOME TAXES

The current provision for payments in lieu of corporate income taxes (PILs) is remitted to, or received from, the Ontario Electricity Financial Corporation (OEFC). At March 31, 2014, $24 million due from the OEFC was included in due from related parties on the interim Consolidated Balance Sheet (December 31, 2013 – $29 million). The total provision for PILs using the liability method of accounting includes deferred income taxes that are not expected to be recovered from ratepayers.

Deferred PILs balances expected to be recovered from ratepayers result in regulatory assets and liabilities to reflect the anticipated recovery or disposition of these balances within future electricity rates.

For the three months ended March 31, 2014, the Company's overall effective tax rate of 12.41% differed from the enacted statutory rate of 26.50% primarily due to the temporary differences included in the rate-setting process, such as capital cost allowance in excess of depreciation, deductions for pension payments made in excess of amounts expensed for accounting purposes, and interest deducted for tax purposes in excess of interest expensed for accounting purposes.

6. ACCOUNTS RECEIVABLE

(millions of Canadian dollars)	**March 31, 2014**	**December 31, 2013**
Accounts receivable – billed	443	268
Accounts receivable – unbilled	715	691
Accounts receivable, gross	1,158	959
Allowance for doubtful accounts	(46)	(36)
Accounts receivable, net	1,112	923

The following table shows the movements in the allowance for doubtful accounts for the three months ended March 31, 2014 and the year ended December 31, 2013:

Three months ended March 31, 2014 (millions of Canadian dollars)	
Allowance for doubtful accounts – January 1, 2014	(36)
Write-offs	6
Additions to allowance for doubtful accounts	(16)
Allowance for doubtful accounts – March 31, 2014	(46)

Year ended December 31, 2013 (millions of Canadian dollars)	
Allowance for doubtful accounts – January 1, 2013	(23)
Write-offs	24
Additions to allowance for doubtful accounts	(37)
Allowance for doubtful accounts – December 31, 2013	(36)

7. DEBT AND CREDIT AGREEMENTS

Short-Term Notes

Hydro One meets its short-term liquidity requirements in part through the issuance of commercial paper under its Commercial Paper Program which has a maximum authorized amount of $1,000 million. These short-term notes are denominated in Canadian dollars with varying maturities not exceeding 365 days. Hydro One had no commercial paper borrowings outstanding as at March 31, 2014 or December 31, 2013.

Hydro One has a $1,500 million committed and unused revolving standby credit facility with a syndicate of banks, maturing in June 2018. If used, interest on the facility would apply based on Canadian benchmark rates. This credit facility is unsecured and supports the Company's Commercial Paper Program. The Company may use the credit facility for general corporate purposes, including meeting short-term funding requirements. The obligation of each lender to make any credit extension to the Company under its credit facility is subject to various conditions including, among other things, that no event of default has occurred or would result from such credit extension.

Long-Term Debt

The Company issues notes for long-term financing under its Medium-Term Note (MTN) Program. The maximum authorized principal amount of notes issuable under this program is $3,000 million. At March 31, 2014, $1,640 million remained available until October 2015.

The following table presents the outstanding long-term debt at March 31, 2014 and December 31, 2013:

(millions of Canadian dollars)	March 31, 2014	December 31, 2013
Notes and debentures	9,220	9,045
Add: Unrealized marked-to-market loss[1]	9	12
Less: Long-term debt payable within one year	(754)	(756)
Long-term debt	8,475	8,301

[1] The unrealized marked-to-market loss relates to $500 million of the Series 19 notes due 2014, and $250 million of the Series 21 notes due 2015. The unrealized marked-to-market loss is offset by a $9 million (December 31, 2013 – $12 million) unrealized marked-to-market gain on the related fixed-to-floating interest-rate swap agreements, which are accounted for as fair value hedges. See Note 8 – Fair Value of Financial Instruments and Risk Management for details of fair value hedges

On January 29, 2014, Hydro One issued $50 million notes under its MTN Program, with a maturity date of January 29, 2064 and a coupon rate of 4.29%.

On March 21, 2014, Hydro One issued $125 million floating-rate notes under its MTN Program, with a maturity date of March 21, 2019.

The long-term debt is unsecured and denominated in Canadian dollars. The long-term debt is summarized by the number of years to maturity in Note 8 – Fair Value of Financial Instruments and Risk Management.

8. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value is considered to be the exchange price in an orderly transaction between market participants to sell an asset or transfer a liability at the measurement date. The fair value definition focuses on an exit price, which is the price that would be received in the sale of an asset or the amount that would be paid to transfer a liability.

Hydro One classifies its fair value measurements based on the following hierarchy, as prescribed by the accounting guidance for fair value, which prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that Hydro One has the ability to access. An active market for the asset or liability is one in which transactions for the asset or liability occur with sufficient frequency and volume to provide ongoing pricing information.

Level 2 inputs are those other than quoted market prices that are observable, either directly or indirectly, for an asset or liability. Level 2 inputs include, but are not limited to, quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs other than quoted market prices that are observable for the asset or liability, such as interest rate curves and yield curves observable at commonly quoted intervals, volatilities, credit risk and default rates. A Level 2 measurement cannot have more than an insignificant portion of the valuation based on unobservable inputs.

Level 3 inputs are any fair value measurements that include unobservable inputs for the asset or liability for more than an insignificant portion of the valuation. A Level 3 measurement may be based primarily on Level 2 inputs.

Non-Derivative Financial Assets and Liabilities

At March 31, 2014 and December 31, 2013, the Company's carrying amounts of accounts receivable, due from related parties, cash and cash equivalents, bank indebtedness, accounts payable, and due to related parties are representative of fair value because of the short-term nature of these instruments.

Fair Value Measurements of Long-Term Debt

The fair values and carrying values of the Company's long-term debt at March 31, 2014 and December 31, 2013 are as follows:

	March 31, 2014		December 31, 2013	
(millions of Canadian dollars)	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt				
$500 million of MTN Series 19 notes[1]	505	505	506	506
$250 million of MTN Series 21 notes[2]	254	254	256	256
Other notes and debentures[3]	8,470	9,508	8,295	9,018
	9,229	10,267	9,057	9,780

[1] The fair value of $500 million of the MTN Series 19 notes subject to hedging is primarily based on changes in the present value of future cash flows due to a change in the yield in the swap market for the related swap (hedged risk).

[2] The fair value of $250 million of the MTN Series 21 notes subject to hedging is primarily based on changes in the present value of future cash flows due to a change in the yield in the swap market for the related swap (hedged risk).

[3] The fair value of other notes and debentures, and the portions of the MTN Series 19 notes and the MTN Series 21 notes that are not subject to hedging, represents the market value of the notes and debentures and is based on unadjusted period-end market prices for the same or similar debt of the same remaining maturities.

Fair Value Measurements of Derivative Instruments

At March 31, 2014, the Company had interest-rate swaps totaling $750 million (December 31, 2013 – $750 million) that were used to convert fixed-rate debt to floating-rate debt. These swaps are classified as fair value hedges. The Company's fair value hedge exposure was equal to approximately 8% (December 31, 2013 – 8%) of its total long-term debt of $9,229 million (December 31, 2013 – $9,057 million). At March 31, 2014, the Company had the following interest-rate swaps designated as fair value hedges:

(a) two $250 million fixed-to-floating interest-rate swap agreements to convert $500 million of the $750 million MTN Series 19 notes maturing November 19, 2014 into three-month variable rate debt; and

(b) two $125 million fixed-to-floating interest-rate swap agreements to convert $250 million of the $500 million MTN Series 21 notes maturing September 11, 2015 into three-month variable rate debt.

At March 31, 2014, the Company also had interest-rate swaps with a total notional value of $600 million (December 31, 2013 – $900 million) classified as undesignated contracts. The undesignated contracts consist of the following interest-rate swaps:

(c) two $250 million floating-to-fixed interest-rate swap agreements that lock in the floating rate the Company pays on a portion of the above fixed-to-floating interest-rate swaps from December 11, 2013 to December 11, 2014, and from February 19, 2014 to November 19, 2014;

(d) a $50 million floating-to-fixed interest-rate swap agreement that locks in the floating rate the Company pays on the $50 million floating-rate MTN Series 22 notes from January 24, 2014 to January 24, 2015; and

(e) a $50 million floating-to-fixed interest-rate swap agreement that locks in the floating rate the Company pays on the $50 million floating-rate MTN Series 27 notes from December 3, 2013 to December 3, 2014.

Fair Value Hierarchy

The fair value hierarchy of financial assets and liabilities at March 31, 2014 and December 31, 2013 was as follows:

March 31, 2014 (millions of Canadian dollars)	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	381	381	381	–	–
Investment	251	251	–	251	–
Derivative instruments					
Fair value hedges – interest-rate swaps	9	9	–	9	–
	641	641	381	260	–
Liabilities:					
Bank indebtedness	15	15	15	–	–
Long-term debt	9,229	10,267	–	10,267	–
	9,244	10,282	15	10,267	–

December 31, 2013 (millions of Canadian dollars)	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	565	565	565	–	–
Investment	251	251	–	251	–
Derivative instruments					
Fair value hedges – interest-rate swaps	12	12	–	12	–
	828	828	565	263	–
Liabilities:					
Bank indebtedness	31	31	31	–	–
Long-term debt	9,057	9,780	–	9,780	–
	9,088	9,811	31	9,780	–

Cash and cash equivalents include cash and short-term investments. At March 31, 2014, short-term investments consisted of bankers' acceptances and money market funds totaling $343 million (December 31, 2013 – $515 million). The carrying values are representative of fair value because of the short-term nature of these instruments.

The investment represents the Province of Ontario Floating-Rate Notes maturing in November 2014. The fair value of the investment is determined using inputs other than quoted prices that are observable for the asset, with unrecognized gains or losses recognized in financing charges. The Company obtains quotes from an independent third party for the fair value of the investment, who uses the market price of similar securities adjusted for changes in observable inputs such as maturity dates and interest rates.

The fair value of the derivative instruments is determined using inputs other than quoted prices that are observable for these assets. The fair value is primarily based on the present value of future cash flows using a swap yield curve to determine the assumptions for interest rates.

The fair value of the hedged portion of the long-term debt is primarily based on the present value of future cash flows using a swap yield curve to determine the assumption for interest rates. The fair value of the unhedged portion of the long-term debt is based on unadjusted period-end market prices for the same or similar debt of the same remaining maturities.

There were no significant transfers between any of the fair value levels during the three months ended March 31, 2014 or the year ended December 31, 2013.

Risk Management

Exposure to market risk, credit risk and liquidity risk arises in the normal course of the Company's business.

Market Risk

Market risk refers primarily to the risk of loss that results from changes in commodity prices, foreign exchange rates and interest rates. The Company does not have commodity risk. The Company does have foreign exchange risk as it enters into agreements to purchase materials and equipment associated with capital programs and projects that are settled in foreign currencies. This foreign exchange risk is not material, although the Company could in the future decide to issue foreign currency-denominated debt which would be hedged back to Canadian dollars consistent with its risk management policy.

The Company uses a combination of fixed and variable-rate debt to manage the mix of its debt portfolio. The Company also uses derivative financial instruments to manage interest-rate risk. The Company utilizes interest-rate swaps, which are typically designated as fair value hedges, as a means to manage its interest rate exposure to achieve a lower cost of debt. In addition, the Company may utilize interest-rate derivative instruments to lock in interest rate levels in anticipation of future financing. Hydro One may also enter into derivative agreements such as forward-starting pay fixed-interest-rate swap agreements to hedge against the effect of future interest rate movements on long-term fixed-rate borrowing requirements. Such arrangements are typically designated as cash flow hedges. No cash flow hedge agreements were in existence as at March 31, 2014 or December 31, 2013.

Fair Value Hedges

For derivative instruments that are designated and qualify as fair value hedges, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in the Consolidated Statements of Operations and Comprehensive Income. The net unrealized loss (gain) on the hedged debt and the related interest-rate swaps for the three months ended March 31, 2014 and 2013 are included in financing charges as follows:

Three months ended March 31 (millions of Canadian dollars)	**2014**	**2013**
Unrealized loss (gain) on hedged debt	(2)	(1)
Unrealized loss (gain) on fair value interest-rate swaps	2	1
Net unrealized loss (gain)	–	–

At March 31, 2014, Hydro One had $750 million (December 31, 2013 – $750 million) of notional amounts of fair value hedges outstanding related to interest-rate swaps, with assets at fair value of $9 million (December 31, 2013 – $12 million). During the three months ended March 31, 2014 and 2013, there was no significant impact on the results of operations as a result of any ineffectiveness attributable to fair value hedges.

Credit Risk

Financial assets create a risk that a counterparty will fail to discharge an obligation, causing a financial loss. At March 31, 2014 and December 31, 2013, there were no significant concentrations of credit risk with respect to any class of financial assets. The Company's revenue is earned from a broad base of customers. As a result, Hydro One did not earn a significant amount of revenue from any single customer. At March 31, 2014 and December 31, 2013, there was no significant accounts receivable balance due from any single customer. At March 31, 2014, the Company's provision for bad debts was $46 million (December 31, 2013 – $36 million). Adjustments and write-offs were determined on the basis of a review of overdue accounts, taking into consideration historical experience. At March 31, 2014, approximately 4% of the Company's net accounts receivable were aged more than 60 days (December 31, 2013 – 4%).

Hydro One manages its counterparty credit risk through various techniques including: entering into transactions with highly-rated counterparties; limiting total exposure levels with individual counterparties consistent with the Company's Board-approved Credit Risk Policy; entering into master agreements which enable net settlement and the contractual right of offset; and monitoring the financial condition of counterparties. In addition to payment netting language in master agreements, the Company establishes credit limits, margining thresholds and collateral requirements for each counterparty. Counterparty credit limits are based on an internal credit review that considers a variety of factors, including the results of a scoring model,

leverage, liquidity, profitability, credit ratings and risk management capabilities. The determination of credit exposure for a particular counterparty is the sum of current exposure plus the potential future exposure with that counterparty. The current exposure is calculated as the sum of the principal value of money market exposures and the market value of all contracts that have a positive marked-to-market position on the measurement date. The Company would offset the positive market values against negative values with the same counterparty only where permitted by the existence of a legal netting agreement such as an International Swap Dealers Association master agreement. The potential future exposure represents a safety margin to protect against future fluctuations of interest rates, currencies, equities, and commodities. It is calculated based on factors developed by the Bank of International Settlements, following extensive historical analysis of random fluctuations of interest rates and currencies. To the extent that a counterparty's margining thresholds are exceeded, the counterparty is required to post collateral with the Company as specified in each agreement. The Company monitors current and forward credit exposure to counterparties both on an individual and an aggregate basis. The Company's credit risk for accounts receivable is limited to the carrying amounts on the Consolidated Balance Sheets.

Derivative financial instruments result in exposure to credit risk since there is a risk of counterparty default. The credit exposure of derivative contracts, before collateral, is represented by the fair value of contracts at the reporting date. At March 31, 2014, the counterparty credit risk exposure on the fair value of these interest-rate swap contracts was $12 million (December 31, 2013 – $14 million). At March 31, 2014, Hydro One's credit exposure for all derivative instruments, and applicable payables and receivables, had a credit rating of investment grade, with four financial institutions as the counterparties.

Liquidity Risk

Liquidity risk refers to the Company's ability to meet its financial obligations as they come due. Hydro One meets its short-term liquidity requirements using cash and cash equivalents on hand, funds from operations, the issuance of commercial paper, the revolving standby credit facility of $1,500 million, and the Province of Ontario Floating-Rate Notes. The short-term liquidity under the Commercial Paper Program, the Province of Ontario Floating-Rate Notes and anticipated levels of funds from operations should be sufficient to fund normal operating requirements. At March 31, 2014, accounts payable and accrued liabilities in the amount of $782 million (December 31, 2013 – $789 million) were expected to be settled in cash at their carrying amounts within the next 12 months.

At March 31, 2014, Hydro One had issued long-term debt in the principal amount of $9,220 million (December 31, 2013 – $9,045 million). Principal repayments, interest payments and related weighted average interest rates are summarized by the number of years to maturity in the following table:

Years to Maturity	**Principal Repayments on Long-term Debt** *(millions of Canadian dollars)*	**Interest Payments** *(millions of Canadian dollars)*	**Weighted Average Interest Rate** *(%)*
1 year[1]	750	339	3.1
2 years	550	402	2.8
3 years	500	377	4.3
4 years	600	365	5.2
5 years	750	334	2.8
	3,150	1,817	3.6
6 – 10 years	1,025	1,482	3.4
Over 10 years	5,045	4,454	5.5
	9,220	7,753	4.6

[1] The amounts disclosed represent amounts for the period from April 1, 2014 to December 31, 2014.

9. PENSION AND POST-RETIREMENT AND POST-EMPLOYMENT BENEFITS

Estimated 2014 annual pension plan employer contributions are $160 million, based on an actuarial valuation effective December 31, 2011 and the expected level of 2014 pensionable earnings. Employer contributions of $140 million were paid during the three months ended March 31, 2014.

The following table provides the components of the net periodic benefit costs for the three months ended March 31, 2014 and 2013:

	Pension Benefits		Post-Retirement and Post-Employment Benefits	
Three months ended March 31 (millions of Canadian dollars)	**2014**	**2013**	**2014**	**2013**
Current service cost, net of employee contributions	28	37	10	10
Interest cost	78	69	19	16
Expected return on plan assets net of expenses[1]	(92)	(77)	–	–
Actuarial loss amortization	26	44	5	4
Prior service cost amortization	–	–	1	1
Net periodic benefit cost	40	73	35	31
Charged to results of operations[2]	19	18	15	13

[1] The expected long-term rate of return on pension plan assets for the year ending December 31, 2014 is 6.5% (2013 – 6.25%).

[2] The Company follows the cash basis of accounting consistent with the inclusion of pension benefit costs in OEB-approved rates.

During the three months ended March 31, 2014, pension benefit costs of $41 million (2013 – $41 million) were attributed to labour, of which $19 million (2013 – $18 million) were charged to operations, and $22 million (2013 – $23 million) were capitalized as part of the cost of property, plant and equipment and intangible assets.

10. ENVIRONMENTAL LIABILITIES

The following tables show the movements in environmental liabilities for the three months ended March 31, 2014 and the year ended December 31, 2013:

Three months ended March 31, 2014 (millions of Canadian dollars)	**PCB**	**LAR**	**Total**
Environmental liabilities, January 1	201	65	266
Interest accretion	2	1	3
Expenditures	(1)	(2)	(3)
Environmental liabilities, March 31	202	64	266
Less: current portion	17	12	29
	185	52	237

Year ended December 31, 2013 (millions of Canadian dollars)	**PCB**	**LAR**	**Total**
Environmental liabilities, January 1	197	52	249
Interest accretion	9	1	10
Expenditures	(2)	(14)	(16)
Revaluation adjustment	(3)	26	23
Environmental liabilities, December 31	201	65	266
Less: current portion	15	12	27
	186	53	239

The following tables show the reconciliation between the undiscounted basis of the environmental liabilities and the amount recognized on the Consolidated Balance Sheets after factoring in the discount rate:

March 31, 2014 (millions of Canadian dollars)	**PCB**	**LAR**	**Total**
Undiscounted environmental liabilities	236	66	302
Less: discounting accumulated liabilities to present value	34	2	36
Discounted environmental liabilities	202	64	266

December 31, 2013 (millions of Canadian dollars)	**PCB**	**LAR**	**Total**
Undiscounted environmental liabilities	237	68	305
Less: discounting accumulated liabilities to present value	36	3	39
Discounted environmental liabilities	201	65	266

At March 31, 2014, the estimated future environmental expenditures were as follows:

(millions of Canadian dollars)	
2014[1]	24
2015	28
2016	35
2017	23
2018	22
Thereafter	170
	302

[1] The amounts disclosed represent amounts for the period from April 1, 2014 to December 31, 2014.

At March 31, 2014, of the total estimated future environmental expenditures, $236 million related to PCBs (December 31, 2013 – $237 million) and $66 million related to LAR (December 31, 2013 – $68 million). The estimated future environmental expenditures related to PCB and LAR are expected to be incurred over the period from 2014 to 2025, and from 2014 to 2022, respectively.

Hydro One records a liability for the estimated future expenditures for the contaminated LAR and for the phase-out and destruction of PCB-contaminated mineral oil removed from electrical equipment. There are uncertainties in estimating future environmental costs due to potential external events such as changes in legislation or regulations, and advances in remediation technologies. In determining the amounts to be recorded as environmental liabilities, the Company estimates the current cost of completing required work and makes assumptions as to when the future expenditures will actually be incurred, in order to generate future cash flow information. A long-term inflation rate assumption of approximately 2% has been used to express these current cost estimates as estimated future expenditures. Future expenditures have been discounted using factors ranging from approximately 3.3% to 6.3%, depending on the appropriate rate for the period when expenditures are expected to be incurred. All factors used in estimating the Company's environmental liabilities represent management's best estimates of the present value of costs required to meet existing legislation or regulations. However, it is reasonably possible that numbers or volumes of contaminated assets, cost estimates to perform work, inflation assumptions and the assumed pattern of annual cash flows may differ significantly from the Company's current assumptions. In addition, with respect to the PCB environmental liability, the availability of critical resources such as skilled labour and replacement assets and the ability to take maintenance outages in critical facilities may influence the timing of expenditures. Environmental liabilities are reviewed annually or more frequently if significant changes in regulations or other relevant factors occur. Estimate changes are accounted for prospectively. The Company records a regulatory asset reflecting the expectation that future environmental costs will be recoverable in rates.

In September 2008, Environment Canada published regulations governing the management, storage and disposal of PCBs, enacted under the *Canadian Environmental Protection Act, 1999*. The regulations impose timelines for disposal of PCBs based on certain criteria, including type of equipment, in-use status, and PCB-contamination thresholds. Under these regulations and Hydro One's approved end-of-use extension, PCBs in concentrations of 500 parts per million (ppm) or more have to be disposed of by the end of 2014, with the exception of specifically exempted equipment, and PCBs in concentrations greater than 50 ppm and less than 500 ppm, or greater than 50 ppm for pole-top transformers, pole-top

auxiliary electrical equipment and light ballasts, must be disposed of by the end of 2025. Management judges that the Company currently has very few PCB-contaminated assets in excess of 500 ppm. Contaminated equipment will generally be replaced, or will be decontaminated by removing PCB-contaminated insulating oil and retro filling with replacement oil that contains PCBs in concentrations of less than 2 ppm.

In June 2013, Environment Canada issued Canada Gazette I, which included proposed amendments to the existing PCB regulations, including the extension of the end-of-use deadline beyond 2014 for equipment containing certain concentrations of PCBs. In April 2014, amendments to the PCB regulations were enacted and published in Canada Gazette II, with an effective date of January 1, 2015. Hydro One will assess the impact of the PCB regulations amendments and will make the necessary adjustments to the estimated environmental liability balances during the remainder of 2014.

11. SHARE CAPITAL

Preferred Shares

The Company has 12,920,000 issued and outstanding 5.5% cumulative preferred shares with a redemption value of $25 per share or $323 million total value. The Company is authorized to issue an unlimited number of preferred shares.

The Company's preferred shares are entitled to an annual cumulative dividend of $18 million, or $1.375 per share, which is payable on a quarterly basis. The preferred shares are not subject to mandatory redemption (except on liquidation) but are redeemable in certain circumstances. The shares are redeemable at the option of the Province at the redemption value, plus any accrued and unpaid dividends, if the Province sells a number of the common shares which it owns to the public such that the Province's holdings are reduced to less than 50% of the common shares of the Company. Hydro One may elect, without condition, to pay all or part of the redemption price by issuing additional common shares to the Province. If the Province does not exercise its redemption right, the Company would have the ability to adjust the dividend on the preferred shares to produce a yield that is 0.50% less than the then-current dividend market yield for similarly rated preferred shares. The preferred shares do not carry voting rights, except in limited circumstances, and would rank in priority over the common shares upon liquidation.

These preferred shares have conditions for their redemption that are outside the control of the Company because the Province can exercise its right to redeem in the event of change in ownership without approval of the Company's Board of Directors. Because the conditional redemption feature is outside the control of the Company, the preferred shares are classified outside of Shareholder's Equity on the Consolidated Balance Sheets. Management believes that it is not probable that the preferred shares will become redeemable. No adjustment to the carrying value of the preferred shares has been recognized at March 31, 2014 and December 31, 2013. If it becomes probable in the future that the preferred shares will be redeemed, the redemption value would be adjusted.

Common Shares

The Company has 100,000 issued and outstanding common shares. The Company is authorized to issue an unlimited number of common shares.

Common share dividends are declared at the sole discretion of the Hydro One Board of Directors, and are recommended by management based on results of operations, maintenance of the deemed regulatory capital structure, financial conditions, cash requirements, and other relevant factors, such as industry practice and shareholder expectations.

Earnings per Share

Earnings per share is calculated as net income for the year, after cumulative preferred dividends, divided by the weighted average number of common shares outstanding during the year.

12. DIVIDENDS

During the three months ended March 31, 2014, preferred share dividends in the amount of $4 million (2013 – $4 million) and common share dividends in the amount of $195 million (2013 – $125 million) were declared.

13. RELATED PARTY TRANSACTIONS

Hydro One is owned by the Province. The OEFC, IESO, Ontario Power Authority (OPA), Ontario Power Generation Inc. (OPG) and the OEB are related parties to Hydro One because they are controlled or significantly influenced by the Province.

Hydro One receives revenues for transmission services from the IESO, based on OEB-approved uniform transmission rates. Transmission revenues for the three months ended March 31, 2014 include $408 million (2013 – $368 million) related to these services. Hydro One receives amounts for rural rate protection from the IESO. Distribution revenues for the three months ended March 31, 2014 include $32 million (2013 – $32 million) related to this program. Hydro One also receives revenues related to the supply of electricity to remote northern communities from the IESO. Distribution revenues for the three months ended March 31, 2014 include $8 million (2013 – $7 million) related to these services.

During the three months ended March 31, 2014, Hydro One purchased power in the amount of $775 million (2013 – $706 million) from the IESO-administered electricity market; $14 million (2013 – $5 million) from OPG; and $5 million (2013 – $2 million) from power contracts administered by the OEFC.

Under the *Ontario Energy Board Act, 1998*, the OEB is required to recover all of its annual operating costs from gas and electricity distributors and transmitters. During the three months ended March 31, 2014, Hydro One incurred $3 million (2013 – $3 million) in OEB fees.

Hydro One has service level agreements with OPG. These services include field, engineering, logistics and telecommunications services. During the three months ended March 31, 2014, revenues related to the provision of construction and equipment maintenance services with respect to these service level agreements were $3 million (2013 – $2 million), primarily for the Transmission Business. Operation, maintenance and administration costs related to the purchase of services with respect to these service level agreements were $1 million (2013 – $1 million).

The OPA funds substantially all of the Company's conservation and demand management programs. The funding includes program costs, incentives, and management fees. During the three months ended March 31, 2014, Hydro One received $7 million (2013 – $7 million) from the OPA related to these programs.

During the three months ended March 31, 2014, Hydro One paid a $5 million (2013 – $5 million) annual fee to the OEFC for indemnification against adverse claims in excess of $10 million paid by the OEFC with respect to certain of Ontario Hydro's businesses transferred to Hydro One on April 1, 1999.

PILs and payments in lieu of property taxes are paid to the OEFC, and dividends are paid to the Province.

Sales to and purchases from related parties occur at normal market prices or at a proxy for fair value based on the requirements of the OEB's Affiliate Relationships Code. Outstanding balances at period end are interest free and settled in cash.

At March 31, 2014, the Company held $250 million in Province of Ontario Floating-Rate Notes with a fair value of $251 million (December 31, 2013 – $251 million).

The amounts due to and from related parties as a result of the transactions referred to above are as follows:

(millions of Canadian dollars)	March 31, 2014	December 31, 2013
Due from related parties	207	197
Due to related parties[1]	(184)	(230)
Investment	251	251

[1] Included in due to related parties at March 31, 2014 are amounts owing to the IESO in respect of power purchases of $169 million (December 31, 2013 – $217 million).

14. CONSOLIDATED STATEMENTS OF CASH FLOWS

The changes in non-cash balances related to operations consist of the following:

Three months ended March 31 (millions of Canadian dollars)	2014	2013
Accounts receivable	(189)	(121)
Due from related parties	(10)	(13)
Materials and supplies	(3)	(2)
Other assets	(102)	(114)
Accounts payable	(2)	(10)
Accrued liabilities	(3)	40
Due to related parties	(46)	(60)
Accrued interest	20	16
Long-term accounts payable and other liabilities	5	(2)
Post-retirement and post-employment benefit liability	22	19
	(308)	(247)

Capital Expenditures

The following table illustrates the reconciliation between investments in property, plant and equipment and the amount presented in the Consolidated Statements of Cash Flows after factoring in capitalized depreciation and the net change in related accruals:

Three months ended March 31 (millions of Canadian dollars)	2014	2013
Capital investments in property, plant and equipment	(292)	(240)
Capitalized depreciation and net change in accruals included in capital investments in property, plant and equipment	5	(16)
Capital expenditures – property, plant and equipment	(287)	(256)

The following table illustrates the reconciliation between investments in intangible assets and the amount presented in the Consolidated Statements of Cash Flows after factoring in the net change in related accruals:

Three months ended March 31 (millions of Canadian dollars)	2014	2013
Capital investments in intangible assets	(4)	(30)
Net change in accruals included in capital investments in intangible assets	(1)	4
Capital expenditures – intangible assets	(5)	(26)

Supplementary Information

Three months ended March 31 (millions of Canadian dollars)	2014	2013
Net interest paid	81	82
PILs	22	45

15. CONTINGENCIES

Legal Proceedings

Hydro One is involved in various lawsuits, claims and regulatory proceedings in the normal course of business. In the opinion of management, the outcome of such matters will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

Transfer of Assets

The transfer orders by which the Company acquired certain of Ontario Hydro's businesses as of April 1, 1999 did not transfer title to some assets located on Reserves (as defined in the *Indian Act* (Canada)). Currently, the OEFC holds these assets. Under the terms of the transfer orders, the Company is required to manage these assets until it has obtained all consents necessary to complete the transfer of title of these assets to itself. The Company cannot predict the aggregate amount that it may have to pay, either on an annual or one-time basis, to obtain the required consents. If the Company cannot obtain the required consents, the OEFC will continue to hold these assets for an indefinite period of time. If the Company cannot reach a satisfactory settlement, it may have to relocate these assets to other locations at a cost that could be substantial or, in a limited number of cases, to abandon a line and replace it with diesel-generation facilities. The costs relating to these assets could have a material adverse effect on the Company's results of operations if the Company is not able to recover them in future rate orders.

16. COMMITMENTS

Agreement with Inergi LP (Inergi)

In 2002, Inergi, an affiliate of Capgemini Canada Inc., began providing services to Hydro One, including business processing and information technology outsourcing services, as well as core system support related primarily to SAP implementation and optimization. The current agreement with Inergi will expire in February 2015.

Prudential Support

Purchasers of electricity in Ontario, through the IESO, are required to provide security to mitigate the risk of their default based on their expected activity in the market. As at March 31, 2014, the Company provided prudential support to the IESO on behalf of Hydro One Networks and Hydro One Brampton Networks using parental guarantees of $325 million (December 31, 2013 – $325 million), and on behalf of two distributors using guarantees of $1 million (December 31, 2013 – $1 million). In addition, as at March 31, 2014, the Company has provided letters of credit in the amount of $14 million (December 31, 2013 – $21 million) to the IESO. The IESO could draw on these guarantees and/or letters of credit if these subsidiaries or distributors fail to make a payment required by a default notice issued by the IESO. The maximum potential payment is the face value of any letters of credit plus the amount of the parental guarantees.

Retirement Compensation Arrangements

Bank letters of credit have been issued to provide security for the Company's liability under the terms of a trust fund established pursuant to the supplementary pension plan for eligible employees of Hydro One. The supplementary pension plan trustee is required to draw upon these letters of credit if Hydro One is in default of its obligations under the terms of this plan. Such obligations include the requirement to provide the trustee with an annual actuarial report as well as letters of credit sufficient to secure the Company's liability under the plan, to pay benefits payable under the plan and to pay the letter of credit fee. The maximum potential payment is the face value of the letters of credit. At March 31, 2014, Hydro One had letters of credit of $127 million (December 31, 2013 – $127 million) outstanding relating to retirement compensation arrangements.

17. SEGMENTED REPORTING

Hydro One has three reportable segments:

- The Transmission Business, which comprises the core business of providing electricity transportation and connection services, is responsible for transmitting electricity throughout the Ontario electricity grid;
- The Distribution Business, which comprises the core business of delivering and selling electricity to customers; and
- Other, the operations of which primarily consist of those of the telecommunications business.

The designation of segments has been based on a combination of regulatory status and the nature of the products and services provided. Operating segments of the Company are determined based on information used by the chief operating decision maker in deciding how to allocate resources and evaluate the performance of each of the segments. The Company evaluates segment performance based on income before financing charges and provision for PILs from continuing operations (excluding certain allocated corporate governance costs).

The accounting policies followed by the segments are the same as those described in the summary of significant accounting policies (see Note 2 – Significant Accounting Policies). Segment information on the above basis is as follows:

Three months ended March 31, 2014 (millions of Canadian dollars)	**Transmission**	**Distribution**	**Other**	**Consolidated**
Revenues	422	1,327	15	1,764
Purchased power	–	922	–	922
Operation, maintenance and administration	115	181	15	311
Depreciation and amortization	81	84	2	167
Income (loss) before financing charges and provision for PILs	226	140	(2)	364
Financing charges				90
Income before provision for PILs				274
Capital investments	173	123	–	296

Three months ended March 31, 2013 (millions of Canadian dollars)	**Transmission**	**Distribution**	**Other**	**Consolidated**
Revenues	373	1,184	15	1,572
Purchased power	–	798	–	798
Operation, maintenance and administration	72	147	14	233
Depreciation and amortization	80	79	2	161
Income (loss) before financing charges and provision for PILs	221	160	(1)	380
Financing charges				88
Income before provision for PILs				292
Capital investments	149	120	1	270

Total Assets by Segment:

(millions of Canadian dollars)	**March 31, 2014**	**December 31, 2013**
Total assets		
Transmission	11,907	11,846
Distribution	9,032	8,805
Other	895	974
	21,834	21,625

All revenues, costs and assets, as the case may be, are earned, incurred or held in Canada.

18. SUBSEQUENT EVENT

On May 7, 2014, preferred share dividends in the amount of $5 million and common share dividends in the amount of $25 million were declared.

HYDRO ONE INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the three months ended March 31, 2014 and 2013

The following Management's Discussion and Analysis (MD&A) of the financial condition and results of operations should be read together with the unaudited interim consolidated financial statements and accompanying notes (the Consolidated Financial Statements) of Hydro One Inc. (the Company) for the three months ended March 31, 2014, as well as the Company's audited consolidated financial statements and accompanying notes, and MD&A, for the year ended December 31, 2013. The Consolidated Financial Statements are presented in Canadian dollars and have been prepared in accordance with United States (US) Generally Accepted Accounting Principles (GAAP). All financial information in this MD&A is presented in Canadian dollars, unless otherwise indicated.

The Company has prepared this MD&A with reference to National Instrument 51-102 – Continuous Disclosure Obligations of the Canadian Securities Administrators. Under the US/Canada Multijurisdictional Disclosure System, the Company is permitted to prepare this MD&A in accordance with the disclosure requirements of Canada, which are different from those of the US. This MD&A provides information for the three months ended March 31, 2014.

EXECUTIVE SUMMARY

We are wholly owned by the Province of Ontario (Province), and our transmission and distribution businesses are regulated by the Ontario Energy Board (OEB). Our mission and vision reflects the unique role we play in the economy of the Province and as a provider of critical infrastructure to all our customers. We strive to be an innovative and trusted company, delivering electricity safely, reliably and efficiently to create value for our customers. We operate as a commercial enterprise with an independent Board of Directors. Our strategic plan is driven by our values: health and safety; excellence; stewardship; and innovation. Safety is of utmost importance to us because we work in an environment that can be hazardous. We take our responsibility as stewards of critical provincial assets seriously. We demonstrate sound stewardship by managing our assets in a manner that is commercial, transparent and which values our customers. We strive for excellence by being trained, prepared and equipped to deliver high-quality service. We value innovation because it allows us to increase our productivity and develop enhanced methods to meet the needs of our customers.

We have eight strategic objectives that drive the fulfillment of our mission and vision and ensure we remain focused on achieving our corporate goal of providing safe, reliable and affordable service to our customers, today and tomorrow, while increasing enterprise value for our shareholder:

- Creating an injury-free workplace and maintaining public safety;
- Satisfying our customers;
- Continuous innovation;
- Building and maintaining reliable, affordable transmission and distribution systems;
- Protecting and sustaining the environment for future generations;
- Championing people and culture;
- Maintaining a commercial culture that increases value for our shareholder; and
- Achieving productivity improvements and cost-effectiveness.

During the first quarter of 2014, our financial fundamentals remained strong with net income of $240 million and revenues of $1,764 million. We issued $175 million of long-term debt, the proceeds of which were used to fund a portion of our capital expenditures and other corporate requirements. During the first quarter of 2014, we made capital investments totaling $296 million to improve our transmission and distribution systems' reliability and performance, address our aging power system infrastructure, facilitate new generation, and improve service to our customers. A full discussion of our results of operations, financing activities, and capital investments can be found in the sections "Results of Operations" and "Liquidity and Capital Resources."

OVERVIEW

Our company has three reportable segments:

- Our Transmission Business, which comprises the core business of providing electricity transportation and connection services, is responsible for transmitting electricity throughout the Ontario electricity grid;
- Our Distribution Business, which comprises the core business of delivering and selling electricity to customers; and
- Other, the operations of which primarily consist of those of our telecommunications business.

Our Transmission Business includes the transmission business of our subsidiary Hydro One Networks Inc. (Hydro One Networks), which owns and operates substantially all of Ontario's electricity transmission system. Our transmission system forms an integrated transmission grid that is monitored, controlled and managed centrally from our Ontario Grid Control Centre. Our system operates over relatively long distances and links major sources of generation to transmission stations and larger area load centres. During the first quarter of 2014, we earned total transmission revenues of $422 million. At March 31, 2014, our Transmission Business assets represented approximately 55% of our total assets.

Our consolidated Distribution Business includes the distribution business of our subsidiary Hydro One Networks, as well as our subsidiaries Hydro One Brampton Networks Inc. (Hydro One Brampton Networks) and Hydro One Remote Communities Inc. (Hydro One Remote Communities). Pending OEB approval and closing of the acquisition transaction, Norfolk Power Inc. (Norfolk Power) will also be included in our Distribution Business segment. Our consolidated distribution system is the largest in Ontario and spans roughly 75% of the province. During the first quarter of 2014, we earned total distribution revenues of $1,327 million. At March 31, 2014, our Distribution Business assets represented approximately 41% of our total assets.

Our Other business segment primarily represents the operations of our subsidiary, Hydro One Telecom Inc. which markets fibre-optic capacity to telecommunications carriers and commercial customers with broadband network requirements, including a dedicated optical network providing secure, high-capacity connectivity across numerous health care locations in Ontario. During the first quarter of 2014, our Other business segment contributed revenues of $15 million. At March 31, 2014, the assets of our Other business segment represented approximately 4% of our total assets.

RESULTS OF OPERATIONS

As used in this section, references to increases and decreases, whether in terms of amounts or percentages, are made by comparison of the three months ended March 31, 2014 to the three months ended March 31, 2013, respectively.

Three months ended March 31 *(millions of Canadian dollars)*	**2014**	**2013**	**$ Change**	**% Change**
Revenues	1,764	1,572	192	12
Purchased power	922	798	124	16
Operation, maintenance and administration	311	233	78	33
Depreciation and amortization	167	161	6	4
	1,400	1,192	208	17
Income before financing charges and provision for payments in lieu of corporate income taxes	**364**	**380**	**(16)**	**(4)**
Financing charges	90	88	2	2
Income before provision for payments in lieu of corporate income taxes	**274**	**292**	**(18)**	**(6)**
Provision for payments in lieu of corporate income taxes	34	35	(1)	(3)
Net income	**240**	**257**	**(17)**	**(7)**

Revenues

Three months ended March 31 *(millions of Canadian dollars)*	**2014**	**2013**	**$ Change**	**% Change**
Transmission	422	373	49	13
Distribution	1,327	1,184	143	12
Other	15	15	–	–
	1,764	1,572	192	12
Average annual Ontario 60-minute peak demand (MW)[1]	22,111	21,287	824	4
Distribution – units distributed to customers (TWh)[1]	8.7	8.3	0.4	5

[1] System-related statistics are preliminary.

Electricity demand generally follows normal weather-related variations, and consequently, our energy-related revenues, all other things being equal, will tend to be higher in the first and third quarters than in the second and fourth quarters.

Transmission

Transmission revenues primarily consist of our transmission tariff, which is based on the monthly peak electricity demand across our high-voltage network. The tariff is designed to recover revenues necessary to support a transmission system with sufficient capacity to accommodate the maximum expected demand. Demand is primarily influenced by weather and economic conditions. Transmission revenues also include export revenues associated with transmitting excess generation to surrounding markets, ancillary revenues primarily attributable to maintenance services provided to generators, and secondary use of our land rights.

Our transmission revenues were higher by $49 million, or 13%, in the first quarter of 2014, compared to the same period in 2013. On January 9, 2014, the OEB approved new transmission rates effective January 1, 2014, which resulted in higher transmission revenues of $23 million in the first quarter of 2014, compared to the same period in 2013. The average Ontario 60-minute peak demand was 824 MW higher in the first quarter of 2014, resulting in an increase in transmission revenues of $15 million, compared to the same period in 2013. The higher peak demand in the first quarter of 2014 mainly resulted from a colder winter, compared to the same period in 2013. In addition, we experienced higher revenues of $11 million in the first quarter of 2014, associated with the OEB's approval of export service revenues and full disposition of certain transmission regulatory accounts.

Distribution

Distribution revenues include our distribution tariff and amounts to recover the cost of purchased power used by the customers of our Distribution Business. Accordingly, our distribution revenues are influenced by the amount of electricity we distribute, the cost of purchased power and our distribution tariff rates. Distribution revenues also include minor ancillary distribution service revenues, such as fees related to the joint use of our distribution poles by the telecommunications and cable television industries, as well as miscellaneous charges such as charges for late payments.

Our distribution revenues were higher by $143 million, or 12%, in the first quarter of 2014, compared to the same period in 2013. The increase was primarily due to the recovery of higher purchased power costs of $124 million, as described below under "Purchased Power." In addition, energy consumption was higher by $17 million in the first quarter of 2014, mainly resulting from a colder winter, compared to the same period in 2013. Distribution revenues also increased by $4 million as a result of our placement in service of new smart grid and smart meter investments, which are currently being recovered through a separate rate mechanisms. In December 2013, the OEB approved new distribution rates effective January 1, 2014, which resulted in higher distribution revenues of $2 million in the first quarter of 2014, compared to the same period in 2013. These distribution revenue increases were partially offset by lower ancillary distribution revenues of $4 million, primarily associated with OEB-approved regulatory accounts.

Purchased Power

Purchased power costs are incurred by our Distribution Business and represent the cost of purchased electricity delivered to customers within our distribution service territory. These costs comprise the wholesale commodity cost of energy, the Independent Electricity System Operator (IESO) wholesale market service charges, and transmission charges levied by the IESO. The commodity cost of energy is based on the OEB's Regulated Price Plan (RPP), as summarized below:

RPP	Tier Threshold (kWh/month)		Tier Rates (cents/kWh)	
Effective Date	**Residential**	**Non-Residential**	**Lower Tier**	**Upper Tier**
November 1, 2012	1,000	750	7.4	8.7
May 1, 2013	600	750	7.8	9.1
November 1, 2013	1,000	750	8.3	9.7

RPP Time of Use (TOU)	Rates (cents/kWh)		
Effective Date	**On Peak**	**Mid Peak**	**Off Peak**
November 1, 2012	11.8	9.9	6.3
May 1, 2013	12.4	10.4	6.7
November 1, 2013	12.9	10.9	7.2

Our purchased power costs of $922 million increased by $124 million, or 16%, in the first quarter of 2014, compared to the same period in 2013. The increase was mainly due to higher demand for electricity that increased our purchased power costs by $47 million, an increase of $29 million in wholesale market service charges levied by the IESO, a $28 million increase resulting from higher purchased power costs for customers who are not eligible for the RPP, a $10 million increase resulting from the impact of changes in the OEB's RPP rates for residential and other eligible customers, a $7 million increase resulting from the OEB transmission rate decision effective January 1, 2014, and a $3 million increase resulting from the IESO's Smart Metering Entity charge effective May 1, 2013.

Operation, Maintenance and Administration

Our operation, maintenance and administration costs consist of labour, materials, equipment and purchased services which support the operation and maintenance of the transmission and distribution systems. Also included in these costs are property taxes and payments in lieu thereof related to our transmission and distribution lines, stations and buildings. Our transmission operation, maintenance and administration costs are incurred to sustain our high-voltage transmission stations, lines and rights-of-way. Our distribution operation, maintenance and administration costs are required to maintain our low-voltage distribution system. Our company continues to focus on managing its costs, while continuing to substantially complete our planned work programs for both our Transmission and Distribution Businesses.

Three months ended March 31 *(millions of Canadian dollars)*	**2014**	**2013**	**$ Change**	**% Change**
Transmission	115	72	43	60
Distribution	181	147	34	23
Other	15	14	1	7
	311	233	78	33

Transmission

Our transmission operation, maintenance and administration costs increased by $43 million, or 60%, to $115 million in the first quarter of 2014, compared to the same period in 2013, primarily due to a $40 million reduction to our provision for payments in lieu of property taxes in the first quarter of 2013 related to transmission stations for the years 1999 to 2010, inclusive, following the finalization of the related regulations and receipt of a final assessment of our property tax returns. During the first quarter of 2014, we continued to invest in the safe and reliable operation of our transmission system. Our transmission work program costs increased by $7 million in the first quarter of 2014, compared to the same period in 2013, primarily due to increased sustainment expenditures, such as expenditures within our environmental management programs, higher forestry expenditures related to line clearing on our transmission rights-of-way due to unfavourable weather conditions in 2014, and higher transmission site facilities maintenance requirements.

Distribution

Our distribution operation, maintenance and administration costs increased by $34 million, or 23%, to $181 million in the first quarter of 2014, compared to the same period in 2013. Our work program expenditures increased by $34 million in the first quarter of 2014, compared to the same period in 2013, mainly as a result of higher expenditures related to our customer care programs, increased customer service support and sustainment requirements related to the transition to the new Customer Information System (CIS), increased customer-driven work related to trouble calls due to unfavourable weather conditions in 2014, higher storm expenditures due to carryover work resulting from the December 2013 ice storm, and increased smart meter maintenance requirements. Our expenditures in support of our distribution system in the first quarter of 2014 were consistent with the same period in 2013.

Depreciation and Amortization

Our depreciation and amortization costs increased by $6 million, or 4%, in the first quarter of 2014, compared to the same period in 2013. This increase was attributable to higher property, plant and equipment depreciation expense in the first quarter of 2014, primarily related to our placement of new assets in service consistent with our ongoing capital work program.

Financing Charges

Our financing charges increased by $2 million, or 2%, in the first quarter of 2014, compared to the same period in 2013. Higher financing costs in the first quarter of 2014 were mainly due to an increase in interest expense on long-term debt due to higher average level of debt, partially offset by lower average interest rates.

Provision for Payments in Lieu of Corporate Income Taxes

The provision for payments in lieu of corporate income taxes (PILs) decreased by $1 million, or 3%, in the first quarter of 2014, compared to the same period in 2013, mainly due to lower level of pre-tax income in the first quarter of 2014. The decrease was partially offset by changes in net temporary differences, such as capital cost allowance in excess of depreciation and amortization and non-refundable tax credits.

Net Income

Our 2014 first quarter net income decreased by $17 million, or 7%, to $240 million, compared to the same period in 2013. The decrease in net income was mainly due to a non-recurring reduction in operation, maintenance and administration costs in the first quarter of 2013, due to a reduction to our provision for payments in lieu of property taxes related to transmission stations for the years 1999 to 2010, as well as increased work program expenditures in the first quarter of 2014, mainly in support of our customer care programs. The increase in operation, maintenance and administration costs was partially offset by higher revenues, primarily due to OEB-approved increased 2014 transmission rates, and increased energy peak demand and consumption in the first quarter of 2014, mainly resulting from an extremely cold winter. Our transmission system is built to accommodate such increases in demand.

SELECTED QUARTERLY RESULTS

The following table sets forth unaudited quarterly information for each of the eight quarters, from the quarter ended June 30, 2012 through March 31, 2014. This information has been derived from our unaudited interim Consolidated Financial Statements and our audited annual Consolidated Financial Statements which include all adjustments, consisting only of normal recurring adjustments, necessary for fair presentation of our financial position and results of operations for those periods. These operating results are not necessarily indicative of results for any future period and should not be relied upon to predict our future performance.

(millions of Canadian dollars)	**2014**	**2013**				**2012**		
Quarter ended	**Mar. 31**	**Dec. 31**	**Sept. 30**	**Jun. 30**	**Mar. 31**	**Dec. 31**	**Sept. 30**	**Jun. 30**
Total revenue	1,764	1,557	1,542	1,403	1,572	1,435	1,466	1,359
Net income	240	160	218	168	257	165	201	169
Net income to common shareholder	236	155	214	163	253	160	197	164

Electricity demand generally follows normal weather-related variations, and consequently, our electricity-related revenues and profit, all other things being equal, would tend to be higher in the first and third quarters than in the second and fourth quarters.

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity and capital resources are funds generated from our operations, debt capital market borrowings and bank financing. These resources will be used to satisfy our capital resource requirements, which continue to include our capital expenditures, servicing and repayment of our debt, and dividends.

Summary of Sources and Uses of Cash

Three months ended March 31 *(millions of Canadian dollars)*	**2014**	**2013**
Operating activities	149	161
Financing activities		
Long-term debt issued	175	–
Short-term notes payable	–	74
Dividends paid	(199)	(129)
Investing activities		
Capital expenditures	(292)	(282)
Other financing and investing activities	(17)	(10)
Net change in cash and cash equivalents	(184)	(186)

Operating Activities

Net cash from operating activities decreased by $12 million to $149 million in the first quarter of 2014, compared to the same period in 2013. The decrease was primarily due to lower net income, changes in accrual balances mainly related to timing of capital projects, and growth in accounts receivable balances resulting from higher revenues due to colder weather, and lower collections, partially offset by changes in regulatory accounts.

Financing Activities

Short-term liquidity is provided through funds from operations, our Commercial Paper Program, under which we are authorized to issue up to $1,000 million in short-term notes with a term to maturity of less than 365 days, our revolving credit facility, and our holding of Province of Ontario Floating-Rate Notes.

Our Commercial Paper Program is supported by our $1,500 million committed revolving credit facility with a syndicate of banks, which matures in June 2018. In addition, our investment in Province of Ontario Floating-Rate Notes of $250 million (with a fair value of $251 million at March 31, 2014) maturing on November 19, 2014 also provides temporary liquidity. The short-term liquidity under this program and anticipated levels of funds from operations should be sufficient to fund our normal operating requirements.

At March 31, 2014, we had $9,220 million in long-term debt outstanding, including the current portion. Our notes and debentures mature between 2014 and 2064. Long-term financing is provided by our access to the debt markets, primarily through our Medium-Term Note (MTN) Program. The maximum authorized principal amount of medium-term notes issuable under this program is $3,000 million. At March 31, 2014, $1,640 million remained available until October 2015.

Cash generated from operations, after payment of expected dividends, will not be sufficient to fund capital expenditures, fund the repayment of our existing indebtedness, and meet other liquidity requirements. We rely on debt financing through our

MTN Program and our Commercial Paper Program to repay our existing indebtedness and fund a portion of our capital expenditures.

The credit ratings assigned to our debt securities by external rating agencies are important to our ability to raise capital and funding to support our business operations. Maintaining strong credit ratings allows us to access capital markets on competitive terms. A material downgrade of our credit ratings would likely increase our cost of funding significantly, and our ability to access funding and capital through the capital markets could be reduced. Our corporate credit ratings from approved rating organizations are as follows:

	Rating	
Rating Agency	**Short-term Debt**	**Long-term Debt**
DBRS Limited	R-1 (middle)	A (high)
Moody's Investors Service Inc.	Prime-1	A1
Standard & Poor's Rating Services Inc. (S&P)	A-1	A+

We have the customary covenants normally associated with long-term debt. Among other things, our long-term debt covenants limit our permissible debt as a percentage of our total capitalization, limit our ability to sell assets, and impose a negative pledge provision, subject to customary exceptions. The credit agreements related to our credit facilities have no material adverse change clauses that could trigger default. However, the credit agreements require that we provide notice to the lenders of any material adverse change within three business days of the occurrence. The agreements also provide limitations that debt cannot exceed 75% of total capitalization and that third party debt issued by our subsidiaries cannot exceed 10% of the total book value of our assets. We were in compliance with all these covenants and limitations as at March 31, 2014.

During the first quarter of 2014, we issued $175 million of long-term debt under our MTN Program, compared to no new long-term debt issued in the first quarter of 2013. No long-term debt matured or was repaid during the first quarter of 2014 or 2013. We had no short-term notes outstanding at March 31, 2014 or December 31, 2013.

Common dividends are declared at the sole discretion of our Board of Directors, and are recommended by management based on results of operations, maintenance of the deemed regulatory capital structure, financial condition, cash requirements, and other relevant factors, such as industry practice and shareholder expectations. Common dividends pertaining to our quarterly financial results are generally declared and paid in the following quarter.

During the first quarter of 2014, we paid dividends to the Province in the amount of $199 million, consisting of $195 million in common dividends and $4 million in preferred dividends. During the first quarter of 2013, we paid dividends to the Province in the amount of $129 million, consisting of $125 million in common dividends and $4 million in preferred dividends.

Our objectives with respect to our capital structure are to maintain effective access to capital on a long-term basis at reasonable rates and to deliver appropriate financial returns to our shareholder.

Investing Activities

Capital investments consist of cash capital expenditures and related accruals. Capital investments primarily relate to enhancing and reinforcing of our transmission and distribution infrastructure.

Three months ended March 31 *(millions of Canadian dollars)*	**2014**	**2013**	**$ Change**	**% Change**
Transmission	173	149	24	16
Distribution	123	120	3	3
Other	–	1	(1)	(100)
Total capital investments	296	270	26	10

Transmission

Our transmission capital investments increased by $24 million, or 16%, to $173 million in the first quarter of 2014, compared to the same period in 2013, primarily due to sustainment programs consistent with our aging infrastructure. Investments to sustain our existing transmission system were $123 million in the first quarter of 2014, representing an increase of $20 million, compared to the same period in 2013. During the first quarter of 2014, we made significant system and lines investments in order to improve reliability. We continued work on replacing end-of-life underground transmission cables between our Strachan Transmission Station and Riverside Junction, in order to maintain a reliable supply of electricity to downtown Toronto. In addition, we are conducting work at our Lakehead Transmission Station to replace and upgrade a number of transformers and components to improve reliability and network flexibility in the Thunder Bay area. The increases were partially offset by lower expenditures related to the replacement of protection and control equipment.

Investments to expand and reinforce our transmission system were $38 million in the first quarter of 2014, representing a marginal decrease of $2 million, compared to the same period in 2013. We experienced reduced expenditures related to some of our major projects, including the Advanced Distribution System (ADS) Project, the successful completion of transmission upgrades investments in 2013 required to increase the renewable energy that can be incorporated into our transmission system, and upgrades to ensure mandatory transmission system standards are met. These decreases were partially offset by higher expenditures related to various inter-area network projects.

During the first quarter of 2014, we continued to invest in local area supply projects to address growing loads and in inter-area network projects to support the Province's supply mix objectives for generation. Our local area supply project investments include our Toronto Midtown Transmission Reinforcement Project, which will provide additional supply capability to meet future load growth in midtown Toronto as well as areas to the west, and our Guelph Area Transmission Refurbishment Project to reinforce electricity supply to the Kitchener-Waterloo-Cambridge-Guelph area and minimize the impact of any major transmission outages on area customers. Inter-area network projects include our Lambton to Longwood Transmission Upgrade Project to increase transmission capability between our Lambton (Sarnia) and Longwood (London) transformer stations. This project is needed to satisfy government policy relating to the incorporation of 10,700 MW of non-hydroelectric renewable generation resources by 2021. We have also begun work on our new Clarington Transmission Station Project to install additional auto-transformer capacity in the Oshawa area to address supply reliability issues relating to the eventual closure of the Pickering generating station. Without these investments, residential and industrial consumers would be severely impacted.

Our other transmission capital investments were $12 million in the first quarter of 2014, representing an increase of $6 million, compared to the same period in 2013. The increase was mainly due to the development phase investment in our Network Management System Project, a critical operating tool used for monitoring and control of our transmission system, and to fleet acquisitions.

Distribution

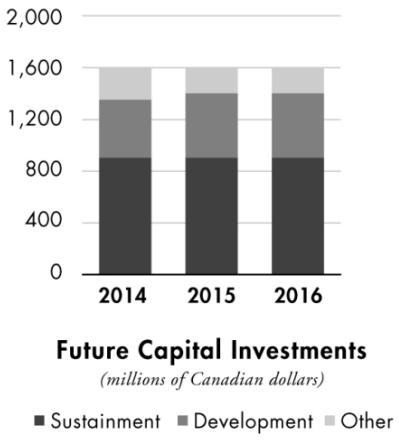
Our distribution capital investments increased by $3 million, or 3%, to $123 million in the first quarter of 2014, compared to the same period in 2013. Capital investments to expand, reinforce and sustain our distribution network were partially offset by a reduction in other distribution investments. Capital investments to expand and reinforce our distribution network were $49 million in the first quarter of 2014, representing an increase of $6 million, compared to the same period in 2013.We continued work on our major projects, including the ADS Project and the Smart Metering Project to tune and collect data for TOU meters. During the first quarter of 2014, our investments also increased due to the timing of customer driven work related to generation connections, and the timing of capital contributions for new customer connections and upgrades. These increases were partially offset by lower lines work related to upgrading and adding capacity to our distribution system.

Capital investments to sustain our distribution system were $58 million in the first quarter of 2014, representing an increase of $7 million, compared to the same period in 2013. The increase was primarily due to increased work within our Station Refurbishment Program, and installation of two pilot Integrated Modular Distribution Stations (iMDS) which will provide a more cost effective solution to certain station refurbishments. In addition, our investments also increased due to higher replacements related to carryover storm restoration work resulting from the December 2013 ice storm. Investments were also impacted by the timing of customer contribution payments received in respect of work for joint use and relocation of our lines.

Our other distribution capital investments were $16 million in the first quarter of 2014, representing a decrease of $10 million, compared to the same period in 2013. The majority of the decrease was related to the CIS phase of our entity-wide information system replacement and improvement project, which was placed into service in May 2013. The decrease was partially offset by increased fleet acquisitions.

Future Capital Investments

Our capital investments for 2014 are budgeted at approximately $1,600 million. Our 2014 capital budgets for our Transmission and Distribution Businesses are approximately $950 million and $650 million, respectively. Consolidated capital investments are expected to be approximately $1,600 million in each of 2015 and 2016. These investment levels reflect the sustainment requirements of our aging infrastructure. Our sustainment program capital investments are expected to be approximately $900 million in each of 2014, 2015, and 2016. Our development capital investments are expected to be approximately $450 million in 2014, $500 million in 2015, and $500 million in 2016. Our development projects include the inter-area network upgrades that reflect supply mix policies, local area supply improvements, the ADS, new load and generation connections and requirements to enable Distributed Generation (DG), and customer demand work. Other capital investments are expected to be $250 million in 2014, $200 million in 2015, and $200 million in 2016. This includes investments in operating infrastructure integration, information technology (IT), fleet services and facilities, and real estate. Our future capital investments amounts do not include future local distribution companies (LDC) acquisitions.



Transmission

Transmission capital investments are incurred to manage the replacement and refurbishment of our aging transmission infrastructure in order to ensure a continued reliable supply of energy to customers throughout the province. Our sustainment program future capital investments include the replacement of end-of-life air blast circuit breakers and switchgear, high-voltage underground cables, and power transformers. These investments are necessary to ensure that we maintain our current levels of supply to our customers and continue to meet all regulatory, compliance, safety and environmental objectives.

Our future development capital investments include the Clarington Transmission Station Project to install additional auto-transformer capacity in the eastern Greater Toronto Area; the Guelph Area Transmission Refurbishment Project, an upgrade of a transmission line and transmission stations in south-central Guelph; the Lambton to Longwood Transmission Upgrade, a double circuit transmission line project that will enable renewable generation in the west of London area; investments in ADS; requirements to enable DG; the Supply to Essex County Transmission Reinforcement Project, a new transmission line in the Windsor-Essex region; and up to four other transmission station upgrades, which when combined with the new Hearn Switching Station, will collectively enable up to 600 MW of new generation capacity in the Niagara, Toronto and Ottawa areas.

Based on the OEB's framework for competitive designation for the development of eligible transmission projects, we did not include in our budgeted future capital investments any projects that could meet the definition of expansions. We do not plan to undertake large capital investments without a reasonable expectation of recovering them through our rates.

The actual timing and investments of many development projects are uncertain as they are dependent upon various regulatory approvals, negotiations with customers, neighbouring utilities and other stakeholders, and consultations with First Nations and Métis communities. Projects are also dependent upon the timing and level of generator contributions for enabling facilities.

Distribution

Distribution capital investments include the sustainment of our infrastructure. Our core work will continue to focus on maintaining the performance of our aging distribution asset base through renewal and refurbishment activities. Planned capital investments include the continued replacements of equipment and components that are beyond their expected service

life, as well as increased wood pole replacements and distribution station refurbishments. Sustainment capital investments related to the Smart Metering project will decrease through 2016.

Distribution development capital investments are expected to be relatively stable through 2016, with the exception of capital contributions for capacity improvements at the Orleans Transmission Station in 2015 and the Hanmer Transmission Station in 2016. We will continue to make investments required to connect new load and DG customers, as well as investments to ensure the system is capable of supplying customer needs. During 2014 to 2016, a number of our projects will address local load growth issues. Generation connection investments will decrease as the volume of connections is expected to decrease. The budgeted capital expenditures only reflect projects with Feed-in Tariff (FIT) and Micro FIT Program contracts from the OPA that are expected to connect to our distribution system.

In 2014 and 2015, the ADS Project will continue to pilot various technologies and related capital investments will begin to decrease in 2016. Pilot technologies include improvements to outage response management through more effective resource dispatch, automation to isolate faults where needed, and the dynamic regulation of voltage to reduce losses.

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements that have, or are reasonably likely to have, a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Summary of Contractual Obligations and Other Commercial Commitments

The following table presents a summary of our debt and other major contractual obligations, as well as other major commercial commitments:

March 31, 2014 *(millions of Canadian dollars)*	**Total**	**2014[1]**	**2015/2016**	**2017/2018**	**After 2018**
Contractual obligations *(due by year)*					
Long-term debt – principal repayments[2]	9,220	750	1,050	1,350	6,070
Long-term debt – interest payments[2]	7,753	339	779	699	5,936
Pension[3]	32	20	12	–	–
Environmental and asset retirement obligations[4]	302	24	63	45	170
Inergi LP (Inergi) outsourcing agreement[5]	116	95	21	–	–
Operating lease commitments	46	8	14	15	9
Total contractual obligations	17,469	1,236	1,939	2,109	12,185
Other commercial commitments *(by year of expiry)*					
Bank line[6]	1,500	–	–	1,500	–
Letters of credit[7]	142	142	–	–	–
Guarantees[7]	326	326	–	–	–
Total other commercial commitments	1,968	468	–	1,500	–

[1] The amounts disclosed represent the amounts due over the period from April 1, 2014 to December 31, 2014.

[2] The "long-term debt – principal repayments" amounts are not charged to our results of operations, but are reflected on our Consolidated Balance Sheets and Consolidated Statements of Cash Flows. Interest associated with the long-term debt is recorded in financing charges on our Consolidated Statements of Operations and Comprehensive Income or as a cost of our capital programs.

[3] Contributions to the Hydro One Pension Fund are generally made one month in arrears. The 2014 minimum pension contributions are based on an actuarial valuation effective December 31, 2011. Minimum pension contributions beyond 2014 will be based on an actuarial valuation effective no later than December 31, 2014, and will depend on future investment returns, changes in benefits, or actuarial assumptions. Pension contributions beyond 2014 are not estimable at this time.

[4] We record a liability for the estimated future expenditures associated with the removal and destruction of polychlorinated biphenyl (PCB)-contaminated insulating oils and related electrical equipment, and for the assessment and remediation of chemically-contaminated lands. We also record a liability for asset retirement obligations associated with the removal and disposal of asbestos-containing materials installed in some of our facilities, as well as the future decommissioning and removal of two of our switching stations. The forecast expenditure pattern reflects our planned work programs for the periods.

[5] In 2002, Inergi began providing services to our company, including business processing and IT outsourcing services. The current agreement with Inergi will expire in February 2015. We have begun developing a plan of action for end-of-term and issued a request for proposal on November 7, 2013. Based on the September 2013 Shareholder Resolution, the new agreement regarding these outsourcing services will be subject to the Shareholder Resolution whereby the Province requires us to contract only with parties who are employed and physically located in Ontario when providing services to our company. The amounts disclosed include an estimated contractual annual inflation adjustment in the range of 1.5% to 3.0%. Payments in respect of our agreement with Inergi are recorded in operation, maintenance and administration costs on our Consolidated Statements of Operations and Comprehensive Income or as a cost of our capital programs.

[6] In support of our liquidity requirements, we have a $1,500 million revolving standby credit facility with a syndicate of banks that matures in June 2018.

[7] We currently have outstanding bank letters of credit of $127 million relating to retirement compensation arrangements. We provide prudential support to the IESO in the form of letters of credit, the amount of which is calculated based on forecasted monthly power consumption. At March 31, 2014, we have provided letters of credit to the IESO in the amount of $14 million to meet our current prudential requirement. In addition, we have $1 million pertaining to operating letters of credit. We have also provided prudential support to the IESO on behalf of our subsidiaries as required by the IESO's Market Rules, using parental guarantees of up to a maximum of $325 million, and on behalf of two distributors using guarantees of up to $1 million.

RELATED PARTY TRANSACTIONS

We are owned by the Province. The Ontario Electricity Financial Corporation (OEFC), IESO, OPA, Ontario Power Generation Inc. (OPG), and the OEB are related parties to our company because they are controlled or significantly influenced by the Province. The following is a summary of our related party transactions during the first quarter of 2014.

The Province

- During the first quarter of 2014, we paid dividends to the Province totalling $199 million, compared to $129 million paid in the same period in 2013.
- At March 31, 2014, our company held $250 million of Province of Ontario Floating-Rate Notes, with a fair market value of $251 million. This investment was purchased in January 2010 and matures on November 19, 2014.

OEFC

- During the first quarter of 2014, we made payments in lieu of corporate income taxes to the OEFC totalling $22 million, compared to payments of $45 million made in the same period in 2013.
- During the first quarter of 2014, our company paid a $5 million annual fee to the OEFC, compared to $5 million paid in the same period in 2013, for indemnification against adverse claims in excess of $10 million paid by the OEFC with respect to certain of Ontario Hydro's businesses transferred to Hydro One on April 1, 1999.
- During the first quarter of 2014, we purchased power in the amount of $5 million from power contracts administered by the OEFC, compared to $2 million purchased in the same period in 2013.

IESO

- During the first quarter of 2014, we purchased power in the amount of $775 million from the IESO-administered electricity market, compared to $706 million purchased in the same period in 2013.
- We receive revenues for transmission services from the IESO, based on OEB-approved uniform transmission rates. Our transmission revenues for the first quarter of 2014 include $408 million related to these services, compared to $368 million in the same period in 2013.
- We receive amounts for rural rate protection from the IESO. Our distribution revenues for the first quarter of 2014 include $32 million related to this program, compared to $32 million in the same period in 2013.
- We receive revenues related to the supply of electricity to remote northern communities from the IESO. Our distribution revenues for the first quarter of 2014 include $8 million related to these services, compared to $7 million in the same period in 2013.

OPG

- During the first quarter of 2014, we purchased power in the amount of $14 million from the OPG, compared to $5 million purchased in the same period in 2013.

- Our company has service level agreements with OPG. These services include field, engineering, logistics and telecommunications services. Our other revenues for the first quarter of 2014 include $3 million related to these service level agreements, compared to $2 million in the same period in 2013. Our operation, maintenance and administration costs related to the purchase of services with respect to these service level agreements were $1 million in the first quarter of 2014, compared to $1 million in the same period in 2013.

OPA

- The OPA funds substantially all of our conservation and demand management programs. The funding includes program costs, incentives, and management fees. During the first quarter of 2014, we received $7 million from the OPA related to these programs, compared to $7 million received in the same period in 2013.

OEB

- Under the *Ontario Energy Board Act, 1998*, the OEB is required to recover all of its annual operating costs from gas and electricity distributors and transmitters. During the first quarter of 2014, we incurred $3 million in OEB fees, compared to $3 million incurred in the same period in 2013.

At March 31, 2014, the amounts due from and to related parties as a result of the transactions referred to above were $207 million and $184 million, respectively, compared to $197 million and $230 million at December 31, 2013, respectively. At March 31, 2014, included in due to related parties were amounts owing to the IESO in respect of power purchases of $169 million, compared to $217 million at December 31, 2013.

CONSIDERATIONS OF CURRENT ECONOMIC CONDITIONS

Pension Plan

During the first three months of 2014, we contributed approximately $140 million to our pension plan, compared to contributions of approximately $160 million made during the same period in 2013. We also incurred $40 million in net periodic pension benefit costs, based on an actuarial valuation effective December 31, 2011. Actuarial valuations are minimally required to be filed every three years. We currently estimate our total annual pension contributions to be approximately $160 million for 2014, based on the projected level of pensionable earnings and the same actuarial valuation effective December 31, 2011. Future minimum contributions beyond 2014 will be based on an actuarial valuation effective no later than December 31, 2014. Our pension plan experienced positive returns of approximately 4.36% in the three months ended March 31, 2014.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Internal controls have been documented and tested for adequacy and effectiveness, and continue to be refined over all business processes, with emphasis on the newly implemented CIS module of SAP.

In compliance with the requirements of National Instrument 52-109, our Certifying Officers have reviewed and certified the unaudited interim Consolidated Financial Statements for the period ended March 31, 2014, together with other financial information included in our quarterly securities filings. Our Certifying Officers have also certified that disclosure controls and procedures have been designed to provide reasonable assurance that material information relating to our company is made known within our company. Further, our Certifying Officers have also certified that internal controls over financial reporting have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the unaudited interim Consolidated Financial Statements. There have been no changes in our internal controls over financial reporting during the first quarter of 2014 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

RECENT DEVELOPMENTS

Electricity Rates

Hydro One Brampton Networks

On April 23, 2014, Hydro One Brampton Networks filed a cost-of-service application with the OEB for 2015 distribution rates, to be effective January 1, 2015, seeking the approval of revenue requirement of approximately $74 million for 2015. In its application, Hydro One Brampton Networks also requested OEB approval for retail transmission service rates and the approval of rate riders to dispose of certain deferral and variance accounts. If the application is approved as filed, the resulting change to the distribution portion of the average customer bill will be an increase of approximately 5.6% in 2015, for a typical residential customer consuming 800 kWh per month. When considering total bill impact, the resulting change will be an increase of approximately 1.8% in 2015.

Hydro One Remote Communities

In October 2013, Hydro One Remote Communities filed an Incentive Regulation Mechanism (IRM) application with the OEB for 2014 distribution, seeking approval for a rate increase of approximately 0.48%. On March 13, 2014, the OEB approved an increase of approximately 1.7% to basic rates for the distribution and generation of electricity, with an effective date of May 1, 2014. The final rate increase was adjusted by the OEB's updated rate adjustment parameters and Hydro One Remote Communities' IRM stretch factor.

Major Projects

Supply to Essex County Transmission Reinforcement Project

On January 22, 2014, Hydro One Networks submitted a Leave to Construct application to the OEB under Section 92 of the *OEB Act* to construct a new 13-kilometre 230 kV double circuit transmission line in the Windsor-Essex region. The new transmission line will connect to a proposed transmission station in the Municipality of Leamington and an existing 230 kV transmission line in the Town of Lakeshore. The new transmission line and transmission station will address future growth in electricity demand and anticipated expansion in the local agricultural sector. They would also improve the reliability of electricity supply in the broader Windsor-Essex region.

Industry Developments

Environment Canada Regulations

In June 2013, Environment Canada issued Canada Gazette I, which included proposed amendments to the existing PCB regulations, including the extension of the end-of-use deadline beyond 2014 for equipment containing certain concentrations of PCBs. In April 2014, amendments to the PCB regulations were enacted and published in Canada Gazette II, with an effective date of January 1, 2015. The amendments will, among other things, extend the end-of-use deadline for our company's PCBs in concentrations of 500 parts per million or more from December 31, 2014 to December 31, 2025. An environmental liability is recorded based on regulations as currently enacted, and as such, our environmental liability as at March 31, 2014 is based on the current compliance date of December 31, 2014. We will assess the impact of the PCB regulations amendments on our environmental liabilities and will make the necessary adjustments to our estimated environmental liability balances during the remainder of 2014.

New 2015-2020 Conservation and Demand Management Framework

On March 31, 2014, the Minister of Energy issued a Directive to the OPA, directing the OPA to coordinate, support and fund the delivery of Conservation and Demand Management (CDM) programs through electricity distributors to achieve a total of 7 TWh of reductions in electricity consumption in the period 2015 to 2020. The funding source will be the global adjustment mechanism. The OPA will develop an allocation methodology to allocate the 7 TWh of reductions in electricity consumption among distributors. The OPA will also encourage distributors to aggregate CDM targets with neighbouring distributors to develop 21 regional CDM targets, and to work cooperatively to develop regional CDM plans. As a result, consumers in

Ontario could see a 7 TWh reduction in electricity consumption from 2015 to 2020 as these programs are phased in by their LDCs, including Hydro One.

On March 26, 2014, the Minister of Energy issued a Directive to the OEB, directing the OEB to amend the licences of electricity distributors regarding CDM activities for the period 2015 to 2020, to establish CDM requirement guidelines for electricity distributors, and to develop a Demand Side Management (DSM) policy framework for natural gas distributors for the same period. The coordination and integration of CDM and DSM activities is aimed to achieve efficiencies and convenient integrated programs for electricity and natural gas customers.

Performance Measurement and Continuous Improvement

On March 5, 2014, the OEB issued its *Report of the Board on Performance Measurement for Electricity Distributors: A Scorecard Approach* (Report) under its Renewed Regulatory Framework. The Report sets out the OEB's policies on the measures that will be used by the OEB to assess a distributor's effectiveness and improvement in achieving customer focus, operational effectiveness, public policy responsiveness, and financial performance to the benefit of existing and future customers, as well as the form and implementation of a performance monitoring tool – a Scorecard. The Scorecard is designed to track and show an individual distributor's performance gains over a period of time and at a point in time. Most of the measures included on the Scorecard leverage measures and reporting requirements that are already in place. Five new measures are also included to underscore the OEB's renewed focus on value to customers and effective planning and asset management. These new measures are: First Contact Resolution; Billing Accuracy; Customer Satisfaction Survey Results; Public Safety; and Distribution System Plan Implementation Progress. Public reporting of the Scorecards will commence in 2014.

On March 7, 2014, the OEB issued amendments to its Reporting and Record Keeping Requirements (RRR). In addition to the Scorecard changes, the amended RRR requires the reporting of: capital additions and capital expenditures; the details on customers whose distribution revenues exceed certain revenue levels; when material loss of load is incurred or expected; and revised reporting on capital.

Regional Plans

In August 2013, the OEB amended the Transmission System Code and Distribution System Code to implement a more formal and structured approach to regional planning in Ontario. The new regional planning approach consists of two main processes: the Regional Infrastructure Planning (RIP) to be led by transmitters, and the Integrated Regional Resource Planning (IRRP) to be led by the OPA. The RIP process focuses mainly on wires planning, both transmission and distribution, and the IRRP process focuses on resources planning (e.g. generation, conservation and demand management) and the integration of resources with the wires planning. The development of regional plans will involve close coordination of the two processes and active participation by the OPA, transmitters, distributors and other applicable agencies such as the IESO.

The regional plans are intended to support investments brought forward in transmitter and distributor rate submissions and transmitter Leave to Construct applications. Regional plans are to be reviewed or developed at least every 5 years. The OEB expects the first cycle of regional plans for all regions in Ontario to be completed in the next 3 to 4 years. For regional planning purposes, the province has been subdivided into 21 regions. Hydro One is the lead transmitter responsible for the RIP process for 19 of the 21 regions. Planning activities are underway and the regional plans are expected to be completed between 2015 and 2017.

Advisory Council on Government Assets

On April 11, 2014, the Province announced the appointment of an advisory council on government assets (Council) to recommend ways to improve the efficiency and optimize the full value of Hydro One, OPG, and the Liquor Control Board of Ontario (LCBO). The announcement stated that, as part of its review, the Council will consider various options to generate better returns and revenues to maximize the value of our company, OPG and LCBO to the Province, including such measures as efficient governance, growth strategies, corporate reorganization, mergers, acquisitions, and public-private partnerships. The announcement also stated that the Council will give preference to owning rather than selling core assets. Our company welcomes the work of the Council and will fully participate in the process.

Other

Changes to our Board of Directors

On March 7, 2014, our shareholder, the Minister of Energy, on behalf of the Government of Ontario, announced that Sandra Pupatello would be appointed Chair of our Board of Directors, effective April 1, 2014, and on April 1, 2014, the shareholder formally elected Ms. Pupatello as our new Chair. Ms. Pupatello is the Director of Business Development and Global Markets at PricewaterhouseCoopers Canada. She is also the Chief Executive Officer of the WindsorEssex Economic Development Corporation. Ms. Pupatello has been a member of our Board of Directors since November 2013.

On April 11, 2014, the following new members were added to our Board of Directors: William Limbrick, Tom Moss, and John Wiersma. William Limbrick was the Vice President of Information and Technology Services, Chief Information Officer of the IESO, and a Principal Consultant within the utilities practice of PricewaterhouseCoopers and Sun Life Assurance in the United Kingdom. Tom Moss is the former President and Chief Operating Officer of Telecom Ottawa, and has held strategic policy positions in the federal government at Treasury Board and Industry Canada. John Wiersma P. Eng. is a former director of the Electrical Safety Authority (Ontario) and IESO Board of Directors, and a former member of the Board of the Electrical and Utilities Safety Association and the Canadian Energy Efficiency Alliance.

On April 25, 2014, the following new members were added to our Board of Directors: Sally Daub, Maureen Sabia, and Carole Workman. Sally Daub is the President and Chief Executive Officer of ViXS Systems, a former chair of the Small Business Agency of Ontario, and a former board member of the Information Technology Association of Canada and the Global Semiconductor Association. Maureen Sabia is the Chair of the Board of Canadian Tire Corporation Limited, and has an extensive background with organizations at the provincial and federal levels. She has been named one of Canada's Most Powerful Women and is also an officer of the Order of Canada. Carole Workman is a member of the Board of Allstate Insurance of Canada (Toronto). She also served on the Board of the Ottawa Hospital and its affiliates since 2007, and is a former member of the Board of Hydro Ottawa Holding Inc.

On April 1, 2014, James Arnett resigned from our Board of Directors. Mr. Arnett has been a member and Chair of our Board of Directors since March 2008. The Board of Directors terms for Michael Mueller, Walter Murray, Robert Pace, and Douglas Speers expired on April 11, 2014.

SELECTED FINANCIAL HIGHLIGHTS AND RATIOS

Three months ended March 31 (millions of Canadian dollars, except earnings per share and ratios)	**2014**	**2013**
Net income	240	257
Net cash from operating activities	149	161
Capital investments	296	270
Earnings per common share	2,357	2,525
Earnings coverage ratio[1]	2.93	2.96
Net assets coverage on long-term debt ratio[2]	1.81	1.82
Total debt to capitalization ratio[3]	55%	55%

[1] The earnings coverage ratio has been presented for the twelve months ended March 31, 2014 and March 31, 2013, and has been calculated as the sum of net income, provision for PILs and financing charges divided by the sum of financing charges, capitalized interest and cumulative preferred dividends.

[2] The net asset coverage on long-term debt ratio has been presented as at March 31, 2014 and December 31, 2013, and has been calculated as total assets minus total liabilities excluding long-term debt (including current portion) divided by long-term debt (including current portion).

[3] Total debt to capitalization ratio has been presented as at March 31, 2014 and December 31, 2013, and has been calculated as total long-term debt divided by total long-term debt plus total shareholder's equity and preferred shares.

NEW ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncements

In July 2013, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2013-11, Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. This ASU provides guidance on the presentation of unrecognized tax benefits, and was effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The adoption of this ASU did not have a significant impact on our interim Consolidated Financial Statements.

FORWARD-LOOKING STATEMENTS AND INFORMATION

Our oral and written public communications, including this document, often contain forward-looking statements that are based on current expectations, estimates, forecasts and projections about our business and the industry in which we operate, and include beliefs and assumptions made by the management of our company. Such statements include, but are not limited to: expectations regarding energy-related revenues and profit and their trend; statements about CDM; statements about our strategy, including our strategic objectives; statements regarding the new regional planning process; statements regarding our liquidity and capital resources and operational requirements; statements about our revolving credit facility; statements regarding our financing activities, including expectations related to our credit ratings; statements regarding our maturing debt; statements regarding our ongoing and planned projects and/or initiatives including the expected results of these projects and/or initiatives (including productivity savings, process improvements, and customer satisfaction/impact) and their completion dates; expectations regarding the recoverability of large capital investments; statements regarding expected future capital and development investments, the timing of these expenditures and our investment plans; statements regarding contractual obligations and other commercial commitments; statements related to the OEB, including statements about the Report and Scorecard; statements regarding future pension contributions, our pension plan and actuarial valuation; statements about our outsourcing arrangement with Inergi and such future outsourcing arrangements; expectations regarding costs of compliance with environmental regulations; statements related to the Council; and statements related to our acquisition of Norfolk Power. Words such as "expect", "anticipate", "intend", "attempt", "may", "plan", "will", "believe", "seek", "estimate", "goal", "aim", "target", and variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve assumptions and risks and uncertainties that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed, implied or forecasted in such forward-looking statements. We do not intend, and we disclaim any obligation, to update any forward-looking statements, except as required by law.

These forward-looking statements are based on a variety of factors and assumptions including, but not limited to, the following: no unforeseen changes in the legislative and operating framework for Ontario's electricity market; favourable decisions from the OEB and other regulatory bodies concerning outstanding rate and other applications; no delays in obtaining the required approvals; no unforeseen changes in rate orders or rate structures for our distribution and transmission businesses; continued use of US GAAP; a stable regulatory environment; the PCB regulations in effect as of March 31, 2014; and no significant event occurring outside the ordinary course of business. These assumptions are based on information currently available to us, including information obtained from third-party sources. Actual results may differ materially from those predicted by such forward-looking statements. While we do not know what impact any of these differences may have, our business, results of operations, financial condition and our credit stability may be materially adversely affected. Factors that could cause actual results or outcomes to differ materially from the results expressed or implied by forward-looking statements include, among other things:

- the risk that unexpected capital investments may be needed to support renewable generation or resolve unforeseen technical issues;
- the risk that previously granted regulatory approvals may be subsequently challenged, appealed or overturned;
- the impact of the LTEP on our company and the costs and expenses arising therefrom;
- the risk that future environmental expenditures are not recoverable in future electricity rates;
- the risk that the presence of release of hazardous or harmful substances could lead to claims by third parties and/or governmental orders;

- the risk that assumptions that form the basis of our recorded environmental liabilities and related regulatory assets may change;
- the risks associated with information system security, with maintaining a complex IT system infrastructure, and with transitioning most of our financial and business processes to an integrated business and financial reporting system;
- public opposition to and delays or denials of the requisite approvals and accommodations for our planned projects;
- the risks associated with being controlled by the Province including the possibility that the Province may make declarations pursuant to the memorandum of agreement, as well as potential conflicts of interest that may arise between us, the Province and related parties;
- the risks associated with being subject to extensive regulation including risks associated with OEB action or inaction, including regulatory decisions regarding our revenue requirements, cost recovery, rates, acquisitions and divestitures;
- unanticipated changes in electricity demand or in our costs;
- the risk that we are not able to arrange sufficient cost-effective financing to repay maturing debt and to fund capital investments and other obligations;
- the risks associated with the execution of our capital and operation, maintenance and administration programs necessary to maintain the performance of our aging asset base;
- the risk to our facilities posed by severe weather conditions, natural disasters or catastrophic events and our limited insurance coverage for losses resulting from these events;
- future interest rates, future investment returns, inflation, changes in benefits and changes in actuarial assumptions;
- the risks of counterparty default on our outstanding derivative contracts;
- the risks associated with current economic uncertainty and financial market volatility;
- the risk that our long-term credit rating would deteriorate;
- the risk that we may incur significant costs associated with transferring assets located on Reserves (as defined in the *Indian Act* (Canada));
- the potential that we may incur significant expenses to replace some or all of the functions currently outsourced if our agreement with Inergi is terminated or expires before a new service provider is selected; and
- the impact of the ownership by the Province of lands underlying our transmission system.

We caution the reader that the above list of factors is not exhaustive. Some of these and other factors are discussed in more detail in the section Risk Management and Risk Factors in the 2013 MD&A. You should review this section in detail.

In addition, we caution the reader that information provided in this MD&A regarding our outlook on certain matters, including potential future investments, is provided in order to give context to the nature of some of our future plans and may not be appropriate for other purposes.

Additional information about the Company, including the Company's Annual Information Form for the year ended December 31, 2013, can be found on SEDAR at www.sedar.com and on the US Securities and Exchange Commission's website at www.sec.gov.

Hydro One Networks Inc.
Distribution
Reconciliation of Regulatory Financial Results with Audited Financial Statements
For year ending December 31, 2013

	Total per Exhibit A-12-1, Attachment 3 (a)	Adjustments (b)	Utility Income (c)
Revenue			
Energy Sales	3,806		3,806
Rural Rate Protection	125		125
Other	40		40
	3,971	-	3,971
Costs			
Purchased Power	2,620		2,620
Operations, maintenance and administration (Note 1)	611	-	611
Depreciation and amortization	321		321
Capital Taxes (Note 1)		-	-
	3,552	-	3,552
Income before financing charges and provision for payments in lieu of corporate income taxes	419	-	419
Financing Charges	137		137
Income before provision for payments in lieu of corporate income taxes	282	-	282
Provision for Payments in lieu of corporate income taxes (Note 2)	24	6	30
Net Income	258	(6)	252

Note 1: Balance in "Capital Tax and Other Costs" (TB acct#683010) is $0. Therefore, no adjustment.

Note 2: From 2013 Financial Statements - Overhead capitalized for accounting but deducted for tax purposes (FS note 6)

HYDRO ONE NETWORKS INC.
2013 Distribution Financial Statements mapping reconciled to USofA Trial Balance

BALANCE SHEET (December 31, 2013)

	Financial Statement Item	USofA Account/s	$M's
	ASSETS		
	Current assets		
1	Inter-company demand facility	1110, 2205, 2240	47
2	Accounts receivable	1100, 1105, 1110, 1130, 2294, 2220	853
3	Materials and supplies	1330	6
4	Deferred Income Tax Assets	1190	8
5	Current - Other	1460, 1180, 1190,1100	12
7	Regulatory Assets - Short Term	1525	15
8	Current Assets		941
	Fixed assets in service		
9	Generation Plant	1615, 1620, 1665, 1675, 1680	1
10	Distribution Plant	1805, 1806, 1808, 1815, 1820, 1830, 1835, 1840, 1845, 1850, 1860	7,875
11	General Plant	1905, 1908, 1910, 1915, 1920, 1925, 1930 1935, 1940, 1945, 1950, 1955, 1960, 1980, 1985, 1990	988
12	Fixed Assets in Service		8,864
13	Less: accumulated depreciation	2105	(3,279)
14			5,585
15	Construction in progress	2055	323
16	Future Use Land, Components and Spares	2040	45
17			5,953
18	Other long-term assets		
19	Regulatory assets	1460, 1508, 1518, 1521, 1525, 1533, 1548, 1550, 1551, 1555, 1556, 1580, 1584, 1586, 1588, 1590, 1595, 2220, 2405	705
20	Intagible Assets - Net of Accumulated Depreciation	1610, 2055, 2120	204
21	Goodwill	2060	73
22	Deferred Debt cost	1425	13
23	Derivative Instruments	1460	2
24	Other Long-term Assets		997
25	**TOTAL ASSETS**		**7,891**
	LIABILITIES		
	Current liabilities		
26	Accounts Payable	2205, 2220, 2292, 2530	59
27	Accrued Liabilities	1100, 1110, 2210, 2215, 2220, 2250, 2290, 2292, 2294	592
28	Regulatory Liabilities - Short Term	1525, 1533, 1590, 1595, 2294, 2405	26
29	Accrued Interest	2268	38
30	Long-term debt payable within one year	2260	176
31	Current Liabilities		891
32	Long-term debt	2520	3,140
	Other long-term liabilities		
33	Employee future benefits other than pension	2306	824
34	Future Income Tax Liability	2350	306
35	Environmental liabilities	2320	139
36	Regulatory liabilities-retail settlement variance accounts	1508, 1592, 2405, 2220	110
37	Asset retirement obligations	2425	4
38	Net unamortized debt premiums	2520	11
39	Long-term accounts payable & other liabilities	2425	1
40	Other Long Term Liabilities		1,395
41	**TOTAL LIABILITIES**		**5,426**
42	Excess of assets over liabilities		2,465
43	**TOTAL LIABILITIES and EXCESS OF ASSETS OVER LIABILITIES**		**7,891**

HYDRO ONE NETWORKS INC.

2013 Distribution Financial Statements reconciled to USofA Trial Balance

STATEMENT OF OPERATIONS (Year ended December 31, 2013)

	Financial Statement item	USofA Account/s	$M's
	REVENUE		
44	Energy sales	4000, 4006, 4020, 4025, 4035, 4055, 4062, 4066, 4068, 4076, 4080,4086	3,806
45	Rural rate protection	4245	125
46	Other Revenue	4225, 4235, 4325, 4375	40
47	**TOTAL REVENUE**		**3,971**
	COSTS		
48	Purchased power	4705, 4707, 4708, 4710, 4714, 4716, 4750, 4751	2,620
	Operation, maintenance & administration		
49	Operation	5005, 5010, 5012, 5014, 5015, 5016, 5017, 5020, 5025, 5030, 5035, 5040, 5045, 5050, 5055, 5060, 5065, 5070, 5075, 5085	
50	Maintenance	5105, 5110, 5112, 5114, 5120, 5125, 5130, 5135, 5145, 5150, 5155, 5160 ,5165, 5170, 5172	
51	Billing and Collecting	5310, 5315, 5320, 5335, 5340, 6205	611
52	Community Relations	5410, 5415, 5420	
53	Administrative and General Expenses	4330, 5605, 5610, 5615, 5625, 5630, 5635, 5655, 5665, 5670, 5675, 5680, 6105	
54	Depreciation and amortization	5705, 5715, 4355	321
55	**TOTAL COSTS**		**3,552**
56	**Income before financing charges & provision for payments in lieu of corporate income taxes**		**419**
57	Financing charges	6005, 6010, 6035, 6040	137
58	**Income before provision for payments in lieu of corporate income taxes**		**282**
59	Provision for payments in lieu of corporate Income taxes	6110	24
60	**NET INCOME**		**258**

RATING AGENCY REPORTS

Included in this Exhibit are copies of the most recent rating agency reports performed by Dominion Bond Rating Service, Moody's Investor Service and Standard & Poor's.

Attachment 1: Standard & Poor's Research, dated: July 19, 2013

Attachment 2: DBRS Report, dated: October 10, 2013

Attachment 3: Moody's Investor Service, Credit Opinion Dated: November 8, 2013

Attachment 4: DBRS Report, dated: April 10, 2014

Rating Report

Report Date:
April 10, 2014

Previous Report:
October 10, 2013

Insight beyond the rating.

Hydro One Inc.

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The Company

Hydro One Inc. is the largest regulated electric transmission and distribution utility in Ontario, serving more than 97% of the province's transmission throughput. The Company also owns a fibre-optic network across most of Ontario. Hydro One is wholly owned by the Province of Ontario (rated AA (low)).

Commercial Paper

Authorized Limit of $1.0 Billion

Recent Actions

March 8, 2013
Confirmed

Rating

Debt Rated	Rating	Rating Action	Trend
Issuer Rating	A (high)	Confirmed	Stable
Commercial Paper	R-1 (middle)	Confirmed	Stable
Senior Unsecured Debentures	A (high)	Confirmed	Stable

Rating Update

DBRS has confirmed the Issuer Rating and the Senior Unsecured Debentures rating of Hydro One Inc. (Hydro One or the Company) at A (high), and the Commercial Paper rating at R-1 (middle). All trends are Stable. The ratings confirmation is underpinned by the Company's low business risk profile, a supportive regulatory framework in Ontario and a strong financial profile sustained by stable earnings and cash flows. The Stable trend assumes that the regulatory regime under the Renewed Regulatory Framework will continue to remain reasonable, allowing the Company to earn adequate returns and pass through prudently incurred costs on a timely basis.

Hydro One's business risk profile is indicative of an A (high) rating as the Company operates in an extensive franchise area, with regulated transmission and distribution businesses in Ontario accounting for substantially all its earnings. DBRS continues to view the regulatory framework in Ontario as reasonable for regulated transmission and distribution operators (refer to Assessment of Hydro One's Regulatory Environment on Page 8). In late 2013, the Ontario Energy Board (OEB) released a final report on its Renewed Regulatory Framework, setting out policies and approaches to the rate adjustment parameters for incentive rate (IR) setting and the benchmarking of total cost performance. DBRS views the parameters of the Custom Incentive Rate-setting option under the Renewed Regulatory Framework as modestly positive for Hydro One's distribution business (35% of EBIT) as it provides greater clarity for recovery and pass through of capital costs to ratepayers, and it reduces pressure on utilities to meet operating efficiency targets. However, this is somewhat offset by the modestly higher regulatory lag under the Custom IR regime, which the Company will operate under, as it has a minimum term of five years as compared with the previous three-year rate setting process. It also remains to be seen how operating expenses and capex will be scrutinized as the Company proceeds under the Custom IR framework.

Hydro One's financial profile reflects an A (high) rating as key credit metrics have remained in the upper range of the "A" rating category. Hydro One's ratings are on a stand-alone basis but are constrained by the rating of the Province of Ontario (the Province; rated AA (low)), which acts as a ceiling. DBRS assumes that Hydro One's rate base will continue to grow and provide incremental cash flow to fund the majority of capex and maintain debt-to-capital at around 55%, with minimal regulatory lag and no significant cost-overruns.

Rating Considerations

Strengths
(1) Low business risk
(2) Strong financial profile
(3) Extensive franchise area
(4) Indirect support from the province of Ontario

Challenges
(1) High level of planned capex
(2) Project construction risk
(3) Significant external financing requirements
(4) Limited access to equity markets

Financial Information

Hydro One Inc.	For the year ended December 31				
(CAD millions where applicable)	2013	2012	2011	2010	2009
EBIT gross interest coverage (times)	3.06	2.91	2.75	2.42	2.23
Total debt in capital structure	55.1%	55.5%	55.5%	56.5%	56.2%
Cash flow/Total debt	15.3%	15.4%	14.6%	13.9%	13.8%
(Cash flow-dividends)/Capex (times)	0.83	0.65	0.70	0.67	0.50
Net income before non-recurring items	795	736	632	579	470
Cash flow from operations	1,390	1,313	1,176	1,080	964

Rating Considerations

Strengths

(1) **Low business risk.** Substantially all of the Company's earnings are contributed by its low-risk regulated distribution and transmission businesses, which operate under a reasonable regulatory framework.

(2) **Strong financial profile.** The Company continues to maintain strong credit metrics and a healthy balance sheet (debt-to-capital ratio at 55.1%, EBIT interest coverage at 3.06 times and cash flow-to-debt at 15.3%, for 2013).

(3) **Extensive franchise area.** Hydro One owns the largest transmission and distribution businesses in Ontario. The Company serves approximately 96.8% of the Province's transmission throughput, including servicing 47 Local Distribution Companies (LDCs). The distribution component of the Company spans approximately 75% of the Province, serving approximately 1.4 million customers (rural and urban).

(4) **Indirect support from the Province.** The Province provides indirect support to Hydro One with respect to the flexibility of its dividends, which allows Hydro One to maintain its leverage below the 60% set by the OEB. Hydro One's ratings are capped at one notch below the Province's rating, which acts as a ceiling. If the Province's rating is downgraded, negative rating action could be warranted for the Company. However, given that Hydro One is rated on a stand-alone basis, an upgrade of the Province's rating would not likely result in an upgrade of Hydro One's rating.

Challenges

(1) **High level of planned capex.** Hydro One is currently in the midst of an aggressive build-out program that will continue over the next several years. Capex is expected to be approximately $1.6 billion in each of the next two years ($950 million for Transmission and $650 million for Distribution in the first year). Therefore, DBRS expects the Company to generate free cash flow deficits over this time frame. These sizable free cash flow deficits, combined with lengthy construction times, will continue to put temporary pressure on the balance sheet and coverage ratios during the build-out.

(2) **Project construction risk.** The size and magnitude of Hydro One's upcoming designated projects, combined with the continued increases in material and labour costs and the significant number of interveners involved, could potentially expose Hydro One to rising project costs beyond the amounts forecasted in its regulatory applications. There is no assurance that cost overruns beyond the regulatory-approved amounts will be recovered if deemed imprudent by the OEB. However, DBRS notes that Hydro One is experienced in managing projects and is focused on mitigating the risk of cost overruns.

(3) **Significant external funding requirements.** Significant external funding is required to finance the potentially sizable free cash flow deficits expected over the near to medium term. Maintaining adequate access to the public debt markets (term and commercial paper) is critical to the Company during this key build-out phase.

(4) **Limited access to equity markets.** Hydro One's ownership structure (100% owned by the Province) limits its ability to access the equity markets directly. As a result, Hydro One's additional cash flow needs are being financed largely through its retained earnings and short- and long-term debt issuances.

Earnings and Outlook

(CAD millions where applicable)	For the year ended December 31				
	2013	**2012**	**2011**	**2010**	**2009**
Net Sales	3,054	2,954	2,843	2,650	2,418
EBITDA	1,948	1,883	1,751	1,572	1,361
EBIT	1,272	1,224	1,135	989	824
Gross interest expense	416	421	412	409	369
Earning before taxes	901	854	779	630	516
Net income before non-recurring items	795	736	632	579	470
Reported net income	803	745	641	591	470
Return on equity	11.2%	11.1%	10.2%	10.2%	8.9%

	2013	**2012**	**2011**	**2010**	**2009**
Transmission rate base (CAD billions)	9.35	8.80	7.90	7.60	7.00
Distribution rate base (CAD billions)	NA	NA	5.10	4.80	NA

NA = rate base was not adjusted

Segmented Information	For the year ended December 31				
(CAD millions)	2013	2012	2011	2010	2009
Net Sales					
Transmission	1,529	1,482	1,389	1,307	1,147
Distribution	1,464	1,410	1,391	1,280	1,208
Other	61	62	63	63	63
Total Revenues	3,054	2,954	2,843	2,650	2,418
EBIT by segment					
Transmission	827	760	665	618	469
Distribution	452	473	478	378	357
Other	(7)	(9)	(8)	(7)	(2)
Total EBIT	1,272	1,224	1,135	989	824

2013 Summary

- Hydro One's earnings have continued to increase over the past five years, mainly as a result of the Company's increased regulatory asset base, driven by high capex.

2014 Outlook

- Earnings are expected to increase modestly in line with rate base increases over the near to medium term, given the high level of planned capex. Capex will be mainly spent to service the Company's aging infrastucture in the trasmission and distribution businesses and to interconnect new facilities to the grid.

Financial Profile

(CAD millions where applicable)	For the year ended December 31 2013	2012	2011	2010	2009
Net income before non-recurring items	795	736	632	579	470
Depreciation & amortization	597	589	550	526	487
Deferred income taxes and other	(2)	(12)	(6)	(25)	7
Cash flow from operations	1,390	1,313	1,176	1,080	964
Dividends paid	(218)	(370)	(168)	(28)	(188)
Capital expenditures	(1,412)	(1,454)	(1,447)	(1,570)	(1,566)
Free cash flow (bef. working cap. changes)	(240)	(511)	(439)	(518)	(790)
Changes in non-cash work. cap. items	11	(40)	184	94	(38)
Changes in regulatory assets	3	12	47	(10)	(34)
Net Free Cash Flow	(226)	(539)	(208)	(434)	(862)
Acquisitions & long-term investments	0	0	0	(250)	0
Short-term investments	0	0	0	0	0
Proceeds on asset sales	0	0	0	0	0
Amount to be financed	(226)	(539)	(208)	(684)	(862)
Net equity change	0	0	0	0	0
Net debt change	574	488	239	845	805
Other	22	18	25	37	15
Change in cash	370	(33)	56	198	(42)
Total debt	9,088	8,521	8,047	7,778	6,962
Cash and equivalents	565	195	228	172	0
Total debt in capital structure	55.1%	55.5%	55.5%	56.5%	56.2%
Cash flow/Total debt	15.3%	15.4%	14.6%	13.9%	13.8%
EBIT gross interest coverage (times)	3.06	2.91	2.75	2.42	2.23
Dividend payout ratio	27.4%	50.3%	26.6%	4.8%	40.0%

2013 Summary

- Overall, Hydro One has maintained a strong financial profile with key credit metrics, including leverage, interest coverage and cash flow ratios, remaining within the A (high) rating category.
- Cash flow from operations remains strong, improving over time in line with an increasing rate base.
- Cash flow deficits persist primarily because of increased capex related to infrastructure upgrades and developing system reliability. Free cash flow deficits have been mainly funded by debt and dividend management.
- Unlike other provincially and municipally owned distributors, Hydro One benefits from a flexible dividend program, unrestricted by any earnings threshold level.
- As the equity base has grown at a similar pace as debt, leverage has remained stable at 55% over the past three years.

2014 Outlook

- DBRS expects free cash flow deficits to continue as the Company plans to incur capital expenditures of approximately $1.6 billion in each year from 2014 to 2016, to build critical infrastructure and expenditures to address Company's aging power system infrastructure.
- DBRS anticipates that free cash flow deficits will be funded prudently through debt issuance and dividend management in order to maintain debt leverage in the 55% to 60% range
- Key credit metrics are expected to remain reasonable for the current rating category during this period of high capex, given that cash flow from operations is expected to grow over the medium to long term as capital projects are included in the rate base.

Long-Term Debt Maturities and Bank Lines

- The Company's liquidity profile remains reasonable and provides it with sufficient funds for normal operating requirements.

(CAD millions - As at December 31, 2013)	Amount	Draw/LOCs	Available	Maturity
Cash & Cash Equivalents	565		565	
Committed Revolving Facility	1,500	-	1,500	Jun-18
Ontario Floating Rate Notes	251	-	251	Nov-14
Total	**2,316**	-	**2,316**	

- Hydro One has access to a $1.0 billion commercial paper program. This is supported by a revolving facility ($1.5 billion) and a $251 million holding in Province of Ontario Floating-Rate Notes.
- On May 31, 2013, Hydro One increased the size of its revolving credit facility to $1.5 billion from $1.25 billion and extended the maturity date from June 2017 to June 2018.
- Under the credit facility, Hydro One cannot exceed 75% of total capitalization, and third-party debt issued by its subsidiaries cannot exceed 10% of total book value of its assets. Hydro One was in compliance with these covenants as at December 31, 2013.
- Hydro One's continued access to the capital markets through its Medium-Term Notes (MTN) and commercial paper programs will be crucial over the next few years, given its infrastructure upgrade mandate.
- In October 2013, Hydro One issued $1,185 million of notes with a $750 million five-year tranche and a $435 million 30-year tranche. The proceeds were used to fund the retirement of $600 million of long-term debt and to fund a portion of its capex.
- Under its $3 billion MTN shelf prospectus, $1,640 million is available for issuance until October 2015.
- Hydro One completed a 50-year, $50 million MTN offering in January 2014 and a $125 million five-year Floating-Rate Note in March 2014.

Long-term Debt Maturities

(CAD millions - As at December 31, 2013)	2014	2015	2016	2017	2018	Thereafter	Total
Principal Repayments	750	550	500	600	750	6,070	9,220
% of Total	8%	6%	5%	7%	8%	66%	100%

- Hydro One has existing debt maturities of $750 million in 2014 and $550 million in 2015.
- DBRS expects Hydro One to refinance its debt maturities in the medium term, despite the frequency of maturities.

Major Projects (Potential and Under Construction)

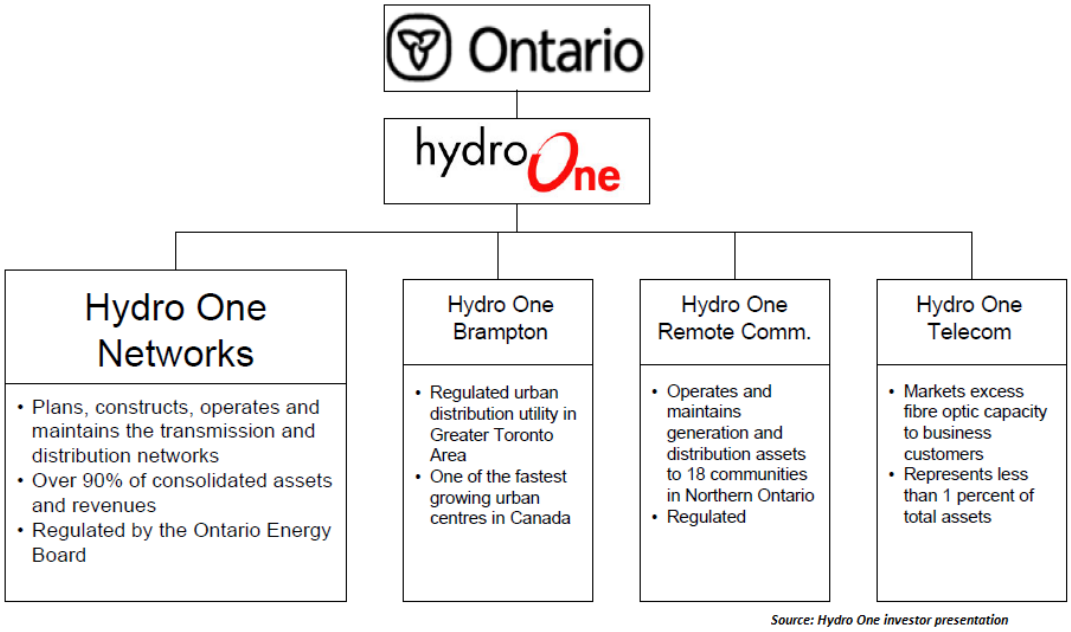
- On April 2, 2013, Hydro One reached an agreement with The Corporation of Norfolk County to acquire 100% of the common shares of Norfolk Power Inc. (Norfolk Power), an electricity distribution and telecom company located in southwestern Ontario. The acquisition is pending a regulatory decision from the OEB. The purchase price for Norfolk Power will be approximately $93 million, and the transaction is anticipated to close by mid-2014.
- Capital investments for the next few years will include expenditures required to build critical infrastructure (Development capex – $450 million to $500 million annually) identified in the Long-Term Energy Plan, which is based on recommendations from the Ontario Power Authority, and expenditures to address aging power system infrastructure mainly in the distribution business (Sustainment capex – $900 million).*
- Development projects include the inter-area network upgrades that reflect supply mix policies, local area supply improvements, the Advanced Distribution System (ADS) project, new load and generation connections and requirements to enable Distributed Generation (DG), and customer demand work.
- Development future capital investments include the Clarington Transmission Station Project to install additional auto-transformer capacity in the east Greater Toronto Area; the Guelph Area Transmission

Refurbishment Project, an upgrade of a transmission line and transmission stations in south-central Guelph; investments in ADS; requirements to enable DG; and up to four other transmission station upgrades, which when combined with the new Hearn Switching Station, will collectively enable up to 600 megawatts (MW) of new generation capacity in the Niagara, Toronto and Ottawa areas.

- West of London Transmission Lines: The aim of the projects is to add between 500 MW and 1,000 MW to the grid. These projects are in the early stages, with an expected completion date in 2017, contingent on the necessary regulatory approvals. Estimated costs range from $300 million to $450 million.
- Other capital expenditures include investments in operating infrastructure integration, IT, fleet services and facilities, and real estate.

*The figures above are released by the Ontario Power Authority and are still in the early stages.

Organizational Chart



Source: Hydro One investor presentation

Description of Operations

- Earnings are principally generated from its regulated transmission and distribution businesses.
- Largest electricity transmission and distribution company in Ontario.
- Hydro One Telecom Inc. is the unregulated operation of the Company that accounts for less than 1% of total assets. It markets dark and lit fibre optic capacity to commercial and telecommunication carriers.
- Operates two principal distinct business segments:

(1) Transmission

- One of the largest in North America as measured by assets.
- Owns and operates approximately 96.8% of transmission capacity in Ontario as measured by revenues.
- Has a 29,000 circuit kilometer high-voltage network, serving its own distribution network as well as 47 LDCs and 92 transmission connected companies.

(2) Distribution

- Largest distribution system in the Province based on assets, covering about 75% of Ontario.
- Distributes electricity over 120,500 kilometers, reaching approximately 1.4 million customers in a number of municipalities and rural areas.
- Approximately 60% of the distribution revenues are earned from residential customers.

Regulation

Regulatory Overview

- Hydro One's transmission and distribution businesses are licensed and regulated by the OEB. DBRS has assessed the regulatory environment to be satisfactory. (Refer to Assessment of Hydro One's Regulatory Environment on Page 8)
- Under the cost-of-service methodology, Hydro One is provided a reasonable opportunity to recover its forecast costs, including operating expenses, depreciation, costs of debt and taxes.
- In 2012, the OEB issued its report, *Renewed Regulatory Framework for Electricity Distributors: A Performance Based Approach*. This report established a new rate-setting policy that contains three rate-setting methods: 4th Generation Incentive Rate-setting (suitable for most distributors), Custom Incentive Rate-setting (suitable for those distributors with large or highly variable capital requirements) and the Annual Incentive Rate-setting Index (suitable for distributors with limited incremental capital requirements). Each distributor may select the rate-setting method that best meets its needs and circumstances, and apply to the Board to have its rates set on that basis beginning with 2014 rates.
- In December 2013, the OEB released its final report on parameters related to the Renewed Regulatory Framework, which sets out the OEB's policies and approaches to the rate adjustment parameters for incentive rate setting for electricity distributors and the benchmarking of electricity distributor total cost performance. DBRS views the implementation of the Custom Incentive Rate-setting option under the Renewed Regulatory Framework as modestly positive for Hydro One as it provides (1) greater clarity with respect to a company's ability to recover high capital costs, (2) a much less onerous operating efficiency target and (3) the ability for companies to reopen regulatory rate cases should unexpected increases in operating costs occur before the end of the regulatory term. However, utilities are required to operate under the Custom IR framework for a longer period (five years), which modestly increases regulatory lag.
- On January 9, 2014, the OEB approved Hydro One's 2014 transmission revenue requirement for use in setting the 2014 Ontario Uniform Transmission Rates of $1446.4 million ($1,390.8 million in 2013) and an allowed 2014 return on equity (ROE) of 9.36% (8.93% in 2013). DBRS views this ROE increase as modestly postive.
- Hydro One is responsible for delivering electricity and billing customers at approved distribution rates, purchased power costs and other approved regulatory charges. Substantially all purchased power costs and other approved regulatory charges are settled through the Independent Electricity System Operator (IESO), which facilitates payments to generators, and the Ontario Electricity Financial Corporation (OEFC).
- Under the Ontario electricity market structure, low-volume and designated consumers pay electricity rates established through the Regulated Price Plan (RPP), and wholesale electricity consumers pay a blend of regulated, contract and wholesale spot market prices. The OEB sets prices for RPP customers based on both a two-tiered electricity pricing structure, with seasonal consumption thresholds, and a three-tiered electricity pricing structure with Time of Use (TOU) thresholds. Virtually all of Hydro One's RPP customers are now on TOU billing.
- The OEB uses a deemed debt-to-common equity structure of 60% to 40% for both transmission and distribution. Debt is divided into 56% long term and 4% short term.

Assessment of Hydro One's Regulatory Environment

Criteria	Score	Analysis
(1) Deemed Equity	Excellent Good Satisfactory Below Average Poor	The OEB allows Hydro One to have a deemed equity of 40%, which has been consistent historically.
(2) Allowed ROE	Excellent Good Satisfactory Below Average Poor	The OEB approved a revenue requirement of $1446.4 million ($1,390.8 million in 2013) and an allowed return on equity (ROE) for transmission business of 9.36% (8.93% in 2013) for 2014. ROE for distribution business has averaged between 9.5% and 10% in the past few years.
(3) Energy Cost Recovery	Excellent Good Satisfactory Below Average Poor	No power price risk as the Company is allowed to pass through the entire cost of purchased power used by its customers. In addition, the OEB approves rate riders to allow for the recovery or disposition of specific regulatory accounts over specified timeframes.
(4) COS vs. IRM	Excellent Good Satisfactory Below Average Poor	Hydro One is regulated under an incentive rate mechanism (IRM). Distribution rates are set based on five-year custom rate application with the OEB with rate rebasing each year. Transmission rates are based on cost-of-service (COS) application rate orders approved by the OEB annually.
(5) Capital Cost Recovery	Excellent Good Satisfactory Below Average Poor	Major capital costs are pre-approved by the OEB and added to rate base after the completion.

Criteria	Score	Analysis
(6) Political Interference	Excellent Good Satisfactory Below Average Poor	After years of a relatively stable political and regulatory environment, the utility sector in Ontario could face growing challenges. As generation costs potentially rise above and ultimately test the political ceiling (10% increase of the total bill annually), it may be difficult for the utilities to pass costs onto the ratepayers.
(7) Retail Rate	Excellent Good Satisfactory Below Average Poor	Retail rates in Ontario are at the mid-range of rates in other Canadian provinces. In 2013, Hydro One customers paid between 12.4cents/kWh to 12.9 cent/kWh on peak rates, which were 1.3% higher than 2012. Ontario's real GDP grew by 2.3% in 2013.
(8) Stranded Cost Recovery	Excellent Good Satisfactory Below Average Poor	Hydro One has limited history of stranded costs. Most prudently incurred or budgeted capital expenditures are approved by the OEB. DBRS notes that there can be some regulatory lag in the approval of capital expenditures.
(9) Rate Freeze	Excellent Good Satisfactory Below Average Poor	From 2002 to 2005, due to rising rates during Ontario's experimental utility deregulation phase, a distribution rate freeze was imposed province-wide. There have been no subsequent province-wide rate freezes.
(10) Market Structure (Deregulation)	Excellent Good Satisfactory Below Average Poor	Under the current market structure, low-volume and designated consumers pay electricity rates established through the Regulated Price Plan (RPP) and wholesale electricity consumers pay a blend of regulated, contract and wholesale spot market prices. Hydro One is not a fully integrated utility as it does not generate electricity.

Hydro One Inc.

Balance Sheet

(CAD millions)	Dec. 31	Dec. 31	Dec. 31		Dec. 31	Dec. 31	Dec. 31
Assets	**2013**	**2012**	**2011**	**Liabilities & Equity**	**2013**	**2012**	**2011**
Cash & equivalents	565	195	228	S.T. borrowings	31	42	39
Accounts receivable	923	845	805	Accounts payable	62	140	154
Inventories	23	23	25	Current portion L.T.D.	756	600	600
Prepaid expenses & other	547	223	219	Other current liab.	1,148	974	1,027
Total Current Assets	2,058	1,286	1,277	**Total Current Liab.**	1,997	1,756	1,820
Net fixed assets	16,431	15,707	14,903	Long-term debt	8,301	7,879	7,408
Future income tax assets	11	14	17	Deferred income taxes	1,129	944	758
Goodwill & intangibles	446	400	357	Provisions	2,586	3,173	2,192
Regulatory assets	2,636	3,098	1,966	Regulatory liabilities	163	181	169
Investments & others	43	306	316	L.T. Payables & Other L.T. l	34	48	35
				Preferred shares	323	323	323
				Common equity	7,092	6,507	6,131
Total Assets	21,625	20,811	18,836	**Total Liab. & SE**	21,625	20,811	18,836

Balance Sheet & Liquidity & Capital Ratios	**For the year ended December 31**				
	2013	**2012**	**2011**	**2010**	**2009**
Current ratio	1.03	0.73	0.70	0.77	0.59
Total debt in capital structure	55.1%	55.5%	55.5%	56.5%	56.2%
Cash flow/Total debt	15.3%	15.4%	14.6%	13.9%	13.8%
(Cash flow-dividends)/Capex (times)	0.83	0.65	0.70	0.67	0.50
Dividend payout ratio	27.4%	50.3%	26.6%	4.8%	40.0%
Coverage Ratios (times)					
EBIT gross interest coverage	3.06	2.91	2.75	2.42	2.23
EBITDA gross interest coverage	4.68	4.47	4.25	3.84	3.69
Fixed-charges coverage	3.04	2.89	2.75	2.41	2.24
Profitability Ratios					
EBITDA margin	63.8%	63.7%	61.6%	59.3%	56.3%
EBIT margin	41.7%	41.4%	39.9%	37.3%	34.1%
Profit margin	26.0%	24.9%	22.2%	21.9%	19.4%
Return on equity	11.2%	11.1%	10.2%	10.2%	8.9%
Return on capital	6.6%	6.7%	6.3%	6.3%	5.7%

Hydro One Inc.

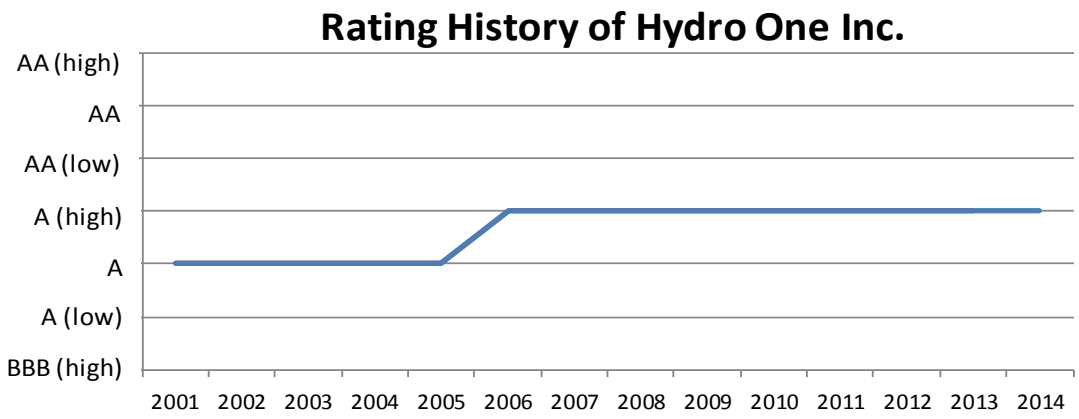
Report Date:
April 10, 2014

Ratings

Debt Rated	Rating	Rating Action	Trend
Issuer Rating	A (high)	Confirmed	Stable
Commercial Paper	R-1 (middle)	Confirmed	Stable
Senior Unsecured Debentures	A (high)	Confirmed	Stable

Rating History

	Current	2013	2012	2011	2010	2009
Issuer Rating	A (high)	A (high)	A (high)	NR	NR	NR
Commercial Paper	R-1 (middle)	R-1 (middle)	R-1 (middle)	R-1 (middle)	R-1 (middle)	R-1 (middle)
Senior Unsecured Debentures	A (high)	A (high)	A (high)	A (high)	A (high)	A (high)



Note:
All figures are in Canadian dollars unless otherwise noted.

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DISTRIBUTION BUSINESS LOAD FORECAST AND METHODOLOGY

1.0 INTRODUCTION

This exhibit discusses Hydro One Distribution's system load forecast and methodology. It provides information on a distribution total basis that assists Hydro One Distribution in forecasting the work programs that need to be undertaken by Hydro One Distribution to meet customers' electricity demands, and to accommodate new customer connections.

Hydro One Distribution uses a number of methods, such as econometric models, end-use models, and customer forecast surveys to produce the forecasts required for its distribution business. Similar methods are used by major utilities throughout North America.

All forecasts presented in this section are weather-normal and the numbers are at the wholesale level unless otherwise specified. Abnormal weather effects are removed from the base year for load forecasting purposes so that the forecast assumes typical weather conditions based on the average of the last 31 years. The weather correction methodology used by Hydro One Distribution is a proven technique that has performed well in past years. The same methodology was reviewed and approved by the Board in the Distribution Cost Allocation Review (EB-2005-0317) and for Hydro One's previous Distribution Rate cases (RP-2005-0020/EB-2005-0378, EB-2007-0681, and EB-2009-0096).

All forecasts produced are internally consistent meaning all customer groups add up to the total customer base served by Hydro One Distribution.

Hydro One Distribution's load forecast staff has significant experience in preparing provincial and local electricity demand forecasts and load profiles. The load forecast methodology described in this exhibit is the same as Hydro One's previous Distribution Rate cases (RP-2005-0020/EB-2005-0378, EB-2007-0681, and EB-2009-0096). The performance of Hydro One Distribution's system load forecast, since Hydro One Distribution's separation from the former Ontario Hydro, has been accurate as shown in Table 1.

Between 1997-2001, the average variance of customers' energy purchase forecast compared to the weather corrected actual energy consumed is within one standard deviation of the forecast, despite large variances resulting from unusual events such as the Ice Storm in 1998 and September 11 in 2001. One standard deviation, an accepted standard in the utility industry, means there is one in three chances that the actual will be outside the plus or minus range (alternatively, there is two in three chances that the actual will fall within the plus or minus range). The performance of the forecast in subsequent years, namely 2002 to 2012, shows that the forecast is tracking very well and certainly well within one standard deviation band for the corresponding energy purchases.

Table 2 compares the accuracy of the load forecast approved in the last Distribution Rate case (EB-2009-0096) with the weather corrected actuals. Detailed forecast accuracy comparisons of the previous three Hydro One Distribution rate applications (EB-2005-378, EB-2007-0681 and EB-2009-0096) with the weather corrected actuals are presented in Appendix E, Table E.1.

Table 1

Comparison of Hydro One Distribution Forecast with Actual
(Variance of forecast expressed as percent of actual on weather corrected basis)

Forecast made for Plan Year	Variance for Plan Year	Variance for 2nd Year	Variance for 3rd Year
1997	0.12	-2.03	1.91
1998	-2.03	-3.39	-2.02
1999	-0.85	0.73	-0.15
2000	0.46	-0.03	0.76
2001	-1.80	-1.56	-2.44
2002	1.98	2.39	2.12
2003	-0.82	-1.37	-0.74
2004	0.14	0.62	0.76
2005	0.25	0.12	0.46
2006	-0.06	-0.12	0.99
2007	-0.09	0.93	1.59
2008	-0.57	0.54	0.70
2009	-0.14	-0.25	-0.78
2010	1.24	0.28	-0.73
2011	0.22	0.34	N/A
2012	0.54	-0.51	N/A
2013	-0.39	N/A	N/A
Mean (1997-2001)	-0.82	-1.26	-0.96
One standard deviation (+/-)	1.13	2.57	3.00
Mean (2002-2013)	0.19	0.27	0.41
One standard deviation (+/-)	1.07	2.42	2.79

Note: The forecast performance pertains to Hydro One Retail purchases, which account for about 96 percent of the revenue requirements in the Distribution Rate case.

Table 2

Comparison of 2009 Forecast with Actual
(GWh)

Year	Retail Forecast	Weather Corrected Actual	Variance (%)
2009	22,629	22,660	-0.14
2010	22,007	22,062	-0.25
2011	21,851	22,023	-0.78

Section 2 provides a more detailed discussion in respect of the various economic considerations that Hydro One Distribution staff take into consideration when applying the methodology for deriving the load forecasts.

Hydro One Distribution's forecasting methodology uses a combination of elements that include consensus input, updates to changes in economic forecasts, energy prices, population and household trends, industrial development and production, residential and commercial building activities, and efficiency improvement standards. Economic inputs were based on analyses prepared by major economic establishments in the country such as IHS Global Insight, Conference Board of Canada, Centre for Spatial Economics, University of Toronto, Canada Mortgage and Housing Corporation, and Altus Group.

Efficiency standard assumptions used in the end-use models are based on discussion with Ontario Ministry of Energy staff. Specific customer development is based on forecast survey results from major customers. Inputs from these entities form the economic database (referred to henceforth as economic forecast) that is used to establish Hydro One Distribution load forecast. Section 3 below provides a detailed description of the methodology used by

Hydro One to develop its load forecasts. Detailed modeling equations and definitions are presented in the Appendices. Details of the consensus forecast for Gross Domestic Product (GDP) and housing starts are provided in Appendix E, Table E.1.

Using Hydro One Distribution's approved forecasting methodology, the forecast for the test years (2015 – 2019) is presented below:

Year	GWh Delivery Forecast	Distribution Customer Count
2015	37,620	1,288,000
2016	37,824	1,300,000
2017	38,108	1,312,000
2018	38,111	1,325,000
2019	37,961	1,337,000

The 2015 figures represents an increase of 0.3 percent over the 2013 load forecast and an increase of 1.6 percent over the 2013 customer count. The small increase in load is mainly due to the impact of Conservation and Demand Management (CDM) and the current economic conditions. Section 4 provides a more detailed discussion in respect of the comparison of the test years (2015-2019) forecasts in relation to the historic (2012 and 2013) and bridge (2014) year.

This Exhibit addresses two directives from the Board's April 9, 2010 Decision on Hydro One's Distribution rate application for the 2010 and 2011 years (EB-2009-0096) requiring Hydro One to:

1) track the difference between the CDM forecast assumed in the load forecast and CDM impacts actually achieved in 2010 and 2011; and

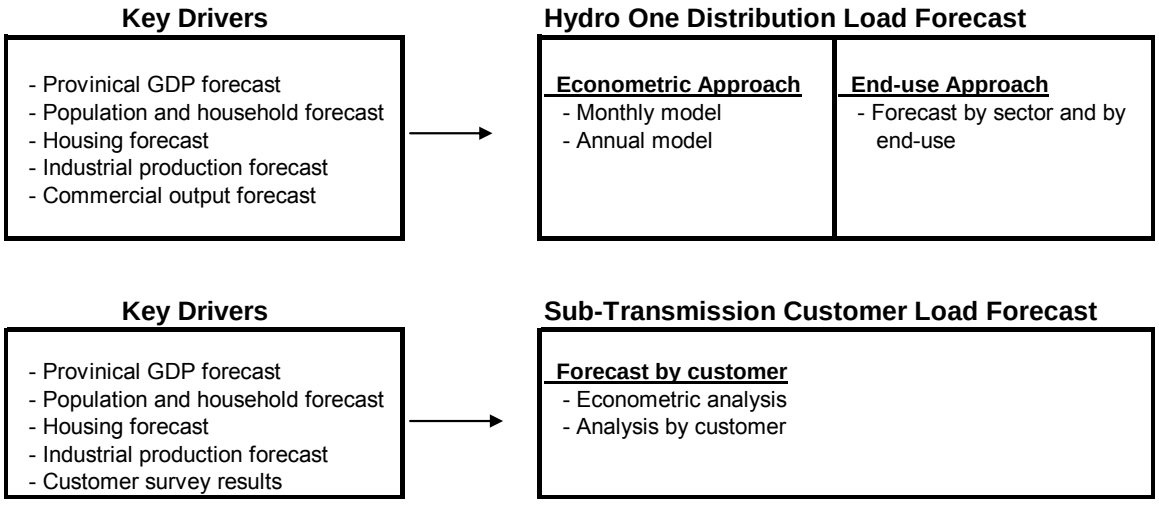
2) to provide a detailed analysis for estimating the CDM impacts and to develop a methodology to incorporate these impacts into the load forecast.

In response to the first directive to track the CDM impacts, a detailed report tracking the CDM results for the 2005-2013 period was prepared and is provided in Exhibit A, Tab 16, Schedule 3. With respect to the second directive, Hydro One consulted with stakeholders and worked with the Ontario Power Authority (OPA) to use the latest CDM assumptions in preparing the load forecast in this rate application. A detailed report was prepared and is provided in Exhibit A, Tab 16, Schedule 4. Summary results of these 2 reports are discussed in Section 2.6.

2.0 DISCUSSION OF THE ECONOMIC CONSIDERATIONS THAT INFLUENCE HYDRO ONE DISTRIBUTION'S LOAD FORECASTS

This section discusses some of the key economic considerations that must be taken into account in the process of developing load forecasts and in the application of forecasting methodologies. The elements of the forecasting process used by Hydro One Distribution are for the most part based on the knowledge of how the major economic drivers that affect the usage of electricity demand are likely to occur over the forecast period (2015 to 2019). Consequently for the purpose of this application the focus is on the short term and medium term and the load forecast will reflect those impacts that are likely to have a major effect in this respect. The major economic drivers used in the analysis are summarized in Figure 1.

Figure 1
Hydro One Distribution Load Forecast Methodology



Key information used in the analysis includes the Ontario GDP, provincial demographic, industrial production and commercial output forecasts and regional analysis included in the economic forecast. Also taken into consideration are Hydro One Distribution CDM plans, which have a direct impact on distribution system energy demand.

The load forecast in support of this application was updated in April 2014 using economic information and forecasts that were available in March 2014. The update included the latest economic forecast, 2013 actual purchases, and CDM detailed information released by the OPA consistent with the 2013 Long-Term Energy Plan (LTEP). The timing of the load forecast is driven by the needs of the business planning process which are geared to match the timeline for this submission.

2.1 Provincial GDP Forecast

The provincial GDP forecast is a key driver for the load forecast. The Ontario GDP grew 3.4 percent in 2010 and then slowed to 2.2 percent in 2011 and 1.3 percent in 2012. The Ontario

economy is expected to grow slowly in the next 2 years. Based on the consensus forecast, the Ontario economy is projected to grow by about 1.2 percent in 2013 and about 2.2 percent in 2014. Over the 2015-2019 period, the provincial GDP is forecast to grow on average 2.6 percent per year. Details of annual forecast for GDP, population and housing starts are provided in Appendix E, Table E.3.

2.2 Provincial Population Forecast

Ontario population grew on average by about 1.1 percent per year between 2010 and 2012. Population growth for the province is forecast to outperform the nation in the forecast period. Ontario population is expected to grow by about 0.9 percent per year over the 2013-2014 period and by about 1.0 percent per year over the 2015-2019 period. Steady population growth contributes positively to the load forecast.

2.3 Provincial Housing Forecast

Helped by historically low interest rates, housing starts remained strong in the last few years, growing on average about 68,000 units per year between 2010 and 2012. Due to the continued slow economic recovery, housing starts are expected to slow to about 61,000 units in 2013 and 59,000 units in 2014, and then recover over the 2015-2019 period, averaging about 69,000 units per year.

2.4 Commercial Output Forecast

Commercial activities follow closely with the general economic conditions. After growing 2.8 percent in 2010, the commercial output slowed to 1.8 percent in 2011, 1.4 percent in 2012, and 1.6 percent in 2013. The growth is expected to continue in 2014 at the rate of 2.6 percent. Commercial output is projected to have moderate growth over the 2015-2019 period, averaging about 2.8 percent growth per year. Commercial output is important to the

load forecast because commercial load comprises about 25 percent of Hydro One Distribution's load.

2.5 Industrial Production Forecast

After 4 years of decline, the industrial production grew 7.0 percent in 2010, followed by 4.4 percent in 2011 and 1.3 percent in 2012, consistent with the slow recovery pattern of the world economy. Due to the high Canadian dollar and slow economic growth, the industrial output declined by 2.4 in 2013. The forecast calls for slow growth of 0.6 percent in 2014 and moderate growth over the 2015-2019 period, averaging about 2.5 percent per year. The industrial production forecast is important to the load forecast because industrial activity comprises about 10 percent of total load and also because it is prone to the impact of economic cycles.

2.6 Conservation and Demand Management

The Board in its EB-2009-0096 Decision directed Hydro One Distribution to track the differences between its CDM forecast and those which can be reasonably demonstrated to have been affected using the best verification methods available at the time of filing. In response to this directive, Hydro One completed a detailed study entitled "Tracking 2005-2013 Conservation and Demand Management Results" and is provided in Exhibit A, Tab 16, Schedule 3. Hydro One has undertaken extensive research and analysis to assess the CDM impacts for use in its load forecast. The results of the tracking study show that the CDM impact assumed in Hydro One Distribution's load forecast for 2010 to 2011 approved by the Board in EB-2009-0096 was appropriate. As demonstrated in Table 2 in this Exhibit, Hydro One's load forecast for retail customers also tracks well with the actuals on a weather-corrected basis for 2010 and 2011.

In the tracking study, the CDM impacts on Hydro One Distribution load are grouped in the following categories:

- CDM Programs initiated by both Hydro One and the Ontario Power Authority;
- CDM programs funded by other organizations, such as federal, provincial, and/or municipal governments, natural gas companies, and other non-government organizations;
- CDM impacts from Building Codes and Appliance Efficiency Standards (approved after 2004); and
- CDM Impacts from Increased Conservation Effect not captured by specific CDM programs. This category includes actions which consumers take to improve efficiency and conservation above and beyond historic levels of "naturally occurring conservation" due to increased awareness of, and concern about, environmental or energy issues.

The top-down and bottom-up analyses presented in the tracking study show that Hydro One Retail customers have responded to the conservation challenge, have participated in CDM programs offered by the OPA, Hydro One and other government agencies, and have taken various conservation actions on their own to save electricity.

In its EB-2009-0096 Decision, the Board restated its directive to Hydro One in EB-2007-0681 to come forward in its next cost of service application with a detailed proposal to incorporate the impacts of CDM in its load forecast, both attributable to its own actions and those attributable to other factors. In its EB-2010-0002 Decision for Hydro One's Transmission rate application, the Board also directed Hydro One to consult with the stakeholders and work with the OPA to devise an effective and accurate means of measuring the expected impacts of CDM programs delivered by the OPA. Hydro One worked with the stakeholders and listened to and addressed their concerns. Hydro One also worked with the OPA and obtained their current CDM forecast consistent with the 2013 LTEP for use in this rate application. Details of the information provided by the OPA and the methodology used

by Hydro One to derive the CDM impacts by rate class are documented in a detailed report entitled "Incorporating Conservation and Demand Management in the Distribution Load Forecast" and is provided in Exhibit A, Tab 16, Schedule 4. The CDM forecasting study focuses on two objectives:

(i) propose a methodology to incorporate CDM impacts into the load forecast; and

(ii) derive CDM impacts for use in Hydro One's distribution load forecast. It should be noted that the content of this report is similar to the CDM forecasting report filed in Hydro One's last Transmission Rates Application (EB-2012-0031, Exhibit A, Tab 15, Schedule 2, Attachment 1) which was approved by the Ontario Energy Board. For convenience, the information is re-submitted in this report and updated where appropriate.

Table 3 summarizes the CDM impact assumed in Hydro One's distribution system load forecast. Details of CDM forecast by rate class are provided in Appendix E, Table E.9.

Table 3

CDM Impact on Hydro One Distribution Load

(GWh)

Year	Retail Customers	ST Customers Direct	ST Customers LDC	Total
2012	1,237	412	704	2,353
2013	1,284	421	789	2,494
2014	1,336	426	893	2,655
2015	1,374	427	968	2,769
2016	1,417	429	1,000	2,845
2017	1,416	420	1,009	2,846
2018	1,646	454	1,154	3,253
2019	1,949	505	1,342	3,796

Note. All figures are weather-normal.

2.7 Customer Forecast

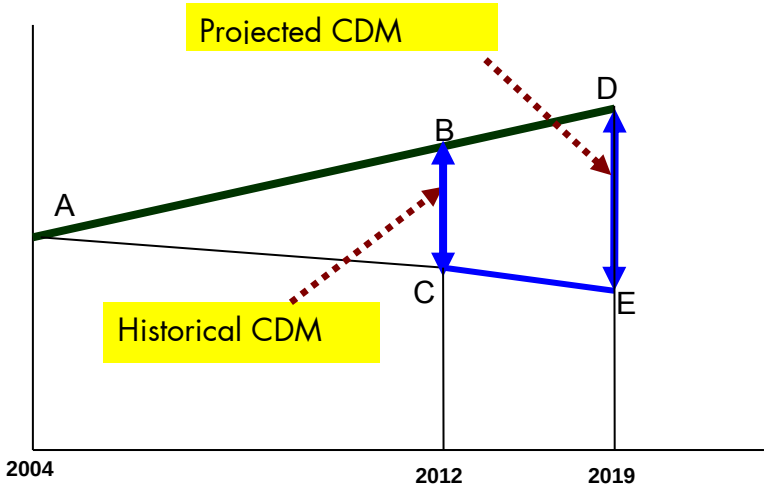
Through its distribution system, Hydro One is expected to serve about 1.268 million customers in 2013 and 1.279 million customers in 2014. The customer base is forecast to reach 1.288, 1.300, 1.312, 1.325, and 1.337 million respectively over the 2015-2019 period. Detailed customer information is retained in the customer information system for billing and account management. Customer data is extracted from the system regularly for tracking, analysis and reporting. The customer forecast was developed on an as-required basis to support the annual business planning process, system development plans and rate submissions to the Board. Active customer accounts and service points are used as the basis to prepare the customer forecast by rate class. The customer forecast takes into consideration the new customers requiring distribution services, existing customers moving out, provincial housing demand, population and household forecasts, vacancy rates and specific growth patterns of various customer groups.

Customer growth in Hydro One Distribution averaged about 9,000 per year over the 2009-2012 period, which is lower than normal growth due to the recent 2008-2009 economic downturn and the slow recovery afterwards. During the 5 years prior to 2009, customer growth averaged 12,000 per year. Customer growth for the forecast period is expected to gradually return to the historical normal growth pattern. Net customer additions are forecast to be about 11,000 per year over the 2013-2014 period and about 12,000 per year over the 2015-2019 period. Details of customer forecast by rate class over the forecast period are provided in Appendix E, Table E.4.

3.0 LOAD FORECASTING METHODOLOGY

Hydro One Distribution's load forecast is developed using both econometric and end-use approaches. The load impacts of CDM are added back to the historical values during the modeling process (see Figure 2 below).

Figure 2
Incorporation of CDM in the Load Forecast



A: 2004 actual load

B: Estimated Load without CDM impacts in 2012

C: 2012 actual load

The forecast base-year is corrected for abnormal weather conditions and the forecast growth rates are applied to the normalized base-year value. Thus the forecast is weather-normal in the sense that it predicts the future load under normal weather conditions.

3.1 Weather Correction Analysis

Weather correction is a statistical process designed to remove the abnormal or extreme weather effects from the load data to yield average conditions that reflect the more normal or expected weather conditions experienced over 31 years used in the forecast. It is essential that abnormal and extreme weather related impacts are removed before establishing the base-case load data, on

which basis the load forecast will be developed. The volatility of abnormal or extreme weather conditions can adversely impact the ability to provide a consistent and meaningful forecast for load growth. Hourly load data and hourly weather data of various weather stations across the province are used in the analysis.

Hydro One Distribution's weather correction methodology was developed jointly by forecasting and meteorology staff of the former Ontario Hydro. This weather correction method has been used to forecast the total system load since 1988 and for forecasting local electric utility load since 1994. The weather correction methodology used by Hydro One Distribution is a proven technique that has performed well in the past years. The same methodology was reviewed and approved by the Board in the Distribution Cost Allocation Review (EB-2005-0378) and in previous Hydro One Distribution Rate applications (RP-2005-0020/EB-2005-0378, EB-2007-0681, and EB-2009-0096).

As shown in Table 4, using a fewer number of years for historic weather normalization has only a small impact on the total weather corrected energy consumption. This is an expected outcome since weather normalization has a more significant impact on peak than it does on energy due to the fact that energy consumption is less sensitive to short-term weather conditions. In Hydro One Distribution's Rate case, weather normal energy (and not peak) is a key measure for the load forecast.

Table 4

Comparison of Different Time Periods Used for Weather Normalization

(GWh)

Number of Years Used to Calculate Normal Weather	Actual Load for Hydro One Retail Customers in 2013	Weather Correction Required for Hydro One Retail Customers in 2013	Weather Corrected Load for Hydro One Retail Customers in 2013
Last 31 Years *	20,668	-230	20,439
Last 20 Years	20,668	-238	20,430
Last 10 Years	20,668	-198	20,471

* Used by Hydro One Distribution to normalize the base year (2013) load.

Hydro One Distribution's weather correction methodology uses four years of daily load and weather data to establish a sound statistical relationship between weather and load at the applicable transformer station or delivery point used to supply customer demand. Weather variables used in the analysis include temperature, wind speed, cloud cover and humidity. The estimated weather effects are then aggregated up to the required time interval. Past experience shows that weather correction should best be done on a daily basis, rather than weekly, monthly or annual basis.

Daily weather-correction is preferred because the timing of extreme temperatures combined with wind speed and humidity can have a substantial impact on load that would otherwise not be captured by averages over longer period of time. In particular, when abnormal weather conditions continue for several days, the cumulative impact is much greater than would be the case if the same weather conditions prevailed over a much longer period of time.

The loads that are most impacted by changes in weather conditions are electric space heating and cooling in residential and commercial buildings. Across Ontario, the penetration rate of such loads varies widely, which means the weather sensitivity of load supplied from one transformer station or delivery point may differ quite significantly from that of load supplied from another transformer station or delivery point, even in the same climate zone. The climate in Ontario varies considerably from the Niagara Peninsula to Thunder Bay, so it is important to use data from the appropriate weather stations that are in close proximity to the transformer station or the customer delivery point when correcting for weather effects. Forecast using 31-year, 20-year and 10-year weather-normalization is presented in Table 5 below.

Table 5

Load Forecast for Hydro One Retail

Using Different Normalization Periods

(GWh)

	2015	2016	2017	2018	2019
31 years	20,497	20,630	20,808	20,825	20,759
20 years	20,488	20,621	20,799	20,816	20,750
10 years	20,529	20,662	20,840	20,857	20,791

3.2 Hydro One Distribution Forecasting Methodology

Both econometric (top-down) and end-use (bottom-up) models are used to prepare load forecast for Hydro One Distribution. Both monthly and annual econometric models are used to forecast Hydro One Distribution's total distribution system load. End-use models using the results from the provincial end-use models are used to analyse the distribution system load by customer rate class (i.e. various residential and general service customers). Key information used in the analysis includes economic, demographic, industrial production and commercial output forecast provided in the economic forecast. The purpose of using both the econometric and end-use forecast models is to arrive at a balanced forecast that represents a

consistent set when looked at from macro (econometric) and micro (end-use) perspectives. The load impacts of CDM are added back to the historical data set during the modelling process.

Monthly Econometric Model

The monthly econometric model uses a multivariate time series approach to develop the monthly forecast for the Distribution system load. The model links monthly energy consumption to Ontario GDP and residential building permits. Appendix A provides the detailed regression equations and definitions.

Annual Econometric Model

The annual econometric model uses personal disposable income per household, relative energy price and cooling and heating degree-days to prepare the forecast. Appendix B provides the detailed regression equations and definitions.

End-Use Model

The end-use models cover the residential (year round and seasonal), commercial, industrial and agricultural sectors. Detailed equations of the end-use models are provided in Appendix C.

The above models are used to prepare forecast for the following 13 rate classes:

- Urban residential (high density)
- R1 Residential, medium density
- R2 Residential, low density
- Seasonal
- Urban general service, energy-billed
- Urban general service, demand-billed
- General service, energy-billed

- General service, demand-billed
- Sub-transmission
- Street lighting
- Sentinel lighting
- Unmetered scatter load
- Distributed generation

3.3 Methodology for Sub-Transmission Customers

This section discusses the load forecasting methodology used for the Sub-Transmission (ST) customers. These are the embedded customers who are directly connected to Hydro One's ST system or have a delivery point embedded in Hydro One's distribution service territory and include distribution utilities, industrial and commercial customers. Both econometric and

customer analysis based on survey results from the customers, when available, are used in the forecast. This is supplemented by the economic data provided in the economic forecast.

In 2013, Hydro One Distribution conducted a customer load forecast survey with the embedded distribution utilities and embedded industrial customers with more than 5 MW of loads. In addition to questions relating to the total load of the customer, information at each of the delivery points was also collected. The customer survey results are used in preparing the customer forecast.

For embedded distribution utility customers, econometric analysis is used to prepare the load forecast as a group. For industrial customers, several information sources are used to prepare the forecast. These include:

- historical load profile of the customer;
- knowledge of the customer through industry monitoring;
- forecast provided by customer through the survey;
- company information through Hydro One Distribution account executives, industry and company forecasts from industry associations and government agencies; and
- production and industry forecasts provided in the economic forecast.

The econometric approach was used to forecast the load for embedded utilities and industrial analysis was used to forecast the load for the embedded industrial customers. In both cases, results from customer survey, when available, were taken into account in developing the forecast.

3.4 Methodology for Hourly Load Profiles

This section discusses the methodology for generating the hourly load profiles by customer class and for specific customer delivery points.

Hourly Load Shape by Rate Class

The Electricity Power Research Institute ("EPRI")'s Hourly Electric Load Model ("HELM") was used to develop the hourly load shape for each rate class, taking out abnormal weather effects and load patterns. Actual 2012 hourly smart meter data from the IESO and interval meter data from our customer information system were used as a basis to develop the hourly load shapes. For rate classes that hourly data was not available for all customers, the hourly data was scaled to add up to the actual load for that rate class in 2012. Similarly, the hourly forecast for each rate class adds up to annual forecast for that rate class. Consequently, the forecast takes into account the share of each rate class in the total load and its dynamics over time. In particular, the load profiles for the years 2015-2019 take into account shifts between rate classes in accordance with the annual forecast. Appendix D provides more details for the methodology used by Hydro One to weather-normalize the total utility load and for each rate class.

Hourly Load Shape by Customer Delivery Point

Similarly, the HELM is used to normalize the hourly load for each of the customer delivery points, taking out abnormal weather effects and load patterns. The customer forecast is used to drive the customer delivery point forecast. Key information used in the analysis includes hourly load and weather data.

The most up to date customer totalization table is used to retrieve hourly electricity demand data for each of the customer delivery points connected to the Sub Transmission (ST) system.

The totalization table reflects the latest records from Hydro One Distribution. For each customer delivery point, at least one full year of hourly data is retrieved and checked for data quality. Hourly weather data is also retrieved to prepare weather sensitivity analysis. Weather data analyzed includes temperature, wind speed, cloud cover and humidity. Data for five weather stations across Ontario are used in the analysis. They include Toronto, Windsor, Ottawa, North Bay and Thunder Bay. Each delivery point is linked to the closest weather station.

In preparing the database for the load shape analysis, missing values are estimated by load on a similar day and hour during the same month. For weather-sensitive load, weather conditions are also taken into account in estimating the missing values. To perform the latter task, an hourly regression model (relating load to weather conditions) for each delivery point with missing values was developed.

EPRI's HELM is used to prepare the hourly weather response analysis by each delivery point. The model takes into account differences in load depending upon time of use (i.e. weekdays, weekends and holidays) and weather conditions. Load of industrial customers is assumed to be insensitive to weather and as such is forecast in relation to load on a similar day and hour during the historical period.

4.0 LOAD FORECAST FOR 2015-2019

Hydro One's distribution system delivered a total of 37,419 GWh in 2012 and 37,496 GWh in 2013 on a weather-normal basis. Table 6 presents the load forecast before and after deducting the impact of CDM.

Before deducting the impact of CDM, Hydro One's distribution system is forecast to deliver 40,163 GWh in 2014. Load before deducting the CDM impacts over the years 2015 to 2019

is expected to continue to grow with the load forecast reaching 40,389, 40,670, 40,953, 41,365, and 41,757 GWh respectively on a weather-normal basis. The forecast reflects the current slow economic recovery in 2014 and the moderate economic growth over the 2015-2019 period.

Hydro One Distribution served about 1,260,000 in 2012 and 1,268,000 customers in 2013, and is forecast to serve about 1,279,000 customers in 2014. The customer numbers are forecast to be 1,288,000, 1,300,000, 1,312,000, 1,325,000, and 1,337,000 respectively over the 2015-2019 period.

After removing the impact of CDM, Hydro One Distribution's load grows from 37,419 GWh in 2012 to 37,496 GWh in 2013 and is forecast to grow to 37,508 GWh in 2014 on a weather-normalized basis. Over the years 2015 to 2019, the weather-normalized total distribution load is forecast to be 37,620, 37,824, 38,108, 38,111, and 37,961 GWh respectively. Detailed tables for actual and weather-normalized total load, energy and peak by rate class are provided in Appendix E, Tables E.5 to E.9.

Table 6
Hydro One Distribution Load Forecast Before and After Deducting CDM Impact
(GWh)

Year	Retail Customers	Embedded Customers	Total
Load Forecast Before Deducting Impact of CDM			
2012	21,670	18,102	39,772
2013	21,723	18,283	40,006
2014	21,749	18,414	40,163
2015	21,871	18,518	40,389
2016	22,046	18,623	40,670
2017	22,224	18,729	40,953
2018	22,471	18,894	41,365
2019	22,708	19,049	41,757
Load Impact of CDM			
2012	1,237	1,117	2,353
2013	1,284	1,210	2,494
2014	1,336	1,319	2,655
2015	1,374	1,395	2,769
2016	1,417	1,429	2,845
2017	1,416	1,429	2,846
2018	1,646	1,608	3,253
2019	1,949	1,847	3,796
Load Forecast After Deducting Impact of CDM			
2012	20,434	16,985	37,419
2013	20,439	17,073	37,512
2014	20,413	17,095	37,508
2015	20,497	17,123	37,620
2016	20,630	17,194	37,824
2017	20,808	17,300	38,108
2018	20,825	17,286	38,111
2019	20,759	17,203	37,961

Note. All figures are weather-normal.

Since the forecast is weather-normal, the actual load could be below or above the forecast depending on the weather conditions and/or a different economic growth pattern. Table 7 presents the upper and lower bands of one standard deviation for the Hydro One Distribution system load forecast. Based on historical data, there is a two in three chance that the actual over the forecast years (2013-2019) will fall within the upper and lower bands. The bands are derived using a Monte Carlo simulation technique relating variations in load to variations in Ontario GDP and weather.

Table 7

One Standard Deviation Uncertainty Bands for Hydro One Distribution Load (GWh)

Year	Lower Bound	Forecast	Upper Bound
2012	37,419	37,419	37,419
2013	37,496	37,496	37,496
2014	36,622	37,508	38,408
2015	36,570	37,620	38,676
2016	36,508	37,824	39,128
2017	36,529	38,108	39,743
2018	36,221	38,111	40,073
2019	35,837	37,961	40,243

Note: 2012 and 2013 are Actuals

APPENDIX A

MONTHLY ECONOMETRIC MODEL

The monthly econometric model uses the State-Space approach in the regression equation, where the left-hand side of the equation represents the energy estimates, and the right-hand side contains the explanatory variables including the dummy variables that are used to capture special events that could affect the energy estimates because these events would likely cause variations in the load. The dummy variables are used to minimize the variability of the energy estimates around the forecast.

LRTLT = f (LGDPONT, LBPONT, D98Jan)

where:

LRTLT = logarithm of Distribution load,

LGDPONT = logarithm of Ontario GDP in constant 1997 dollars,

LBPONT = logarithm of Ontario residential building permits in constant dollar,

D98Jan = dummy variable to account for the load impact of 1998 Ice Storm, equals 1 in January 1998 and zero elsewhere,

The output parameters from the model are presented below. The State-Space (SS) estimated parameters are not associated with standard error and t-ratios (statistical relevance test).

	State-Space (SS)
Seasonal Factors	parameters:
A[1]	-0.152559
K[1]	-0.519685
Non-Seasonal Factors	SS parameters:
A[1]	0.464085
K[1]	-0.360868
GDPONT[-4]	0.0588351
BPONT[-8]	0.00607621
D98JAN	-0.0184342

R-squared = 0.988, R-squared corrected for mean = 0.988, Durbin-Watson Statistics = 2.24. The goodness of fit, or the extent to which variability in the energy estimates is captured in the forecast, is measured in terms of R-squared (adjusted for mean), which in this case is close to 1. This result reflects statistical significance of the explanatory variables that are used to explain for the variations in load. In fact, the results show that in this case the fit is very good, and therefore there is confidence that the forecast will produce outcomes that are within the expected range of variability.

Using the forecast values for GDP, building permits and dummy variables, the above parameters are used in the monthly regression equation described on the previous page to generate the forecast for Hydro One Distribution load.

APPENDIX B

ANNUAL ECONOMETRIC MODEL

Annual econometric model uses personal disposable income per household, relative energy price, and heating degree-days to prepare the forecast. The annual model is expressed in the following regression equation:

LRTLT=C(1)+C(2)*LYPDPHH+C(3)*(LPELRES-LPGASRES)
+C(4)*LHDD+C(5)*LRTLT(-1)-C(4)*C(5)*LHDD(-1)+C(6)
*D99A+C(7)*TR+C(8)*TR2+C(9)*D08ON

where:

LRTLT = logarithm of Distribution load,

LYPDPHH = logarithm of Ontario personal disposable income per household in constant $,

LPELRES = logarithm of electricity price for Ontario residential sector,

LPGASRES = logarithm of natural gas price for Ontario residential sector,

LHDD = logarithm of heating degree days for Pearson International Airport,

D99A = dummy variable to account for annexation of retail customers by municipal utilities equals 1 after 1999 and zero elsewhere,

TR = a dummy variable to account for a shift in growth pattern of Distribution load, increases by 1 per year prior to 1989 and no increase afterwards,

TR2 = TR to power 2,

D08ON = a dummy variable to account for economic changes, equals zero prior to 2008 and 1 elsewhere.

C(1) – C(9) = variable coefficients.

The estimated coefficients and associated statistics are presented below:

	Estimated Coefficient	Standard Error	t-ratio
C(1)	7.613530	1.270369	5.993166
C(2)	0.465765	0.087124	5.345983
C(3)	-0.031541	0.011513	-2.739600
C(4)	0.001654	0.029618	0.055857
C(5)	0.147403	0.098630	1.494506
C(6)	-0.041241	0.008456	-4.877124
C(7)	-0.124739	0.023341	-5.344296
C(8)	0.003182	0.000540	5.892496
C(9)	-0.017782	0.007137	-2.491550

R-squared = 0.995, Adjusted R-squared = 0.994, Durbin-Watson Statistic = 2.20.

Similar to the regression analysis in the case of the Monthly Econometric model above, the goodness of fit, measured by (Adjusted) R-square for the Annual Econometric Model, is also found to be close to 1. Therefore the assessment on an annual basis also leads to a forecast outcome which provides consistent results, thus giving confidence to the econometric method.

The t-ratios show most of the factors used to explain the variations in load are statistically significant.

Using the forecast values for personal disposable income, energy prices, and heating degree days and dummy variables, the above parameters are used in the annual regression equation described above to generate the forecast for Hydro One Distribution load.

APPENDIX C

END-USE MODEL

The following briefly describes the methodology used in the end-use model.

Residential Sector

The residential energy forecast is determined by forecasting the number of accounts times appliance saturation rates and unit energy consumption expressed in the following equation:

$$USE_{\text{Res}} = \sum_i \sum_j N_{i,j} * S_{i,j} * UEC_{i,j}$$

Where

- USE_{Res} is residential energy consumption
- N is the number of residential accounts
- S is the residential appliance saturation rate
- UEC is the unit energy consumption per end use
- I is the index for appliances (space heating, space cooling, water heater and base load)
- J is the index for customer types—year-round residential customers and seasonal residential customers

The following section describes each component of the equation in detail.

- The base-year number of households is taken from Hydro One Distribution billing system. The forecast in the growth of the number of residential accounts is based on a forecast of housing starts. The number of residential accounts is the current number of residential accounts plus the forecast of net additional accounts to be added each year.
- The base-year end-use shares (space heating, water heating and air conditioning), and fuel switching (space/water heating) information are based on the latest customer and

conservation survey results undertaken by Hydro One for year-round and seasonal customers.

- The trends for end-use shares and fuel switching over the forecasting period reflect the provincial trends from the Hydro One provincial residential end-use model, as well as information specific to Hydro One Distribution.
- The base-year end-use UEC's are based on the provincial residential end-use model with adjustments for heating degree days, cooling degree days, income, household size, square footage and household vintage.

Commercial Sector

The commercial energy forecast is based on the following equation:

$$USEcom = USEcom(-1) * (1+\text{Expected annual growth rate})$$

Where

- *USEcom* is the commercial energy consumption for the forecast year
- *USEcom* (-1) is the commercial energy consumption for the previous year. The base year (2012) consumption is taken from the latest Hydro One Distribution billing system corrected for abnormal weather effects
- Expected annual growth rates are based on the Hydro One provincial commercial end-use model. Where appropriate, the values are adjusted to reflect specific distribution business characteristics.
- The model uses an end-use framework to provide estimates of energy use by building type. The building types include multi-residential, office, elementary and secondary school, college and universities, health, public service, retail, grocery, accommodation, recreation, religious/cultural, warehouse, commercial miscellaneous. non-building related segments and streetlight.

Industrial Sector

The industrial energy forecast is based on the following equation:

$USEind = USEind(-1) * (1+\text{Expected annual growth rate})$

Where

- $USEind$ is the industrial energy consumption for the forecast year
- $USEind(-1)$ is the industrial energy consumption for the previous year. The base year (2012) consumption is taken from the latest Hydro One Distribution billing system corrected for abnormal weather effects
- Expected annual growth rates are based on the Hydro One provincial industrial end-use model. Where appropriate, the values are adjusted to reflect specific distribution business characteristics.
- The model uses an end-use framework to provide estimates of energy use by industrial segments including Fishing, logging, Forestry Service, Mining, Petroleum, Food and Beverage, Tobacco, Rubber and Plastic, Textile and Clothing, Wood and Furniture, Paper and Printing, Primary Metal, Fabricated Metal Products, Transportation Equipment, Electronics etc.

Agricultural Sector

The Agricultural sector forecast is based on the following equation:

$USEagri = USEagri(-1) * (1+\text{Expected annual growth rate})$

Where

- $USEagri$ is the agricultural energy consumption for the forecast year
- $USEagri(-1)$ is the agricultural energy consumption for the previous year. The base year (2012) consumption is taken from the latest Hydro One Distribution billing system corrected for abnormal weather effects

- Expected annual growth rates are based on the Hydro One provincial agricultural end-use model. Where appropriate, the values are adjusted to reflect specific distribution business characteristics.
- The model uses an end-use framework to provide estimates of energy use by agricultural segments including Animal Production, Fruit and Vegetable Farming, Grain Farming, Green Housing and Floriculture and Miscellaneous etc.

APPENDIX D

WEATHER NORMALIZATION FOR TOTAL LOAD AND BY RATE CLASS

Weather Normalization for Total Utility Load

Hydro One's weather normalization methodology for total utility load is summarized as follows:

- An equation relating daily energy and daily weather conditions is developed using the latest 4 years of data. This time frame allows the analysis to reflect the most recent load mix while having sufficient data to quantify its weather sensitivity. For example, the share of space cooling energy relative to total energy has increased rapidly over the past decade; using too long a time series of historical data may lead to significant under-estimation of the weather sensitivity of load in the summer.
- To better isolate the impact of weather, systematic changes in daily loads are identified and filtered out before the regression analysis begins. The systematic effects removed include growth trends, cyclical variations, day-of-the-week effects and holiday effects. The objective is to filter the data to weather-related load and noise (random effect).
- Different types of weather data are used in the analysis. For winter loads, weather data include temperature, wind speed and cloud opacity. For summer loads, weather data include temperature, humidity and cloud opacity. Because weather effects cumulate over several days, the temperatures for the current day as well as the previous 3 or 4 days are also used as explanatory variables in the model. The relationship between energy and weather may be represented by the following function:

Weather- Related Energy = f (Weather Conditions) + Random Term (1)

where the random term reflects any remaining variations that are not explained systematically by weather. The random term is assumed to be distributed independently, identically and normally with mean equals to zero.

- The coefficients from Equation (1) are estimated using the most recent 4 years of daily load and weather data. These coefficients indicate the sensitivity of load in the service territory relative to today's temperature, yesterday's temperature and all other weather variables included in the equation. The estimated coefficients are multiplied by the actual weather data for the corresponding weather variable in the equation to determine the estimated weather-related energy for the day. This process is repeated for each day of the period for which weather-correction is performed.

Estimated Weather-Related Energy = f (Actual Weather Conditions and Estimated Coefficients) (2)

- Equation (2) is used to determine what "normal" weather-related loads would be for each day of the year given the current mix of weather-sensitive loads in that service territory. This is done by running the equation with each of the last 31 years of daily weather data for that day plus the seven days on either side of it. The average of the estimated weather-related loads for the 15 days times 31 years (465 observations) is deemed to be the "normal" weather-related energy for that day. Using 31 years of weather history is considered adequate to approximate normal weather.

Normal Weather-Related Energy (for each day) = Average (31 years of Estimated Weather-Related Energy for that Day +/- 7 Days) 3)

- On a daily basis, the weather correction is derived as the difference between the estimated and normal weather- related energy:

  Weather Correction for Energy = Normal Weather-Related Energy – Estimated Weather-Related Energy (4)

- Weather-corrected energy is defined to be actual energy plus the weather correction in any given period. For any period that is more than one day (e.g., a month), the total weather correction is the sum of the daily weather correction.

  Weather-Corrected Energy = Actual Energy + Weather Correction for Energy (5)

- For example, a summer day for which the combination of temperature and humidity are above normal yields a negative weather correction. The weather correction in this case should be viewed as the amount to be subtracted from the above normal actual to get the weather-corrected energy. Similarly, a warm winter day would have a positive weather correction as the weather corrected value for that day should be higher than the below normal actual.

Weather Normalization by Rate Class

Weather correction by rate class is derived from weather correction for the total utility using the electric space heating and cooling shares by rate class or segment as detailed below.

- Weather correction for the total load is discussed above using daily energy for the utility. The amount of weather correction is measured on a daily basis.

- Using average daily temperature for each day, the daily weather correction is grouped into "weather correction for space heating" and "weather correction for space cooling". For example, if average daily temperature is -1, the weather correction for that day is allocated to "weather correction for space heating" load. The daily weather correction results are aggregated into annual or monthly weather correction estimates.

- Using load shape analysis and residential appliance saturation estimates, the amount of space heating and cooling load over a year or month are estimated for each rate class. Next, for each rate class, the cooling and heating weather correction amount are calculated using the total cooling and heating weather correction amount multiplied by the corresponding cooling and heating shares. The weather-corrected load for each rate class is estimated by adding the weather correction estimates by rate class to the corresponding (actual) load for each rate class.

APPENDIX E

STATISTICAL APPENDIX

Table E.1

Comparison of Forecasts for Previous Rate Submissions with Actual (GWh)

Year	2005 Forecast (EB-2005-0378)	2007 Forecast (EB-2007-0681)	2009 Forecast (EB-2009-0096)	Weather Corrected Actual	Actual	% Difference from Weather Corrected Actual: 2005 Forecast	2007 Forecast	2009 Forecast
2005	23,027			22,969	23,182	0.25		
2006	22,950			22,921	22,485	0.13		
2007	23,074	22,945		22,966	22,909	0.47	-0.09	
2008		23,062		22,845	22,624		0.95	
2009		23,029	22,629	22,660	22,299		1.62	-0.14
2010			22,007	22,062	21,977			-0.25
2011			21,851	22,023	21,718			-0.78
3-Year Average						0.28	0.83	-0.39

Table E.2

Consensus Forecast for Ontario GDP and Housing Starts

Survey of Ontario GDP Forecast (annual growth rate in %)

	2014	2015	2016	2017	2018	2019
Global Insight (Feb 2014)	2.3	2.7	2.7	2.6	2.4	2.8
Conference Board (Feb 2014)	2.1	2.4	2.5	2.4	2.2	
U of T (Jan 2014)	2.2	3.0	2.9	2.9	2.5	2.3
C4SE (Jan 2014)	2.2	2.7	2.5	2.9	2.8	2.1
CIBC (Oct 2013)	2.3					
BMO (Feb 2014)	2.3	2.5				
RBC (Dec 2013)	2.6	2.9				
Scotia (Feb 2014)	2.0	2.2				
TD (Jan 2014)	2.2	2.6				
Desjardins (Feb 2014)	2.2	2.7				
Central 1 (Oct 2013)	1.9	2.6	2.8	3.2	3.2	
National Bank (Dec 2013)	2.1	2.5				
Laurentian Bank (Jan 2014)	2.3	2.5				
Average	**2.2**	**2.6**	**2.7**	**2.8**	**2.6**	**2.4**

Survey of Ontario Housing Starts Forecast (in 000's)

	2014	2015	2016	2017	2018	2019
Global Insight (Feb 2014)	58.5	59.4	59.4	59.4	59.1	57.8
Conference Board (Feb 2014)	61.3	62.2	69.7	77.6	85.5	
U of T (Jan 2014)	61.7	63.7	66.7	67.6	68.4	69.3
C4SE (Jan 2014)	68.4	75.2	73.7	75.2	79.0	80.4
CIBC (Oct 2013)	56.0					
BMO (Feb 2014)	55.0	55.0				
RBC (Dec 2013)	60.3	58.0				
Scotia (Feb 2014)	56.0	54.0				
TD (Jan 2014)	57.0	52.0				
Desjardins (Feb 2014)	58.2	58.8				
Central 1 (Oct 2013)	61.1	68.3	74.5	80.5	84.7	
National Bank (Dec 2013)	58.0	64.5				
Laurentian Bank (June 2013)	55.0	53.0				
Average	**59.0**	**60.3**	**68.8**	**72.1**	**75.3**	**69.2**

Forecast updated on March 4, 2014

Table E.3
Economic Variables for Ontario

Year	GDP (2002 M$)	% Change	Population (1,000's)	% Change	Housing (1,000's)	%Change
2003	484,341	1.4	12,242	1.3	84.7	1.3
2004	496,208	2.5	12,391	1.2	85.1	0.5
2005	510,626	2.9	12,528	1.1	78.2	-8.2
2006	522,845	2.4	12,665	1.1	74.2	-5.1
2007	529,913	1.4	12,791	1.0	67.6	-9.0
2008	529,132	-0.1	12,932	1.1	75.1	11.2
2009	512,812	-3.1	12,998	0.5	49.7	-33.8
2010	530,242	3.4	13,135	1.1	60.7	21.9
2011	541,728	2.2	13,264	1.0	67.7	11.6
2012	548,997	1.3	13,412	1.1	77.1	14.0
2013	555,854	1.2	13,538	0.9	61.0	-20.9
2014	568,126	2.2	13,667	1.0	59.0	-3.3
2015	582,925	2.6	13,806	1.0	60.3	2.2
2016	598,547	2.7	13,944	1.0	68.8	14.1
2017	615,307	2.8	14,089	1.0	72.1	4.8
2018	631,428	2.6	14,240	1.1	75.3	4.4
2019	646,582	2.4	14,390	1.1	69.2	-8.1

Table E.4

Mid-Year Number of Customers Before Harmonization

Rate Class	2008	2009
Urban Residential	86,149	87,416
High Density Residential	316,550	322,314
Low Density Residential	278,202	280,137
High Density Seasonal	71,347	71,237
Low Density Seasonal	84,622	84,889
Farm 1-Phase	87,442	87,063
Farm 3-Phase	1,267	1,271
Urban General service	6,165	7,236
General Service 1-Phase	62,400	61,724
General Service 3-Phase	16,758	16,382
Transmission	371	371
Lighting	37,561	37,864
Aquired Residential	146,424	147,089
Acquired General Service	22,103	22,161
Acquired Large Users	7	7
Total	1,217,369	1,227,161

Table E.4 Continued: Mid-Year Number of Customers After Harmonization

Rate Class	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Dgen	88	106	248	477	731	1,010	1,289	1,523	1,719	1,908
GSd	7,028	7,183	6,550	6,669	6,748	6,113	6,196	6,282	6,375	6,458
GSe	98,010	98,095	98,513	98,568	98,785	93,508	93,788	94,081	94,493	94,764
R1	393,658	402,173	403,304	409,901	415,301	438,279	443,872	449,678	456,145	461,880
R2	366,295	368,479	370,995	373,980	376,395	335,043	337,693	340,418	343,578	346,199
Seasonal	158,247	157,017	153,653	153,253	153,677	143,666	144,188	144,731	145,457	145,966
ST	798	794	795	800	805	810	816	822	829	835
UGd	1,266	1,272	1,185	1,184	1,189	1,901	1,907	1,913	1,921	1,927
UGe	11,641	11,650	12,308	12,307	12,343	17,768	17,808	17,851	17,919	17,962
UR	156,008	159,086	167,672	169,795	171,883	209,540	211,691	213,918	216,443	218,631
STR	4737	4771	4,724	4,804	4,845	4,883	4,927	4,973	5,026	5,071
SEN	33692	31447	30,504	30,380	30,227	30,009	29,840	29,671	29,554	29,391
USL	5,498	5,504	5,512	5,562	5,612	5,642	5,691	5,734	5,776	5,824
Total	1,236,965	1,247,577	1,255,963	1,267,680	1,278,541	1,288,172	1,299,705	1,311,594	1,325,235	1,336,816

Table E.5

Hydro One Distribution Load History and Forecast in GWh

Year	Actual/Forecast MWh	Growth	Normalized Weather MWh	Growth
2008	39,727	-1.8	40,036	-1.2
2009	38,672	-2.7	39,282	-1.9
2010	37,980	-1.8	38,247	-2.6
2011	37,641	-0.9	38,062	-0.5
2012	37,627	0.0	37,419	-1.7
2013	38,331	1.9	37,496	0.2
2014	37,508	-2.1	37,508	0.0
2015	37,620	0.3	37,620	0.3
2016	37,824	0.5	37,824	0.5
2017	38,108	0.7	38,108	0.7
2018	38,111	0.0	38,111	0.0
2019	37,961	-0.4	37,961	-0.4

Table E.6

Actual Sales by Rate Class
Before Rate Harmonization in GWh

Rate Class	2008	2009
Urban Residential	820	810
High Density Residential	3,736	3,711
Normal Density Residential	3,851	3,789
High Density Seasonal	340	332
Low Density Seasonal	398	387
Farm - 1 Phase	1,833	1,774
Farm - 3 Phase	222	218
Urban General service	569	569
General Service - 1Phase	1,133	1,104
General Service - 3 Phase	2,983	2,974
Transmission	1,089	1,090
Lighting	148	146
Aquired Residential	1,469	1,437
Acquired General Service	2,071	2,032
Acquired Large Users	299	300
Embedded	16,541	15,834
Total	37,502	36,509

Table E.6 Continued: Actual Sales
and Forecast After Rate Harmonization in GWh

Rate Class	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Dgen	6	8	11	15	19	21	23	24	25	26
GSd	2,925	3,100	2,888	2,777	2,777	2,404	2,438	2,469	2,472	2,464
GSe	2,269	2,306	2,518	2,401	2,382	2,195	2,206	2,216	2,199	2,172
R1	4,393	4,402	4,396	4,544	4,574	5,052	5,109	5,184	5,228	5,255
R2	5,494	5,491	5,515	5,629	5,592	4,933	4,923	4,933	4,912	4,872
Seasonal	718	701	666	676	668	474	471	473	473	469
ST	17,000	16,787	17,082	16,497	16,532	16,560	16,629	16,731	16,718	16,637
UGd	677	686	677	650	648	1,068	1,077	1,086	1,082	1,073
UGe	400	397	415	398	396	604	609	613	611	605
UR	1,541	1,541	1,563	1,612	1,621	2,001	2,016	2,039	2,050	2,053
STL	126	125	127	122	123	124	125	125	126	127
SEN	20	19	19	22	22	22	22	22	22	22
USL	23	23	23	23	23	24	25	25	26	26
Total	35,593	35,587	35,901	35,365	35,378	35,483	35,674	35,940	35,943	35,801

Table E.7

Weather Corrected Sales
Before Rate Harmonization in GWh

Rate Class	2008	2009
Urban Residential	829	825
High Density Residential	3,778	3,778
Normal Density Residential	3,895	3,858
High Density Seasonal	344	338
Low Density Seasonal	403	394
Farm - 1 Phase	1,850	1,802
Farm - 3 Phase	224	222
Urban General service	575	578
General Service - 1Phase	1,144	1,122
General Service - 3 Phase	3,011	3,021
Transmission	1,089	1,090
Lighting	148	146
Aquired Residential	1,499	1,488
Acquired General Service	2,091	2,069
Acquired Large Users	302	305
Embedded	16,626	16,075
Total	37,808	37,112

Table E.7 Continued: Weather Corrected Sales
and Forecast After Rate Harmonization in GWh

Rate Class	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Dgen	6	8	11	15	19	21	23	24	25	26
GSd	2,926	3,150	2,959	2,777	2,777	2,404	2,438	2,469	2,472	2,464
GSe	2,270	2,343	2,580	2,401	2,382	2,195	2,206	2,216	2,199	2,172
R1	4,421	4,466	4,495	4,544	4,574	5,052	5,109	5,184	5,228	5,255
R2	5,529	5,571	5,640	5,629	5,592	4,933	4,923	4,933	4,912	4,872
Seasonal	722	711	681	676	668	474	471	473	473	469
ST	17,183	16,901	16,427	16,497	16,532	16,560	16,629	16,731	16,718	16,637
UGd	677	697	694	650	648	1,068	1,077	1,086	1,082	1,073
UGe	400	404	425	398	396	604	609	613	611	605
UR	1,551	1,563	1,599	1,612	1,621	2,001	2,016	2,039	2,050	2,053
STL	126	125	127	122	123	124	125	125	126	127
SEN	20	19	19	22	22	22	22	22	22	22
USL	23	23	23	23	23	24	25	25	26	26
Total	35,855	35,982	35,680	35,365	35,378	35,483	35,674	35,940	35,943	35,801

Table E.8a

Actual and
Forecast for Billing Peak in kW

Rate Class	DGEN	GSd	Ugd	ST	Total
2008	66,624	10,549,230	1,830,892	35,182,285	47,629,031
2009	67,788	10,542,400	1,943,057	35,980,901	48,534,146
2010	59,361	10,288,535	1,981,526	36,362,897	48,692,319
2011	68,282	10,331,311	1,964,583	35,730,299	48,094,476
2012	81,512	10,050,244	1,912,569	36,409,471	48,453,796
2013	152,340	9,459,968	1,796,219	35,229,815	46,638,342
2014	184,998	9,459,635	1,792,366	35,656,983	47,093,982
2015	208,605	8,190,437	2,952,212	35,979,010	47,330,264
2016	227,242	8,306,523	2,978,661	35,937,113	47,449,539
2017	236,553	8,411,470	3,001,926	36,051,950	47,701,900
2018	246,017	8,421,313	2,991,451	35,823,052	47,481,834
2019	254,877	8,393,910	2,967,066	35,539,737	47,155,590

Table E.8b

Weather Corrected Actual and Forecast for Billing Peak in kW

Rate Class	DGEN	GSd	Ugd	ST	Total
2008	66,342	10,504,548	1,823,137	34,744,764	47,138,791
2009	69,646	10,831,349	1,996,313	36,882,262	49,779,570
2010	56,860	9,854,946	1,898,019	34,830,459	46,640,284
2011	66,297	10,030,850	1,907,448	34,691,170	46,695,764
2012	80,371	9,909,510	1,885,788	35,862,030	47,737,698
2013	152,340	9,459,968	1,796,219	35,229,815	46,638,342
2014	184,998	9,459,635	1,792,366	35,656,983	47,093,982
2015	208,605	8,190,437	2,952,212	35,979,010	47,330,264
2016	227,242	8,306,523	2,978,661	35,937,113	47,449,539
2017	236,553	8,411,470	3,001,926	36,051,950	47,701,900
2018	246,017	8,421,313	2,991,451	35,823,052	47,481,834
2019	254,877	8,393,910	2,967,066	35,539,737	47,155,590

Table E.9

Hydro One Distribution CDM Impacts (GWh) by Rate Class

Rate Class	2013	2014	2015	2016	2017	2018	2019
R1	212	227	263	277	282	348	430
R2	265	283	265	279	284	350	433
UR	77	82	107	113	115	142	175
Seasonal	33	35	25	27	27	34	42
GSe	233	236	217	218	214	231	257
UGe	38	39	59	59	58	62	69
GSd	265	268	229	230	226	244	271
UGd	62	63	103	104	101	110	122
ST	154	156	157	158	156	169	189
Total	1,339	1,389	1,425	1,466	1,463	1,688	1,988

Note: All savings are at end-use level

2005-2013 CONSERVATION AND DEMAND MANAGEMENT RESULTS

Hydro One Networks Inc.

April 2014

1.0 OVERVIEW

In its Decision for Hydro One Distribution's 2010 and 2011 Rate case (EB-2009-0096), the Ontario Energy Board ("The Board") directed Hydro One to track the differences between its Conservation and Demand Management (CDM) forecast and those which can be reasonably demonstrated to have been realized using the best verification methods available at the time of filing.

Hydro One Distribution's CDM Impacts of 1325 GWh in 2010 and 1604 GWh in 2011 at the wholesale level (or 1299 GWh in 2010 and 1488 GWh in 2011 at the end-use level) were approved by the Board in its Decision with Reasons for EB-2009-0096 on April 9, 2010. Hydro One has undertaken a number of studies to assess the CDM impact achieved by its Distribution customers. This report presents a detailed analysis of CDM impacts on Hydro One Distribution between 2005 and 2013 using information available as of April 2014. This study will assess whether the CDM impact assumed in Hydro One Distribution's load forecast for 2010 to 2013 (as described in Exhibit A, Tab 16, Schedule 2) is appropriate. Unless otherwise specified, all numbers in this report are presented at the end-use level.

The CDM impact on Hydro One Distribution ("Hydro One") load can be grouped in the following categories:

- Non-Target CDM Programs (2005-2010) initiated by both Hydro One and the Ontario Power Authority (OPA);
- Target CDM Programs (2011-2013) initiated by the OPA;

- CDM programs funded by other organizations, such as federal, provincial, and/or municipal governments, natural gas companies, and other non-government organizations;
- CDM impacts from Building Codes and Appliance Efficiency Standards (approved after 2004); and
- CDM Impacts from Increased Conservation Effect not captured by specific CDM programs. This category includes actions which consumers take to improve efficiency and conservation above and beyond historic levels of "naturally occurring conservation" due to increased awareness of, and concern about, environmental or energy issues.

The top-down and bottom-up analyses presented in this report show that Hydro One Retail customers have responded to the conservation challenge, have participated in CDM programs offered by the OPA, Hydro One and other government agencies, and have taken various conservation actions on their own to save electricity.

Table 1 below summarizes the CDM impacts achieved by Hydro One Distribution by each category for the years 2005 to 2013. The savings in 2013 are preliminary estimates.

Table 1: CDM Impact Analysis on Hydro One Retail Load

(GWh)

Year	Non-Target Programs 2005-2010	Target programs 2011-2012	Other Organizations	Codes & Standards	Increased Conservation Effect	Total Annual Savings
	(A)	(B)	(C)	(D)	(E)	(F)
2005	4.1	-	-	-	-	4.1
2006	79.1	-	203.3	-	-	282.5
2007	224.8	-	384.0	8.6	-	617.4
2008	331.3	-	355.0	19.4	-	705.7
2009	399.9	-	432.4	32.3	-	864.6
2010	444.7	-	456.6	51.6	276.3	1,229.1
2011	432.2	43.6	531.7	139.6	341.0	1,487.9
2012	400.8	116.1	530.9	269.0	223.4	1,540.2
2013	388.2	187.1	558.1	298.6	160.5	1,592.5

Note: All savings are at end-use level.

Net Load Impact Reports submitted in all previous Hydro One Distribution rate proceedings (EB-2007-0168 and EB-2009-0096) only reported savings due to incremental (new) programs in a particular year. This report includes savings due to persistence of historical programs as well. For example, savings in 2006 includes savings from new programs launched in 2006 as well as savings due to persistence of the programs launched in 2005.

Additionally, the Non-Target and Target Program results have been adjusted using a "half year" rule as defined by the OEB in London Hydro's 2013 Cost of Service Application (EB-2012-0146) to reflect the fact that most CDM programs do not have the full impact in the first year of implementation. This is consistent with the filing requirements set out in section 2.6.1.3 in the Board's July 2013 Filing Requirements for Electricity Distribution Rate Applications.

The remainder of this report discusses the findings of the research Hydro One undertook to asses the CDM impacts achieved in each category.

2.0 NON-TARGET CDM PROGRAMS 2005-2010

Non-Target CDM Programs refers to all program initiated by Hydro One or the OPA between 2005 and 2010. The persistence of savings from these historical programs is included in the load forecast.

As noted by the Board in London Hydro's 2013 Cost of Service proceeding (EB-2012-0146/EB-2012-0380, Board Staff Interrogatory 22),

> *"…the [CDM program savings] results as reported by the OPA are "annualized" (i.e. assume that all CDM programs, including the current year's program, are in effect for the full year, from January 1 to December 31). While the full year effect for persistence of prior year CDM programs would be in place for the full year, CDM programs implemented in a given year would normally not have the full impact in the first year, due to timing. In the absence of any other information, a "half-year" rule (i.e. assuming that only one-half of the incremental impact of a program is realized in the calendar year of introduction) may be used as a proxy for the actual impact, ignoring all other factors (i.e. seasonality)."*

Hydro One has applied this "half year" rule to both Non-Target and Target Program results (see Section 3 for full description of Target Programs).

2.1 Non-Target CDM Programs Initiated by Hydro One Distribution

In 2005, Hydro One Distribution received approval from the Board, for a $39.5 million CDM Plan for 2005-2007. Hydro One carried over part of this funding and continued to offer these CDM programs until April 30th, 2008. Since 2005, Hydro One has been tracking all market adjusted revenue requirement ("MARR")-funded CDM programs and reporting detailed savings information (by sector and by program) to the OEB through Annual Reports. Annual Reports from 2005 to 2009 can be found on the Board's website under CDM Reports, Plans & Applications.

Table 2 summarizes the savings resulting from the programs initiated by Hydro One Distribution between 2005 and 2008. The savings achieved from 2010 to 2013 are due to persistence of savings from these programs. Detailed program results can be found in Appendix A of this report. The numbers in Table 2 are annualized and do not reflect the "half year" rule.

Table 2: Hydro One Specific Energy Savings from Non-Target Programs Initiated by Hydro One Distribution

Year	Annual Energy Savings (GWh)	Cumulative Energy Savings (GWh)
2005	8.2	8.2
2006	99.1	107.3
2007	167.8	275.1
2008	176.1	451.1
2009	171.0	622.2
2010	109.6	731.7
2011	94.4	826.1
2012	81.9	908.0
2013	81.3	989.3

Note: All savings are at end-use level and are annualized

2.2 Non-Target CDM Programs Initiated by the Ontario Power Authority

Since 2006, the OPA has funded a number of conservation pilots and province-wide programs. Every year, the OPA provides each LDC with their share of the verified results of OPA-initiated CDM programs. Hydro One specific savings were provided in the report "2006 to 2009 Final CDM Results from the OPA."

Table 3 summarizes the OPA program results, from 2006 to 2010, for Hydro One Distribution's retail customers. The numbers in Table 3 are annualized and do not reflect the "half year" rule. Detailed program results and assumptions used by the OPA in arriving at the results below can be found in Appendix B.

Table 3: Hydro One Specific Energy Savings from Non-Target Programs Initiated by the OPA

Year	Annual Energy Savings (GWh)	Cumulative Energy Savings (GWh)
2006	51.0	51.0
2007	131.7	182.7
2008	187.1	369.8
2009	265.7	635.5
2010	343.1	978.6
2011	317.3	1295.9
2012	308.0	1603.9
2013	305.1	1909.0

Note: All savings are at the end-use level and are annualized. Savings from Every Kilowatt Counts program in 2006 and 2007 exclude the savings reported under Hydro One intiated non-target Programs.
Source: 2006-2010 Final OPA CDM Results for Hydro One Networks Inc.

2.3 Total Non-Target CDM Programs

The total non-target CDM program savings for programs initiatied by both Hydro One Distribution and the OPA are summarized in Table 4. The numbers in Table 4 are annualized and do not reflect the "half year" rule. Table 5 summarizes the total non-target CDM programs with the "half year" rule applied.

Table 4: Total Non-Target CDM Programs (Annualized)

Year	Annual Energy Savings (GWh)	Cumulative Energy Savings (GWh)
2005	8.2	0.0
2006	150.1	150.1
2007	299.5	449.6
2008	363.2	812.8
2009	436.7	1249.5
2010	452.7	1702.1
2011	411.6	2113.8
2012	390.0	2503.7
2013	386.4	2890.1

Note: All savings are at the end-use level

Table 5: Total Non-Target CDM Programs

("Half Year" Rule)

Year	Annual Energy Savings (GWh)	Cumulative Energy Savings (GWh)
2005	4.1	4.1
2006	79.1	83.2
2007	224.8	308.0
2008	331.3	639.4
2009	399.9	1039.3
2010	444.7	1484.0
2011	432.2	1916.1
2012	400.8	2316.9
2013	388.2	2705.1

Note: All savings are at the end-use level

3.0 TARGET PROGRAMS 2011-2012

On March 31, 2010, the Minister of Energy issued a directive to the Board, instructing it to establish mandatory CDM Targets for LDCs to achieve reductions in electricity consumption and reductions in peak provincial electricity demand over a four year period beginning January 1, 2011. That directive specified that the total of the CDM Targets established for all LDCs be equal to 1,330 megawatts (MW) of provincial peak electricity demand and 6,000 gigawatt hours (GWh) of electricity consumption over that four-year period.

Section 3 of the Directive specifies that distributors can meet their CDM targets in three ways: through Board-Approved CDM programs; through OPA-contracted province-wide CDM programs; or a combination of the two. As of April 2014, Hydro One does not have any Board-Approved CDM programs so the Target Program results to-date are exclusively from OPA-contracted programs. The Board has also noted in Guidelines for

Electricity Distributor Conservation and Demand Management (EB-2012-0003) that a portion of the demand target was intended to be attributable to the implementation of Time-of-Use ("TOU") prices. The OPA is currently undertaking an analysis of the savings attributable to TOU prices and final results are expected in September, 2015.

Hydro One specific savings were provided by the OPA in the reports "OPA-Contracted Province-Wide CDM Programs FINAL 2011 Results" and "OPA-Contracted Province-Wide CDM Programs FINAL 2012 Results". The results for 2013 are preliminary estimates. Table 6 summarizes the Hydro One specific savings resulting from OPA-contracted programs from 2011 to 2013. The results in Table 6 are annualized and do not include persistence from programs delivered prior to 2011.[1] Table 7 summarizes the total Target Program results after applying the "half year" rule. Detailed Target Program savings information can be found in Appendix C.

Table 6: Total Target CDM Programs (Annualized)

Year	Annual Energy Savings (GWh)	Cumulative Energy Savings (GWh)
2011	87.2	87.2
2012	145.1	232.2
2013	229.1	461.3

Note: All savings are at the end-use level

[1] With the exception of pre-2011 programs completed in 2011 as specified by the OPA.

Table 7: Total Target CDM Programs ("Half Year" Rule)

Year	Annual Energy Savings (GWh)	Cumulative Energy Savings (GWh)
2011	43.6	43.6
2012	116.1	159.7
2013	187.1	346.8

Note: All savings are at the end-use level

4.0 CDM PROGRAMS INITIATED BY OTHER AGENCIES

In addition to CDM programs offered by Hydro One Distribution and the OPA, there are many programs offered by other agencies such as the federal and provincial governments, natural gas distribution companies, and various non-profit organizations. The CDM programs initiated by these agencies had an impact on Hydro One Distribution load.

ICF Marbek conducted a "conservation achievable potential" study for the OPA to develop Ontario's updated Long-Term Energy Plan (LTEP). Hydro One requested ICF Marbek create a tailored dataset to estimate conservation potential by sector and end use within the Hydro One service territory by using the same techniques. This study included details on the achievable potential in each of the residential, commercial and industrial sectors. Hydro One used the 2013 LTEP savings by program and ICF's savings by sector to estimate the impact of this category. The estimated impacts of these programs on Hydro One Distribution load are provided in Table 8. More details on these programs can be found in Appendix D.

Table 8: Hydro One Specific Energy Savings from Programs Initiated by Other Agencies

Year	Annual Energy Savings (GWh)	Cumulative Energy Savings (GWh)
2005	-	-
2006	203.3	203.3
2007	384.0	587.3
2008	355.0	942.3
2009	432.4	1,374.6
2010	456.6	1,831.2
2011	531.7	2,362.9
2012	530.9	2,893.8
2013	558.1	3,451.9

Note: All savings are at the end-use level

5.0 CDM IMPACTS FROM BUILDING CODES AND APPLIANCE EFFICIENCY STANDARDS

The *Ontario Energy Efficiency Act* established energy efficiency standards for a wide range of energy-using products, with the objective of eliminating the least energy-efficient products from the Ontario marketplace. The *Green Energy Act* repealed the *Ontario Energy Efficiency Act* in 2009 and replaced it as the legislative authority that sets product energy efficiency standards.

The Building Code, which is a regulation under the *Building Code Act, 1992* (BCA), promotes the use of green technologies and regulates building elements and structures that support the on-site generation of clean renewable energy. The *Green Energy Act* (GEA), 2009 amends the BCA to clarify that energy and water conservation are included in the "conservation" purpose of the Building Code. The GEA also amends the BCA to

require that the energy conservation provisions of the BCA be reviewed every five years to identify further opportunities for enhancement of energy conservation standards.[2]

Based on the OPA's projected savings and detailed assumptions, Hydro One was able to derive the "unit savings" and apply them to each of the specific Hydro One customer class to estimate the CDM impacts from Codes and Standards for 2005 to 2011 (see Appendix E for more details). The savings for 2012 and 2013 are based on information from the 2013 LTEP. Hydro One's conservation achievable potential as estimated by ICF Marbek was used to calculate the savings for 2012 and 2013. The total estimated impacts of codes and standards for the period of 2005 to 2013 are shown in Table 9.

Table 9: Hydro One Specific Energy Savings from Codes and Standards on Hydro One Distribution

Year	Annual Energy Savings (GWh)	Cumulative Energy Savings (GWh)
2005	-	-
2006	-	-
2007	8.6	8.6
2008	19.4	28.0
2009	32.3	60.3
2010	51.6	111.8
2011	139.6	251.4
2012	269.0	520.4
2013	298.6	819.0

Note: All savings are at the end-use level

6.0 CDM IMPACTS FROM INCREASED CONSERVATION EFFECT

[2] Ontario Ministry of Municipal Affairs and Housing, 2010http://www.mah.gov.on.ca/Page6685.aspx

CDM savings from programs initiated by Hydro One Distribution, the OPA and other agencies are mostly program-specific and as such the program results are tracked and measured. Conservation actions initiated by customers on their own are difficult to quantify because they are often not program-specific and are not easily tracked or measured. For example, it is very difficult to measure the "cultural change" associated with the CDM education and communication materials circulated by Hydro One Distribution to its retail customers.

Hydro One Distribution's load forecast staff have significant experience in preparing provincial and local electricity demand forecasts and load profiles. The accuracy of Hydro One Distribution's system load forecast has been demonstrated in this and other rate filings (see Table 1 in Exhibit A, Tab 16, Schedule 2 for more details). After removing the impacts of CDM from Programs, Codes and Standards, and Other Influences (as described in previous sections) there remains a portion of CDM that is attributable to Increased Conservation Effect ("ICE"). ICE refers to actions taken by customers to improve efficiency and conservation above and beyond historic levels of "naturally occurring conservation" due to increased awareness of, and concern about, environmental and/or energy issues.

Hydro One Distribution has conducted a significant amount of research and study over the past few years into the presence and measurement of Increased Conservation Effect. Table 10 summarizes the CDM impact from Increased Conservation Effect that was assumed in the load forecast between 2010 and 2013.

Table 10: Energy Savings from Increased Conservation Effect

Year	Increased Conservation Effect (GWh)
2010	276.3
2011	341.0
2012	223.4
2013	160.5

Note: All savings are at the end-use level

The remainder of this section discusses the various studies undertaken by Hydro One to measure the Increased Conservation Effect attributable to its retail customers. It also provides several possibilities of the factors that may contribute to ICE.

6.1 Hydro One Special Studies

Hydro One Distribution has undertaken three special studies to measure the Increased Conservation Effect undertaken by its retail customers.

Regression Analysis using Monthly Purchase Data

The first study is a top-down econometric analysis to measure the net impact of CDM on energy consumption for 2004-2012 using monthly purchase data. The objective of this analysis is to analyse the Hydro One Reatail customer load with and without CDM, and thereby measure the CDM impacts. An econometric regression model was used to remove the impacts of abnormal weather and economic conditions. The level of CDM is calculated by considering the differences between the total purchase data before and after implementation of CDM.

The difference in the purchase data between 2004 and 2012 provides a measure of the net CDM impact achieved to date. CDM impacts could be attributed to a numbers of reasons, including the following:

1. Conservation programs initiated by Hydro One Distribution and the OPA (Non-Target and Target Programs);
2. Conservation programs initiated by other government agencies such as the federal and provincial governments, gas companies, and other non-government organizations in Ontario (Other Influences);
3. Building Codes and Appliance Efficiency Standards (Codes and Standards);
4. Natural turnover of appliances and equipment ("Naturally Occurring Conservation"); and
5. Actions taken by customers to improve efficiency and conservation above and beyond historic levels of "naturally occurring conservation" due to increased awareness of, and concern about, environmental and/or energy issues (Increased Conservation Effect).

The following table shows the net CDM impact in gigawatt hours measured using the econometric model. These numbers are net of 0.5% per year of "naturally occurring conservation". The CDM Savings due to ICE are calculated as the Net CDM Savings less the Program-Specific CDM Savings (which includes Programs, Codes and Standards, and Other Influences as described in Section 2 to Section 5).

Table 11: Net CDM Impact (GWh) from Econometric Model

Year	Net CDM Reduction (% Since 2004) (1)	Net CDM Savings (GWh Since 2004) (2)	Program-Specific CDM Savings (GWh) (3)	CDM Savings due to ICE (GWh) (2 - 3)
2010	5.8%	1,134	820	314
2011	8.2%	1,580	945	635
2012	7.7%	1,494	1092	402

Note: All savings are at the end-use level

The results of the regression analysis using total monthly purchase data show that Increased Conservation Effect accounts for 314 GWh in 2010, 635 GWh in 2011 and 402 GWh in 2012. Further details of this analysis can be found in Appendix F.

Customer Billing Data Analysis

The second analysis was a study undertaken by Hydro One Distribution to measure the energy savings associated with conservation actions using actual monthly billing data for residential customers. The methodology used by Hydro One Distribution for this bottom-up analysis is summarized below:

1. A database was created for 2004-2012 for residential customers who had billing information (and associated meter readings) covering the entire period. New customers or customers cancelling their service during this period were excluded. As a result, a database was created with about 466,000 customers.
2. Customer electricity consumption data was normalized to take out changes due to unusual weather effects. The weather normalization methodology used by Hydro One Distribution was approved by the Board in the Distribution Cost Allocation Review (EB-2005-0317) and previous Hydro One Distribution Rate cases (EB-2005-0378, EB-2007-0681, and EB-2009-0096).

The changes in the load between 2004 and 2012 can be attributed to a number of factors, such as changes in economic activity (i.e. personal disposable income for residential customers), naturally occurring conservation, CDM program impacts and increasing customer conservation. In order to have an unbiased estimate of net CDM saving during 2004-2012, we need to correct the effect of electricity usage due to the changes in income and natural conservation – in addition to weather normalization. It can be observed that, overall, changes in income partially increased electricity usage by 3.25% by 2012 as compared to 2004.

The following table shows the net CDM impact in GWh found using the customer billing data analysis. The CDM Savings due to ICE are calculated as the Net CDM Savings less the Program-Specific CDM Savings (which includes Programs, Codes and Standards, and Other Influences as described in Section 2 to Section 5) for the residential sector.

Table 12: Net CDM Impact (GWh) for Residential Sector from Customer Billing Data Analysis

Year	Cumulative % Reduction (vs. 2004) (1)	Natural Conservation (0.5% per year) (2)	Disposable Income Elasticity (3)	Net CDM Reduction (% Since 2004) (1 – 2 + 3)	Net CDM Savings (GWh Since 2004) (A)	CDM Savings due to Programs (GWh) (B)	CDM Savings due to ICE (GWh) (A-B)
2010	7.9%	3.0%	3.1%	8.0%	976	542	433
2011	9.4%	3.5%	3.0%	9.0%	1,096	576	520
2012	10.3%	4.0%	3.2%	9.5%	1,160	639	521

Note: All savings are at the end-use level

The results of the analysis using customer billing data show that Increased Conservation Effect in the residential sector accounts for 433 GWh in 2010, 520 GWh in 2011 and 521 GWh in 2012. Further details of this analysis can be found in Appendix G.

Econometric Analysis using Survey Data

The third study looked at the actual monthly billing data for 11,000 residential customers that completed a detailed survey in December of 2011 regarding their electrical equipment and participation in conservation actions. The purpose of the analysis was to measure the change in energy consumption between 2004 and 2011 for this sample of customers and assign it to four categories:

1. Conservation Programs
2. Time-of-Use Prices
3. Customers' Own Actions
4. Other Impacts (including codes and standards, other influences, and "naturally occurring conservation")

Increased Conservation Effect was defined in this analysis as conservation actions that were taken not as a direct result of any conservation program. Each of these four factors is comprised of several variables to identify specific impacts and the impacts are then aggregated into the above mentioned categories. The data was corrected for weather effects and income effects. A first differences semi-log approach was used whereby the natural log of the energy consumption values were first taken and then monthly deltas were taken for all the variables (i.e. 2004 – 2011 for all months).

Based on this analysis, the total estimated change between 2004 and 2011 was a savings of 11.9%. This total savings can be attributed to the 4 categories as follows:

Category	Proportion of Total Decrease Attributable to Each Category
Conservation Programs	7%
Time-of-Use Prices	14%
Customers' Own Actions	19%
Other Impacts	60%
Total	**100%**

The results of this analysis show that Customers' Own Actions is a significant proportion (19%) of the decrease in energy consumption between 2004 and 2011 for the survey customers. Customers' Own Actions is part of Increased Conservation Effect. More details on this analysis can be found in Appendix H. The survey questionnaire used to obtain responses from 11,000 Hydro One residential customers can be found in Appendix I.

Summary of Hydro One Special Studies

The results of these three studies show that Increased Conservation Effect exists and is a contributing factor to the total CDM Impact from Hydro One Distribution's retail customers. The section below identifies possible factors contributing to Increased Conservation Effect.

6.2 Factors That May Contribute to Increased Conservation Effect

Conservation actions initiated by customers on their own are difficult to quantify because they are not program specific and/or they are not easily tracked or measured. This section provides a brief summary of some of the factors that may be contributing to the Increased Conservation Effect. These do not represent verified savings results.

A) BILL INSERTS AND OTHER COMMUNICATIONS

Hydro One Distribution uses many different methods to educate its customers about conservation and to inform them about CDM programs. In the past few years, Hydro One Distribution has used bill inserts, newspapers, special events, conferences and workshops, radio and TV series, fact sheets, energy efficiency guides, brochures, on-line energy audits and direct mail to promote energy efficiency and conservation. The availability of this information will help our customers build the "conservation culture". Table 13 below provides a summary of the conservation related bill inserts delivered by Hydro One between 2005 and 2012. In addition, similar CDM materials and communication programs are offered by other government agencies that may have an impact on Hydro One retail customers. For more detailed information, please see Appendix J.

Table 13: Total Distributed CDM Bill Inserts for 2005 to 2012

Year	Printed and Distributed Pieces ('000s)
2005	3,667
2006	4,325
2007	10,609
2008	8,026
2009	7,332
2010	10,798
2011	11,857
2012	10,607

Source: Hydro One Communications Department

B) CDM PROGRAM-RELATED SAVINGS NOT ALREADY CAPTURED

Spillover and Free-Ridership Effects

The savings from Non-Target and Target CDM programs delivered by both Hydro One and the OPA are measured so as to be net of spillover and free-ridership effects. While savings from spillover and free-ridership are not counted towards the target, they have an impact on the load forecast. Table 14 below shows the difference between the net program savings and gross program savings for Hydro One specific programs delivered by Hydro One and the OPA.

Table 14: Gross Energy Savings and Net Energy Savings for Target and Non-Target Programs

Year	Gross Energy Savings (GWh)	Net Energy Savings (GWh)	Difference (GWh)	% Difference of Net
2005	9	8	1	90.5%
2006	166	150	16	90.5%
2007	520	299	220	57.6%
2008	510	363	147	71.2%
2009	632	437	195	69.1%
2010	703	453	250	64.4%
2011	787	498	290	63.2%
2012	839	535	304	63.8%

Note: All savings are at end-use level

Furthermore, results from residential customer surveys conducted by Hydro One reveal a significant number of customers who bought energy efficient products without receiving incentives. Table 15 below, shows the ratio between the number of energy efficient products that customers bought without and with coupons. As seen in the table, customers are buying more products without coupons than they are buying with coupons and these actions are not yet captured in CDM program results reported by Hydro One Distribution, the OPA or other programs initiated by the federal and provincial governments.

Table 15: Purchases of Energy Efficient Products (Without Coupons versus With Coupons)

Energy Efficient Product	Ratio of Purchases Without Coupons versus With Coupons		
	2010	2011	2012
Lighting control products such as Motion Sensor, Timer and Dimmer Switches	6.53	4.95	3.86
Energy Star qualified specialty CFL bulbs	2.51	2.47	1.35
Energy Star qualified standard CFL bulbs	--	--	2.48
Energy Star qualified LED bulbs	--	--	2.85
Energy Star qualified indoor light fixtures	4.07	3.71	3.71
Energy Star qualified ceiling fans	6.44	4.89	4.68
Power bars with integrated timer or automatic shutoff	3.63	3.15	3.21
Programmable thermostats for electric baseboards	2.79	1.43	1.77
Water heater blankets for electric water heaters	4.06	2.77	2.54
Pipe Wrap for electric water heater	6.35	3.51	4.39
Outdoor clothesline kits/Umbrella stands	9.70	6.72	3.78
V-strip/foam tape for weather-stripping	8.66	4.74	4.53
Door kit for weather-stripping	9.20	4.55	4.72

Time-of-Use (TOU) Prices

As mentioned in Section 3, the OPA is currently undertaking an analysis of the savings attributable to TOU prices with results expected in 2015. Any savings identified in this analysis will be attributable to Target Program results. However, at this time the Increased Conservation Effect may be capturing energy savings attributed to Hydro One Distribution customers' participation in conservation actions that are directly, or indirectly, related to the implementation of TOU prices and associated educational awareness.

The OEB Smart Price Pilot in 2007 found that customers conserved 6% of their load when switched to TOU prices. Hydro One also conducted a pilot in 2007 that found a

conservation impact of 3.3% of total load for customers who paid TOU prices (please refer to the TOU pilot report submitted to the OEB in EB-2007-0086 for details).

Online Energy Audit

In September 2007, Hydro One launched the PowerSaverPlus Online Energy Audit, a tool to allow customers to get a snapshot or a detailed analysis of their energy usage and learn about efficient energy management solutions to reduce electricity consumption and save on their energy bill. As of October 2013, nearly 50,000 residential and small commercial customers have undertaken at least some parts of the online energy audit. Currently, the savings due to conservation actions undertaken as a result of the Online Energy Audit are not captured in CDM program results.

Hydro One undertook a study to determine the savings attributable to the Online Energy Audit between 2007 and 2012 for residential customers only. A 'fixed-effects panel model' was used to estimate the average daily energy savings that can be attributed to completion of the audit after controlling for other key factors namely, weather by region and other monthly and yearly specific variations not attributable to the audit. Table 16 shows the total residential savings attributable to the Online Energy Audit. For more information on this analysis, please see Appendix K.

Table 16: Total Annual Savings due to Participation in the PowerSaverPlus Online Energy Audit

Year	Total Savings (GWh)
2007	0.2
2008	1.8
2009	2.9
2010	4.0
2011	4.8
2012	5.1

Note: All savings are at end-use level

C) ANALYSIS OF SURVEY RESULTS ON CUSTOMERS' OWN ACTIONS

Hydro One has been tracking the conservation actions that customers have taken on their own (i.e. not as part of a specific conservation program) since 2003 by means of residential surveys. Table 17 below shows the percentage of customers by each year that said they took part in specific conservation actions, not as a direct result of a conservation program.

The results of these surveys show that Hydro One Distribution retail customers are increasingly taking conservation actions on their own, such as turning off lights when not required, setting their thermostat lower/higher when away in winter/summer, and using cold water for laundry. Hydro One refers to these as "Customers' Own Actions."

Table 17: Percentage of Customers Taking Part in Conservation Actions (Not as a Direct Result of Conservation Programs)

Conservation Action	Percent of Customers Taking Action by Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Set thermostat lower during the day and when away	65%	71%	75%	80%	82%	93%	93%	94%	93%	95%
Set thermostat lower during the night	63%	69%	72%	77%	80%	91%	91%	96%	91%	91%
Use cold water doing laundry	49%	54%	62%	70%	75%	80%	91%	95%	94%	94%
Hang clothes to dry	54%	57%	61%	63%	65%	74%	83%	80%	81%	82%
Use timer for indoor lights	25%	27%	29%	30%	31%	37%	41%	58%	68%	73%
Use timer for outdoor lights	36%	39%	43%	45%	48%	48%	53%			
Use a dimmer switch	45%	48%	51%	53%	55%	64%	69%	65%	63%	68%
Turn off lights when not required	85%	90%	91%	95%	96%	96%	96%	99%	100%	100%
Natural cooling	68%	73%	77%	82%	85%	95%	96%	96%	96%	95%
Use timer on pool pump or heater	44%	50%	56%	63%	69%	69%	75%	69%	69%	69%
Regular maintenance of air conditioning	55%	59%	63%	67%	69%	63%	71%	83%	96%	97%
Insulate electric water heater and pipes	34%	37%	40%	43%	46%	47%	52%	63%	63%	63%
Air sealing and weatherization	37%	41%	47%	52%	54%	64%	71%	84%	84%	84%

These conservation actions save energy, but they cannot be easily measured and the saving impacts may not be already captured.

To estimate the savings attributed to Customers' Own Actions between 2010 and 2012, unit energy savings were derived from information available in the 2011 Prescriptive Measures and Assumptions Report released by the OPA in March 2011. These unit

savings were then multiplied by the number of customers participating in that action (see Appendix L for more information). The estimated annual savings from Customer's Own Actions based on survey data can be found in Table 18, below.

Table 18: Estimated Savings from Customers' Own Actions

Year	Annual Savings from Customers' Own Actions (GWh)
2010	408
2011	406
2012	426

Note: All savings are at end-use level

7.0 CONCLUSION

In response to the Board's directive to track the CDM savings achieved by it's Distribution customers, Hydro One has undertaken extensive research and analysis to assess the CDM impacts assumed in its load forecast. The results of this study show that the CDM impact assumed in Hydro One Distribution's load forecast for 2010 to 2013 (as described in Exhibit A, Tab 16, Schedule 2) is appropriate.

The CDM impact has been assessed for each of the following categories based on best available information as of November 2013:

- Non-Target CDM Programs (2005-2010) initiated by both Hydro One and the Ontario Power Authority (OPA);
- Target CDM Programs (2011-2013) initiated by the OPA;
- CDM programs funded by other organizations, such as federal, provincial, and/or municipal governments, natural gas companies, and other non-government organizations;

- CDM impacts from Building Codes and Appliance Efficiency Standards (approved after 2004); and
- CDM Impacts from Increased Conservation Effect not captured by specific CDM programs. This category includes actions which consumers take to improve efficiency and conservation above and beyond historic levels of "naturally occurring conservation" due to increased awareness of, and concern about, environmental or energy issues.

The top-down and bottom-up analyses presented in this report show that Hydro One Retail customers have responded to the conservation challenge, have participated in CDM programs offered by the OPA, Hydro One and other government agencies, and have taken various conservation actions on their own to save electricity.

APPENDIX A:
SUMMARY OF NON-TARGET CDM PROGRAM RESULTS INITIATED BY HYDRO ONE DISTRIBUTION

This appendix provides detailed energy savings results of the programs initiated by Hydro One from 2005 to 2008. Hydro One did not initiate any programs in 2009 and 2010; rather it delivered CDM programs initiated by the OPA. Savings from the programs deliverd between 2005 to 2008 will persist into future years.

Since 2005, Hydro One has been tracking all MARR-funded CDM programs and reporting detailed savings information (by sector and by program) to the OEB through Annual Reports. Annual Reports from 2005 to 2009 can be found on the Board's website under CDM Reports, Plans & Applications.

Table A.1: Energy Savings (GWh) due to CDM Programs Initiated by Hydro One in 2005

Program	Sector	Measure	End use life (years)	No. Of Units	Net to Gross Ratio	Annual kWh saved per unit	Total GWh Saved 2005	2006	2007	2008	2009	2010	2011	2012
Real Time Monitoring Pilot	Residential	Initial Pilot with In-Home Displays (IHDs)	5	382	99%	1,051	0.4	0.4	0.4	0.4	0.4	0.0	0.0	0.0
Mass Market Coupon Initiative	Residential	CFLs 15W	4	50,997	90%	104	4.8	4.8	4.8	4.8	0.0	0.0	0.0	0.0
		Seasonal LED	30	7,262	90%	19	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
		Programmable Thermostats - heating	18	952	90%	1,466	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
		Programmable Thermostat - cooling	18	2,795	90%	159	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4

Program	Sector	Measure	End use life (years)	No. Of Units	Net to Gross Ratio	Annual kWh saved per unit	Total GWh Saved 2005	2006	2007	2008	2009	2010	2011	2012
		Furnace Filter	1	752	90%	NA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
		Indoor timers-AC	20	313	90%	108	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
		Indoor timers-Lights	20	313	90%	98	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
		Outdoor timers	20	2,477	90%	292	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
	Subtotal						**7.3**	**7.3**	**7.3**	**7.3**	**2.5**	**2.5**	**2.5**	**2.5**
LED	Residential	Exchange - from 5 Watt bulbs	30	3,691	95%	36	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
		Exchange - from Mini-Lights	30	2,622	95%	14	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
		Trial - from 5W & Minis	30	2,258	95%	19	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
		Trial - from 5W & Minis	30	2,258	95%	7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Subtotal						**0.2**	**0.2**	**0.2**	**0.2**	**0.2**	**0.2**	**0.2**	**0.2**
Load Control Pilot	Residential	Load Control - Air Conditioning (AC)	18	293	100%	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
		Load Control - Water Heating (WH)	18	257	100%	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
		Load Control pool pump	18	31	100%	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Subtotal						**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Communication and Education	Residential	CFLs	4	3,061	90%	104	**0.3**	**0.3**	**0.3**	**0.3**	**0.0**	**0.0**	**0.0**	**0.0**

Note: All savings are at the end-use level

Table A.2: Energy Savings (GWh) due to CDM Programs Initiated by Hydro One in 2006

Program	Sector	Measure	End use life (years)	No. Of Units	Net to Gross Ratio	Annual kWh saved per unit	Total GWh Saved 2006	2007	2008	2009	2010	2011	2012
Real Time Monitoring Program	Residential	Initial Campaign North Ontario - with IHDs	5	19,948	99%	750	14.8	14.8	14.8	14.8	14.8	0.0	0.0
LED	Residential	Exchange - from 5 Watt bulbs	30	5,949	95%	18	0.1	0.1	0.1	0.1	0.1	0.1	0.1
		Exchange - from Mini-Lights	30	4,880	95%	7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
		Trial - from 5W & Minis	30	8,069	95%	25	0.2	0.2	0.2	0.2	0.2	0.2	0.2
	Subtotal						**0.3**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**
Low Income/ Social Housing	Residential	CMHC Projects	25	14	100%	8,414	0.1	0.1	0.1	0.1	0.1	0.1	0.1
		CFLs (18W)	4	420	100%	127	0.1	0.1	0.1	0.1	0.0	0.0	0.0
		Pipe Insulation	6	70	100%	76	0.0	0.0	0.0	0.0	0.0	0.0	0.0
		Programmable Thermostat	18	2	100%	1,466	0.0	0.0	0.0	0.0	0.0	0.0	0.0
		Aerator	12	70	100%	140	0.0	0.0	0.0	0.0	0.0	0.0	0.0
		Low flow showerhead	12	17	100%	545	0.0	0.0	0.0	0.0	0.0	0.0	0.0
		Header areas	25	5	100%	1,265	0.0	0.0	0.0	0.0	0.0	0.0	0.0
		Attic insulation	25	9	100%	2,268	0.0	0.0	0.0	0.0	0.0	0.0	0.0
		Energy Star Front Loading Washing machines	14	3	100%	481	0.0	0.0	0.0	0.0	0.0	0.0	0.0
		Weatherstripping	25	11	100%	544	0.0	0.0	0.0	0.0	0.0	0.0	0.0
		Basement Insulation	25	4	100%	6,618	0.0	0.0	0.0	0.0	0.0	0.0	0.0
		Crawl Space Insulation (average house)	25	5	100%	2,359	0.0	0.0	0.0	0.0	0.0	0.0	0.0
		Other (mix of above)	18	1	100%	10,695	0.0	0.0	0.0	0.0	0.0	0.0	0.0
		Fridges - upgrade - 514-440 kwh	19	39	90%	76	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Program	Sector	Measure	End use life (years)	No. Of Units	Net to Gross Ratio	Annual kWh saved per unit	Total GWh Saved 2006	2007	2008	2009	2010	2011	2012
		Fridges - replacement - 1200-514 kwh	6	16	90%	685	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Subtotal						**0.3**	**0.3**	**0.3**	**0.3**	**0.2**	**0.2**	**0.2**
Load Control Program	Residential	Load control (AC)	18	1,350	100%	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
		Load control (AC+WH)	18	337	100%	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
		Programmable thermostat - cooling	18	1,687	50%	159	0.1	0.1	0.1	0.1	0.1	0.1	0.1
		Programmable thermostat - heating	15	337	50%	1,466	0.3	0.3	0.3	0.3	0.3	0.2	0.2
		Tank wrap	6	337	95%	270	0.1	0.1	0.1	0.1	0.1	0.1	0.1
		Pipe insulation	6	337	90%	76	0.0	0.0	0.0	0.0	0.0	0.0	0.0
		CFLs	4	3,374	90%	104	0.3	0.3	0.3	0.3	0.0	0.0	0.0
	Subtotal						**0.8**	**0.8**	**0.8**	**0.8**	**0.5**	**0.5**	**0.5**
Farm Energy Efficiency and Farm Load Control	Commercial, Industrial, Farm, MUSH	Lighting Replacement (T5)	15	94	90%	804	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**
C/I MUSH Conservation	MUSH	Red -12 "	10	184	90%	537	0.1	0.1	0.1	0.1	0.1	0.1	0.1
		Green 12"	10	184	90%	515	0.1	0.1	0.1	0.1	0.1	0.1	0.1
		Green 8"	10	16	90%	223	0.0	0.0	0.0	0.0	0.0	0.0	0.0
		Arrow 12"	16	17	90%	176	0.0	0.0	0.0	0.0	0.0	0.0	0.0
		Pedestrian	10	8	90%	736	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Subtotal						**0.2**	**0.2**	**0.2**	**0.2**	**0.2**	**0.2**	**0.2**
Mass Market Coupon Initiative													
Cold Shoulder	Residential	Fridges recycled	6	2,552	90%	1,200	2.8	2.8	2.8	2.8	2.8	2.8	0.0
		Freezers recycled	6	1,242	90%	900	1.0	1.0	1.0	1.0	1.0	1.0	0.0
		Room AC recycled	4	277	90%	900	0.2	0.2	0.2	0.2	0.0	0.0	0.0
		EE kits - 2 CFLs (13W)	4	8,140	90%	104	0.8	0.8	0.8	0.8	0.0	0.0	0.0

Program	Sector	Measure	End use life (years)	No. Of Units	Net to Gross Ratio	Annual kWh saved per unit	Total GWh Saved 2006	2007	2008	2009	2010	2011	2012
		EE kit - timer (outdoor)	20	4,069	90%	292	1.1	1.1	1.1	1.1	1.1	1.1	1.1
	Subtotal						**5.8**	**5.8**	**5.8**	**5.8**	**4.8**	**4.8**	**1.1**
Every Kilowatt Counts (Spring and Fall Events)	Residential	CFLs	4	590,217	90%	104	55.3	55.3	55.3	55.3	0.0	0.0	0.0
		Energy Star Ceiling Fans	20	2,545	90%	140	0.3	0.3	0.3	0.3	0.3	0.3	0.3
		Timers	20	7,691	90%	183	1.3	1.3	1.3	1.3	1.3	1.3	1.3
		Dimmer Switches	10	5,105	90%	140	0.6	0.6	0.6	0.6	0.6	0.6	0.6
		Motion Sensors	20	1,831	90%	208	0.3	0.3	0.3	0.3	0.3	0.3	0.3
		Seasonal LEDs	30	97,814	95%	13	1.2	1.2	1.2	1.2	1.2	1.2	1.2
		Programmable baseboard heater thermostats	18	385	90%	1,466	0.5	0.5	0.5	0.5	0.5	0.5	0.5
		Programmable Thermostats - Cooling	18	7,719	90%	159	1.1	1.1	1.1	1.1	1.1	1.1	1.1
		Programmable Thermostats - Electric Heating	15	2,281	90%	1,466	3.0	3.0	3.0	3.0	3.0	3.0	3.0
		Programmable Thermostats - Nat. Gas Heating	15	1,544	90%	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
		Programmable Thermostats - Oil Heating	15	987	90%	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
		Programmable Thermostat - Propane Heating	15	257	90%	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Subtotal						**63.7**	**63.7**	**63.7**	**63.7**	**8.4**	**8.4**	**8.4**
Power Saver Tour	Residential	CFLs 15W	4	500	90%	104	0.1	0.1	0.1	0.1	0.0	0.0	0.0
		CFLs 27W	4	9,500	90%	170	1.5	1.5	1.5	1.5	0.0	0.0	0.0
		CFLs 15 W (6 packs; bug lights; trilights)	4	9,133	90%	104	0.9	0.9	0.9	0.9	0.0	0.0	0.0
		CFLs 23 W regular (2 per pack)	4	2,102	90%	170	0.3	0.3	0.3	0.3	0.0	0.0	0.0
		20 watt par 38 CFL flood light	5	320	90%	127	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Program	Sector	Measure	End use life (years)	No. Of Units	Net to Gross Ratio	Annual kWh saved per unit	Total GWh Saved 2006	2007	2008	2009	2010	2011	2012
		LED Christmas Lights	30	373	95%	7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
		Timers outdoor (all timers)	20	1,562	90%	292	0.4	0.4	0.4	0.4	0.4	0.4	0.4
		Dimmer (2 per pack)	10	118	90%	140	0.0	0.0	0.0	0.0	0.0	0.0	0.0
		Programmable Thermostat - Cooling	18	56	90%	159	0.0	0.0	0.0	0.0	0.0	0.0	0.0
		Programmable Thermostat - Electric heating	15	17	90%	1,466	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Subtotal						**3.2**	**3.2**	**3.2**	**3.2**	**0.5**	**0.5**	**0.5**
Keep Cool	Residential	Room AC Recycle	4	2,036	90%	900	**1.7**	**1.7**	**1.7**	**1.7**	**0.0**	**0.0**	**0.0**
Cool Shops	Residential	CFLs 15W	4	937	90%	104	0.1	0.1	0.1	0.1	0.0	0.0	0.0
		CFLs 11w	4	6	90%	67	0.0	0.0	0.0	0.0	0.0	0.0	0.0
		CFLs 27 w	4	81	90%	170	0.0	0.0	0.0	0.0	0.0	0.0	0.0
		Fluorescent BR 9	4	83	90%	104	0.0	0.0	0.0	0.0	0.0	0.0	0.0
		LED Exit Signs	25	174	90%	236	0.0	0.0	0.0	0.0	0.0	0.0	0.0
		Fluorescent PAR	5	7	90%	170	0.0	0.0	0.0	0.0	0.0	0.0	0.0
		CFLs 13W	4	78	90%	94	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Subtotal						**0.2**	**0.2**	**0.2**	**0.2**	**0.0**	**0.0**	**0.0**

Note: All savings are at the end-use level

Table A.3: Energy Savings (GWh) due to CDM Programs Initiated by Hydro One in 2007

Program	Sector	Measure	End use life (years)	No. Of Units	Net to Gross Ratio	Annual kWh saved per unit	Total GWh Saved 2007	2008	2009	2010	2011	2012
Real Time Monitoring Program	Residential	Initial Campaign North Ontario	5	10,960	99%	750	**8.1**	**8.1**	**8.1**	**8.1**	**8.1**	**0.0**
Low Income/Social Housing												
Real Time Monitoring FN	Residential	First Nations	5	397	100%	750	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**	**0.0**
CMHC	Residential	Projects	25	10	100%	n/a	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**
Green Communities	Residential	Various measures	10	54	100%	2,121	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**
Enviroecentre	Residential	CFLs/lighting	8	663	100%	171	0.1	0.1	0.1	0.1	0.1	0.1
		Aerators	12	145	100%	34	0.0	0.0	0.0	0.0	0.0	0.0
		Showerhead	12	68	100%	545	0.0	0.0	0.0	0.0	0.0	0.0
		Drying rack	10	105	100%	300	0.0	0.0	0.0	0.0	0.0	0.0
		DHW Tank blanket	6	80	100%	270	0.0	0.0	0.0	0.0	0.0	0.0
		Cold water washing (detergent)	1	107	100%	623	0.1	0.0	0.0	0.0	0.0	0.0
		DHW Pipe Insulation	6	63	100%	76	0.0	0.0	0.0	0.0	0.0	0.0
		Programmable Thermostat	15	0	100%	159	0.0	0.0	0.0	0.0	0.0	0.0
		Kettle/timers	20	61	100%	200	0.0	0.0	0.0	0.0	0.0	0.0
		Ceiling Fans	10	47	100%	150	0.0	0.0	0.0	0.0	0.0	0.0
		Caulking products	25	7	100%	362	0.0	0.0	0.0	0.0	0.0	0.0
		Weatherstripping	25	4	100%	543	0.0	0.0	0.0	0.0	0.0	0.0
		Air vapor upgrade	25	0	100%	1,267	0.0	0.0	0.0	0.0	0.0	0.0
		Attic insulation	25	17	100%	2,715	0.1	0.1	0.1	0.1	0.0	0.0
		Duct insulation and sealing	25	1	100%	2,715	0.0	0.0	0.0	0.0	0.0	0.0
		Wall insulation	25	8	100%	543	0.0	0.0	0.0	0.0	0.0	0.0

Program	Sector	Measure	End use life (years)	No. Of Units	Net to Gross Ratio	Annual kWh saved per unit	Total GWh Saved 2007	2008	2009	2010	2011	2012
		Ceiling floor insulation	25	1	100%	543	0.0	0.0	0.0	0.0	0.0	0.0
		Basement insulation	25	8	100%	543	0.0	0.0	0.0	0.0	0.0	0.0
		Door upgrade	25	0	100%	543	0.0	0.0	0.0	0.0	0.0	0.0
		Window upgrade	25	4	100%	543	0.0	0.0	0.0	0.0	0.0	0.0
		Refrigerator replacement	9	103	100%	824	0.1	0.1	0.1	0.1	0.1	0.1
		Other measures	10	n/a	100%	n/a	0.2	0.2	0.2	0.2	0.1	0.1
	Subtotal						**0.6**	**0.5**	**0.5**	**0.5**	**0.5**	**0.5**
First Nations Retrofits	Residential	CFLs	8	750	100%	171	0.1	0.1	0.1	0.1	0.1	0.1
		Tank wrap	6	125	100%	270	0.0	0.0	0.0	0.0	0.0	0.0
		Pipe Insulation	6	125	100%	76	0.0	0.0	0.0	0.0	0.0	0.0
		Programmable Thermostat	15	45	100%	1,466	0.1	0.1	0.1	0.1	0.1	0.1
		Airsealing	25	970	100%	123	0.1	0.1	0.1	0.1	0.1	0.1
		Full Airsealing	25	204	100%	123	0.0	0.0	0.0	0.0	0.0	0.0
		Header attic	25	215	100%	511	0.1	0.1	0.1	0.1	0.1	0.1
		Basement insulation	25	188	100%	1,153	0.2	0.2	0.2	0.2	0.2	0.2
	Subtotal						**0.7**	**0.7**	**0.7**	**0.7**	**0.7**	**0.7**
Social Housing	Residential	18" T8-15W - 1 lamp	15	103	99%	0	0.0	0.0	0.0	0.0	0.0	0.0
		48"T8 1 lamp	15	2,673	99%	68	0.2	0.2	0.2	0.2	0.2	0.2
		48"T8 2 lamps	15	2,164	99%	120	0.3	0.3	0.3	0.3	0.3	0.3
		48"T8 3 lamps	15	31	99%	160	0.0	0.0	0.0	0.0	0.0	0.0
		48"T8 4 lamps	15	240	99%	236	0.1	0.1	0.1	0.1	0.1	0.1
		24"T8 1 lamp	15	24	99%	0	0.0	0.0	0.0	0.0	0.0	0.0
		24"T8 2 lamps	15	5	99%	8	0.0	0.0	0.0	0.0	0.0	0.0
		36"T8 1 lamp	15	62	99%	68	0.0	0.0	0.0	0.0	0.0	0.0
		CFLs 13W	8	7,175	99%	110	0.8	0.8	0.8	0.8	0.8	0.8
		CFLs 14W	8	1,000	99%	107	0.1	0.1	0.1	0.1	0.1	0.1
		CFLs 15W & 16 Watts	8	10,132	99%	171	1.7	1.7	1.7	1.7	1.7	1.7
		CFLs 25W or 23 PAR	8	1,556	99%	285	0.4	0.4	0.4	0.4	0.4	0.4

Program	Sector	Measure	End use life (years)	No. Of Units	Net to Gross Ratio	Annual kWh saved per unit	Total GWh Saved 2007	2008	2009	2010	2011	2012
		T5 1 lamp	15	106	99%	57	0.0	0.0	0.0	0.0	0.0	0.0
		T5 2 lamps	15	242	99%	89	0.0	0.0	0.0	0.0	0.0	0.0
		LED Exit	25	688	99%	237	0.2	0.2	0.2	0.2	0.2	0.2
		T9-22W Circline	15	3	99%	20	0.0	0.0	0.0	0.0	0.0	0.0
		MR 16- 20W	2	6	99%	68	0.0	0.0	0.0	0.0	0.0	0.0
		Refrigerator replacement	9	1,608	100%	n/a	1.1	1.1	1.1	1.1	1.1	1.1
		Envelope Improvements	25	11	100%	n/a	0.5	0.5	0.5	0.5	0.5	0.5
		Showerhead and Aerators	12	3	100%	n/a	0.0	0.0	0.0	0.0	0.0	0.0
		Showerheads and Toilets	12	1	100%	n/a	0.0	0.0	0.0	0.0	0.0	0.0
		Building Automation system	15	2	100%	n/a	0.0	0.0	0.0	0.0	0.0	0.0
		Transformer replacement	15	1	100%	n/a	0.0	0.0	0.0	0.0	0.0	0.0
		Dehumidification system	15	1	100%	n/a	0.1	0.1	0.1	0.1	0.1	0.1
		Geothermal Heat Source	20	1	100%	n/a	0.2	0.2	0.2	0.2	0.2	0.2
		Make-up Air Unit Replacement	15	2	100%	n/a	0.1	0.1	0.1	0.1	0.1	0.1
		Pressure Pump timer	15	1	100%	n/a	0.0	0.0	0.0	0.0	0.0	0.0
		Sink Aerator	12	1	100%	n/a	0.0	0.0	0.0	0.0	0.0	0.0
		Variable Speed pump	15	1	100%	n/a	0.1	0.1	0.1	0.1	0.1	0.1
		Washer Replacement	14	1	100%	n/a	0.0	0.0	0.0	0.0	0.0	0.0
		Programmable Thermostat	15	480	100%	n/a	0.5	0.5	0.5	0.5	0.5	0.5
	Subtotal						**6.3**	**6.3**	**6.3**	**6.3**	**6.3**	**6.3**
Load Control Program	Residential	Load control (AC)	12	8,313	100%	0	0.0	0.0	0.0	0.0	0.0	0.0
		Load Control (AC+WH)	12	755	100%	0	0.0	0.0	0.0	0.0	0.0	0.0
		Programmable thermostat - cooling	18	8,313	50%	159	0.7	0.7	0.7	0.7	0.7	0.7
		Programmable thermostat - heating	15	1,663	50%	1,466	1.2	1.2	1.2	1.2	1.2	1.2

Program	Sector	Measure	End use life (years)	No. Of Units	Net to Gross Ratio	Annual kWh saved per unit	Total GWh Saved 2007	2008	2009	2010	2011	2012
		Tank wrap	6	755	95%	270	0.2	0.2	0.2	0.2	0.2	0.2
		Pipe Insulation	6	755	90%	76	0.1	0.1	0.1	0.1	0.1	0.1
		CFLs	8	12,626	90%	104	1.2	1.2	1.2	1.2	1.2	1.2
	Subtotal						**3.3**	**3.3**	**3.3**	**3.3**	**3.3**	**3.3**
Communication and Education												
Smart Pak	Residential	CFLs	8	12,000	90%	104	1.1	1.1	1.1	1.1	1.1	1.1
		Pipe Insulation	6	3,360	90%	76	0.2	0.2	0.2	0.2	0.2	0.2
		Faucet Aerator bathroom	12	3,360	90%	33	0.1	0.1	0.1	0.1	0.1	0.1
		Showerhead	12	3,360	90%	545	1.7	1.7	1.7	1.7	1.6	1.6
		LED night light	12	6,000	96%	5	0.0	0.0	0.0	0.0	0.0	0.0
	Subtotal						**3.1**	**3.1**	**3.1**	**3.1**	**3.1**	**3.1**
CFL and Timer Giveaways	Residential	CFL- IPM	8	1,000	90%	104	0.1	0.1	0.1	0.1	0.1	0.1
		CFL - Highland Yard (Minden)	8	300	90%	104	0.0	0.0	0.0	0.0	0.0	0.0
		CFL - Emerg.prep.course(Queen's Univ.)	8	250	90%	104	0.0	0.0	0.0	0.0	0.0	0.0
		CFL - Woodstock Workshop	8	50	90%	104	0.0	0.0	0.0	0.0	0.0	0.0
		CFL - Terrace Bay	8	100	90%	104	0.0	0.0	0.0	0.0	0.0	0.0
		Timers - Terrace Bay	20	100	90%	292	0.0	0.0	0.0	0.0	0.0	0.0
		Timers-Other events	20	211	90%	292	0.1	0.1	0.1	0.1	0.1	0.1
	Subtotal						**0.2**	**0.2**	**0.2**	**0.2**	**0.2**	**0.2**
Program Management and Research	Residential	TOU Pilot	Various	411	100%	n/a	**0.4**	**0.4**	**0.4**	**0.4**	**0.4**	**0.2**
Mass Market Coupon Initiative												
Cold Shoulder	Residential	Fridges recycled	9	4,589	90%	1,200	5.0	5.0	5.0	5.0	5.0	5.0
		Freezers recycled	8	2,247	90%	900	1.8	1.8	1.8	1.8	1.8	1.8
		Room AC recycled	4	418	90%	900	0.3	0.3	0.3	0.3	0.0	0.0
		EE kits - 2 CFLs (13W)	8	14,479	90%	104	1.4	1.4	1.4	1.4	1.4	1.4

Program	Sector	Measure	End use life (years)	No. Of Units	Net to Gross Ratio	Annual kWh saved per unit	Total GWh Saved 2007	2008	2009	2010	2011	2012
		EE kit - timer	10	7,254	90%	292	1.9	1.9	1.9	1.9	1.9	1.9
	Subtotal						**10.4**	**10.4**	**10.4**	**10.4**	**10.0**	**10.0**
Every Kilowatt Counts (Spring and Fall Events)	Residential	CFLs 15W	8	101,224	90%	104	9.5	9.5	9.5	9.5	9.5	9.5
		Ceiling Fans	10	3,929	90%	141	0.5	0.5	0.5	0.5	0.5	0.5
		Outdoor solar lighting	5	122,606	90%	0	0.0	0.0	0.0	0.0	0.0	0.0
		Furnace filters	1	5,277	90%	0	0.0	0.0	0.0	0.0	0.0	0.0
		Dimmer switches	10	3,975	90%	140	0.5	0.5	0.5	0.5	0.5	0.5
		Outdoor motion sensors	10	4,812	90%	208	0.9	0.9	0.9	0.9	0.9	0.9
	Subtotal						**11.4**	**11.4**	**11.4**	**11.4**	**11.4**	**11.4**
Distribution Loss Reduction	Common	Reduced distribution loss	20	n/a	100%	n/a	**7.2**	**7.2**	**7.2**	**7.2**	**7.2**	**7.2**
C/I MUSH Conservation												
Powersaver Business Incentive Program	Commercial, Industrial	CFLs (screw plus Pin)	8	15,036	90%	104	1.4	1.4	1.4	1.4	1.4	1.4
		Exit Signs	25	480	90%	237	0.1	0.1	0.1	0.1	0.1	0.1
		T8 St perf 1 lamp	15	1,678	90%	52	0.1	0.1	0.1	0.1	0.1	0.1
		T8 St perf 2 lamp	15	5,537	90%	80	0.4	0.4	0.4	0.4	0.4	0.4
		T8 St perf 3 lamp	15	307	90%	112	0.0	0.0	0.0	0.0	0.0	0.0
		T8 St perf 4 lamp	15	1,709	90%	160	0.3	0.3	0.3	0.3	0.2	0.2
		T8 high perf -1 lamp	15	276	90%	68	0.0	0.0	0.0	0.0	0.0	0.0
		T8 high perf -2 lamp	15	1,940	90%	120	0.2	0.2	0.2	0.2	0.2	0.2
		T8 high perf-3 lamp	15	80	90%	160	0.0	0.0	0.0	0.0	0.0	0.0
		T8 high perf-4 lamp	15	932	90%	236	0.2	0.2	0.2	0.2	0.2	0.2
		Metal halide	15	45	90%	408	0.0	0.0	0.0	0.0	0.0	0.0
		T8 six lamps	15	1,628	90%	1,000	1.5	1.5	1.5	1.5	1.5	1.5
		T5 1 to 3 lamps	15	1,481	90%	392	0.5	0.5	0.5	0.5	0.5	0.5
		T5 4 to 6 lamps	15	2,131	90%	444	0.9	0.9	0.9	0.9	0.9	0.9
		Occupancy sensors - Switch	15	233	90%	4,050	0.9	0.9	0.9	0.9	0.8	0.8

Program	Sector	Measure	End use life (years)	No. Of Units	Net to Gross Ratio	Annual kWh saved per unit	Total GWh Saved 2007	2008	2009	2010	2011	2012
		plate mounted										
		Occupancy sensors - Ceiling mounted	15	432	90%	1,620	0.6	0.6	0.6	0.6	0.6	0.6
		Motor 1 HP	15	1	90%	100	0.0	0.0	0.0	0.0	0.0	0.0
		Motor 1.5 HP	15	1	90%	142	0.0	0.0	0.0	0.0	0.0	0.0
		Motor 2 HP	15	2	90%	228	0.0	0.0	0.0	0.0	0.0	0.0
		Motor 5 HP	15	1	90%	298	0.0	0.0	0.0	0.0	0.0	0.0
		Motor 7.5 HP	15	1	90%	382	0.0	0.0	0.0	0.0	0.0	0.0
		Motor 30 HP	15	1	90%	962	0.0	0.0	0.0	0.0	0.0	0.0
		Motor 75 HP	15	1	90%	2,330	0.0	0.0	0.0	0.0	0.0	0.0
		Motor 100 HP	15	2	90%	2,787	0.0	0.0	0.0	0.0	0.0	0.0
		Transformer 45 KVA	15	5	90%	917	0.0	0.0	0.0	0.0	0.0	0.0
		Transformer 75 KVA	15	4	90%	1,512	0.0	0.0	0.0	0.0	0.0	0.0
		Transformer 112.5 KVA	15	2	90%	1,943	0.0	0.0	0.0	0.0	0.0	0.0
		Unitary AC <5.4 (1 phase)	15	1	90%	629	0.0	0.0	0.0	0.0	0.0	0.0
		Unitary AC <5.4	15	9	90%	629	0.0	0.0	0.0	0.0	0.0	0.0
		Unitary AC 5.4< 11	15	2	90%	1,802	0.0	0.0	0.0	0.0	0.0	0.0
		Unitary AC 11.25<20	15	3	90%	3,446	0.0	0.0	0.0	0.0	0.0	0.0
		Heat pad 0-75 single	15	4	67%	613	0.0	0.0	0.0	0.0	0.0	0.0
		Heat Pad 0-75 double	15	40	67%	1,226	0.0	0.0	0.0	0.0	0.0	0.0
		Heat pad 75-100 single	15	14	67%	438	0.0	0.0	0.0	0.0	0.0	0.0
		Heat pad 75-100 double	15	12	67%	879	0.0	0.0	0.0	0.0	0.0	0.0
		Heat pad controller	15	22	100%	511	0.0	0.0	0.0	0.0	0.0	0.0
		Temperature cut off	15	11	100%	113	0.0	0.0	0.0	0.0	0.0	0.0
		Energy Efficient Livestock Wateres	15	6	90%	1,742	0.0	0.0	0.0	0.0	0.0	0.0
		Ventilation fan 24"	15	107	87%	151	0.0	0.0	0.0	0.0	0.0	0.0

Program	Sector	Measure	End use life (years)	No. Of Units	Net to Gross Ratio	Annual kWh saved per unit	Total GWh Saved 2007	2008	2009	2010	2011	2012
		Custom applications	15	6	90%	n/a	3.5	3.5	3.5	3.5	3.5	3.5
		Custom applications	15	1	90%	n/a	2.2	2.2	2.2	2.2	2.2	2.2
	Subtotal						**12.8**	**12.8**	**12.8**	**12.8**	**12.8**	**12.8**
Municipal LED Traffic Lights	MUSH	Red -12 "	10	406	90%	537	0.2	0.2	0.2	0.2	0.2	0.2
		Green 12"	10	506	90%	515	0.2	0.2	0.2	0.2	0.2	0.2
		Green 8"	10	0	90%	223	0.0	0.0	0.0	0.0	0.0	0.0
		Arrow 12"	16	17	90%	176	0.0	0.0	0.0	0.0	0.0	0.0
		Pedestrian	10	567	90%	736	0.4	0.4	0.4	0.4	0.4	0.4
		Red+Green+Adv.Arrow	10	50	90%	1,249	0.1	0.1	0.1	0.1	0.1	0.1
		Red+Green	10	650	90%	1,073	0.6	0.6	0.6	0.6	0.6	0.6
	Subtotal						**1.5**	**1.5**	**1.5**	**1.5**	**1.5**	**1.5**
C/I Load Control (EE Kit Giveaways)	Commercial, Industrial	Load Control	1	288	90%	n/a	0.0	0.0	0.0	0.0	0.0	0.0
		CFLs	8	870	90%	104	0.1	0.1	0.1	0.1	0.1	0.1
		Timers	10	435	90%	292	0.1	0.1	0.1	0.1	0.1	0.1
	Subtotal						**0.2**	**0.2**	**0.2**	**0.2**	**0.2**	**0.2**
Farm Energy Efficiency and Farm Load Control	Farms	CFLs (15watts)	8	5,444	90%	180	0.9	0.9	0.9	0.9	0.9	0.9
		LED Exit signs (3W)	10	21	90%	236	0.0	0.0	0.0	0.0	0.0	0.0
		T8-1 lamp - standard performance	15	0	90%	52	0.0	0.0	0.0	0.0	0.0	0.0
		T8-2 lamp - standard performance	15	471	90%	80	0.0	0.0	0.0	0.0	0.0	0.0
		T8-3 lamp - standard performance	15	0	90%	112	0.0	0.0	0.0	0.0	0.0	0.0
		T8-4 lamp - standard performance	15	0	90%	160	0.0	0.0	0.0	0.0	0.0	0.0
		T8-1 lamp - high performance	15	8	90%	68	0.0	0.0	0.0	0.0	0.0	0.0
		T8-2 lamp - high performance	15	214	90%	120	0.0	0.0	0.0	0.0	0.0	0.0
		T8-3 lamp - high performance	15	0	90%	160	0.0	0.0	0.0	0.0	0.0	0.0

Program	Sector	Measure	End use life (years)	No. Of Units	Net to Gross Ratio	Annual kWh saved per unit	Total GWh Saved 2007	2008	2009	2010	2011	2012
		T8-4 lamp - high performance	15	24	90%	236	0.0	0.0	0.0	0.0	0.0	0.0
		T5 lamp -1-3 lamps	15	117	90%	1,313	0.1	0.1	0.1	0.1	0.1	0.1
		T5 lamp 3-6 lamps (from 460w to 236w)	15	263	90%	1,454	0.3	0.3	0.3	0.3	0.3	0.3
		T8 high bay Fixtures 6 lamps (from 460w to 210w)	15	0	90%	1,625	0.0	0.0	0.0	0.0	0.0	0.0
		Metal halide-320W (OEB industrial)	15	0	90%	536	0.0	0.0	0.0	0.0	0.0	0.0
		Occupancy sensors -wall and ceiling mounted	15	64	90%	1,620	0.1	0.1	0.1	0.1	0.1	0.1
		Heat pad	15	110	67%	433	0.0	0.0	0.0	0.0	0.0	0.0
		Heat Pad	15	166	67%	358	0.0	0.0	0.0	0.0	0.0	0.0
		Heat Pad controller	15	18	71%	175	0.0	0.0	0.0	0.0	0.0	0.0
		Energy Efficient Livestock Waters	15	6	90%	1,284	0.0	0.0	0.0	0.0	0.0	0.0
		CFL Hard wired Commercial	15	0	90%	180	0.0	0.0	0.0	0.0	0.0	0.0
		motor 1HP	15	0	90%	1,400	0.0	0.0	0.0	0.0	0.0	0.0
		Motor 1.5 HP	15	0	90%	141	0.0	0.0	0.0	0.0	0.0	0.0
		Motor 5 HP	15	0	90%	299	0.0	0.0	0.0	0.0	0.0	0.0
		Motor 7.5 HP	15	0	90%	382	0.0	0.0	0.0	0.0	0.0	0.0
		Motor 30 HP	15	0	90%	1,905	0.0	0.0	0.0	0.0	0.0	0.0
		Motor 20 HP	15	0	90%	913	0.0	0.0	0.0	0.0	0.0	0.0
		Transformers 3 phase 45 kVA	15	0	90%	918	0.0	0.0	0.0	0.0	0.0	0.0
		Transformers 3 phase 750 kVA	15	1	90%	4,251	0.0	0.0	0.0	0.0	0.0	0.0
		Transformers 3 phase 112.5 kVA	15	0	90%	1,943	0.0	0.0	0.0	0.0	0.0	0.0
		Motor 25 HP	15	0	90%	804	0.0	0.0	0.0	0.0	0.0	0.0
		Motor 75 HP	15	0	90%	2,331	0.0	0.0	0.0	0.0	0.0	0.0

Program	Sector	Measure	End use life (years)	No. Of Units	Net to Gross Ratio	Annual kWh saved per unit	Total GWh Saved 2007	2008	2009	2010	2011	2012
		Motor 100HP	15	0	90%	2,787	0.0	0.0	0.0	0.0	0.0	0.0
		Honda of Canada Manufacturing (custom application)	15	0	90%	n/a	0.0	0.0	0.0	0.0	0.0	0.0
		Advantage Engineering (custom application)	15	0	90%	n/a	0.0	0.0	0.0	0.0	0.0	0.0
		Maitland Conservation Authority (custom application)	15	0	90%	n/a	0.0	0.0	0.0	0.0	0.0	0.0
		Track and Wheels company (custom application)	15	0	90%	n/a	0.0	0.0	0.0	0.0	0.0	0.0
		Gary Curtis (ventilation system) (custom application)	15	1	90%	44,928	0.0	0.0	0.0	0.0	0.0	0.0
		Inscape Limited (custom application)	15	0	90%	n/a	0.0	0.0	0.0	0.0	0.0	0.0
		Sysco (custom application)	15	0	90%	n/a	0.0	0.0	0.0	0.0	0.0	0.0
		Altas COPCO Lively (custom application)	15	0	90%	n/a	0.0	0.0	0.0	0.0	0.0	0.0
		Belwood Poultry (custom application)	15	1	90%	260,811	0.2	0.2	0.2	0.2	0.2	0.2
		Arnprior district Hospital (custom application)	15	0	90%	n/a	0.0	0.0	0.0	0.0	0.0	0.0
		Oshawa Ski club (custom application)	15	0	90%	n/a	0.0	0.0	0.0	0.0	0.0	0.0
		Huski Injection Molding (custom application)	15	0	90%	n/a	0.0	0.0	0.0	0.0	0.0	0.0
		Township of Uxbridge (custom	15	0	90%	n/a	0.0	0.0	0.0	0.0	0.0	0.0

Program	Sector	Measure	End use life (years)	No. Of Units	Net to Gross Ratio	Annual kWh saved per unit	Total GWh Saved 2007	2008	2009	2010	2011	2012
		application)										
		Mining technologies international (custom application)	15	0	90%	n/a	0.0	0.0	0.0	0.0	0.0	0.0
		Motor 200 HP	15	0	90%	n/a	0.0	0.0	0.0	0.0	0.0	0.0
		Unitary AC 1 phase less than 5.4	15	0	90%	n/a	0.0	0.0	0.0	0.0	0.0	0.0
		Unitary AC 3 - phase less than 5.4	15	3	90%	540	0.0	0.0	0.0	0.0	0.0	0.0
		Unitary AC 3 phase (5.4 to 11)	15	2	90%	1,802	0.0	0.0	0.0	0.0	0.0	0.0
		Transformer 3 phase (11 to 20)	15	1	90%	4,210	0.0	0.0	0.0	0.0	0.0	0.0
		Temperature cut off	15	11	90%	113	0.0	0.0	0.0	0.0	0.0	0.0
		24" Fan	15	46	90%	301	0.0	0.0	0.0	0.0	0.0	0.0
	Subtotal						**1.9**	**1.9**	**1.9**	**1.9**	**1.9**	**1.9**

Note: All savings are at the end-use level

Table A.4: Energy Savings (GWh) due to CDM Programs Initiated by Hydro One in 2008

Program	Sector	Measure	End use life (years)	No. Of Units	Net to Gross Ratio	Annual kWh saved per unit	Total GWh Saved 2008	2009	2010	2011	2012
Distribution Loss Reduction	Common	Reduced distribution loss	20	n/a	99%	n/a	**7.2**	**7.2**	**7.2**	**7.2**	**7.2**
Powersaver Business Incentive Program	Commercial, Industrial	CFLs	8	3,199	90%	180	0.5	0.5	0.5	0.5	0.5
		Hard wired CFLs	8	6	90%	180	0.0	0.0	0.0	0.0	0.0
		1 lamp T8 standard	15	34	90%	52	0.0	0.0	0.0	0.0	0.0
		2 lamp T8 standard	15	178	90%	80	0.0	0.0	0.0	0.0	0.0
		3 lamp T8 standard	15	520	90%	112	0.1	0.1	0.1	0.1	0.1
		4 lamp T8 standard	15	10	90%	160	0.0	0.0	0.0	0.0	0.0
		6 lamp T8	15	4	90%	1,625	0.0	0.0	0.0	0.0	0.0
		4-6 lamps T5	15	113	90%	1,454	0.2	0.2	0.2	0.1	0.1
		Ceiling occupancy sensor	15	6	90%	1,620	0.0	0.0	0.0	0.0	0.0
		24" ventilation fans	15	4	90%	301	0.0	0.0	0.0	0.0	0.0
		Unitary AC (15 tons)	15	2	90%	3,157	0.0	0.0	0.0	0.0	0.0
		Unitary AC (7.5 tons)	15	1	90%	1,352	0.0	0.0	0.0	0.0	0.0
		Unitary AC (5 tons)	15	5	90%	900	0.0	0.0	0.0	0.0	0.0
		Custom 155 HOPA Lighting redesign	15	1	90%	54,730	0.1	0.1	0.1	0.0	0.0
		Custom 137 HOPA - Chiller replacement	15	1	90%	78,120	0.1	0.1	0.1	0.1	0.1
		Incentives	NA	1	100%	0	0.0	0.0	0.0	0.0	0.0
		Program Costs	NA	1	100%	0	0.0	0.0	0.0	0.0	0.0
		Water bowls	NA	11	100%	0	0.0	0.0	0.0	0.0	0.0
		Unitary AC (2 tons)	15	3	90%	360	0.0	0.0	0.0	0.0	0.0
	Subtotal						**0.9**	**0.9**	**0.9**	**0.9**	**0.9**
Cold Shoulder	Res	Fridges recycled	9	51	90%	1200	0.1	0.1	0.1	0.1	0.1
		Freezers recycled	8	26	90%	900	0.0	0.0	0.0	0.0	0.0
		CFL	8	160	90%	104	0.0	0.0	0.0	0.0	0.0
		Timer	10	80	90%	292	0.0	0.0	0.0	0.0	0.0
		Room AC recycled	4	4	90%	900	0.0	0.0	0.0	0.0	0.0
	Subtotal						**0.1**	**0.1**	**0.1**	**0.1**	**0.1**

Program	Sector	Measure	End use life (years)	No. Of Units	Net to Gross Ratio	Annual kWh saved per unit	Total GWh Saved 2008	2009	2010	2011	2012
Power House	Res	Ground Source (Oil)	20	13	90%	-10,049	-0.1	-0.1	-0.1	-0.1	-0.1
		Ground Source (Gas)	20	1	90%	-11,919	0.0	0.0	0.0	0.0	0.0
		Ground Source (Propane)	20	5	90%	-10,751	-0.1	-0.1	-0.1	0.0	0.0
		Ground Source (Electricity)	20	3	90%	25,097	0.1	0.1	0.1	0.1	0.1
	Subtotal						**-0.1**	**-0.1**	**-0.1**	**-0.1**	**-0.1**
Social Housing	Res	Formosa Gardens (Fuel Switching)	20	25	99%	4,400	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**
Powersaver Business Incentive Program	Commercial, Industrial	T8 2 lamps - std performance	15	66	90%	116	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Double Return (C/I Load Control)	Commercial, Industrial	Timers	10	618	90%	292	**0.2**	**0.2**	**0.2**	**0.2**	**0.2**

Note: All savings are at the end-use level

APPENDIX B:
SUMMARY OF NON-TARGET CDM PROGRAM RESULTS INITIATED BY THE ONTARIO POWER AUTHORITY

This appendix summarizes the Ontario Power Authority (OPA) program results for Hydro One Retail customers for 2006 to 2010.

Allocation methods used by the OPA are summarized as follows:

- For LDC-delivered programs, savings were allocated based on participation data that was tracked by individual LDCs.
- For third party (non-LDC delivered) programs, savings were allocated to corresponding LDC territory when LDC-specific data on program participation was readily available. When LDC-specific data on program participation was not readily available, savings were allocated based on each LDC's share of the provincial energy consumption for the customer class targeted by the program (based on OEB Yearbook of Electricity Distributors).

Table B.1 presents the share assumptions for Hydro One Distribution retail.

Table B.1: Share Assumptions from OEB Yearbook of Electricity Distributors

	Hydro One Retail	
Year	**Residential Energy Throughput (%)**	**Non-Residential Energy Throughput (%)**
2005	30.1%	12.7%
2006	30.4%	12.7%
2007	30.7%	12.5%
2008	30.6%	12.4%
2009	29.4%	12.9%
2010	29.5%	12.6%

Table B.2: Hydro One-Specific Energy Savings due to OPA-Initiated Programs in 2006

Program	Sector	Measure	End use life (years)	No. of Units	Net to Gross ratio (%)	Annual kWh saved per unit	Total GWh saved 2006	2007	2008	2009	2010	2011	2012
Secondary Refrigerator Retirement Pilot	Residential	Refrigerator Retirement	6	1,523	90%	1,200	1.7	1.7	1.7	1.7	1.7	1.6	0.0
		Freezer Retirement	6	66	90%	900	0.1	0.1	0.1	0.1	0.1	0.1	0.0
	Subtotal						1.7	1.7	1.7	1.7	1.7	1.7	0.0
Cool & Hot Savings Rebate	Residential	Energy Star® Central Air Conditioner - Cool Savings	14	4,369	90%	390	1.5	1.5	1.5	1.5	1.5	1.5	1.5
		Programmable Thermostat - Cool Savings	18	3,328	90%	176.62	0.5	0.5	0.5	0.5	0.5	0.5	0.5
		Central Air Conditioner Tune-ups - Cool Savings	8	2,980	90%	409.99	1.1	1.1	1.1	1.1	1.1	1.1	1.1
		Energy Star® Central Air Conditioner - Hot Savings	18	890	57%	154.93	0.1	0.1	0.1	0.1	0.1	0.1	0.1
		Efficient Furnace with ECM - Hot Savings	15	1,873	59%	836.7	0.9	0.9	0.9	0.9	0.9	0.9	0.9
		Programmable Thermostat - Hot Savings	15	1,731	27%	53.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Subtotal						4.2	4.2	4.2	4.2	4.2	4.2	4.2
Every Kilowatt Counts (EKC)	Residential	Energy Star® Compact Fluorescent Light Bulb - Spring Campaign	4	406,240	90%	104.4	38.2	38.2	38.2	38.2	0.0	0.0	0.0
		Electric Timers - Spring Campaign	20	11,389	90%	183	1.9	1.9	1.9	1.9	1.9	1.9	1.9
		Programmable Thermostats - Spring Campaign	15	4,954	90%	216	1.0	1.0	1.0	1.0	1.0	1.0	1.0
		Energy Star® Ceiling Fans - Spring Campaign	20	3,769	90%	141	0.5	0.5	0.5	0.5	0.5	0.5	0.5

Program	Sector	Measure	End use life (years)	No. of Units	Net to Gross ratio (%)	Annual kWh saved per unit	Total GWh saved 2006	2007	2008	2009	2010	2011	2012
		Energy Star® Compact Fluorescent Light Bulb - Autumn Campaign	4	602,333	90%	104.4	56.6	56.6	56.6	56.6	0.0	0.0	0.0
		Seasonal Light Emitting Diode Light String - Autumn Campaign	30	144,981	90%	30.75	4.0	4.0	4.0	4.0	4.0	4.0	4.0
		Programmable Thermostats - Autumn Campaign	18	9,557	90%	522.09	4.5	4.5	4.5	4.5	4.5	4.5	4.5
		Dimmers - Autumn Campaign	10	7,557	90%	139	1.0	1.0	1.0	1.0	1.0	0.9	0.9
		Indoor Motion Sensors - Autumn Campaign	20	2,712	90%	209	0.5	0.5	0.5	0.5	0.5	0.5	0.5
		Programmable Baseboard Thermostats - Autumn Campaign	18	569	90%	1,466.30	0.8	0.8	0.8	0.8	0.8	0.8	0.8
	Subtotal						108.8	108.8	108.8	108.8	14.0	14.0	14.0
EKC Savings attributed to HONI Efforts							63.7	63.7	63.7	63.7	8.4	8.4	8.4
Additional EKC Savings attributed to HONI by OPA							45.1	45.1	45.1	45.1	5.6	5.6	5.6
Demand Response 1	Commercial, Industrial	Voluntary Load Shedding Project	1	1	100%	NA	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loblaw & York Region Demand Response	Commercial, Industrial	Rodan Contract	1	0	100%	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
		Loblaw Contract	1	0	100%	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Subtotal						0.0	0.0	0.0	0.0	0.0	0.0	0.0

Note: All savings are at the end-use level

Table B.3: Hydro One-Specific Energy Savings due to OPA-Initiated Programs in 2007

Program	Sector	Measure	End use life (years)	No. of Units	Net to Gross ratio (%)	Annual kWh saved per unit	Total GWh saved 2007	2008	2009	2010	2011	2012
Great Refrigerator Roundup	Residential	Bottom Freezer Fridge	9	87	73%	1,064	0.1	0.1	0.1	0.1	0.1	0.1
		Chest Freezer	8	2,440	46%	471	0.5	0.5	0.5	0.5	0.5	0.5
		Side by Side Fridge-Freezer	9	721	395	900	0.3	0.3	0.3	0.3	0.3	0.3
		Single Door Fridge	9	1,998	39%	721	0.6	0.6	0.6	0.6	0.6	0.6
		Small Freezer (under 10 cubic feet)	8	89	30%	339	0.0	0.0	0.0	0.0	0.0	0.0
		Small Fridge (under 10 cubic feet)	9	157	30%	490	0.0	0.0	0.0	0.0	0.0	0.0
		Top Freezer Fridge	9	7,236	39%	732	2.1	2.1	2.1	2.1	2.1	2.1
		Upright Freezer	8	472	46%	743	0.2	0.2	0.2	0.2	0.2	0.2
		Window Air Conditioner	4.5	248	43%	240	0.0	0.0	0.0	0.0	0.0	0.0
	Subtotal						3.7	3.7	3.7	3.7	3.7	3.7
Cool & Hot Savings Rebate	Residential	Energy Star® Central Air Conditioner - Hot Savings	18	900	57%	155	0.1	0.1	0.1	0.1	0.1	0.1
		Efficient Furnace with ECM - Hot Savings	15	1,894	59%	837	0.9	0.9	0.9	0.9	0.9	0.9
		Programmable Thermostat - Hot Savings	15	1,750	27%	54	0.0	0.0	0.0	0.0	0.0	0.0
		Energy Star® Central Air Conditioner, Tier 2 - Cool Savings	18	7,001	57%	155	0.6	0.6	0.6	0.6	0.6	0.6
		Energy Star® Central Air Conditioner, Tier 1 - Cool Savings	18	0	57%	155	0.0	0.0	0.0	0.0	0.0	0.0
		Medium Efficiency Furnace with ECM - Cool Savings	15	9,292	59%	837	4.6	4.6	4.6	4.6	4.6	4.6
		High Efficiency Furnace with ECM - Cool Savings	15	0	59%	837	0.0	0.0	0.0	0.0	0.0	0.0
		Programmable Thermostat - Cool Savings	15	8,681	27%	54	0.1	0.1	0.1	0.1	0.1	0.1
		Central Air Conditioner Tune-ups - Cool Savings	5	8,607	16%	235	0.3	0.3	0.3	0.3	0.3	0.0
	Subtotal						6.7	6.7	6.7	6.7	6.7	6.4
Every	Resid	15 W CFL	8	729,106	78%	43	24.	24.5	24.5	24.5	24.5	24.5

Program	Sector	Measure	End use life (years)	No. of Units	Net to Gross ratio (%)	Annual kWh saved per unit	Total GWh saved 2007	2008	2009	2010	2011	2012
Kilowatt Counts	ential						5					
		20+ W CFL	8	118,692	78%	62	5.7	5.7	5.7	5.7	5.7	5.7
		Energy Star® Light Fixture	16	2,832	55%	123	0.2	0.2	0.2	0.2	0.2	0.2
		T8 Fluorescent Tube	18	5,550	77%	37	0.2	0.2	0.2	0.2	0.2	0.2
		Seasonal LED Light String	5	193,165	49%	14	1.3	1.3	1.3	1.3	1.3	0.0
		Project Porchlight CFL	8	153,428	76%	43	5.0	5.0	5.0	5.0	5.0	5.0
		Solar Light	5	93,606	13%	5	0.1	0.1	0.1	0.1	0.1	0.0
		Energy Star® Ceiling Fan	10	5,881	55%	90	0.3	0.3	0.3	0.3	0.3	0.3
		Furnace Filter	1	23,697	55%	38	0.5	0.0	0.0	0.0	0.0	0.0
		Power Bar with Timer	10	2,590	77%	72	0.1	0.1	0.1	0.1	0.1	0.1
		Lighting Control Device	10	29,993	55%	72	1.2	1.2	1.2	1.2	1.2	1.2
		Outdoor Motion Sensor	10	9,364	55%	160	0.8	0.8	0.8	0.8	0.8	0.8
		Dimmer Switch	10	5,950	55%	24	0.1	0.1	0.1	0.1	0.1	0.1
		Programmable Thermostat	15	5,718	55%	75	0.2	0.2	0.2	0.2	0.2	0.2
	Subtotal						40.2	39.7	39.7	39.7	39.7	38.3
EKC Savings attributed to HONI Efforts							11.4	11.4	11.4	11.4	11.4	11.4
Additional EKC Savings attributed to HONI by OPA							28.8	28.3	28.3	28.3	28.3	27.0
Peaksaver®	Residential, Commercial	Residential Air Conditioner - Switch	12	147	90%	0	0.0	0.0	0.0	0.0	0.0	0.0
		Residential Air Conditioner - Thermostat - Load Control	12	4,373	90%	0	0.0	0.0	0.0	0.0	0.0	0.0
		Residential Electric Water Heater	12	147	90%	0	0.0	0.0	0.0	0.0	0.0	0.0
		Commercial Air Conditioner - Switch	12	9	90%	0	0.0	0.0	0.0	0.0	0.0	0.0
		Commercial Air Conditioner - Thermostat - Load Control	12	105	90%	0	0.0	0.0	0.0	0.0	0.0	0.0
		Commercial Electric Water Heater	12	9	90%	0	0.0	0.0	0.0	0.0	0.0	0.0
	Subtotal						0.0	0.0	0.0	0.0	0.0	0.0
Summer Savings	Residential	Households, Change in Behaviour Only - Behaviour Related	1	12,254	12%	5,453	8.0	0.0	0.0	0.0	0.0	0.0

Program	Sector	Measure	End use life (years)	No. of Units	Net to Gross ratio (%)	Annual kWh saved per unit	Total GWh saved 2007	2008	2009	2010	2011	2012
		Households, Change in Behaviour Only - Equipment Related	0	12,254	12%	0	0.0	0.0	0.0	0.0	0.0	0.0
		Households, Change in Behaviour Only - Compact Fluorescent Light Bulb Related	0	12,254	12%	0	0.0	0.0	0.0	0.0	0.0	0.0
		Households, Combination of Change in Behaviour and "Pulled Forward" Equipment - Behaviour Related	1	12,254	12%	2,919	4.3	0.0	0.0	0.0	0.0	0.0
		Households, Combination of Change in Behaviour and "Pulled Forward" Equipment - Equipment Related	2	12,254	12%	1,662	2.4	2.4	0.0	0.0	0.0	0.0
		Households, Combination of Change in Behaviour and "Pulled Forward" Equipment - Compact Fluorescent Light Bulb Related	8	12,254	12%	171	0.3	0.3	0.3	0.3	0.3	0.3
		Households, Change in Behaviour and Incremental Equipment (With Full Equipment Life) - Behaviour Related	1	12,254	12%	4,822	7.1	0.0	0.0	0.0	0.0	0.0
		Households, Change in Behaviour and Incremental Equipment (With Full Equipment Life) - Equipment Related	14	12,254	12%	643	0.9	0.9	0.9	0.9	0.9	0.9
		Households, Change in Behaviour and Incremental Equipment (With Full Equipment Life) - Compact Fluorescent Light Bulb Related	8	12,254	12%	199	0.3	0.3	0.3	0.3	0.3	0.3
	Subtotal						23.3	3.9	1.5	1.5	1.5	1.5
Aboriginal	Residential	Conservation Kits	4	7,870	100%	900	7.1	7.1	7.1	7.1	0.0	0.0
Affordable Housing Pilot	Residential	1 - T8 32W w/EL ballast	14	0	100%	30	0.0	0.0	0.0	0.0	0.0	0.0

Program	Sector	Measure	End use life (years)	No. of Units	Net to Gross ratio (%)	Annual kWh saved per unit	Total GWh saved 2007	2008	2009	2010	2011	2012
		2 - T8 32W w/EL ballast	14	0	100%	46	0.0	0.0	0.0	0.0	0.0	0.0
		Air-source Heat Pump - Split	14	0	100%	4,437	0.0	0.0	0.0	0.0	0.0	0.0
		Automated Controls for HVAC	14	0	100%	18,565	0.0	0.0	0.0	0.0	0.0	0.0
		Boiler	14	0	100%	17	0.0	0.0	0.0	0.0	0.0	0.0
		Ceiling Fan (common area)	14	0	100%	7	0.0	0.0	0.0	0.0	0.0	0.0
		Ceiling Fan (in-suite)	14	0	100%	7	0.0	0.0	0.0	0.0	0.0	0.0
		Central Air Conditioning System - Single	14	0	100%	807	0.0	0.0	0.0	0.0	0.0	0.0
		Central Air Conditioning System - Split	14	0	100%	1,456	0.0	0.0	0.0	0.0	0.0	0.0
		CFL Screw-In 15W - in suite	14	0	100%	180	0.0	0.0	0.0	0.0	0.0	0.0
		CFL Screw-In 25W - in suite	14	0	100%	300	0.0	0.0	0.0	0.0	0.0	0.0
		Dimmer Switch	14	0	100%	139	0.0	0.0	0.0	0.0	0.0	0.0
		Energy Star Clotheswasher	14	0	100%	287	0.0	0.0	0.0	0.0	0.0	0.0
		Energy Star Dishwasher	14	0	100%	136	0.0	0.0	0.0	0.0	0.0	0.0
		Energy Star Refrigerator	14	0	100%	69	0.0	0.0	0.0	0.0	0.0	0.0
		Flood Light, 26W Fluorescent Fixture	14	0	100%	128	0.0	0.0	0.0	0.0	0.0	0.0
		Front Loading Washing Machine	14	0	100%	1,108	0.0	0.0	0.0	0.0	0.0	0.0
		Furnace	14	0	100%	25	0.0	0.0	0.0	0.0	0.0	0.0
		Furnace with DC Motor	14	0	100%	45	0.0	0.0	0.0	0.0	0.0	0.0
		Ground-source Heat Pump	14	0	100%	3,545	0.0	0.0	0.0	0.0	0.0	0.0
		High Pressure Sodium	14	0	100%	749	0.0	0.0	0.0	0.0	0.0	0.0
		Motion Detector	14	0	100%	209	0.0	0.0	0.0	0.0	0.0	0.0
		Occupancy Sensors	14	0	100%	209	0.0	0.0	0.0	0.0	0.0	0.0
		Other CFL Screw-in Light (please specify)	14	12	100%	383	0.0	0.0	0.0	0.0	0.0	0.0
		Other Exterior Lighting (please specify)	14	0	100%	160	0.0	0.0	0.0	0.0	0.0	0.0
		Other Parking Garage Lighting (please specify)	14	0	100%	442	0.0	0.0	0.0	0.0	0.0	0.0
		Photo Sensors	14	0	100%	292	0.0	0.0	0.0	0.0	0.0	0.0

Program	Sector	Measure	End use life (years)	No. of Units	Net to Gross ratio (%)	Annual kWh saved per unit	Total GWh saved 2007	2008	2009	2010	2011	2012
		Programmable Thermostat	14	1	100%	631	0.0	0.0	0.0	0.0	0.0	0.0
		Timer - Outdoor Light	14	0	100%	292	0.0	0.0	0.0	0.0	0.0	0.0
		Ventilating Fan (in-suite)	14	0	100%	12	0.0	0.0	0.0	0.0	0.0	0.0
	Subtotal						0.0	0.0	0.0	0.0	0.0	0.0
Social Housing Pilot	Residential	Custom Retrofit Projects	10	2,970	100%	NA	3.7	3.7	3.7	3.7	3.7	3.7
Energy Efficiency Assistance for Houses Pilot	Residential	Custom Retrofit Projects	19	194	100%	NA	0.9	0.9	0.9	0.9	0.9	0.9
Electricity Retrofit Incentive	Commercial, Industrial	Custom Project	5	0	90%	NA	0.1	0.1	0.1	0.1	0.1	0.0
Demand Response 1	Commercial, Industrial	Voluntary Load Shedding Project	1	2	100%	NA	0.0	0.0	0.0	0.0	0.0	0.0
Loblaw & York Region Demand Response	Commercial, Industrial	Rodan Contract	1	0	100%	0.00	0.0	0.0	0.0	0.0	0.0	0.0
		Loblaw Contract	1	0	100%	0.00	0.0	0.0	0.0	0.0	0.0	0.0
	Subtotal						0.0	0.0	0.0	0.0	0.0	0.0
Renewable Energy Standard Offer	Residential, Commercial, Industrial	Water	20	2	100%	NA	0.8	0.8	0.8	0.8	0.8	0.8
		SolarPV	20	42	100%	NA	0.4	0.4	0.4	0.4	0.4	0.4
		Wind	20	2	100%	NA	0.7	0.7	0.7	0.7	0.7	0.7
		Biogas	20	2	100%	NA	4.5	4.5	4.5	4.5	4.5	4.5
	Subtotal						6.3	6.3	6.3	6.3	6.3	6.3

Note: All savings are at the end-use level

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Table B.4: Hydro One-Specific Energy Savings due to OPA-Initiated Programs in 2008

Program	Sector	Measure	End use life (years)	No. of Units	Net to Gross ratio (%)	Annual kWh saved per unit	Total GWh saved 2008	2009	2010	2011	2012
Great Refrigerator Roundup	Residential	Bottom Freezer Fridge	9	187	55%	775	0.1	0.1	0.1	0.1	0.1
		Chest Freezer	8	5,115	52%	740	2.0	2.0	2.0	2.0	2.0
		Side by Side Fridge-Freezer	9	1,743	55%	775	0.7	0.7	0.7	0.7	0.7
		Single Door Fridge	9	3,384	55%	775	1.4	1.4	1.4	1.4	1.4
		Small Freezer (under 10 cubic feet)	8	59	52%	740	0.0	0.0	0.0	0.0	0.0
		Small Fridge (under 10 cubic feet)	9	102	55%	775	0.0	0.0	0.0	0.0	0.0
		Top Freezer Fridge	9	15,854	55%	775	6.8	6.8	6.8	6.8	6.8
		Upright Freezer	8	1,003	52%	740	0.4	0.4	0.4	0.4	0.4
		Window Air Conditioner	5	600	36%	197	0.0	0.0	0.0	0.0	0.0
	Subtotal						11.5	11.5	11.5	11.5	11.5
Cool Savings Rebate	Residential	2007 Energy Star® Central Air Conditioner, Tier 2	18	1,374	57%	155.26	0.1	0.1	0.1	0.1	0.1
		2007 Energy Star® Central Air Conditioner, Tier 1	18	0	57%	155.26	0.0	0.0	0.0	0.0	0.0
		2007 Medium Efficiency Furnace with ECM	15	2,860	59%	836.7	1.4	1.4	1.4	1.4	1.4
		2007 High Efficiency Furnace with ECM	15	0	59%	836.7	0.0	0.0	0.0	0.0	0.0
		2007 Programmable Thermostat	15	2,226	27%	53.71	0.0	0.0	0.0	0.0	0.0
		2007 Central Air Conditioner Tune-ups	5	0	16%	234.97	0.0	0.0	0.0	0.0	0.0
		2008 Energy Star® Central Air Conditioner, Tier 2	18	6,790	57%	125.26	0.5	0.5	0.5	0.5	0.5
		2008 Energy Star® Central Air Conditioner, Tier 1	18	0	57%	125.26	0.0	0.0	0.0	0.0	0.0
		2008 Efficient Furnace with ECM	18	10,242	59%	819.22	5.0	5.0	5.0	5.0	5.0
		2008 Programmable Thermostat	18	8,703	27%	53.71	0.1	0.1	0.1	0.1	0.1
	Subtotal						7.1	7.1	7.1	7.1	7.1
Every Kilowatt Counts	Residential	Energy Star® Qualified Compact Fluorescent Light	8	275,826	52%	52.96	7.6	7.6	7.6	7.6	7.6

Program	Sector	Measure	End use life (years)	No. of Units	Net to Gross ratio (%)	Annual kWh saved per unit	Total GWh saved 2008	2009	2010	2011	2012
Power Savings Event		Bulbs									
		Energy Star® Qualified Dimmable CFLs	6	30,041	38%	97.8	1.1	1.1	1.1	1.1	1.1
		Energy Star® Qualified Decorative CFLs	4	465,974	39	30.38	5.5	5.5	5.5	5.5	0.0
		Energy Star® Qualified Compact Fluorescent Floods (Indoor & Outdoor)	7	129,371	37	87.62	4.3	4.3	4.3	4.2	4.2
		Energy Star® Qualified Light Fixtures	16	200,773	33	133.48	8.9	8.9	8.9	8.9	8.9
		T8 Fluorescent Fixtures	16	36,529	33	37.2	0.5	0.5	0.5	0.4	0.4
		Lighting Control Devices	10	39,265	45	102.23	1.8	1.8	1.8	1.8	1.8
		Power Bars with Timers	10	2,154	41	53.3	0.1	0.1	0.1	0.0	0.0
		Car block heater timer	0	0	0	0	0.0	0.0	0.0	0.0	0.0
		Heavy Duty Timers	10	4,544	33	301.2	0.5	0.5	0.5	0.5	0.5
		Programmable Thermostats - Baseboard	15	12,669	47	63.66	0.4	0.4	0.4	0.4	0.4
		Air Conditioner/Furnace Filters	1	11,923	35	37.7	0.2	0.0	0.0	0.0	0.0
		Awnings	0	8,663	0	0	0.0	0.0	0.0	0.0	0.0
		Window Films	0	139,723	0	0	0.0	0.0	0.0	0.0	0.0
		Electric Water Heater Blankets	0	4,283	0	0	0.0	0.0	0.0	0.0	0.0
		Pipe Wrap	6	257,304	47	38	4.6	4.6	4.6	4.6	4.6
		Low-Flow Toilets	0	33,660	0	0	0.0	0.0	0.0	0.0	0.0
		Keep Cool Pilot – Dehumidifier	12	80	35	499.8	0.0	0.0	0.0	0.0	0.0
		Keep Cool Pilot – Room Air Conditioner	9	90	42	140.7	0.0	0.0	0.0	0.0	0.0
		Rewards for Recycling – Dehumidifier	12	2,411	44	499.8	0.5	0.5	0.5	0.5	0.5
		Rewards for Recycling – Room Air Conditioner	9	2,606	44	140.7	0.2	0.2	0.2	0.2	0.2
		Rewards for	16	2,079	48	275.2	0.3	0.3	0.3	0.3	0.3

Program	Sector	Measure	End use life (years)	No. of Units	Net to Gross ratio (%)	Annual kWh saved per unit	Total GWh saved 2008	2009	2010	2011	2012
		Recycling – Halogen Lamp									
	Subtotal						36.3	36.1	36.1	36.1	30.6
peaksaver®	Consumer, Business	Residential Air Conditioner - Switch	13	110	90	17.3	0.0	0.0	0.0	0.0	0.0
		Residential Air Conditioner - Thermostat - Load Control	13	5,281	90	17.3	0.1	0.1	0.1	0.1	0.1
		Residential Electric Water Heater	13	83	90	6	0.0	0.0	0.0	0.0	0.0
		Commercial Air Conditioner - Switch	13	3	90	74	0.0	0.0	0.0	0.0	0.0
		Commercial Air Conditioner - Thermostat - Load Control	13	36	90	74	0.0	0.0	0.0	0.0	0.0
		Commercial Electric Water Heater	13	1	90	37	0.0	0.0	0.0	0.0	0.0
	Subtotal						0.1	0.1	0.1	0.1	0.1
Summer Sweepstakes	Residential	Registered qualified active households	5	5,280	78	421.06	1.7	0.6	0.6	0.6	0.6
		Registered unqualified active households	5	7,919	78	421.06	2.6	0.9	0.9	0.9	0.9
		Registered qualified inactive households	5	528	78	421.06	0.2	0.1	0.1	0.1	0.1
		Registered unqualified inactive households	5	1,986	78	421.06	0.7	0.2	0.2	0.2	0.2
		Non-registered active households	5	257,201	78	21.46	4.3	1.5	1.5	1.5	1.5
	Subtotal						9.4	3.4	3.4	3.4	3.4
Electricity Retrofit Incentive	Commercial, Industrial	Subtotal					6.4	6.4	6.4	6.4	6.4
High Performance New Construction	Commercial	Custom Project	14	0	70	Custom	0.0	0.0	0.0	0.0	0.0
Power Savings Blitz	Commercial	T8 Fixture With Electronic Balllast	15	1,036	93	151.12	0.2	0.2	0.2	0.1	0.1
		Energy Star® rated LED Exit Sign	16	50	93	236.52	0.0	0.0	0.0	0.0	0.0
		Energy Star® rated CLF	2	293	93	190.86	0.1	0.1	0.0	0.0	0.0
		Electric Water Heater Tank Wrap	7	6	93	436.28	0.0	0.0	0.0	0.0	0.0
		Electric Water Heater Pipe Insulation	15	5	93	276.71	0.0	0.0	0.0	0.0	0.0

Program	Sector	Measure	End use life (years)	No. of Units	Net to Gross ratio (%)	Annual kWh saved per unit	Total GWh saved 2008	2009	2010	2011	2012
		Aerator	5	0	93	309.76	0.0	0.0	0.0	0.0	0.0
		Halogen	1	0	93	14.4	0.0	0.0	0.0	0.0	0.0
		Other	0	149	93	0	0.0	0.0	0.0	0.0	0.0
	Subtotal						0.2	0.2	0.2	0.2	0.2
Demand Response 1	Commercial, Industrial	Voluntary Load Shedding Project	1	4	100	Custom	0.0	0.0	0.0	0.0	0.0
Demand Response 3	Commercial, Industrial	Contractual Load Shedding Project	1	4	100	Custom	0.0	0.0	0.0	0.0	0.0
Loblaw & York Region Demand Response	Commercial, Industrial	Rodan Contract	1	0	100	0	0.0	0.0	0.0	0.0	0.0
		Loblaw Contract	1	0	100	0	0.0	0.0	0.0	0.0	0.0
	Subtotal						0.0	0.0	0.0	0.0	0.0
Renewable Energy Standard Offer	Residential, Commercial	Water	20	0	100	Custom	0.0	0.0	0.0	0.0	0.0
		SolarPV	20	45	100	Custom	0.6	0.6	0.6	0.6	0.6
		Wind	20	3	100	Custom	0.1	0.1	0.1	0.1	0.1
		Biogas	20	1	100	Custom	3.6	3.6	3.6	3.6	3.6
	Subtotal						4.3	4.3	4.3	4.3	4.3
LDC Custom - Hydro One Networks Inc. - Double Return	Commercial, Industrial	Custom Project	1	1	100	Custom	0.0	0.0	0.0	0.0	0.0

Note: All savings are at the end-use level

Table B.5: Hydro One-Specific Energy Savings due to OPA-Initiated Programs in 2009

Program	Sector	Measure	End use life (years)	No. Of Units	Net to Gross ratio (%)	Annual kWh saved per unit	Total GWh saved 2009	2010	2011	2012
Great Refrigerator Roundup	Residential	Bottom Freezer Fridge - Not Replaced - Not Running (0% of the time)	5	1	54	0	0.0	0.0	0.0	0.0
		Bottom Freezer Fridge - Standard Efficiency Unit Replacement - Not Running (0% of the time)	5	0	54	0	0.0	0.0	0.0	0.0
		Bottom Freezer Fridge - Energy Star Unit Replacement - Not Running (0% of the time)	5	3	54	0	0.0	0.0	0.0	0.0
		Bottom Freezer Fridge - Not Replaced - Running Part Time (38% of the time)	5	5	54	673.84	0.0	0.0	0.0	0.0
		Bottom Freezer Fridge - Standard Efficiency Unit Replacement - Running Part Time (38% of the time)	5	2	54	454.43	0.0	0.0	0.0	0.0
		Bottom Freezer Fridge - Energy Star Unit Replacement - Running Part Time (38% of the time)	5	10	54	498.31	0.0	0.0	0.0	0.0
		Bottom Freezer Fridge - Not Replaced - Running All Time (100% of time)	5	36	54	1,769.38	0.0	0.0	0.0	0.0
		Bottom Freezer Fridge - Standard Efficiency Unit Replacement - Running All Time (100% of time time)	5	13	54	1,193.26	0.0	0.0	0.0	0.0
		Bottom Freezer Fridge - Energy Star Unit Replacement - Running All Time (100% of time time)	5	71	54	1,308.48	0.1	0.1	0.1	0.1
		Chest Freezer - Not Replaced - Not Running (0% of the time)	4	86	52	0	0.0	0.0	0.0	0.0
		Chest Freezer - Standard Efficiency Unit Replacement - Not Running (0% of the time)	4	24	52	0	0.0	0.0	0.0	0.0
		Chest Freezer - Energy Star Unit Replacement - Not Running (0% of the time)	4	108	52	0	0.0	0.0	0.0	0.0
		Chest Freezer - Not Replaced - Running Part Time (26% of the time)	4	166	52	282.28	0.0	0.0	0.0	0.0
		Chest Freezer - Standard Efficiency Unit Replacement - Running Part Time (26% of the time)	4	46	52	246.99	0.0	0.0	0.0	0.0
		Chest Freezer - Energy Star Unit Replacement - Running Part Time (26% of the time)	4	209	52	260.62	0.0	0.0	0.0	0.0

Program	Sector	Measure	End use life (years)	No. Of Units	Net to Gross ratio (%)	Annual kWh saved per unit	Total GWh saved 2009	2010	2011	2012
		Chest Freezer - Not Replaced - Running All Time (100% of time time)	4	1,658	52	1,096.24	0.9	0.9	0.9	0.9
		Chest Freezer - Standard Efficiency Unit Replacement - Running All Time (100% of time time)	4	459	52	959.18	0.2	0.2	0.2	0.2
		Chest Freezer - Energy Star Unit Replacement - Running All Time (100% of time time)	4	2,093	52	1,012.12	1.1	1.1	1.1	1.1
		Side by Side Fridge-Freezer - Not Replaced - Not Running (0% of the time)	5	12	54	0	0.0	0.0	0.0	0.0
		Side by Side Fridge-Freezer - Standard Efficiency Unit Replacement - Not Running (0% of the time)	5	4	54	0	0.0	0.0	0.0	0.0
		Side by Side Fridge-Freezer - Energy Star Unit Replacement - Not Running (0% of the time)	5	23	54	0	0.0	0.0	0.0	0.0
		Side by Side Fridge-Freezer - Not Replaced - Running Part Time (38% of the time)	5	46	54	506.73	0.0	0.0	0.0	0.0
		Side by Side Fridge-Freezer - Standard Efficiency Unit Replacement - Running Part Time (38% of the time)	5	17	54	259.75	0.0	0.0	0.0	0.0
		Side by Side Fridge-Freezer - Energy Star Unit Replacement - Running Part Time (38% of the time)	5	90	54	309.14	0.0	0.0	0.0	0.0
		Side by Side Fridge-Freezer - Not Replaced - Running All Time (100% of time time)	5	335	54	1,330.59	0.2	0.2	0.2	0.2
		Side by Side Fridge-Freezer - Standard Efficiency Unit Replacement - Running All Time (100% of time time)	5	124	54	682.05	0.1	0.1	0.0	0.0
		Side by Side Fridge-Freezer - Energy Star Unit Replacement - Running All Time (100% of time time)	5	651	54	811.75	0.3	0.3	0.3	0.3
		Single Door Fridge - Not Replaced - Not Running (0% of the time)	5	24	54	0	0.0	0.0	0.0	0.0
		Single Door Fridge - Standard Efficiency Unit Replacement - Not Running (0% of the time)	5	9	54	0	0.0	0.0	0.0	0.0
		Single Door Fridge - Energy Star Unit Replacement - Not Running (0% of the time)	5	47	54	0	0.0	0.0	0.0	0.0

Program	Sector	Measure	End use life (years)	No. Of Units	Net to Gross ratio (%)	Annual kWh saved per unit	Total GWh saved 2009	2010	2011	2012
		Single Door Fridge - Not Replaced - Running Part Time (38% of the time)	5	95	54	417.95	0.0	0.0	0.0	0.0
		Single Door Fridge - Standard Efficiency Unit Replacement - Running Part Time (38% of the time)	5	35	54	237.24	0.0	0.0	0.0	0.0
		Single Door Fridge - Energy Star Unit Replacement - Running Part Time (38% of the time)	5	185	54	273.38	0.0	0.0	0.0	0.0
		Single Door Fridge - Not Replaced - Running All Time (100% of time time)	5	687	54	1,097.46	0.4	0.4	0.4	0.4
		Single Door Fridge - Standard Efficiency Unit Replacement - Running All Time (100% of time time)	5	254	54	622.95	0.1	0.1	0.1	0.1
		Single Door Fridge - Energy Star Unit Replacement - Running All Time (100% of time time)	5	1,336	54	717.86	0.5	0.5	0.5	0.5
		Small Fridge (under 10 cubic feet) - Not Replaced - Not Running (0% of the time)	5	0	54	0	0.0	0.0	0.0	0.0
		Small Fridge (under 10 cubic feet) - Standard Efficiency Unit Replacement - Not Running (0% of the time)	5	0	54	0	0.0	0.0	0.0	0.0
		Small Fridge (under 10 cubic feet) - Energy Star Unit Replacement - Not Running (0% of the time)	5	0	54	0	0.0	0.0	0.0	0.0
		Small Fridge (under 10 cubic feet) - Not Replaced - Running Part Time (38% of the time)	5	1	54	466.46	0.0	0.0	0.0	0.0
		Small Fridge (under 10 cubic feet) - Standard Efficiency Unit Replacement - Running Part Time (38% of the time)	5	0	54	252.19	0.0	0.0	0.0	0.0
		Small Fridge (under 10 cubic feet) - Energy Star Unit Replacement - Running Part Time (38% of the time)	5	1	54	295.04	0.0	0.0	0.0	0.0
		Small Fridge (under 10 cubic feet) - Not Replaced - Running All Time (100% of time time)	5	4	54	1,224.84	0.0	0.0	0.0	0.0
		Small Fridge (under 10 cubic feet) - Standard Efficiency Unit Replacement - Running All Time (100% of time time)	5	1	54	662.21	0.0	0.0	0.0	0.0

Program	Sector	Measure	End use life (years)	No. Of Units	Net to Gross ratio (%)	Annual kWh saved per unit	Total GWh saved 2009	2010	2011	2012
		Small Fridge (under 10 cubic feet) - Energy Star Unit Replacement - Running All Time (100% of time time)	5	7	54	774.73	0.0	0.0	0.0	0.0
		Small Freezer (under 10 cubic feet) - Not Replaced - Not Running (0% of the time)	4	0	52	0	0.0	0.0	0.0	0.0
		Small Freezer (under 10 cubic feet) - Standard Efficiency Unit Replacement - Not Running (0% of the time)	4	0	52	0	0.0	0.0	0.0	0.0
		Small Freezer (under 10 cubic feet) - Energy Star Unit Replacement - Not Running (0% of the time)	4	0	52	0	0.0	0.0	0.0	0.0
		Small Freezer (under 10 cubic feet) - Not Replaced - Running Part Time (26% of the time)	4	0	52	295.71	0.0	0.0	0.0	0.0
		Small Freezer (under 10 cubic feet) - Standard Efficiency Unit Replacement - Running Part Time (26% of the time)	4	0	52	190.54	0.0	0.0	0.0	0.0
		Small Freezer (under 10 cubic feet) - Energy Star Unit Replacement - Running Part Time (26% of the time)	4	0	52	201.05	0.0	0.0	0.0	0.0
		Small Freezer (under 10 cubic feet) - Not Replaced - Running All Time (100% of time time)	4	0	52	1,148.37	0.0	0.0	0.0	0.0
		Small Freezer (under 10 cubic feet) - Standard Efficiency Unit Replacement - Running All Time (100% of time time)	4	0	52	739.95	0.0	0.0	0.0	0.0
		Small Freezer (under 10 cubic feet) - Energy Star Unit Replacement - Running All Time (100% of time time)	4	0	52	780.79	0.0	0.0	0.0	0.0
		Top Freezer Fridge - Not Replaced - Not Running (0% of the time)	5	121	54	0	0.0	0.0	0.0	0.0
		Top Freezer Fridge - Standard Efficiency Unit Replacement - Not Running (0% of the time)	5	45	54	0	0.0	0.0	0.0	0.0
		Top Freezer Fridge - Energy Star Unit Replacement - Not Running (0% of the time)	5	235	54	0	0.0	0.0	0.0	0.0
		Top Freezer Fridge - Not Replaced - Running Part Time (38% of the time)	5	473	54	469.81	0.1	0.1	0.1	0.1
		Top Freezer Fridge - Standard Efficiency Unit Replacement - Running Part Time (38% of the	5	175	54	251.87	0.0	0.0	0.0	0.0

Program	Sector	Measure	End use life (years)	No. Of Units	Net to Gross ratio (%)	Annual kWh saved per unit	Total GWh saved 2009	2010	2011	2012
		time)								
		Top Freezer Fridge - Energy Star Unit Replacement - Running Part Time (38% of the time)	5	920	54	295.46	0.2	0.2	0.1	0.1
		Top Freezer Fridge - Not Replaced - Running All Time (100% of time time)	5	3,422	54	1,233.65	2.3	2.3	2.3	2.3
		Top Freezer Fridge - Standard Efficiency Unit Replacement - Running All Time (100% of time time)	5	1,268	54	661.37	0.5	0.5	0.5	0.5
		Top Freezer Fridge - Energy Star Unit Replacement - Running All Time (100% of time time)	5	6,655	54	775.83	2.8	2.8	2.8	2.8
		Upright Freezer - Not Replaced - Not Running (0% of the time)	4	13	52	0	0.0	0.0	0.0	0.0
		Upright Freezer - Standard Efficiency Unit Replacement - Not Running (0% of the time)	4	4	52	0	0.0	0.0	0.0	0.0
		Upright Freezer - Energy Star Unit Replacement - Not Running (0% of the time)	4	17	52	0	0.0	0.0	0.0	0.0
		Upright Freezer - Not Replaced - Running Part Time (26% of the time)	4	25	52	364.58	0.0	0.0	0.0	0.0
		Upright Freezer - Standard Efficiency Unit Replacement - Running Part Time (26% of the time)	4	7	52	179.53	0.0	0.0	0.0	0.0
		Upright Freezer - Energy Star Unit Replacement - Running Part Time (26% of the time)	4	32	52	189.44	0.0	0.0	0.0	0.0
		Upright Freezer - Not Replaced - Running All Time (100% of time time)	4	255	52	1,415.83	0.2	0.2	0.2	0.2
		Upright Freezer - Standard Efficiency Unit Replacement - Running All Time (100% of time time)	4	70	52	697.22	0.0	0.0	0.0	0.0
		Upright Freezer - Energy Star Unit Replacement - Running All Time (100% of time time)	4	322	52	735.7	0.1	0.1	0.1	0.1
		Dehumidifier - Not Replaced - Not Running (0% of the time)	4	0	36	0	0.0	0.0	0.0	0.0
		Dehumidifier - Standard Efficiency Unit Replacement - Not Running (0% of the time)	4	0	36	0	0.0	0.0	0.0	0.0

Program	Sector	Measure	End use life (years)	No. Of Units	Net to Gross ratio (%)	Annual kWh saved per unit	Total GWh saved 2009	2010	2011	2012
		Dehumidifier - Energy Star Unit Replacement - Not Running (0% of the time)	4	0	36	0	0.0	0.0	0.0	0.0
		Dehumidifier - Not Replaced - Running Part Time (n/a% of the time)	4	0	36	0	0.0	0.0	0.0	0.0
		Dehumidifier - Standard Efficiency Unit Replacement - Running Part Time (n/a% of the time)	4	0	36	0	0.0	0.0	0.0	0.0
		Dehumidifier - Energy Star Unit Replacement - Running Part Time (n/a% of the time)	4	0	36	0	0.0	0.0	0.0	0.0
		Dehumidifier - Not Replaced - Running All Time (100% of time time)	4	121	36	960.47	0.0	0.0	0.0	0.0
		Dehumidifier - Standard Efficiency Unit Replacement - Running All Time (100% of time time)	4	67	36	540.41	0.0	0.0	0.0	0.0
		Dehumidifier - Energy Star Unit Replacement - Running All Time (100% of time time)	4	201	36	462.69	0.0	0.0	0.0	0.0
		Window Air Conditioner - Not Replaced - Not Running (0% of the time)	3	0	36	0	0.0	0.0	0.0	0.0
		Window Air Conditioner - Standard Efficiency Unit Replacement - Not Running (0% of the time)	3	0	36	0	0.0	0.0	0.0	0.0
		Window Air Conditioner - Energy Star Unit Replacement - Not Running (0% of the time)	3	0	36	0	0.0	0.0	0.0	0.0
		Window Air Conditioner - Not Replaced - Running Part Time (n/a% of the time)	3	0	36	0	0.0	0.0	0.0	0.0
		Window Air Conditioner - Standard Efficiency Unit Replacement - Running Part Time (n/a% of the time)	3	0	36	0	0.0	0.0	0.0	0.0
		Window Air Conditioner - Energy Star Unit Replacement - Running Part Time (n/a% of the time)	3	0	36	0	0.0	0.0	0.0	0.0
		Window Air Conditioner - Not Replaced - Running All Time (100% of time time)	3	344	36	370.63	0.1	0.1	0.0	0.0
		Window Air Conditioner - Standard Efficiency Unit Replacement - Running All Time (100% of time time)	3	45	36	117.62	0.0	0.0	0.0	0.0

Program	Sector	Measure	End use life (years)	No. Of Units	Net to Gross ratio (%)	Annual kWh saved per unit	Total GWh saved 2009	2010	2011	2012
		Window Air Conditioner - Energy Star Unit Replacement - Running All Time (100% of time time)	3	165	36	140.61	0.0	0.0	0.0	0.0
	Subtotal						10.4	10.4	10.4	10.4
Cool Savings Rebate	Residential	Energy Star® 14.5 SEER (Tier 1) Central Air Conditioner (CAC)	18	2,870	58	112.69	0.2	0.2	0.2	0.2
		Energy Star® 14.5 SEER (Tier 1) Central Air Conditioner (CAC) with change in behaviour	18	448	58	316.89	0.1	0.1	0.1	0.1
		Energy Star® 15.0 SEER (Tier 2) Central Air Conditioner (CAC)	18	7,542	58	176.79	0.8	0.8	0.8	0.8
		Energy Star® 15.0 SEER (Tier 2) Central Air Conditioner (CAC) with change in behaviour	18	1,177	58	366.25	0.3	0.3	0.2	0.2
		Furnace with Electronically Commutated Motor (ECM), Home constructed before 1980, AHRI Matched CAC & Furnace, Continuous Fan, No change	19	641	40	2,773.49	0.7	0.7	0.7	0.7
		Furnace with Electronically Commutated Motor (ECM), Home constructed before 1980, AHRI Matched CAC & Furnace, Non-continuous Fan, No change	19	2,632	40	324.17	0.3	0.3	0.3	0.3
		Furnace with Electronically Commutated Motor (ECM), Home constructed before 1980, AHRI Matched CAC & Furnace, Continuous Fan, Change from non-continuous	19	209	40	91.05	0.0	0.0	0.0	0.0
		Furnace with Electronically Commutated Motor (ECM), Home constructed before 1980, Unmatched CAC & Furnace, Continuous Fan, No change	19	1,131	40	2,822.51	1.3	1.3	1.3	1.3
		Furnace with Electronically Commutated Motor (ECM), Home constructed before 1980, Unmatched CAC & Furnace, Non-continuous Fan, No change	19	4,645	40	373.2	0.7	0.7	0.7	0.7
		Furnace with Electronically Commutated Motor (ECM), Home constructed before 1980, Unmatched CAC & Furnace, Continuous Fan, Change from non-continuous	19	369	40	140.08	0.0	0.0	0.0	0.0
		Furnace with Electronically Commutated Motor (ECM), Home constructed before 1980, Heating only, Continuous Fan, No change	19	185	40	1,534.82	0.1	0.1	0.1	0.1

Program	Sector	Measure	End use life (years)	No. Of Units	Net to Gross ratio (%)	Annual kWh saved per unit	Total GWh saved 2009	2010	2011	2012
		Furnace with Electronically Commutated Motor (ECM), Home constructed before 1980, Heating only, Non-continuous Fan, No change	19	761	40	324.17	0.1	0.1	0.1	0.1
		Furnace with Electronically Commutated Motor (ECM), Home constructed before 1980, Heating only, Continuous Fan, Change from non-continuous	19	60	40	192.1	0.0	0.0	0.0	0.0
		Furnace with Electronically Commutated Motor (ECM), Home constructed after 1980, AHRI Matched CAC & Furnace, Continuous Fan, No change	19	752	40	2,866.54	0.9	0.9	0.9	0.9
		Furnace with Electronically Commutated Motor (ECM), Home constructed after 1980, AHRI Matched CAC & Furnace, Non-continuous Fan, No change	19	3,090	40	207.11	0.3	0.3	0.3	0.3
		Furnace with Electronically Commutated Motor (ECM), Home constructed after 1980, AHRI Matched CAC & Furnace, Continuous Fan, Change from non-continuous	19	245	40	-49.03	0.0	0.0	0.0	0.0
		Furnace with Electronically Commutated Motor (ECM), Home constructed after 1980, Unmatched CAC & Furnace, Continuous Fan, No change	19	1,327	40	2,926.57	1.5	1.5	1.5	1.5
		Furnace with Electronically Commutated Motor (ECM), Home constructed after 1980, Unmatched CAC & Furnace, Non-continuous Fan, No change	19	5,453	40	267.14	0.6	0.6	0.6	0.6
		Furnace with Electronically Commutated Motor (ECM), Home constructed after 1980, Unmatched CAC & Furnace, Continuous Fan, Change from non-continuous	19	433	40	11.01	0.0	0.0	0.0	0.0
		Furnace with Electronically Commutated Motor (ECM), Home constructed after 1980, Heating only, Continuous Fan, No change	19	218	40	1,569.84	0.1	0.1	0.1	0.1
		Furnace with Electronically Commutated Motor (ECM), Home constructed after 1980, Heating only, Non-continuous Fan, No change	19	893	40	207.11	0.1	0.1	0.1	0.1

Program	Sector	Measure	End use life (years)	No. Of Units	Net to Gross ratio (%)	Annual kWh saved per unit	Total GWh saved 2009	2010	2011	2012
		Furnace with Electronically Commutated Motor (ECM), Home constructed after 1980, Heating only, Continuous Fan, Change from non-continuous	19	71	40	76.04	0.0	0.0	0.0	0.0
		Programmable Thermostat - Central Air Conditioning (CAC) & Gas heating	15	5,993	39	30.1	0.1	0.1	0.1	0.1
		Programmable Thermostat - Energy Star® Central Air Conditioning (CAC) & Gas Heating	15	8,033	39	25.65	0.1	0.1	0.1	0.1
		Programmable Thermostat - Gas Heating only	15	1,713	39	9.35	0.0	0.0	0.0	0.0
		Participant Spillover - Lighting	5	831	100	40.02	0.0	0.0	0.0	0.0
		Participant Spillover - Cooling or Heating	3	301	100	100.05	0.0	0.0	0.0	0.0
		Participant Spillover - Water heating	10	407	100	141.08	0.1	0.1	0.1	0.1
		Participant Spillover - Appliances	4	570	100	75.9	0.0	0.0	0.0	0.0
		Participant Spillover - Insulation of other weatherization	10	841	100	75.04	0.1	0.1	0.1	0.1
		Participant Spillover - Windows	10	656	100	100.05	0.1	0.1	0.1	0.1
		Participant Spillover - Roof products	15	318	100	50.03	0.0	0.0	0.0	0.0
		Participant Spillover - Other products	5	352	100	50.03	0.0	0.0	0.0	0.0
	Subtotal						8.5	8.5	8.5	8.4
Every Kilowatt Counts Power Savings Event	Residential	Energy Star Qualified Compact Fluorescent - Spring Campaign - Participant Rebated	8	31,622	69	23.17	0.5	0.5	0.5	0.5
		ENERGY STAR Decorative CFLs - Spring Campaign - Participant Rebated	6	74,988	77	25.84	1.5	1.5	1.5	1.5
		ENERGY STAR Fixtures - Spring Campaign - Participant Rebated	16	6,103	53	115.75	0.4	0.4	0.4	0.4
		ENERGY STAR Ceiling Fans - Spring Campaign - Participant Rebated	10	2,626	76	71.49	0.1	0.1	0.1	0.1
		Heavy Duty Pool and Spa Timers - Spring Campaign - Participant Rebated	10	993	76	454.07	0.3	0.3	0.3	0.3
		Clotheslines - Spring Campaign - Participant Rebated	10	2,536	55	77.27	0.1	0.1	0.1	0.1
		Pipe Wrap - Spring Campaign - Participant Rebated	6	2,090	78	8.07	0.0	0.0	0.0	0.0

Program	Sector	Measure	End use life (years)	No. Of Units	Net to Gross ratio (%)	Annual kWh saved per unit	Total GWh saved 2009	2010	2011	2012
		Water Blanket - Spring Campaign - Participant Rebated	10	276	80	52.47	0.0	0.0	0.0	0.0
		Window Film - Spring Campaign - Participant Rebated	0	722	49	0	0.0	0.0	0.0	0.0
		Energy Star Qualified Window Air Conditioner - Spring Campaign - Participant Promoted	12	2,600	67	96.4	0.2	0.2	0.2	0.2
		Energy Star Qualified Dehumidifiers - Spring Campaign - Participant Promoted	12	2,465	68	284	0.5	0.5	0.5	0.5
		Programmable Thermostat - Spring Campaign - Participant Promoted	15	6,047	45	137.8	0.4	0.4	0.4	0.4
		Solar Power Products - Spring Campaign - Participant Promoted	5	15,792	60	4.8	0.1	0.1	0.0	0.0
		Control Products - Spring Campaign - Participant Promoted	10	7,858	53	72.2	0.3	0.3	0.3	0.3
		Window Blinds and Awnings - Spring Campaign - Participant Promoted	0	8,166	29	0	0.0	0.0	0.0	0.0
		Reduce power to electronics (Behavioural) - Spring Campaign - Participant Spillover	1	3,293	15	21.29	0.0	0.0	0.0	0.0
		Installed CFLs - Spring Campaign - Participant Spillover	8	2,889	13	101.42	0.0	0.0	0.0	0.0
		Washed in Cold Laundry (Behavioural) - Spring Campaign - Participant Spillover	1	2,870	14	30.03	0.0	0.0	0.0	0.0
		Turned off/Reduced lights (Behavioural) - Spring Campaign - Participant Spillover	1	2,677	12	262.8	0.1	0.0	0.0	0.0
		Dried clothes outside or on rack (Behavioural) - Spring Campaign - Participant Spillover	1	2,330	11	74.14	0.0	0.0	0.0	0.0
		Installed a new energy efficient appliance - Refrigerator - Spring Campaign - Participant Spillover	14	2,099	14	64.86	0.0	0.0	0.0	0.0
		Unplugged devices usually left plugged in (Behavioural) - Spring Campaign - Participant Spillover	1	2,003	20	70.19	0.0	0.0	0.0	0.0
		Installed a new energy efficient appliance - Clothes washing machine - Spring Campaign - Participant Spillover	14	1,252	12	122.34	0.0	0.0	0.0	0.0
		Added ceiling/attic/wall/basement insulation - Spring Campaign - Participant Spillover	20	1,252	12	394	0.1	0.1	0.1	0.1
		Installed Programmable Thermostat - Spring Campaign - Participant Spillover	15	1,233	13	308.36	0.1	0.1	0.0	0.0

Program	Sector	Measure	End use life (years)	No. Of Units	Net to Gross ratio (%)	Annual kWh saved per unit	Total GWh saved 2009	2010	2011	2012
		Energy Star Qualified Compact Fluorescent - Spring Campaign - Non-Participant Rebated	8	24,076	35	22.41	0.2	0.2	0.2	0.2
		ENERGY STAR Decorative CFLs - Spring Campaign - Non-Participant Rebated	6	11,951	40	26.18	0.1	0.1	0.1	0.1
		ENERGY STAR Fixtures - Spring Campaign - Non-Participant Rebated	16	11,259	41	67.68	0.3	0.3	0.3	0.3
		ENERGY STAR Ceiling Fans - Spring Campaign - Non-Participant Rebated	10	3,291	14	71.49	0.0	0.0	0.0	0.0
		Heavy Duty Pool and Spa Timers - Spring Campaign - Non-Participant Rebated	10	2,079	14	454.07	0.1	0.1	0.1	0.1
		Clotheslines - Spring Campaign - Non-Participant Rebated	10	7,621	14	77.27	0.1	0.1	0.1	0.1
		Pipe Wrap - Spring Campaign - Non-Participant Rebated	6	17,667	14	8.07	0.0	0.0	0.0	0.0
		Water Blanket - Spring Campaign - Non-Participant Rebated	10	2,598	14	52.47	0.0	0.0	0.0	0.0
		Window Film - Spring Campaign - Non-Participant Rebated	0	7,448	14	0	0.0	0.0	0.0	0.0
		Energy Star Qualified Window Air Conditioner - Spring Campaign - Non-Participant Promoted	12	4,330	43	96.4	0.2	0.2	0.2	0.2
		Energy Star Qualified Dehumidifiers - Spring Campaign - Non-Participant Promoted	12	5,196	44	284	0.7	0.7	0.6	0.6
		Programmable Thermostat - Spring Campaign - Non-Participant Promoted	15	8,141	29	137.8	0.3	0.3	0.3	0.3
		Solar Power Products - Spring Campaign - Non-Participant Promoted	5	52,829	39	4.8	0.1	0.1	0.1	0.1
		Control Products - Spring Campaign - Non-Participant Promoted	10	18,187	34	72.2	0.5	0.5	0.5	0.5
		Window Blinds and Awnings - Spring Campaign - Non-Participant Promoted	0	30,485	18	0	0.0	0.0	0.0	0.0
		Energy Star Qualified Compact Fluorescent - Autumn Campaign - Participant Rebated	8	143,103	69	25.5	2.5	2.5	2.5	2.5
		ENERGY STAR Specialty CFLs - Autumn Campaign - Participant Rebated	6	57,869	71	20.81	0.9	0.9	0.9	0.9
		ENERGY STAR Fixtures - Autumn Campaign - Participant Rebated	16	6,906	70	119.07	0.6	0.6	0.6	0.6

Program	Sector	Measure	End use life (years)	No. Of Units	Net to Gross ratio (%)	Annual kWh saved per unit	Total GWh saved 2009	2010	2011	2012
		Weatherstripping - adhesive foam or V-strip - Autumn Campaign - Participant Rebated	15	6,399	58	15.29	0.1	0.1	0.1	0.1
		Weatherstripping - door frame kits - Autumn Campaign - Participant Rebated	15	4,189	53	17.14	0.0	0.0	0.0	0.0
		Programmable Thermostat - Autumn Campaign - Participant Rebated	15	2,779	67	32.15	0.1	0.1	0.1	0.1
		Pipe Wrap - Autumn Campaign - Participant Rebated	6	2,392	45	6.58	0.0	0.0	0.0	0.0
		Water Blanket - Autumn Campaign - Participant Rebated	10	531	63	55.77	0.0	0.0	0.0	0.0
		Lighting/Appliance Controls - Autumn Campaign - Participant Rebated	17	4,852	72	21.44	0.1	0.1	0.1	0.1
		Energy Star Qualified Holiday LED Lights - Autumn Campaign - Participant Promoted	5	17,038	59	13.7	0.1	0.1	0.1	0.1
		Dimmer Switches - Autumn Campaign - Participant Promoted	10	7,179	50	23.7	0.1	0.1	0.1	0.1
		Solar Powered Products - Autumn Campaign - Participant Promoted	4	13,930	52	5.54	0.0	0.0	0.0	0.0
		Washed laundry with cold water - Autumn Campaign - Participant Spillover	1	5,072	17	30.03	0.0	0.0	0.0	0.0
		Turned off / reduced use of power to electronics - Autumn Campaign - Participant Spillover	1	4,679	19	21.29	0.0	0.0	0.0	0.0
		Turned off / reduced use of lights - Autumn Campaign - Participant Spillover	1	4,358	17	262.8	0.2	0.0	0.0	0.0
		Dried clothes outside or inside on a rack - Autumn Campaign - Participant Spillover	1	3,072	13	74.14	0.0	0.0	0.0	0.0
		Turned down the thermostat setting on my furnace - Autumn Campaign - Participant Spillover	1	3,072	19	269.82	0.2	0.0	0.0	0.0
		Unplugged devices usually plugged into outlet - Autumn Campaign - Participant Spillover	1	2,893	18	70.19	0.0	0.0	0.0	0.0
		Installed a new energy efficient appliance – Refrigerator - Autumn Campaign - Participant Spillover	14	2,893	25	64.86	0.1	0.1	0.0	0.0
		Added ceiling/attic/wall/basement insulation - Autumn Campaign - Participant Spillover	20	2,322	22	394	0.2	0.2	0.2	0.2
		Replaced my old furnace with a high efficiency furnace - Autumn Campaign - Participant Spillover	15	2,072	20	351.98	0.1	0.1	0.1	0.1

Program	Sector	Measure	End use life (years)	No. Of Units	Net to Gross ratio (%)	Annual kWh saved per unit	Total GWh saved 2009	2010	2011	2012
		Installed a new energy efficient appliance - Clothes washing machine - Autumn Campaign - Participant Spillover	15	1,893	19	141.79	0.1	0.1	0.1	0.1
		Energy Star Qualified Compact Fluorescent - Autumn Campaign - Non-Participant Rebated	8	130,339	14	23.68	0.4	0.4	0.4	0.4
		ENERGY STAR Specialty CFLs - Autumn Campaign - Non-Participant Rebated	6	41,403	15	29.97	0.2	0.2	0.2	0.2
		ENERGY STAR Fixtures - Autumn Campaign - Non-Participant Rebated	16	11,541	24	36.46	0.1	0.1	0.1	0.1
		Weatherstripping - adhesive foam or V-strip - Autumn Campaign - Non-Participant Rebated	15	44,937	7	14.51	0.1	0.1	0.0	0.0
		Weatherstripping - door frame kits - Autumn Campaign - Non-Participant Rebated	15	34,262	6	17.31	0.0	0.0	0.0	0.0
		Programmable Thermostat - Autumn Campaign - Non-Participant Rebated	15	6,780	17	83.24	0.1	0.1	0.1	0.1
		Pipe Wrap - Autumn Campaign - Non-Participant Rebated	6	31,809	11	6.16	0.0	0.0	0.0	0.0
		Water Blanket - Autumn Campaign - Non-Participant Rebated	10	3,967	22	39.7	0.0	0.0	0.0	0.0
		Lighting/Appliance Controls - Autumn Campaign - Non-Participant Rebated	17	33,973	10	42.45	0.2	0.2	0.1	0.1
		Energy Star Qualified Holiday LED Lights - Autumn Campaign - Non-Participant Promoted	5	55,612	35	13.7	0.3	0.3	0.3	0.3
		Dimmer Switches - Autumn Campaign - Non-Participant Promoted	10	17,528	27	23.7	0.1	0.1	0.1	0.1
		Solar Powered Products - Autumn Campaign - Non-Participant Promoted	4	28,131	42	4.62	0.1	0.1	0.1	0.1
		Working Room Air Conditioner Retirement - Rewards for Recycling Campaign - Incented	6	1,356	38	31.88	0.0	0.0	0.0	0.0
		Working Room Dehumidifier Retirement - Rewards for Recycling Campaign - Incented	8	1,233	47	300.28	0.2	0.2	0.2	0.2
		Working Halogen Torchiere Retirement - Rewards for Recycling Campaign - Incented	10	414	51	58.42	0.0	0.0	0.0	0.0

Program	Sector	Measure	End use life (years)	No. Of Units	Net to Gross ratio (%)	Annual kWh saved per unit	Total GWh saved 2009	2010	2011	2012
		Non-Working Room Air Conditioner Retirement - Rewards for Recycling Campaign - Incented	6	151	38	0	0.0	0.0	0.0	0.0
		Non-Working Room Dehumidifier Retirement - Rewards for Recycling Campaign - Incented	8	137	47	0	0.0	0.0	0.0	0.0
		Non-Working Halogen Torchiere Retirement - Rewards for Recycling Campaign - Incented	10	204	51	0	0.0	0.0	0.0	0.0
		Recycled Second Refrigerator - Rewards for Recycling Campaign - Spillover	14	284	36	1,238.09	0.1	0.1	0.1	0.1
		Recycled Additional Room Air Conditioner - Rewards for Recycling Campaign - Spillover	6	237	36	30.01	0.0	0.0	0.0	0.0
		Recycled Central Air Conditioner - Rewards for Recycling Campaign - Spillover	18	221	36	72	0.0	0.0	0.0	0.0
		Recyled Additional Room Dehumidifier - Rewards for Recycling Campaign - Spillover	8	247	36	309.22	0.0	0.0	0.0	0.0
		Installed Energy Star® Windows - Rewards for Recycling Campaign - Spillover	20	390	18	1,530.11	0.1	0.1	0.1	0.1
		Installed Energy Star® CFL Bulbs - Rewards for Recycling Campaign - Spillover	8	1,311	18	44.57	0.0	0.0	0.0	0.0
	Subtotal						14.7	14.1	14.1	14.1
peaksaver®	Residential, Commercial	Residential Air Conditioner - Switch	13	9	90	0.98	0.0	0.0	0.0	0.0
		Residential Air Conditioner - Thermostat - Load Control	13	6,914	90	0.98	0.0	0.0	0.0	0.0
		Residential Electric Water Heater	13	0	90	0	0.0	0.0	0.0	0.0
		Commercial Air Conditioner - Switch	13	0	90	0	0.0	0.0	0.0	0.0
		Commercial Air Conditioner - Thermostat - Load Control	13	1	90	0	0.0	0.0	0.0	0.0
		Commercial Electric Water Heater	13	0	90	0	0.0	0.0	0.0	0.0
	Subtotal						0.0	0.0	0.0	0.0
Electricity Retrofit Incentive	Commercial, Industrial	Subtotal					28.9	28.9	28.9	28.9
High Performance New Construction	Commercial	Custom Project	20	8	70	Custom	1.1	1.1	1.1	1.1
Power Savings Blitz	Commercial	Subtotal					12.9	12.9	12.9	12.9

Program	Sector	Measure	End use life (years)	No. Of Units	Net to Gross ratio (%)	Annual kWh saved per unit	Total GWh saved 2009	2010	2011	2012
Multi-Family Energy Efficiency Rebates	Residential	Subtotal					0.0	0.0	0.0	0.0
Demand Response 1	Commercial, Industrial	Voluntary Load Shedding Project	1	6	100	Custom	1.0	0.0	0.0	0.0
Demand Response 2	Commercial, Industrial	Contractual Load Shifting Project	1	0	100	Custom	9.5	0.0	0.0	0.0
Demand Response 3	Commercial, Industrial	Contractual Load Shedding Project	1	16	100	Custom	0.2	0.0	0.0	0.0
Loblaw & York Region Demand Response	Commercial, Industrial	Rodan Contract	1	0	100	0	0.0	0.0	0.0	0.0
		Loblaw Contract	1	0	100	0	0.0	0.0	0.0	0.0
	Subtotal						0.0	0.0	0.0	0.0

Note: All savings are at the end-use level

Table B.6: Hydro One-Specific Energy Savings due to OPA-Initiated Programs in 2010

Program	Sector	Measure	End use life (years)	No. Of Units	Net to Gross ratio (%)	Annual kWh saved per unit	Total GWh saved in 2010	2011	2012
Great Refrigerator Roundup	Residential	Dehumidifier	3	389	36	371	0.05	0.05	0.05
		Freezer	4	5,798	52	1,045	3.15	3.15	3.15
		Refrigerator	5	15,287	54	1,126	9.30	9.30	9.30
		Window Air Conditioner	4	481	36	964	0.17	0.17	0.17
	Subtotal						12.66	12.66	12.66
Cool Savings Rebate	Residential	Energy Star® 14.5 SEER (Tier 1) Central Air Conditioner (CAC)	18	946	60	113	0.06	0.06	0.06
		Energy Star® 14.5 SEER (Tier 1) Central Air Conditioner (CAC) with change in behaviour	18	194	60	317	0.04	0.04	0.04
		Energy Star® 15.0 SEER (Tier 2) Central Air Conditioner (CAC)	18	2,250	60	177	0.24	0.24	0.24
		Energy Star® 15.0 SEER (Tier 2) Central Air Conditioner (CAC) with change in behaviour	18	463	60	366	0.10	0.10	0.10
		Furnace with Electronically Commutated Motor (ECM), Home constructed before 1980, AHRI Matched CAC & Furnace, Continuous Fan, No change	19	398	41	2,772	0.45	0.45	0.45
		Furnace with Electronically Commutated Motor (ECM), Home constructed before 1980, AHRI Matched CAC & Furnace, Non-continuous Fan, No change	19	1,049	41	324	0.14	0.14	0.14
		Furnace with Electronically Commutated Motor (ECM), Home constructed before 1980, AHRI Matched CAC & Furnace, Continuous Fan, Change from non-continuous	19	86	41	3,005	0.11	0.11	0.11
		Furnace with Electronically Commutated Motor (ECM), Home constructed before 1980, Unmatched CAC & Furnace, Continuous Fan, No change	19	434	41	2,821	0.50	0.50	0.50
		Furnace with Electronically Commutated Motor (ECM), Home constructed before 1980, Unmatched CAC & Furnace, Non-continuous Fan, No change	19	1,143	41	373	0.17	0.17	0.17
		Furnace with Electronically Commutated Motor (ECM), Home constructed before 1980, Unmatched CAC & Furnace, Continuous Fan, Change from non-continuous	19	93	41	3,054	0.12	0.12	0.12
		Furnace with Electronically Commutated Motor (ECM), Home constructed before 1980, Heating only, Continuous Fan, No change	19	109	41	1,534	0.07	0.07	0.07

Program	Sector	Measure	End use life (years)	No. Of Units	Net to Gross ratio (%)	Annual kWh saved per unit	Total GWh saved in 2010	2011	2012
		Furnace with Electronically Commutated Motor (ECM), Home constructed before 1980, Heating only, Non-continuous Fan, No change	19	286	41	324	0.04	0.04	0.04
		Furnace with Electronically Commutated Motor (ECM), Home constructed before 1980, Heating only, Continuous Fan, Change from non-continuous	19	23	41	1,666	0.02	0.02	0.02
		Furnace with Electronically Commutated Motor (ECM), Home constructed after 1980, AHRI Matched CAC & Furnace, Continuous Fan, No change	19	468	41	2,865	0.55	0.55	0.55
		Furnace with Electronically Commutated Motor (ECM), Home constructed after 1980, AHRI Matched CAC & Furnace, Non-continuous Fan, No change	19	1,231	41	207	0.10	0.10	0.10
		Furnace with Electronically Commutated Motor (ECM), Home constructed after 1980, AHRI Matched CAC & Furnace, Continuous Fan, Change from non-continuous	19	100	41	3,485	0.14	0.14	0.14
		Furnace with Electronically Commutated Motor (ECM), Home constructed after 1980, Unmatched CAC & Furnace, Continuous Fan, No change	19	510	41	2,925	0.61	0.61	0.61
		Furnace with Electronically Commutated Motor (ECM), Home constructed after 1980, Unmatched CAC & Furnace, Non-continuous Fan, No change	19	1,342	41	267	0.15	0.15	0.15
		Furnace with Electronically Commutated Motor (ECM), Home constructed after 1980, Unmatched CAC & Furnace, Continuous Fan, Change from non-continuous	19	109	41	3,545	0.16	0.16	0.16
		Furnace with Electronically Commutated Motor (ECM), Home constructed after 1980, Heating only, Continuous Fan, No change	19	127	41	1,569	0.08	0.08	0.08
		Furnace with Electronically Commutated Motor (ECM), Home constructed after 1980, Heating only, Non-continuous Fan, No change	19	336	41	207	0.03	0.03	0.03
		Furnace with Electronically Commutated Motor (ECM), Home constructed after 1980, Heating only, Continuous Fan, Change from non-continuous	19	27	41	1,700	0.02	0.02	0.02
		Programmable Thermostat - Central Air Conditioning (CAC) & Gas heating	15	2,145	41	30	0.03	0.03	0.03
		Programmable Thermostat - Energy Star® Central Air Conditioning (CAC) & Gas Heating	15	2,718	41	26	0.03	0.03	0.03
		Programmable Thermostat - Gas Heating only	15	536	41	9	0.00	0.00	0.00
		Subtotal					3.96	3.96	3.96

Program	Sector	Measure	End use life (years)	No. Of Units	Net to Gross ratio (%)	Annual kWh saved per unit	Total GWh saved in 2010	2011	2012
Every Kilowatt Counts	Residential	ENERGY STAR Specialty CFLs-Spring Campaign (Rebated)	6	20,655	42	18	0.16	0.16	0.16
		ENERGY STAR Fixtures-Spring Campaign (Rebated)	16	9,089	39	152	0.54	0.54	0.54
		ENERGY STAR Ceiling Fans-Spring Campaign (Rebated)	10	1,770	37	52	0.03	0.03	0.03
		Clotheslines-Spring Campaign (Rebated)	10	2,367	24	89	0.05	0.05	0.05
		Smart Power Bars-Spring Campaign (Rebated)	20	401	36	21	0.00	0.00	0.00
		Lighting Controls-Spring Campaign (Rebated)	10	9,805	33	21	0.07	0.07	0.07
		Energy Star Qualified Window Air Conditioner-Spring Campaign (Promoted)	9	1,518	51	141	0.11	0.11	0.11
		Energy Star Qualified Dehumidifiers-Spring Campaign (Promoted)	12	1,368	40	284	0.16	0.16	0.16
		Programmable Thermostat-Spring Campaign (Promoted)	15	2,180	30	121	0.08	0.08	0.08
		Solar Power Products-Spring Campaign (Promoted)	1	12,430	47	3	0.02	0.00	0.00
		Window Blinds and Awnings-Spring Campaign (Promoted)	10	9,138	30	41	0.11	0.11	0.11
		Turned off / reduced use of lights-Spilllover Actions - Spring	1	n/a	0	0	0.05	0.00	0.00
		Turned off / reduced use of power to electronics-Spilllover Actions - Spring	1	n/a	0	0	0.01	0.00	0.00
		Washed laundry with cold water-Spilllover Actions - Spring	1	n/a	0	0	0.00	0.00	0.00
		Turned down the thermostat setting on my furnace-Spilllover Actions - Spring	1	n/a	0	0	0.03	0.00	0.00
		Installed compact fluorescents that were not rebated-Spilllover Actions - Spring	8	n/a	0	0	0.01	0.01	0.01
		Dried clothes inside on a rack-Spilllover Actions - Spring	1	n/a	0	0	0.01	0.00	0.00
		Unplugged devices usually plugged into outlet-Spilllover Actions - Spring	1	n/a	0	0	0.01	0.00	0.00
		Sealed around windows / doors-Spilllover Actions - Spring	15	n/a	0	0	0.01	0.01	0.01
		Installed a programmable thermostat-Spilllover Actions - Spring	15	n/a	0	0	0.01	0.01	0.01
		Installed LED lights-Spilllover Actions - Spring	8	n/a	0	0	0.00	0.00	0.00
		Energy Star Specialty CFLs-Fall Campaign (Rebated)	6	27,880	61	21	0.36	0.36	0.36
		Energy Star Fixtures-Fall Campaign (Rebated)	16	1,840	44	141	0.11	0.11	0.11
		Weatherstripping - adhesive foam or V-strip-Fall Campaign (Rebated)	15	6,394	37	9	0.02	0.02	0.02
		Weatherstripping - door frame kits-Fall Campaign (Rebated)	15	4,179	44	15	0.03	0.03	0.03
		Baseboard Programmable Thermostat-Fall	15	1,368	60	63	0.05	0.05	0.05

Program	Sector	Measure	End use life (years)	No. Of Units	Net to Gross ratio (%)	Annual kWh saved per unit	Total GWh saved in 2010	2011	2012
		Campaign (Rebated)							
		Pipe Wrap-Fall Campaign (Rebated)	6	3,158	36	7	0.01	0.01	0.01
		Water Blanket-Fall Campaign (Rebated)	10	529	58	56	0.02	0.02	0.02
		Lighting Controls-Fall Campaign (Rebated)	10	6,940	59	26	0.11	0.11	0.11
		Power Bar-Fall Campaign (Rebated)	20	901	69	13	0.01	0.01	0.01
		Programmable Thermostat-Fall Campaign (Promoted)	15	3,451	22	119	0.09	0.09	0.09
		Solar Powered Products-Fall Campaign (Promoted)	1	5,651	26	2	0.00	0.00	0.00
		Window Sealing Kits-Fall Campaign (Promoted)	10	6,341	18	3	0.00	0.00	0.00
		Turned off / reduced use of lights-Spillover Actions - Fall	1	n/a	0	0	0.18	0.00	0.00
		Turned off / reduced use of power to electronics-Spillover Actions - Fall	1	n/a	0	0	0.04	0.00	0.00
		Washed laundry with cold water-Spillover Actions - Fall	1	n/a	0	0	0.01	0.00	0.00
		Turned down the thermostat setting on my furnace-Spillover Actions - Fall	1	n/a	0	0	0.07	0.00	0.00
		Sealed around windows / doors-Spillover Actions - Fall	15	n/a	0	0	0.02	0.02	0.02
		Unplugged devices usually plugged into outlet-Spillover Actions - Fall	1	n/a	0	0	0.08	0.00	0.00
		Installed compact fluorescent lights that were not those rebated by the Power Savings Event-Spillover Actions - Fall	8	n/a	0	0	0.03	0.03	0.03
		Dried clothes inside on a rack-Spillover Actions - Fall	1	n/a	0	0	0.02	0.00	0.00
		Energy Star Specialty CFLs-Non-Participant Campaign Products	6	n/a	0	0	0.05	0.05	0.05
		Energy Star Fixtures-Non-Participant Campaign Products	16	n/a	0	0	0.07	0.07	0.07
		Weatherstripping - adhesive foam or V-strip-Non-Participant Campaign Products	15	n/a	0	0	0.01	0.01	0.01
		Weatherstripping - door frame kits-Non-Participant Campaign Products	15	n/a	0	0	0.00	0.00	0.00
		Baseboard Programmable Thermostat-Non-Participant Campaign Products	15	n/a	0	0	0.00	0.00	0.00
		Pipe Wrap-Non-Participant Campaign Products	6	n/a	0	0	0.00	0.00	0.00
		Water Blanket-Non-Participant Campaign Products	10	n/a	0	0	0.00	0.00	0.00
		Lighting Controls-Non-Participant Campaign Products	10	n/a	0	0	0.01	0.01	0.01
		Power Bar-Non-Participant Campaign Products	20	n/a	0	0	0.00	0.00	0.00
		Programmable Thermostat-Fall Campaign (Non-Participant Promoted)	15	n/a	0	0	0.10	0.10	0.10

Program	Sector	Measure	End use life (years)	No. Of Units	Net to Gross ratio (%)	Annual kWh saved per unit	Total GWh saved in 2010	2011	2012
		Solar Powered Products-Fall Campaign (Non-Participant Promoted)	1	n/a	0	0	0.00	0.00	0.00
		Window Sealing Kits-Fall Campaign (Non-Participant Promoted)	10	n/a	0	0	0.00	0.00	0.00
		Energy Star 4.0 & 5.0 Television Program	5	41,128	34	167	2.33	2.33	2.33
		Energy Star 4.0 & 5.0 Television Program - Spillover Actions	1	n/a	0	0	0.32	0.15	0.00
	Subtotal						5.62	4.93	4.79
Peaksaver	Residential, Commercial	Residential Air Conditioner - Switch	13	1	90	2.46	0.00	0.00	0.00
		Residential Air Conditioner - Thermostat - Load Control	13	5,310	90	2.46	0.01	0.01	0.01
		Commercial Air Conditioner - Switch	13	0	90	7.20	0.00	0.00	0.00
		Commercial Air Conditioner - Thermostat	13	1	90	7.20	0.00	0.00	0.00
	Subtotal						0.01	0.01	0.01
Electricity Retrofit Incentive	Res,Comm,Ind	Business Project	9	421	52	Custom	43.83	43.83	43.83
		Multi-Family Project	8	1	62	Custom	0.56	0.56	0.56
	Subtotal						44.38	44.38	44.38
High Performance New Construction	Commercial	Custom Project	20	36	70	Custom	3.70	3.70	3.70
Power Savings Blitz	Commercial	Subtotal					36.11	36.11	36.11
Multi-Family Energy Efficiency Rebates	Residential, Low-Income	Subtotal					3.73	3.73	3.73
Demand Response 2	Commercial/Industrial	Contractual Load Shifting Project	1	0.38	100	Custom	17.47	0.00	0.00
Demand Response 3	Commercial/Industrial	Contractual Load Shedding Project	1	30.90	100	Custom	0.62	0.00	0.00
Loblaw & Yokrk Region Demand Response	Commercial/Industrial	Rodan Contract	1	0.13	100	0.00	0.00	0.00	0.00
		Loblaw Contract	1	0.13	100	0.00	0.00	0.00	0.00
	Subtotal						0.00	0.00	0.00

Note: All savings are at the end-use level

APPENDIX C:
SUMMARY OF TARGET CDM PROGRAM RESULTS INITIATED BY THE ONTARIO POWER AUTHORITY (OPA)

This appendix summarizes the Ontario Power Authority (OPA) program results (in kWh) for Hydro One Retail customers for 2011 and 2012. Hydro One specific savings were provided by the OPA in their 2011 and 2012 Annual CDM Report- Final Verified Results.

Detailed results for 2011 and 2012 are shown in the tables below.

Table C.1: Hydro One-Specific Savings due to OPA-Initiated Programs in 2011

#	Initiative	Realization Rate		Gross Savings		Net-to-Gross Ratio		Net Savings		Contribution to Targets	
		Peak Demand Savings	Energy Savings	Incremental Peak Demand Savings (kW)	Incremental Energy Savings (kWh)	Peak Demand Savings	Energy Savings	Incremental Peak Demand Savings (kW)	Incremental Energy Savings (kWh)	Program-to-Date: Net Annual Peak Demand Savings (kW) in 2014	Program-to-Date: 2011-2014 Net Cumulative Energy Savings (kWh)
Consumer Program											
1	Appliance Retirement	100%	100%	2,093	14,273,538	51%	52%	1,045	7,306,925	1,007	29,193,946
2	Appliance Exchange	100%	100%	185	226,591	52%	52%	95	116,777	36	414,016
3	HVAC Incentives	100%	100%	7,092	13,575,382	60%	60%	4,255	8,101,055	4,255	32,404,220
4	Conservation Instant Coupon Booklet	100%	100%	434	6,678,166	115%	112%	497	7,415,670	497	29,662,680
5	Bi-Annual Retailer Event	100%	100%	451	8,064,075	113%	110%	504	8,810,008	504	35,240,033
6	Retailer Co-op	-	-	0	0	-	-	0	0	0	0
7	Residential Demand Response	0%	0%	1,095	2,836	-	-	1,095	2,836	0	2,836
8	Residential New Construction	-	-	0	0	-	-	0	0	0	0

#	Initiative	Realization Rate		Gross Savings		Net-to-Gross Ratio		Net Savings		Contribution to Targets	
		Peak Demand Savings	Energy Savings	Incremental Peak Demand Savings (kW)	Incremental Energy Savings (kWh)	Peak Demand Savings	Energy Savings	Incremental Peak Demand Savings (kW)	Incremental Energy Savings (kWh)	Program-to-Date: Net Annual Peak Demand Savings (kW) in 2014	Program-to-Date: 2011-2014 Net Cumulative Energy Savings (kWh)
Business Program											
9	Efficiency: Equipment Replacement	89%	125%	3,201	17,735,323	73%	75%	2,346	13,286,676	2,346	53,146,706
10	Direct Install Lighting	108%	90%	4,946	14,679,124	93%	93%	5,296	13,630,141	3,361	49,125,164
11	Existing Building Commissioning Incentive	-	-	0	0	-	-	0	0	0	0
12	New Construction and Major Renovation Incentive	-	-	174	504,015	50%	50%	87	252,008	87	1,008,030
13	Energy Audit	-	-	0	0	-	-	0	0	0	0
14	Commercial Demand Response (part of the Residential program schedule)	0%	0%	0	0	-	-	0	0	0	0
15	Demand Response 3 (part of the Industrial program schedule)	76%	100%	1,218	36,069	n/a	n/a	921	36,069	0	36,069
Industrial Program											
16	Process & System Upgrades	-	-	0	0	-	-	0	0	0	0
17	Monitoring & Targeting	-	-	0	0	-	-	0	0	0	0
18	Energy Manager	-	-	0	0	-	-	0	0	0	0
19	Efficiency: Equipment Replacement Incentive (part of the C&I program schedule)	89%	120%	627	4,203,617	72%	74%	453	3,097,420	453	12,389,680
20	Demand Response 3	84%	100%	16,125	797,689	n/a	n/a	13,590	797,689	0	797,689

#	Initiative	Realization Rate		Gross Savings		Net-to-Gross Ratio		Net Savings		Contribution to Targets	
		Peak Demand Savings	Energy Savings	Incremental Peak Demand Savings (kW)	Incremental Energy Savings (kWh)	Peak Demand Savings	Energy Savings	Incremental Peak Demand Savings (kW)	Incremental Energy Savings (kWh)	Program-to-Date: Net Annual Peak Demand Savings (kW) in 2014	Program-to-Date: 2011-2014 Net Cumulative Energy Savings (kWh)
Home Assistance Program											
21	Home Assistance Program	-	-	0	0	-	-	0	0	0	0
Pre-2011 Programs completed in 2011											
22	Electricity Retrofit Incentive Program	77%	77%	5,345	23,759,675	52%	52%	2,784	12,387,111	2,784	49,548,444
23	High Performance New Construction	100%	100%	4,174	21,439,878	50%	50%	2,087	10,719,939	2,087	42,879,755
24	Toronto Comprehensive	-	-	0	0	-	-	0	0	0	0
25	Multifamily Energy Efficiency Rebates	-	-	0	0	-	-	0	0	0	0
26	Data Centre Incentive Program	-	-	0	0	-	-	0	0	0	0
27	EnWin Green Suites	-	-	0	0	-	-	0	0	0	0

Note: Assumes demand response resources have a persistence of 1 year

Source: OPA Annual CDM Report- 2011 Final Verified Results for Hydro One Networks, Table 7

Table C.2: Hydro One-Specific Savings due to OPA-Initiated Programs in 2012

Initiative	Unit	Incremental Activity (new program activity occurring within the specified reporting period)		Net Incrmental Peak Demand Savings (kW) (new peak demand savings from activity within the specified reporting period)		Net Incrmental Energy Savings (kWh) (new energy savings from activity within the specified reporting period)		Program-to-Date Verified Progress to Target (exludes DR)	
								2014 net Annual Peak Demand Savings (kW)	2011-2014 Net Cumulative Energy Savings (kWh)
		2011	2012	2011	2012	2011	2012	2014	2014
Consumer Program									
Appliance Retirement	Appliances	17,394	10,137	1,045	582	7,306,925	4,037,503	1,589	41,306,456
Appliance Exchange	Appliances	939	1,039	95	150	116,777	263,601	186	1,204,820
HVAC Incentives	Equipment	14,044	12,148	4,255	2,935	8,101,055	5,274,119	7,190	48,226,576
Conservation Instant Coupon Booklet	Items	190,168	9,251	497	69	7,415,670	419,164	566	30,920,172
Bi-Annual Retailer Event	Items	260,915	318,045	504	444	8,810,008	8,028,823	948	59,326,501
Retailer Co-op	Items	0	0	0	0	0	0	0	0
Residential Demand Response (switch/pstat)*	Devices	1,956	13,200	1,095	6,159	2,836	44,183	0	47,019
Residential Demand Response (IHD)	Devices	0	0	0		0			
Residential New Construction	Homes	0	4	0	1	0	10,212	1	30,635
Consumer Program Total				7,491	10,340	31,753,271	18,077,604	10,480	181,062,178
Business Program									
Retrofit	Projects	294	586	2,346	5,081	13,286,676	24,422,018	7,333	125,750,950
Direct Install Lighting	Projects	4,291	3,388	5,296	2,997	13,630,141	11,201,013	6,353	82,701,816
Building Commissioning	Buildings	0	0	0	0	0	0	0	0
New Construction	Buildings	6	28	87	354	252,008	1,054,580	441	4,171,770
Energy Audit	Audits	3	14	0	72	0	352,468	72	1,057,403
Small Commercial Demand Response	Devices	0	25	0	16	0	91	0	91
Small Commercial Demand Response (IHD)	Devices		0	0		0		0	0
Demand Response	Faciliite	15	15	924	880	36,069	12,793	0	48,862

Initiative	Unit	Incremental Activity (new program activity occurring within the specified reporting period)		Net Incrmental Peak Demand Savings (kW) (new peak demand savings from activity within the specified reporting period)		Net Incrmental Energy Savings (kWh) (new energy savings from activity within the specified reporting period)		Program-to-Date Verified Progress to Target (exludes DR)	
								2014 net Annual Peak Demand Savings (kW)	2011-2014 Net Cumulative Energy Savings (kWh)
		2011	2012	2011	2012	2011	2012	2014	2014
3*	s								
Business Program Total				8,653	9,400	27,204,894	37,042,963	14,199	213,730,891
Industrial Program									
Process & System Upgrades	Projects	0	0	0	0	0	0	0	0
Monitoring & Targeting	Projects	0	0	0	0	0	0	0	0
Energy Manager	Projects	0	3	0	0	0	254,894	0	764,683
Retrofit	Projects	55		453		3,097,420		453	12,389,680
Demand Response 3*	Facilities	21	53	13,590	22,391	797,689	539,613	0	1,337,302
Industrial Program Total				14,042	22,391	3,895,109	794,507	453	14,491,665
Home Assistance Program									
Home Assistance Program	Homes	0	501	0	75	0	711,836	75	2,135,507
Home Assistance Program Total				0	75	0	711,836	75	2,135,507
Pre-2011 Programs completed in 2011									
Electricity Retrofit Incentive Program	Projects	385	0	2,732	0	12,086,358	0	2,732	48,345,431
High Performance New Construction	Projects	53	15	2,087	488	10,719,939	2,118,988	2,575	49,236,719
Toronto Comprehensive	Projects	0	0	0	0	0	0	0	0
Multifamily Energy Efficiency Rebates	Projects	0	0	0	0	0	0	0	0
LDC Customer Programs	Projects	0	0	0	0	0	0	0	0
Pre-2011 Programs completed in 2011 Total				4,819	488	22,806,297	2,118,988	5,307	97,582,151
Other									
Program Enabled Savings	Projects	0	0	0	0	0	0	0	0
Time-of-Use Savings	Homes								
Other Total					0		0	0	0
Adjustment to Previous Year's Verified Results					-215		1,211,854	-230	4,794,328
Energy Efficiency Total				19,397	13,248	84,822,977	58,149,218	30,514	507,569,118

Initiative	Unit	Incremental Activity (new program activity occurring within the specified reporting period)		Net Incrmental Peak Demand Savings (kW) (new peak demand savings from activity within the specified reporting period)		Net Incrmental Energy Savings (kWh) (new energy savings from activity within the specified reporting period)		Program-to-Date Verified Progress to Target (exludes DR)	
								2014 net Annual Peak Demand Savings (kW)	2011-2014 Net Cumulative Energy Savings (kWh)
		2011	2012	2011	2012	2011	2012	2014	2014
Demand Response Total (Scenario 1)				15,609	29,446	836,594	596,680	0	1,433,274
OPA-Contracted LDC Portfolio Total (inc. Adjustments)				35,005	42,479	85,659,571	59,957,751	30,283	513,796,719
							Full OEB Target:	213,660	1,130,210,000
							% of Full OEB Target Achieved to Date (Scenario 1):	14.2%	45.5%

Notes: *Activity & savings for Demand Response resources for each year and quarter represent the savings from all active facilities or devices contracted since January 1, 2011. Due to the limited timeframe of data, which didn't include the summer months, 2012 IHD results have been deemed inconclusive. The IHD line iten on the 2012 annual report will be left blank. Once a full year of data is available (2013 evaluation), and the savings are quantified, 2012 results will be updated to reflect the quantified savings.

Source: OPA Annual CDM Report- 2012 Final Verified Results for Hydro One Networks, Table 1

APPENDIX D:

OTHER ORGANIZATIONS

Within the province of Ontario, there are many different organizations which offer CDM programs or other educational initiatives. Energy and peak savings from these programs may have an impact on Hydro One Distribution retail load. These include programs and initiatives conducted by the Federal and Provincial Governments as well as by other non-government organizations. This appendix briefly summarizes a sample of some of the most well-known CDM programs and educational initiatives available in Ontario since 2010. This does not represent an exhaustive list of all available programs.[3]

Table D.1: CDM Programs and Initiatives by the Federal Government

Agency	Program	Description
Natural Resources Canada (NRCan), Office of Energy Efficiency (OEE)	Canadian Industry Program for Energy Conservation (CIPEC)	A partnership between private industry and the federal Government that aims to promote and improve Canada's industrial energy efficiency and reduce greenhouse gas emissions from energy use in the industrial sector. It includes more than 1,400 companies and trade associations and encourages energy management best practices through dialogue and collaboration via an Executive Board, Task Force Council and sector task forces.
NRCan, OEE	ecoEnergy Retrofit- Homes Program	Provides grants of up to $5000 to help homeowners make their homes more energy-efficient and reduce the burden of high energy costs.
NRCan, OEE	Energy Efficiency in Existing Buildings	As part of the ecoENERGY Efficiency Initiative, Natural Resources Canada's Office of Energy Efficiency supports building owners in the commercial and institutional sectors through various activities such as encouraging optimization of building systems and promotion of energy performance

[3] For a summary of historical programs from 2005 to 2010 please see Appendices D and E in the Net Load Impact Analysis of Conservation and Demand Management filed in EB-2009-0096 (Exhibit H, Tab 12, Schedule 2, Attachment 1).

Agency	Program	Description
		contracting.
NRCan, OEE	Energy Efficiency in New Buildings	The OEE, as part of the ecoENERGY for Buildings and Houses, promotes stakeholder networks, provides information for owners and professionals, training and feedback on energy simulation, and tracks baseline data for new commercial, institutional and multi-unit residential buildings.
NRCan, OEE	Federal Buildings Initiative (FBI)	This initiative is to assist federal organizations to implement energy efficiency improvements in their facilities to reduce energy costs and GHG emissions through public-private partnerships with energy management firms.
NRCan, OEE	National Energy Use Database (NEUD)	This program enables the Government of Canada to monitor and evaluate progress toward its goal of limiting greenhouse gas emissions, to provide information to support the development of future initiatives, and to ensure the development of a base of expertise in the analysis of energy consumption at the end-use level in Canada.
NRCan, OEE	ecoENERGY Efficiency - Regulations	By prescribing minimum energy efficiency performance levels, inefficient energy-using equipment is eliminated from the Canadian market.
NRCan,	Pulp and Paper Green Transformation Program	The Pulp and Paper Green Transformation Program provides pulp and paper mills with one-time access to $1 billion in funding for capital investments that make environmental improvements to their facilities such as improved energy efficiency or increased production of alternative energy.

Table D.2: CDM Programs and Initiatives by the Provincial Government

Agency	Program	Description
Government of Ontario, Ministry of Energy and Infrastructure	Ontario Home Energy Savings Program	As part of this program a Home Energy Audit shows you how your home uses energy and where it is being leaked. It identifies improvements you can make to your home's heating, cooling, hot water heating and other energy uses that could result in hundreds of dollars in energy savings each year.
Government of Ontario, Ministry of Energy and Infrastructure	Ontario Solar Thermal Heating Incentive Program (OSTHI)	Through the Ontario Solar Thermal Heating Incentive (OSTHI), the Ontario Government has allocated up to $14.4 million dollars, available until March 31, 2011 to encourage entities in the industrial, commercial and institutional sectors in Ontario to install qualifying solar thermal heating equipment.
Government of Ontario, Ministry of Research and Innovation	Innovation Demonstration Fund (IDF)	The Innovation Demonstration Fund (IDF) is a discretionary, non-entitlement funding program that focuses on the commercialization and initial technical demonstration of globally competitive, innovative Green technologies, processes and/or products.
Government of Ontario, Northern Ontario Heritage Fund Corporation (NOHFC)	Northern Energy Program	This program is designed to help northern organizations to capitalize on energy opportunities, pursue clean alternatives and reduce their demand on external energy sources.
Government of Ontario, Ministry of Northern Development, Mines and Forestry	Northern Industrial Electricity Rate Program	Forestry, mining and steel production companies are some of the largest electricity consumers in Northern Ontario. The NIER program is intended to assist participants in achieving greater electricity efficiencies. Qualifying industries will receive electricity price rebates of two-cents per kilowatt hour when they commit to the preparation and implementation of comprehensive energy management plans.

Table D3: CDM Programs and Initiatives by Other Organizations

Agency	Program	Description
Clean Air Foundation	Go Solar	A market transformation campaign that provides Ontario residents with the information and links they need to install solar energy systems to heat water or generate electricity. By adopting PV and solar water heating technology, homeowners now have the opportunity to generate a portion of their home's energy use. Solar energy systems are also a key part of the conservation ethic because they make homeowners more aware of where their energy is coming from and how it is used.
Clean Air Foundation	Keep Cool	A market transformation campaign that encourages individuals to permanently retire and recycle their old, inefficient room air conditioners and to adopt cleaner more efficient cooling alternatives.
Clean Air Foundation	Switch the 'Stat	The goal of the program is to encourage the uptake of more energy efficient programmable thermostats and to provide a safe and responsible disposal option for older mercury-containing thermostats.
Federation of Canadian Municipalities (FCM)	Green Municipal Fund (GMF)	To stimulate investment in innovative municipal environmental projects that advance the progress of sustainable development in Canada's communities. Funding is allocated in five sectors of municipal activity: brownfields, energy, transportation, waste and water.
Canada Green Building Council (CaGBC)	LEED® Canada	The Leadership in Energy and Environmental Design (LEED) Green Building Rating System® encourages and accelerates global adoption of sustainable green building and development practices through the creation and implementation of universally understood and accepted tools and performance criteria.
Canada Green Building Council (CaGBC)	GREEN UP	The GREEN UP Program provides tools, performance standards and resources to help building owners and operators understand, measure and compare on-going performance of their building portfolio - helping them find efficiencies and improvements to achieve deep reductions in energy use, water use and greenhouse gas emissions.

Agency	Program	Description
Canada Green Building Council (CaGBC)	Living Building Challenge	The Living Building Challenge defines the most advanced measure of sustainability in the built environment possible today and acts to diminish the gap between current limits and ideal solutions.
WWF Canada	Earth Hour	Global sustainability movement encourages participants to turn off non-essential lights and appliances for one hour each year to raise awareness of climate change. In 2010 over 10 million Canadians took part in all provinces and territories, turning out the lights in over 300 cities and towns.
WWF Canada	Multiple education and awareness initiatives	In addition to Earth Hour, WWF Canada undertakes various education and awareness campaigns including the Living Planet- a program that helps connect Canadians, and shows how our actions add up when we work together.
David Suzuki Foundation	Multiple education and awareness initiatives	The David Suzuki Foundation works with government, business and individuals to conserve our environment by providing science-based education, advocacy and policy work, and acting as a catalyst for social change.
Ontario EcoSchools	Ontario EcoSchools	An environmental education and certification program for grades K-12 that helps school communities develop both ecological literacy and environmental practices to become environmentally responsible citizens and reduce the ecological footprint of schools. Over 1500 schools in 44 boards across Ontario achieved certification during the 2010-11 school year.
Eco Superior Environmental Programs	Multiple education and awareness initiatives	EcoSuperior is an incorporated not-for-profit organization that delivers programs that encourage and support environmental stewardship in the Lake Superior Basin and beyond. They offer a wide range of programs and services, from community and school presentations to information resources including a lending library of print materials and videos.

Agency	Program	Description
Earth Day Canada	Earth Day/Earth Month events	Earth Day Canada (EDC) is a national environmental communications organization mandated to improve the state of the environment by empowering Canadians to achieve local solutions. Since 1991, EDC has been coordinating Earth Day/Earth Month events, and creating successful community programs and award-winning artistic and media projects.
Envirocentre	Low Income Programs	EnviroCentre delivers low-income programs, including the installation of free energy-efficiency devices in qualifying households benefiting from Ontario Works.
Conservation Council of Ontario (We Conserve)	Multiple education and awareness initiatives	The Conservation Council of Ontario is a provincial association of conservation leaders working together to support the voluntary transition to a conserver society in Ontario. It promotes networking, collaboration, and innovative ways to make conservation easy, affordable, and desirable.
Enbridge Gas Distribution	Enbridge Home Weatherization Program	Enbridge Gas Distribution partners with local organizations to offer the Home Weatherization program for customers in financial need. Eligible participants can receive free insulation and draft proofing retrofits to improve their home comfort and lower their energy costs.

APPENDIX E:

APPLIANCE EFFICIENCY STANDARD CHANGES BETWEEN 2005 AND 2013

This Appendix lists all the changes in appliance efficiency standards that came into effect between 2005 and October 2013. The information provided here is based on Natural Resources Canada's website[4].

Household Appliances

1. Clothes washers (residential and household-style commercial)

Product Class	**Minimum Energy Factor (EF) (L/kWh/cycle)**
	January 1, 2007
Vertical-axis compact (less than 45 L capacity)	18.40
Vertical-axis standard (45 L or greater capacity)	35.68
Horizontal-axis	35.68

2. Dehumidifiers

Capacity (L/day)	**Energy Factor (L/kWh)** **October 1, 2007**	**Capacity (L/day)**	**Energy Factor (L/kWh)** **October 1, 2012**
Cr <= 11.8	1	Cr <= 16.6	1.35
11.8 < Cr <= 16.6	1.2	16.6 < Cr <= 21.3	1.5

[4] http://oee.nrcan.gc.ca/regulations/guide.cfm?attr=0

Capacity (L/day)	Energy Factor (L/kWh)	Capacity (L/day)	Energy Factor (L/kWh)
16.6 < Cr <= 25.5	1.3	21.3 < Cr <=25.5	1.6
25.5 < Cr <= 35.5	1.5	25.5 < Cr <=35.5	1.7
Cr >= 35.5	2.25	Cr > 35.00	2.5

3. Residential Dishwashers

Product Class	Minimum EF (cycle/kWh)	Total annual energy consumption (kWh)
Compliance Date	**January 1, 2004**	**January 1, 2010**
Compact	0.62	≤ 260 kWh
Standard	0.46	≤ 355 kWh

4. Freezers

Product Class	Type	Maximum annual energy consumption (kWh/year)
		December 31, 2005
Chest freezers with an automatic defrost system	10A	0.52 AV + 211.5

5. Residential Wine Chillers

Product Class	Type	Maximum annual energy consumption (kWh/year)
		January 1, 2008
Wine chillers with manual defrost	19	0.48 AV + 267
Wine chillers with automatic defrost	20	0.61 AV + 344

Heating and air-conditioning equipment

1. Gas Furnaces (Residential)

a) ≤65.92 kW using single-phase electric current

- Outdoor or through-the-wall unit without an integrated cooling component: **90% Annual Fuel Utilization Efficiency (AFUE) as of December 31, 2009**
- Outdoor units with an integrated cooling component: **78% AFUE as of December 31, 2009**
- Through-the-wall unit with an integrated cooling component: **78% AFUE as of December 31, 2009 and 90% AFUE as of December 31, 2012.**

b) ≤65.92 kW using three-phase electric current

- All unit types: **78% Minimum AFUE or 80% Minimum Thermal Efficiency (TE) as of December 31, 2009**

c) >65.92 kW but **≤117.23kW**

- All unit types: **80% Minimum TE as of December 31, 2009**

2. Gas-fired unit heaters

Thermal Efficiency ≥80% at the maximum heat input nominal capacity and must be equipped with an intermittent ignition device and either a power-vented system, an automatic vent damper, or an automatic fuel damper.

Compliance Date: August 8, 2008

3. Ground or water-source heat pumps

Product Class	November 2006
Cooling	**Minimum Coefficient of Performance (COP)**
Open systems – no greater than 40 kW with 15°C entering water	4.75 COPc
Closed loop – no greater than 40kW with 25°C entering water	3.93 COPc
Heating	
Open systems – no greater than 40kW with 10°C entering water	3.6 COPh
Closed loop – no greater than 40kW with 0°C entering water	3.1 COPh

4. Internal water-loop heat pumps

Product Class	Minimum Coefficient of Performance (COP)	
	Cooling COPc	Heating COPh
	November 2006	
Cooling capacity: < 5 kW	≥3.28°C with 30°C inlet water	≥ 4.2°C with 20°C inlet water
Cooling capacity: bet 5 & 40 kW	≥ 3.52°C with 30°C inlet water	≥ 4.2°C with 20°C inlet water

5. Large air conditioners, heat pumps and condensing units

Minimum Performance Levels for Large Air Conditioners and Heat Pumps

January 2010						
Product class AHRI type classification	**Product descript-ion**	**Cooling capacity range kW (1000 Btu/h)**	**Cooling minimum efficacy – electric or no heating section EER and IEER**	**Cooling minimum efficacy – all other heating section EER and IEER**	**Heating minimum efficacy COP at 8.3°C**	**Heating minimum efficacy COP at -8.3°C**
SP-A, RC-A, RCU-A-C, SPY-A, RCY-A, RCU-A-CB, RCUY-A-CB	air conditioner, air-cooled	≥19 <40 (≥65 <135)	11.2 11.4 IEER	11 11.2 IEER		

January 2010						
Product class AHRI type classification	**Product descript-ion**	**Cooling capacity range kW (1000 Btu/h)**	**Cooling minimum efficacy – electric or no heating section EER and IEER**	**Cooling minimum efficacy – all other heating section EER and IEER**	**Heating minimum efficacy COP at 8.3°C**	**Heating minimum efficacy COP at -8.3°C**
SP-A, RC-A, RCU-A-C, SPY-A, RCY-A, RCU-A-CB, RCUY-A-CB	air conditioner, air-cooled	≥40 <70 (≥135 <240)	11 11.2 IEER	10.8 11.0 IEER		
SP-A, RC-A, RCU-A-C, SPY-A, RCY-A, RCU-A-CB, RCUY-A-CB	air conditioner, air-cooled	>70 <223 (≥240 <760)	10 10.1 IEER	9.8 9.9 IEER		
	air conditioner, air-cooled	≥ 223 (≥ 760)	9.7 9.8 IEER	9.5 9.6 IEER		
SP-E, SP-W, RC-E, RC-W, SPY-E, SPY-W, RCY-E, RCY-W, RCU-E-C, RCU-W-C, RCU-E-CB, RCU-W-CB, RCUY-E-CB, RCUY-W-CB	air conditioner, water & evaporatively cooled	≥19 <40	11.5	11.3		
		(≥65 <135)	11.7 IEER	11.5 IEER		

January 2010						
Product class AHRI type classification	**Product descript-ion**	**Cooling capacity range kW (1000 Btu/h)**	**Cooling minimum efficacy – electric or no heating section EER and IEER**	**Cooling minimum efficacy – all other heating section EER and IEER**	**Heating minimum efficacy COP at 8.3°C**	**Heating minimum efficacy COP at -8.3°C**
SP-E, SP-W, RC-E, RC-W, SPY-E, SPY-W, RCY-E, RCY-W, RCU-E-C, RCU-W-C, RCU-E-CB, RCU-W-CB, RCUY-E-CB, RCUY-W-CB	air conditioner, water & evaporatively cooled	≥40 <70 (≥135 <240)	11 11.2 IEER	10.8 11.0 IEER		
SP-E, SP-W, RC-E, RC-W, SPY-E, SPY-W, RCY-E, RCY-W, RCU-E-C, RCU-W-C, RCU-E-CB, RCU-W-CB, RCUY-E-CB, RCUY-W-CB	air conditioner, water & evaporatively cooled	≥70 (≥240)	11 11.1 IEER	10.8 10.9 IEER		
HSP-A, HRC-A-C, HRCU-A-C, HRC-A-CB, HRCU-A-CB	heat pump	≥19 <40 (≥65 <135)	11 11.2 IEER	10.8 11.0 IEER	3.3	2.25
HSP-A, HRC-A-C, HRCU-A-C, HRC-A-CB, HRCU-A-CB	heat pump	≥40 <70 (≥135 <240)	10.6 10.7 IEER	10.4 10.5 IEER	3.2	2.05

January 2010						
Product class AHRI type classification	**Product descript-ion**	**Cooling capacity range kW (1000 Btu/h)**	**Cooling minimum efficacy – electric or no heating section EER and IEER**	**Cooling minimum efficacy – all other heating section EER and IEER**	**Heating minimum efficacy COP at 8.3°C**	**Heating minimum efficacy COP at -8.3°C**
HSP-A, HRC-A-C, HRCU-A-C, HRC-A-CB, HRCU-A-CB	heat pump	≥70	9.5	9.3	3.2	2.05
		(≥240)	9.6 IEER	9.4 IEER		
EER = Energy efficiency ratio IEER = Integrated energy efficiency ratio COP = Coefficient of performance						

Minimum Performance Levels for Large Condensing Units

Product Class	**Minimum Efficiency**	
AHRI Type Classification	**Cooling Capacity Range kW (1000 Btu/h)**	**Cooling Minimum Efficiency (EER)**
RCU-A	≥ 19 ≤ 70 (≥ 65 ≤ 240)	10.1
RCU-E, RCU-W	≥ 19 ≤ 70 (≥ 65 ≤ 240)	13.1
EER = Energy efficiency ratio, COP = Coefficient of performance		

6. Packaged terminal air conditioners and heat pumps (Residential, Commercial, and Industrial)

November 2006	
Equipment Type	**Minimum Energy Efficiency Ratio (EER)**
PTAC EER New Construction (cooling)	12.5 - (0.213 x cap/293.1) (12.5 - (0.213 x cap/1000))
PTAC EER Replacement (cooling)	10.9 - (0.213 x cap/293.1) (10.9 - (0.213 x cap/1000))

November 2006	
Equipment Type	**Minimum Energy Efficiency Ratio (EER)**
PTHP EER New Construction (cooling)	12.3 - (0.213 x cap/293.1) (12.3 - (0.213 x cap/1000))
PTHP EER Replacement (cooling)	10.8 - (0.213 x cap/293.1) (10.8 - (0.213 x cap/1000))
PTHP COP New Construction (heating)	3.2 - (0.026 x cap/293.1) (3.2 - (0.026 x cap/1000))
PTHP COP Replacement (heating)	2.9 - (0.026 x cap/293.1) (2.9 - (0.026 x cap/1000))

7. Single-Package and Split-System Central Air-Conditioners (CAC) and Heat pumps (Air-Source) under 19 kW

Product	Minimum energy performance standard
November 2006	
Air Conditioners – single package & split-system – cooling	SEER = 13
Heat Pumps – single package & split–system – cooling	SEER = 13
Heat Pumps – single package & split system – heating	HSPF V = 6.7
AC & HP – through–the–wall, cooling – (until January 22, 2010)	SEER = 10.9
AC & HP – through–the–wall, cooling – (after January 23, 2010)	SEER = 12
Heat pumps – through–the–wall – heating – (until January 22, 2010)	HSPF V = 6.2
Heat Pumps – through–the–wall – heating – (after January 23, 2010)	HSPF V = 6.4
AC & HP – space–constrained – cooling	SEER = 12
Heat pumps – space–constrained – heating	HSPF V = 6.4
AC & HP – small duct, high velocity (SDHV) – cooling	SEER = 11
Heat pumps – small duct, high velocity (SDHV) – heating	HSPF V = 5.9

8. Single Package Vertical Air Conditioners and Heat Pumps

January 2011			
Type	**Mode**	**Size**	**Minimum efficiency requirement**
SPVAC and SPVHP	Cooling	< 65 000 Btu/h	EER = 9.0
		≥ 65 000 to <135 000 Btu/h	EER = 8.9
		≥ 135 000 Btu/h	EER = 8.6
SPVHP	Heating	< 65 000 Btu/h	COP = 3.0
		≥ 65 000 to <135 000 Btu/h	COP = 3.0
		≥ 135 000 Btu/h	COP = 2.9

Lighting Products

1. Ceiling fans and ceiling fan light kits

Product class	**Total electrical power**
	January 1, 2010
Ceiling fans with integrated lights that have total electrical power > 10 W and at least one socket that is not pin-based *	≤ 190 W for the integrated lighting
Ceiling fan light kits with at least one socket that is not pin-based *	≤ 190 W

2. Exit Signs

Type	**Maximum Wattage (W)**
	All exit signs (as of November 2, 2006)
1 or 2	5 × (number of legends)
3	5 × (number of legends) + 5

3. Fluorescent Lamp Ballasts

As of April 1, 2010, all ballasts must meet the same minimum energy performance requirements.

4. Torchieres

Product class	Total electrical power	
	January 1, 2007	**January 1, 2010**
With no additional sockets	≤ 190 W	≤ 75 W
With one or more additional sockets	≤ 230 W	≤ 100 W

5. Traffic signal and pedestrian modules

Product class	Maximum wattage	Nominal wattage
	January 1, 2007	
Traffic signal modules		
Red light with a diameter of 304.8 mm	17 W	11 W
Red light with a diameter of 203.2 mm	13 W	8 W
Red arrow display	12 W	9 W
Green light with a diameter of 304.8 mm	15 W	15 W
Green light with a diameter of 203.2 mm	12 W	12 W
Green arrow display	11 W	11 W
Pedestrian modules		
Combination of a walking person and a hand display	16 W	13 W
Walking person display only	12 W	9 W
Hand display only	16 W	13 W

Electronic Products

1. Compact Audio Products- Standby Power

Minimum Energy Performance Power Limits for Compact Audio Products*			
	Off Mode Limit	**Standby Mode Limit**	
Tier 1 (May 1, 2011)	1 W	3 W	
		With Display	**Without Display**

Tier 2 (January 1, 2013)			
Compact audio products that are not clock radios	0.5 W	1 W	0.5 W
Clock radios	1 W	2 W	N/A
*Note: For products with both off mode and standby mode, both modes must meet their respective power limits. If only one mode exists, then the Regulation applies to that single mode only.			

2. Digital Television Adapters

January 2010	
Digital Television Adapter Maximum Power Consumption	
Mode	**Power Consumption**
Active mode	≤8 W
Standby mode	≤1 W

3. External Power Supplies

Compliance date:

All EPS that are not replacement EPS and that are manufactured on or after **July 1, 2010** will be required to meet the stated efficiency levels. Replacement EPS that are manufactured on or after **July 1, 2013** will be required to meet the stated efficiency levels. Security EPS manufactured prior to **July 1, 2017** are exempt from the no-load power requirements.

External Power Supply Energy Efficiency Standard		
(not applicable to replacement EPS manufactured before July 1, 2013)		
Nameplate output (nominal power Ln)	**Minimum average efficiency in active mode** (decimal equivalent of a percentage)	**Maximum power in no-load mode** (not applicable to security EPS)
<1 watt	0.5 *Ln (nameplate output)	0.5 watt
≥1 watt and ≤51 watts	0.09*Ln (nameplate output) + 0.5	0.5 watt
>51 watts	0.85	0.5 watt

4. Televisions- Standby Power

Minimum Energy Performance Power Limits for Televisions*			
	Off Mode Limit	**Standby Mode Limit**	
Tier 1 (May 1, 2011)	1 W	4 W	
		With Display	**Without Display**
Tier 2 (January 1, 2013)	0.5 W	1 W	0.5 W
*Note: For products with both off mode and standby mode, both modes must meet their respective power limits. If only one mode exists, then the Regulation applies to that single mode only.			

5. Video Products- Standby Power

Minimum Energy Performance Power Limits for Video Products*			
	Off Mode Limit	**Standby Mode Limit**	
Tier 1 (May 1, 2011)	1 W	3 W	
		With Display	**Without Display**
Tier 2 (January 1, 2013)	0.5 W	1 W	0.5 W
*Note: For products with both off mode and standby mode, both modes must meet their respective power limits. If only one mode exists, then the Regulation applies to that single mode only.			

Other energy-using products

1. Automatic ice-makers

Equipment type	**Type of cooling**	**Ice-making capacity**	**Maximum energy use**
		(kg/24 hours)	**(kJ/kg)**
Batch process		**January 1, 2008**	
Ice-making head	air	< 204	814.2 - (1.502 x C)
		≥ 204	546.8 - (0.192 x C)
Ice-making head	water	< 227	619.0 - (0.961 x C)
		≥ 227 to < 651	442.8 - (0.192 x C)
		≥ 651	317.4
Self-contained	air	< 79	1428 - (8.19 x C)

Equipment type	Type of cooling	Ice-making capacity (kg/24 hours)	Maximum energy use (kJ/kg)
		≥ 79	777.7
Self-contained	water	< 91	904.7 - (3.32 x C)
		≥ 91	603.1
Split-system —remote-condensing (but not remote compressor)	air	< 454	702.3 - (0.664 x C)
		≥ 454	404.7
Split-system—remote-condensing and remote compressor	air	< 423	702.3 - (0.664 x C)
		≥ 423	420.6
Continuous process		**January 1, 2000**	
All	air	< 300	875.2 – 1.122 x C
		≥ 300	538.6
All	water	< 300	740.5 – 0.8976 x C
		≥ 300	471.2

Ice storage bins – capacity	**Minimum storage effectiveness**
(kg)	(%)
less than 70	60
70 to 99	70
100 to 200	75
greater than 200	80

Where: kJ/kg = kilojoule per kilogram

C = Capacity = ice harvest rate in kg per 24 hours

2. Dry-Type Transformers

	January 2005	January 2010		
	Percentage efficiency at 35% nominal load	Percentage efficiency at 50% nominal load		
Single-phase kVA rating	**1.2 kV Class**	**20-45 kV BIL**	**> 45-95 kV BIL**	**> 95-199 kV BIL**
15	97.7	98.1	97.86	97.6
25	98	98.33	98.12	97.9
37.5	98.2	98.49	98.3	98.1
50	98.3	98.6	98.42	98.2
75	98.5	98.73	98.57	98.53
100	98.6	98.82	98.67	98.63
167	98.7	98.96	98.83	98.8
250	98.8	99.07	98.95	98.91
333	98.9	99.14	99.03	98.99
500	-	99.22	99.12	99.09
667	-	99.27	99.18	99.15
833	-	99.31	99.23	99.2
Three-phase kVA rating	**1.2 kV Class**	**20-45 kV BIL**	**> 45-95 kV BIL**	**> 95-199 kV BIL**
15	97	97.5	97.18	96.8
30	97.5	97.9	97.63	97.3
45	97.7	98.1	97.86	97.6
75	98	98.33	98.12	97.9
112.5	98.2	98.49	98.3	98.1
150	98.3	98.6	98.42	98.2
225	98.5	98.73	98.57	98.53
300	98.6	98.82	98.67	98.63
500	98.7	98.96	98.83	98.8
750	98.8	99.07	98.95	98.91
1 000	98.9	99.14	99.03	98.99
1 500	-	99.22	99.12	99.09
2 000	-	99.27	99.18	99.15
2 500	-	99.31	99.23	99.2

	January 2005	January 2010		
	Percentage efficiency at 35% nominal load	Percentage efficiency at 50% nominal load		
Single-phase kVA rating	**1.2 kV Class**	**20-45 kV BIL**	**> 45-95 kV BIL**	**> 95-199 kV BIL**
3 000	-	99.34	99.26	99.24
3 750	-	99.38	99.3	99.28
5 000	-	99.42	99.35	99.33
7 500	-	99.48	99.41	99.39

3. Electric Motors (1 to 500 HP/0.746 to 375 kW)

Regulated motors that meet all of the criteria below are subject to the more stringent energy efficiency levels found in Table 3 in the CAN/CSA 390-10:

- have an output power of not less than 0.746 kW (1 HP) and not more than 150 kW (200 HP),
- have two, four or six poles
- are NEMA T frame or IEC frame number of 90 or above
- are NEMA design A or B or IEC design N
- have a standard shaft, R-shaft or S-shaft and IEC equivalent
- have foot-mounting or C-face mounting with feet or detachable feet or D-flange mounting with feet or detachable feet

but are not

- integral gear assembly motors or
- fire pump duty motors.

Table 2 in CAN/CSA C390-10 applies to all other motors. Compliance date is January 1, 2011.

4. Refrigerated Beverage Vending Machines

Product		**Maximum E_{daily} (kWh/day)**	
	Number of discrete types of beverages displayed and dispensed	**January 1, 2007 – December 31, 2007**	**January 1, 2008**
Refrigerated beverage vending machine	< 20	0.55 (8.66 + 0.009 × VC)	0.45 (8.66 + 0.009 × VC)
	≥ 20	0.55 (8.66 + 0.009 × VC)	0.55 (8.66 + 0.009 × VC)
Snack and refrigerated beverage vending machines		0.55 (8.66 + 0.009 × VC)	0.55 (8.66 + 0.009 × VC)

5. Self-Contained Commercial Refrigerators and Freezers

January 2010		
Product	**Door or drawer type**	**Maximum daily energy consumption**
Refrigerators	Solid	0.00353V + 2.04
	Transparent not designed for pull-down temperature application*	0.00424V + 3.34
	Transparent designed for pull-down temperature application*	0.00445V + 3.51
Refrigerator-freezers	Solid	greater of either (0.00953 AV - 0.71) o r 0.70
Freezers	Solid	0.01413V + 1.38
	Transparent*	0.02649V + 4.10
V is the refrigerator volume measured in litres. AV (adjusted volume) is equal to the refrigerator volume plus 1.63 times the freezer volume. *Note that to be "transparent" the glass area must cover at least 75 % of the principal		

display face.

1

2

APPENDIX F:

REGRESSION ANALYSIS USING MONTHLY PURCHASE DATA

Introduction:

Hydro One undertook a study to measure the load impact of CDM initiatives for Hydro One retail customers using montly purchase data. This methodology captures the CDM impacts by comparing the load for 2004-2012 using monthly purchase data for Hydro One retail customers. In this top-down analysis, 2004 represents the base year without CDM programs and 2012 represents the latest year with verified CDM programs.

The difference in the load between 2004 and 2012 provides a measure of the net CDM impact achieved to date. CDM impacts could be attributed to a numbers of reasons, including the following:

1. Conservation programs initiated by Hydro One Distribution and the OPA (Non-Target and Target Programs);
2. Conservation programs initiated by other government agencies such as the federal and provincial governments, gas companies, and other non-government organizations in Ontario (Other Influences);
3. Building Codes and Appliance Efficiency Standards (Codes and Standards);
4. Natural turnover of appliances and equipment ("Naturally Occurring Conservation"); and
5. Actions taken by customers to improve efficiency and conservation above and beyond historic levels of "naturally occurring conservation" due to increased awareness of, and concern about, environmental and/or energy issues (Increased Conservation Effect).

The detailed data assumptions, analytical methodologies and results are presented here.

Data:

The main variables used in the model are weather and monthly Ontario GDP. The "before and after CDM" load data is normalized for weather and economic factors. The difference between these should be CDM impact.

The following historical data were used as inputs into the model:

- Monthly purchase data for Hydro One Retail load from 2004 to 2012
- Actual monthly weather data (temperature) for 2004-2012
- Normalized monthly weather data (temperature) for 2004-2012
- Ontario monthly GDP from 2004 to 2012

Methodology:

The methodology used in the econometric analysis included the following steps:

Step 1: The linear regression analysis was used to model the monthly load. The functional form of the regression for each month i (i=1, 2, …, 12) is:

$$Actual\ Load\ Month\ i = f\{CDD, HDD, GDP\}$$

Step 2: Compute **"**weather adjustments" as the difference between the load predicted with normal weather and the actual load with actual weather by using the coefficients derived from above regression model.

Step 3: Generate "Weather Normalized" load for 2004 and 2012. The "weather adjustments" are added to the actual monthly load to produce the "Normalized" monthly load since it removes the abnormal weather impact. The difference between the load in 2004 and 2012 is the CDM Impact.

Results:

The Econometric model does a very good job fitting the data. The result of the econometric model is summarized as follows:

Root MSE	101.67247	**R-Square**	0.9972
Dependent Mean	1866.22628	**Adj R-Sq**	0.9971
Coeff Var	5.44802		

Parameter Estimates

Variable	Label	DF	Parameter Estimate	Standard Error	t Value	Pr > |t|
GDP	GDP	**1**	0.00257	0.00004555	56.34	<.0001
CDD	CDD	**1**	3.29445	0.25333	13.00	<.0001
HDD	HDD	**1**	1.38218	0.05192	26.62	<.0001

The following table shows the net CDM impact in gigawatt hours found using the econometric model. These numbers are net of 0.5% per year of "naturally occurring conservation". The CDM Savings due to ICE are calculated as the Net CDM Savings less the Program-Specific CDM Savings (which include savings from Programs, Codes and Standards, and Other Influences).

Table F.1:Net CDM Impact (GWh) from Econometric Model

Year	Net CDM Reduction (% Since 2004) (1)	Net CDM Savings (GWh Since 2004) (2)	Program-Specific CDM Savings (GWh) (3)	CDM Savings due to ICE (GWh) (2 - 3)
2010	5.8%	1,134	820	314
2011	8.2%	1,580	945	635
2012	7.7%	1,494	1092	402

Note: All savings are at the end-use level.

Conclusion:

The results of the regression analysis using total monthly purchase data show that Increased Conservation Effect accounts for 314 GWh in 2010, 635 GWh in 2011 and 402 GWh in 2012.

APPENDIX G:

CUSTOMER BILLING DATA ANALYSIS

Introduction:

Hydro One Distribution undertook an analysis to measure the energy savings in the residential sector associated with CDM using actual monthly customer billing data. This bottom-up analysis focuses on residential customers because the recent economic recession makes it more difficult to pinpoint CDM activity in the general service sector using this type of analysis.

The detailed data assumptions, analytical methodologies and results are presented below.

Data:

The following historical data were used in this analysis:

- Residential customer billing data for 2004 to 2012
- Actual monthly weather data (temperature) for 2004 to 2012
- Ontario annual personal disposable income elasticity from 2004 to 2012

Methodology:

The methodology used in the customer billing data analysis included the following steps:

Step 1: A database was created for residential customers who had billing information (and associated meter readings) covering the entire period from 2004 to 2012. New customers or customers cancelling their service during this period were excluded. As a result, a database was created with about 466,000 customers.

Step 2: Customer electricity consumption data was normalized to take out changes due to weather effects. The weather normalization methodology used by Hydro One Distribution was approved by the Board in the Distribution Cost Allocation Review (EB-2005-0317) and previous Hydro One Distribution Rate casse (EB-2005-0378, EB-2007-0681, and EB-2009-0096). The difference between the load in 2004 and 2012 is the CDM Impact.

Results:

A decline of 10.3% in weather-normalized energy consumption between 2004 and 2012 was observed for the residential customers. The decline in load can be attributed to a number of factors, such as changes in economic activity (i.e. personal disposable income for residential customers), naturally occurring conservation, CDM program impacts (including Programs, Codes and Standards, and Other Influences as previously described in Section 2 to Section 5), and Increased Conservation Effect.

Between 2004 and 2012, personal disposable income per household was not constant. In order to have an unbiased estimate of net CDM savings between these two years we need to correct the data for changes in both income and natural conservation – in addition to weather normalization.

A change in disposable income has a positive impact on electricity usage in the same period and also in subsequent periods due to lagged responses. The following table shows the annual and cumulative load impact due to changes in income for each year. Changes in personal disposable income increased electricity usage by 3.25% between 2004 and 2012

Table G.1: Impact of Personal Disposable Impact on Load Growth

Year	Annual Impact on Load due to Personal Disposable Income (%)	Cumulative Impact on Load due to Personal Disposable Income (%)

Year	Annual Impact on Load due to Personal Disposable Income (%)	Cumulative Impact on Load due to Personal Disposable Income (%)
2005	0.12	0.12
2006	1.18	1.30
2007	0.84	2.14
2008	0.25	2.39
2009	-0.03	2.36
2010	0.69	3.05
2011	-0.01	3.04
2012	0.20	3.25

Between 2004 and 2012 the weather-normalized electricity usage in the residential sector was reduced by 10.3%. The observed decline represents the combined impact of the economy, natural conservation and CDM Impacts. In other words, in the absence of CDM impacts, electricity usage in 2012 would have been 3.2% higher compared to 2004 due to increased disposable income and would have been 4.0% lower compared to 2004 due to natural conservation. Consequently, the residential Net CDM impact for the period of 2004-2012 is 9.5%, which is equivalent to 1,160 GWh.

Table G.2: Net CDM Impact (GWh) for the Residential Sector
from Customer Billing Data Analysis

Year	Cumulative % Reduction (vs. 2004) (1)	Natural Conservation (0.5% per year) (2)	Disposable Income Elasticity (3)	Net CDM Reduction (% Since 2004) (1 – 2 + 3)	Net CDM Savings (GWh Since 2004) (A)	CDM Savings due to Programs (GWh) (B)	CDM Savings due to ICE (GWh) (A-B)
2010	7.9%	3.0%	3.1%	8.0%	976	542	433
2011	9.4%	3.5%	3.0%	9.0%	1,096	576	520
2012	10.3%	4.0%	3.2%	9.5%	1,160	639	521

Note: All savings are at the end-use level.

Conclusion:

The results of the analysis using customer billing data show that Increased Conservation Effect in the residential sector accounts for 433 GWh in 2010, 520 GWh in 2011 and 521 GWh in 2012.

APPENDIX H:

ECONOMETRIC ANALYSIS USING SURVEY DATA

Introduction:

In December of 2011, Hydro One sent a web-based survey to approximately 125,000 residential customers. Over 15,000 unique customers responded to the survey for a response rate of 12%. The survey asked detailed questions regarding the customer's household, appliances, electric equipment and participation in conservation actions. Hydro One worked with Professor Dean Mountain of McMaster University to develop a methodology to estimate the change in energy consumption between 2004 and 2011 for this sample of customers and assign it to four categories:

1. Conservation Programs
2. Time-of-Use Prices
3. Customers' Own Actions
4. Other Impacts

The detailed data assumptions, analytical methodologies and results from the regression undertaken in November 2013 are presented below. The survey questionnaire can be found in Appendix I.

Data:

From the original survey response data, intermediary variables were created that transformed the original responses into a format that is conducive to be used for econometric analysis. Assumptions, based primarily on the OPA's Measures and Assumptions Reports and information available from Natural Resources Canada, were made to measure the unit energy consumption of appliances and electric equipment based on details given in the survey such as age, type and size of appliance or equipment.

Savings estimates were similarly estimated for each conservation action described in the survey. Using these intermediary variables, regression variables were created for the purpose of estimating savings in each of the four categories. The data inputs for each of the categories are described in detail in the table below.

Category	Description of Data
Conservation Programs	These variables were designed based on the customer's participation in various conservation programs and the savings estimates assigned to the conservation actions they took as a direct result of participation in that program.
Time-of-Use Prices	These variables were designed based on the savings estimates for conservation actions that the customer took directly as a result of Time-of-Use prices (i.e. to conserve electricity).
Customers' Own Actions	These variables capture the savings estimates for conservation from customer's own actions (i.e. actions that were not due to a conservation program or as a direct result of Time-of-Use prices). Some of the key actions include setting temperatures higher/lower in the summer/winter to save on air-conditioning/heating, use of programmable thermostats and upgrading thermal envelope.
Other Impacts	These variables capture regular use of all appliances and equipment, adjusted for weather, income and CPI to remove their effects. The unit energy consumption values for each appliance and equipment took age, type and size of appliance/equipment into account where available. The age of the house and the number of occupants and their demographic breakdown were also taken into account. This category also includes a time series variable to capture other specific time period effects not attributable to any specific variable. This may include, but is not limited to, the impacts of Codes and Standards, Other Influences, Programs not mentioned in the survey, and naturally occurring conservation.

In addition to the survey data, actual customer billing data was collected for all years between 2004 and 2011.

Methodology:

The methodology used in the survey data analysis included the following steps:

Step 1: A database was created for survey customers who had billing information covering the entire period from 2004 to 2011. New customers or customers cancelling their service during this period were excluded. As a result, a database was created with about 6,000 customers. The database was not allocated to calendar month, but rather the actual billing cycle was used so as to proportion daily heating degree days (HDD) and cooling degree days (CDD) data as precisely as possible in the formulation of the independent variables. The average daily energy consumption was calculated for each customer for each billing cycle.

Step 2: The survey data was cleaned and transformed as described in the data section above to create the independent variables which were then allocated to the appropriate billing cycle.

Step 3: A first differences semi-log approach was used whereby the natural logs of the energy consumption values were first taken and then monthly deltas were taken for all the independent variables (i.e. 2011 – 2004 for all months).

The following regression equation was used to estimate the changes in consumption:

$$\Delta \ln(y)_t = \alpha + \beta * \Delta \boldsymbol{X}_t + \gamma * \Delta \boldsymbol{Z}_t + \delta * \Delta \boldsymbol{W}_t + \theta * \Delta \boldsymbol{V}_t + \varepsilon$$

Where:

- $\Delta \ln(y)$ is the change in the natural log of the average daily energy consumption
- α is the intercept term
- ΔX is a matrix representing the variables that measure changes due to **Other Impacts**
- ΔZ is a matrix representing the variables that measure changes due to **Customers' Own Actions**

- ΔW is a matrix representing the variables that measure changes due to participation in **Conservation Programs**
- ΔV is matrix representing the variables that measure changes due to **Time-of-Use Pricing**
- ε is the error term

Results:

The result of the econometric model is summarized as follows:

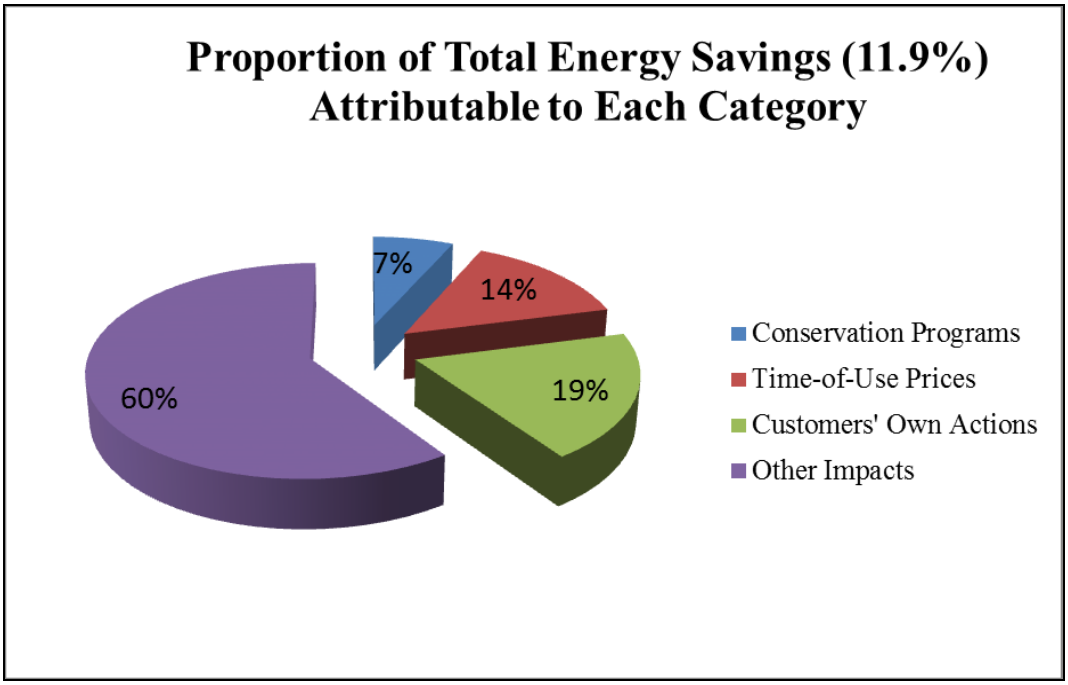
Adjusted R-square	0.54
F statistic	< 0.0001

Given a reasonable adjusted R-square of 0.54 and an extremely significant F statistic we can conclude that the model on the whole is significant and hence valid.

The total estimated change between 2004 and 2011 was a savings of 11.9%. This total savings can be attributed to the 4 categories as follows:

Category	Percentage decrease attributable to each category
Conservation Programs	0.8%
Time-of-Use Prices	1.7%
Customers' Own Actions	2.3%
Other Impacts	7.1%
Total	**11.9%**

Figure H.1: Total Energy Savings by Category



Conclusion:

The results of this analysis show that savings from Customers' Own Actions (which is part of Increased Conservation Effect) exist and are a significant proportion of the decrease in energy consumption between 2004 and 2011 for the survey customers representing 19% of the total decrease. These results are consistent with those found in the econometric analysis using purchase data (Appendix F) and the customer billing data analysis (Appendix G).

APPENDIX I:

2011 HYDRO ONE CUSTOMER EQUIPMENT AND CONSERVATION SURVEY QUESTIONNAIRE

SECTION 1- YOUR HOME

1. In what type of building do you live?

O Single/Semi detached house O Town/Row house
O Apartment/Condominium O Other (Please specify):_____

2. (a) Do you own or rent your home?

O Own O Rent

(b) If you rent, do you pay your own electricity bill?

O Yes O No, it is included in my rent

3. When was your home built?

O Before 1965 O 1994-1998
O 1965-1986 O 1999 or later
O 1987-1990 O Don't know
O 1991-1993

4. (a) What is the size of the living space of your home in square feet? **DO NOT** include garage, attic or unfinished basement.

O Less than 1,000 O 3,000 – 3,999
O 1,000 – 1,499 O 4,000 – 4,999
O 1,500 – 1,999 O 5,000 or More
O 2,000 – 2,999 O Don't Know

(b) How many finished rooms are there in your home? (Please include the number of bathrooms, but not hallways.) _____

(c) **Within the last five years**, have you completed any renovations that increased the square footage of your home? (for example, finished basement, additions etc.)

O Yes O No

(d) If Yes,

(i) When did you complete the renovation? Month: _____ Year: _____

(ii) What was the previous square footage of your home?

O Less than 1,000	O 3,000 – 3,999
O 1,000 – 1,499	O 4,000 – 4,999
O 1,500 – 1,999	O 5,000 or More
O 2,000 – 2,999	O Don't Know

5. Is natural gas available on your street?

O Yes O No O Don't Know

SECTION 2- HOUSEHOLD EQUIPMENT

6. (a) What is your main fuel source for space heating?

O Electric-Baseboard O Natural Gas O Heat Pump O Wood
O Electric-Furnace O Oil O Propane
O Other (Please Specify): _____

(b) In your current home, has your main space heating fuel source changed **during the last five years?**

O Yes O No

(c) If Yes,

(i) When did you make the change? Month: _____ Year: _____
(ii) What was your former main fuel source for space heating?

O Electric-Baseboard O Natural Gas O Heat Pump O Wood
O Electric-Furnace O Oil O Propane
O Other (Please Specify): _____

7. (a) In addition to your main source of space heating, do you have a **secondary/supplementary** heating system?

O Electric (including Heat Pump) O Wood O Other O Not Applicable

(b) If Yes,

(i) How many years have you been using your secondary heating system?

O Less than 1 year O 1-2 years O 3-6 years O More than 6 years

(ii) Please indicate the approximate percentage of space that is heated by your secondary heating system.

% of space heated by secondary heating system		
0-20%	**21-35%**	**36-50%**
O	O	O

8. (a) Do you own or rent your water heater?

O Own O Rent

(b) What is your fuel source for water heating?

O Electric
O Natural Gas – Power Vented
O Natural Gas – Non-Power Vented
O Propane
O Oil
O Heat Pump
O Solar
O Other (Please Specify):_____

(c) In your current home, has your water heating fuel source changed **during the last five years**?

O Yes O No

(d) If Yes,

(i) When did you make the change? Month: _____ Year: _____
(ii) What was your former fuel source for water heating?

O Electric
O Natural Gas – Power Vented
O Natural Gas – Non-Power Vented
O Propane
O Oil
O Heat Pump
O Solar
O Other (Please Specify):

9. (a) If you are currently using electricity for space and/or water heating, would you consider switching to other energy sources in future?

O Yes O No O Not Applicable

(b) If "No", please specify the reason:

O Financial
O Natural Gas is not available in my area
O Safety
O Other (Please specify):_____
O Health

10. What type of air conditioning equipment do you currently have and how old is it? (Check all that apply)

Air-Conditioning Equipment	**Age (Years)**				
	Less than 5	**5 to 10**	**11 to 15**	**More than 15**	**Do not have**
Central Air-Conditioner	O	O	O	O	O
Heat Pump	O	O	O	O	O
Window Air-Conditioner #1	O	O	O	O	O
Window Air-Conditioner #2	O	O	O	O	O

11. Please provide information about the electrical equipment currently being used in your home. (check all that apply)

(a)

Appliance	Age (Years)				Do not have
	6 or less	7 to 10	11 to 14	15 or more	
Full Size Refrigerator #1	O	O	O	O	O
Full Size Refrigerator #2	O	O	O	O	O
Freezer #1	O	O	O	O	O
Freezer #2	O	O	O	O	O
Mini/Bar Fridge #1	O	O	O	O	O
Mini/Bar Fridge #2	O	O	O	O	O
Top Load Washing Machine	O	O	O	O	O
Front Load Washing Machine	O	O	O	O	O
Dishwasher	O	O	O	O	O

(b)

Equipment	How many do you have?			
	1	2	More than 2	None
Laptop Computer	O	O	O	O
Desktop Computer	O	O	O	O
CRT Computer Monitor	O	O	O	O
LCD Computer Monitor	O	O	O	O
Printer	O	O	O	O
Fax Machine	O	O	O	O
Copier Machine	O	O	O	O
Printer/Fax/Copier Combo	O	O	O	O
CRT Television	O	O	O	O
LED/LCD Television	O	O	O	O

Equipment	How many do you have?			
	1	2	More than 2	None
Plasma Television	O	O	O	O
Stereo or Home Entertainment System	O	O	O	O
Game Console	O	O	O	O
DVD Player/Recorder	O	O	O	O
Digital Cable Box	O	O	O	O
Microwave Oven	O	O	O	O
Whirlpool Bathtub	O	O	O	O
Dehumidifier	O	O	O	O
Electric Air Filter	O	O	O	O
Pool Pump	O	O	O	O
Hot Tub	O	O	O	O

(c)

Appliance	Fuel Source				Not Applicable
	Natural Gas	Electricity	Propane	Other	
Range/Oven	O	O	O	O	O
Clothes Dryer	O	O	O	O	O
Pool Heater	O	O	O	O	O
Sauna	O	O	O	O	O

(d)

Lighting Product	Number of Lights	
	Inside	Outside
Regular (Incandescent) Light Bulbs		
Compact Fluorescent Light Bulbs		
Halogen Light Bulbs		

Fluorescent Tubes		
LED Light Bulbs		

12. (a) If you have a swimming pool, how often do you use your pool pump?

O Continuous operation during summer months
O Occasional operation during summer months
O Seldom or do not use it
O Do not have a pool pump
O Not Applicable

(b) If you have a pool heater, how often do you use it?

O Continuous operation during summer months
O Occasional operation during summer months
O Seldom or do not use it
O Not Applicable

13. Do you have a programmable thermostat?

O Yes O No

14. The circulating fan in your heating and cooling system can be set to operate on automatic or continuous circulation by selecting a setting on the main thermostat. In automatic, the fan only runs when the system is providing heating or cooling. In continuous, the circulating fan runs all the time.

How is the circulating fan in your current heating and cooling system normally set to operate? (Please select one response per row below.)

Season	Automatic	Continuous	Don't Know	Not Applicable
Winter	O	O	O	O
Summer	O	O	O	O

15. To what temperature do you set your thermostat (if applicable) during a typical winter and summer day?

Temperature Setting	Winter			Summer		
	When Away from Home	At Night	When at Home (During the Day)	When Away from Home	At Night	When at Home (During the Day)
16-18°C (61-65°F)	O	O	O	O	O	O
19-20°C (66-68°F)	O	O	O	O	O	O
21-22°C (69-72°F)	O	O	O	O	O	O
23-24°C (73-76°F)	O	O	O	O	O	O
25-26°C (77-79°F)	O	O	O	O	O	O
More than 26°C (79°F)	O	O	O	O	O	O

16. (a) Please indicate whether someone is usually at home (more than 50% of the time) during the following periods:

Season	Weekdays			Weekends
	7AM to 11 AM	11AM to 5 PM	After 5PM	Any Time
Winter	O	O	O	O
Summer	O	O	O	O

(b) **During the past three years**, was there any period(s) during which your current home was **NOT** occupied for 2 or more consecutive weeks? (due to vacations, seasonal employment, or any other reasons)

Month: ____ Year: _____ to Month: _____Year: ____

Month: ____ Year: _____ to Month: _____Year: ____

Month: ____ Year: _____ to Month: _____Year: ____

SECTION 3- CONSERVATION PROGRAM PARTICIPATION

17. (a) Have you adjusted your electricity usage as a result of Time-of-Use prices?

O Yes O No O Not Applicable

(b) If "Yes", have you

(i) Shifted electricity usage from on-peak to off-peak periods?

O Yes O No

If Yes, what actions did you take to shift electricity usage? (Check all that apply)

- o Do laundry during off-peak hours
- o Do cooking during off-peak hours
- o Run dishwasher during off-peak hours
- o Do chores such as vacuuming and/or ironing during off-peak hours
- o Run pool pump during off-peak hours
- o Other: Please specify _____

(ii) Reduced your total electricity use?

O Yes O No

If Yes, what actions did you take to reduce your electricity usage? (Check all that apply)

- o Increased insulation
- o Upgraded windows
- o Replaced space heating system
- o Replaced cooling system
- o Replaced water heater
- o Turn off lights when not in use
- o Unplug appliances, such as microwave and toaster, when not in use
- o Set the thermostat higher/lower in summer/winter when away or asleep
- o Hang laundry to dry
- o Run dishwasher only when full
- o Use cold water for laundry
- o Use timer on indoor/outdoor lights
- o Use dimmer on indoor/outdoor lights

- Use timer on pool pump
- Other: Please specify_____

18. (a) Do you have an In-Home Display (PowerCost Monitor)?

O Yes O No

(b) If Yes,

(i) Please indicate when your household installed the In-Home Display.
Month: _____ *Year:* _____

(ii) Are you currently using the In-Home Display? O Yes O No

If No in Q18 b(ii), when did you stop using the In-Home Display?
Month: _____ *Year:* _____

(iii) Please list any action you have taken **as a direct result of using the In-Home Display**. (Check all that apply)

- Increased insulation
- Upgraded windows
- Replaced space heating system
- Replaced cooling system
- Replaced water heater
- Turn off lights when not in use
- Unplug appliances, such as microwave and toaster, when not in use
- Set the thermostat higher/lower in summer/winter when away or asleep
- Hang laundry to dry
- Run dishwasher only when full
- Use cold water for laundry
- Use timer on indoor/outdoor lights
- Use dimmer on indoor/outdoor lights
- Use timer on pool pump
- Other: Please specify_____

19. (a) Have you completed the PowerSaverPlus online energy audit available at: http://www.hydroone.com/MyHome/SaveEnergy/Pages/EnergyAuditTool.aspx?

O Yes O No

(b) If Yes,

(i) Please indicate what actions you took **as a direct result of the Audit.**

Action	**Yes**	**No**	**If 'Yes', Date Actions Taken (Month/Year)**	**If 'Yes', how much did you spend? ($)**
Weatherization	O	O		
Replaced Heating System	O	O		
Replaced Cooling System	O	O		
Replaced Water Heater	O	O		
Upgraded Lighting	O	O		
Replaced Appliances	O	O		
Other (Describe)_____	O	O		

(ii) If you replaced your cooling system,

What is the current Seasonal Energy Efficiency Ratio (SEER) rating? _____

What was the age (in years) of your former cooling system before the replacement?

- o Less than 5 years
- o 5-10 years
- o 11-15 years
- o More than 15 years

(iii) If you replaced any of your appliances, please select the appliances you replaced (check all that apply).

- o Refrigerator
- o Freezer
- o Clothes washer
- o Clothes dryer
- o Dishwasher
- o Range/Oven
- o Other: Please specify_____

20. (a) If you are **NOT** currently enrolled in the **PeakSaver** program, would you be interested in participating?

O Yes O No O Already Enrolled

(b) (i) If "Already Enrolled", please provide the month and year of enrollment.

Month: _____ Year: _____

(ii) If "No", please specify the reason.

O I don't have Central Air-Conditioner
O Inconvenience
O Incentive is not enough
O Other (Please specify): _____

21. (a) Have you participated in the **Power Pledge Campaign**?

O Yes O No

(b) If Yes, please check off any of the following actions you undertook, **as a direct result of your participation in the Power Pledge Campaign**, to reduce your electricity use.

(i) Plugged electronics into a power bar with a timer or auto shut off and made sure they are off during periods of inactivity.

O Yes O No

(ii) Bought efficient product with Energy Star label (such as, CFL lights, refrigerator, room air conditioner, dishwasher, etc.).

O Yes O No

If Yes, please list the products you bought and when. (Check all that apply)

- o CFL lights
- o Lighting fixtures
- o Clothes washer
- o Dishwasher
- o Refrigerator
- o Dehumidifier
- o Room air conditioner
- o Central air conditioner
- o Furnace
- o Other: Please specify_____

(iii) Please list any changes you made in your habits to reduce your electricity use. (Check all that apply)

- o Increased insulation
- o Upgraded windows
- o Replaced space heating system
- o Replaced cooling system
- o Replaced water heater
- o Turn off lights when not in use
- o Unplug appliances, such as microwave and toaster, when not in use
- o Set the thermostat higher/lower in summer/winter when away or asleep
- o Hang laundry to dry
- o Run dishwasher only when full
- o Use cold water for laundry
- o Use timer on indoor/outdoor lights
- o Use dimmer on indoor/outdoor lights
- o Use timer on pool pump
- o Other: Please specify_____

22. (a) Have you participated in the **Great Refrigerator Round-up** program?

O Yes O No

(b) If Yes,

Please indicate which old appliance(s) you disposed of and when you disposed of it. Please also indicate whether you replaced the old appliance(s) with a new one.

	Select Appliance	**When did you dispose of it?**	**Did you replace with a new one?**
Appliance 1			
Appliance 2			
Appliance 3			
Appliance 4			

23. Have you taken any of the following actions due to government sponsored programs such as the **Cool Savings Rebate, the Eco-Energy Retrofit program (offered by the federal government), Ontario Home Energy Savings program (offered by the**

provincial government), Home Renovation Tax Credit program? (Check all that apply). Please also indicate the month and year of the change.

	Month and Year of upgrade if applicable	**Not Applicable**
Upgraded window(s)		O
Upgraded door(s)		O
Upgraded wall insulation		O
Upgraded attic insulation		O
Upgraded basement insulation		O
Replaced non-programmable thermostat with programmable thermostat		O
Replaced existing furnace with mid or high efficiency furnace with an Electronically Commuted Motor (ECM)		O
Replaced existing central air-conditioner (CAC) with an energy star CAC, air-source heat pump, or ductless split system.		O
Replaced existing central air-conditioner (CAC) with a stand-alone CEE Tier 2 level CAC or ground-source heat pump.		O

24. (a) Have you participated in the **Summer Savings/Summer Sweepstakes** program?

O Yes O No

(b) If Yes,

(i) Please indicate the year of participation. _____

(ii) Please list all the actions you took in order to reduce your electricity consumption by 10%. (Check all that apply)

- o Increased insulation
- o Upgraded windows
- o Replaced space heating system
- o Replaced cooling system
- o Replaced water heater
- o Turn off lights when not in use
- o Unplug appliances, such as microwave and toaster, when not in use

- o Set the thermostat higher/lower in summer/winter when away or asleep
- o Hang laundry to dry
- o Run dishwasher only when full
- o Use cold water for laundry
- o Use timer on indoor/outdoor lights
- o Use dimmer on indoor/outdoor lights
- o Use timer on pool pump
- o Other: Please specify_____

25. Please indicate the number of products (listed in the following table) you purchased, **within the last two years**, WITH and WITHOUT coupons/rebates (excluding manufacturer rebate).

Energy Saving Product	Number purchased WITH coupons or rebates	Number purchased WITHOUT coupons or rebates	Not Applicable
Lighting control products such as Motion Sensor, Timer, and Dimmer Switches			O
ENERGY STAR qualified specialty CFL bulbs			O
ENERGY STAR qualified indoor light fixtures			O
ENERGY STAR qualified ceiling fans			O
Power bars with integrated timer or automatic shutoff			O
Programmable thermostats for electric baseboards			O
Water heater blankets for electric water heaters			O
Pipe Wrap for electric water heater			O
Outdoor clothesline kits or outdoor clothesline umbrella stands			O
V-strip or foam tape for weatherstripping			O
Door kit for weatherstripping			O

SECTION 4- CONSERVATION ACTIONS TAKEN ON YOUR OWN

26. What conservation actions have you undertaken that are **NOT specifically related to any program/initiative** identified in the previous questions?

Choose one answer for each category that is applicable				
Conservation Action	**Always**	**Sometimes**	**Never**	**Not Applicable**
Set thermostat temperature lower at night in the winter (or higher in the summer)	O	O	O	O
Set thermostat temperature lower when not at home in the winter (or higher in the summer)	O	O	O	O
Use cold water for laundry	O	O	O	O
Hang laundry outside or on a rack to dry	O	O	O	O
Use timers on indoor or outdoor lights	O	O	O	O
Use dimmers on indoor or outdoor lights	O	O	O	O
Turn off lights when not in use	O	O	O	O
Use a fan or open a window instead of air-conditioning	O	O	O	O
Run dishwasher only when full	O	O	O	O
Use Timer on pool pump	O	O	O	O
Maintain central air-conditioner (clean or change filter)	O	O	O	O

SECTION 5- HOUSEHOLD DEMOGRAPHICS

27. (a) Please complete the following table indicating the age distribution and education levels for the residents in your home.

Age category	**Current number of occupants**
0-10	
11-18	
19-30	
31-50	
51-60	

61-64	
65-74	
75 and over	
Highest Education Level	**Current number of occupants over 15 years of age**
Less than a high-school diploma	
A high school diploma or some post-secondary education	
A college or trades diploma	
Bachelors degree(s)	
Post Graduate degree(s) or Professional degree(s)	
Other	

(b) Has any of the above information regarding number of residents, ages and education levels changed **in the past two years**.

O Yes O No

If Yes,

(i) Date of change: Month: _____ Year: _____

(ii) Prior to this change, indicate the number of occupants in the following categories.

Age category	Previous number of occupants
0-10	
11-18	
19-30	
31-50	
51-60	
61-64	
65-74	
75 and over	
Highest Education Level	**Previous number of occupants over 15 years of age**
Less than a high-school diploma	
A high school diploma or some post-secondary education	
A college or trades diploma	
Bachelors degree(s)	
Post Graduate degree(s) or Professional degree(s	
Other	

28. What was your annual **household** income before taxes in 2010?

O Less than $20,000
O $20,000 – $39,999
O $40,000 – $59,999
O $60,000 – $79,999
O $80,000 – $124,999
O $125,000 or More
O Decline to Provide

SECTION 6 - COMMUNICATIONS

29. What type of Internet connection do you have **at home**?

O High-speed O Dial-up
O None O Other (Please specify):_____

30. Would you be interested in participating in future Hydro One equipment and conservation surveys?

O Yes O No

31. How would you like to be contacted for conservation related information in future? (Check all that apply)

O Phone
Please provide your day-time contact phone number: _____
O E-mail
Please provide the e-mail address that is most convenient for you:
_____
Please re-enter the e-mail address (must match above):
_____
O Social Media tools, such as Facebook, Twitter, and Linked-In
O Do not contact

Please provide us with any other suggestions/comments you may have:
_____
_____
_____

Thank you for taking the time to complete this survey!

For more conservation tips please visit:
http://www.hydroone.com/MyHome/SaveEnergy/Pages/TipsTools.aspx

APPENDIX J:
CUSTOMER BILL INSERTS

This section describes the CDM education and communication initiatives by Hydro One Distribution and other government agencies. Hydro One Distribution uses many different methods to educate its customers about conservation and to inform them about CDM programs. In the past few years, Hydro One Distribution has used bill inserts, newspapers, special events, conferences and workshops, radio and TV series, fact sheets, energy efficiency guides, brochures, on-line energy audits and direct mail to promote energy efficiency and conservation. The availability of this information will help our customers build the "conservation culture". Please visit Hydro One's website at www.HydroOne.com/SaveEnergy for more information.

Hydro One Bill Inserts

Table J.1 to Table J.5 show the total annual number of energy conservation related bill inserts sent out to customers from 2005 to 2012.[5]

[5] For a detailed breakdown of bill inserts by topic for 2005-2008, please refer to EB-2009-0096, Exhibit H, Tab 12, Schedule 2, Attachment 1, pages 25-27.

Table J.1: Total Distributed CDM-Related Bill Inserts for 2005 to 2012

Year	Printed and Distributed Pieces ('000s)
2005	3,667
2006	4,325
2007	10,609
2008	8,026
2009	7,332
2010	10,798
2011	11,857
2012	10,607

Source: Hydro One Communications Department

Table J.2: Total Distributed CDM-Related Bill Inserts for 2009

Topic	Printed and Distributed Pieces (000s)
Staying Connected- Spring 2009	1,215
Staying Connected- Fall 2009	1,215
OPA Great Refrigerator Roundup	2,744
Double Return for Business Customers	2
PowerSaverPlus for Residential & Business Customers	1,650
Power Savings Blitz for Business Customers	95
Electricity Retrofit Incentive Program- Insert	7
Electricity Retrofit Incentive Program- Promo	7
Electricity Retrofit Incentive Program- Postcard	7
Peaksaver Program	390
Total	7,332

Source: Hydro One Communications Department

Table J.3: Total Distributed CDM-Related Bill Inserts for 2010

Topic	Printed and Distributed Pieces (000s)
Staying Connected- Spring 2010	1,115
Staying Connected- Summer 2010	1,115
Staying Connected- Fall 2010	1,115

Topic	Printed and Distributed Pieces (000s)
TOU Pricing	960
Remote Communities- Spring 2010	4
Remote Communities- Fall 2010	4
OPA Great Refrigerator Roundup	3,550
PowerSaverPlus for Residential & Business Customers	1,650
Power Savings Blitz for Business Customers	95
PeakSaver- Insert	800
PeakSaver- Letter	390
Total	10,798

Source: Hydro One Communications Department

Table J.4: Total Distributed CDM-Related Bill Inserts for 2011

Topic	Printed and Distributed Pieces (000s)
Staying Connected- Spring 2011	1,115
Staying Connected- Summer 2011	1,115
Staying Connected- Fall/Winter 2011	1,115
Remote Communities- Spring 2011	4
Remote Communities- Fall 2011	4
Remote Communities- Winter 2011	4
saveONenergy Fridge Freezer Pickup	3,200
saveONenergy New Home Construction	1,050
saveONenergy Heating and Cooling	1,050
saveONenergy Coupons buckslip reminder	1,050
Energy Savings Twice as Easy	1,050
saveONenergy Coupon Booklet	1,100
Total	11,857

Source: Hydro One Communications Department

Table J.5: Total Distributed CDM-Related Bill Inserts for 2012

Topic	Printed and Distributed Pieces (000s)
Staying Connected- Spring 2011	1,015
Staying Connected- Summer 2011	1,015
Staying Connected- Fall/Winter 2011	1,015
saveONenergy Fridge Freezer Pickup	1,300
saveONenergy New Home Construction	600
CDM Program Insert	30
Fridge and Freezer Exchange Insert	1,000
Saving Energy Can Be a Breeze	1,300
saveONenergy Coupon Booklet	1,000
Fridge and Freezer Buckslip	1,000
PeakSaverPlus Buckslip	1,300
Time of Use Brochure	32
Total	10,607

Source: Hydro One Communications Department

Bill Inserts from Other Sources

In addition to Hydro One Distribution education and communication programs and activities, similar CDM materials and communication programs are offered by other government agencies that may have an impact on Hydro One retail customers. They can be found on the following websites:

- OPA - http://www.powerauthority.on.ca
- Office of Energy Efficiency - http://oee.nrcan.gc.ca
- Ministry of Energy - http://www.energy.gov.on.ca

APPENDIX K:

ONLINE ENERGY AUDIT

In September 2007, Hydro One launched the PowerSaverPlus Online Energy Audit, a tool to allow customers to get a snapshot or a detailed analysis of their energy usage and learn about efficient energy management solutions to reduce electricity consumption and save on their energy bill. There are 3 levels in which a customer can participate in the audit; Level 1 comprises mainly of basic home profile questions, Level 2 focuses on appliance inventory, and Level 3 consists of detailed questions on other end uses.

The purpose of this study is to identify the savings that can be attributable to completing each level of the audit. The study was designed based on a similar analysis done by Opinion Dynamics for PPL Electric customers who completed the Aclara Online Energy Audit.[6] The analysis that follows in this report pertains only to residential customers who took the audit between 2007 and 2012.

Data:

The data set contained monthly allocated billing data from 2005 to 2012 for customers who completed the audit so as to have sufficient pre-audit data to estimate savings with each customer having at least 12 months of pre and post audit data to ensure sufficient data points for accurate estimation. For each level, a data set was created containing customers who completed only up to that particular level (e.g. if they did Level 1 but not Level 2 and 3 then they would be in the Level 1 data set). A control group matching in annual energy consumption and regional representation was created for each level.

[6] "Draft Results of Aclara Billing Analysis for PPL", Opinion Dynamics, May 19, 2010.

Methodology:

A 'fixed-effects panel model' was used to estimate the average daily savings in kWh that can be attributed to completion of each level of the audit after controlling for other key factors, namely weather and dummy variables for month and year to capture changes that are not attributable to participation in the online energy audit. Adjustments were made to correct for heteroscedasticity and autocorrelation.

The model specification is described below.

$$y_{ht} = \propto + \beta * P_{ht} + \gamma * X_{ht} + \varepsilon$$

where:

- y_{ht} = average daily kwh consumption per household "h" in month "t"
- $\propto$ = intercept term
- P_{ht} = participation dummy variable for a particular level for a household
- X_{ht} = year/month dummy variables
- ε = error term

Results:

All of the participation variables and weather variables were found to be significant. The F tests revealed that all three models are very significant as all of the explanatory variables are significantly different from each other and significantly different from zero. The model was found to be reliable since the the individual T statistics and F statistics are significant. The coefficient for Participation variable gives us the estimated average daily energy savings per customer.

Table K.1: Estimated Average Savings by Highest Level of Audit Completed

Highest Level Completed	Average Daily Savings (kWh)	Average Annual Savings (kWh)	Average Annual Savings (%)
Level 1	0.3039	110.9	0.83%
Level 2	0.6525	238.2	1.74%
Level 3	1.0978	400.7	2.95%

Note: All savings are the end-use level.

Applying these savings estimates to the total number of Hydro One Retail customers who participated in the PowerSaverPlus Online Energy Audit the total energy savings were calculated and can be found in Table K-2 below.

Table K.2: Total Annual Savings due to Participation
in the PowerSaverPlus Online Energy Audit

Year	**Total Savings (GWh)**
2007	0.9
2008	1.4
2009	0.7
2010	1.2
2011	0.4
2012	0.2

Note: All savings are at end-use level

Conclusions:

The results of the analysis show that customers taking part in the PowerSaverPlus Online Energy Audit have saved 4.8 GWh between 2007 and 2012 as a result of the audit. These savings are currently not captured in program savings and may be captured in the Increased Conservation Effect as discussed in Section 6 of this report.

APPENDIX L:

ANALYSIS OF SURVEY RESULTS ON CUSTOMERS' OWN ACTIONS

Hydro One has been tracking the conservation actions that customers have taken on their own (i.e. not as part of a specific conservation program) since 2003 by means of residential surveys. The 2011 survey can be found in Appendix I. Previous survey results and questionnaires can be found in EB-2010-0332, Exhibit I-5-1, Attchements 6 to 35.

The results of these surveys show that Hydro One Distribution retail customers are increasingly taking conservation actions on their own, such as turning off lights when not required, using natural cooling (i.e. not using air conditioning), setting thermostat lower/higher when away in winter/summer, and using cold water for laundry.

This appendix discusses the results of a bottom-up analysis to estimate the savings attributable to these "Customer's Own Actions".

Table L.1: Percentage of Customers Taking Conservation Actions

(Not as a Direct Result of Conservation Programs)

Conservation Action	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Set thermostat lower during the day and when away	65%	71%	75%	80%	82%	93%	93%	94%	93%	95%
Set thermostat lower during the night	63%	69%	72%	77%	80%	91%	91%	96%	91%	91%
Use cold water doing laundry	49%	54%	62%	70%	75%	80%	91%	95%	94%	94%
Hang clothes to dry	54%	57%	61%	63%	65%	74%	83%	80%	81%	82%
Use timer for indoor lights	25%	27%	29%	30%	31%	37%	41%	58%	68%	73%
Use timer for outdoor lights	36%	39%	43%	45%	48%	48%	53%			

Conservation Action	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Use a dimmer switch	45%	48%	51%	53%	55%	64%	69%	65%	63%	68%
Turn off lights when not required	85%	90%	91%	95%	96%	96%	96%	99%	100%	100%
Natural cooling	68%	73%	77%	82%	85%	95%	96%	96%	96%	95%
Use timer on pool pump or heater	44%	50%	56%	63%	69%	69%	75%	69%	69%	69%
Regular maintenance of air conditioning	55%	59%	63%	67%	69%	63%	71%	83%	96%	97%
Insulate electric water heater and pipes	34%	37%	40%	43%	46%	47%	52%	63%	63%	63%
Air sealing and weatherization	37%	41%	47%	52%	54%	64%	71%	84%	84%	84%

These conservation actions save energy, but they cannot be easily measured and the saving impacts are not properly captured.

To estimate the savings attributed to these actions between 2010 and 2012, unit energy savings were derived from information available in the 2011 Prescriptive Measures and Assumptions Report released by the OPA in March 2011. These unit savings were then multiplied by the number of customers participating in that action. Participation rates were calculated as the increase in customers participating in that year as compared to 2005 (considered to be the base year). Participation rates were applied to the Hydro One Distribution number of residential customers in each year from the OEB Yearbook of Distributors, adjusted by the percentage of customers with the specific equipment (based on survey data) to get the total number of customers participating.

Table L.2: 2010 Energy Savings from Customers' Own Actions

Conservation Action	Annual Savings Per Customer (KWh)	2010		
		Participation* (%)	Total Customers ('000s)	Total Savings (GWh)
Set thermostat lower during the day and when away	206	19%	145	30
Set thermostat lower during the night	206	24%	176	36
Use cold water doing laundry	765	33%	188	144
Hang clothes to dry	149	19%	207	31
Use timer for indoor lights	64	29%	332	21
Use timer for outdoor lights	20	15%	186	4
Use a dimmer switch	24	14%	179	4
Turn off lights when not required	15	8%	133	2
Natural cooling	50	19%	190	10
Use timer on pool pump or heater	384	13%	25	10
Regular maintenance of air conditioning	9	20%	125	1
Insulate electric water heater and pipes	270	23%	130	35
Air sealing and weatherization	318	37%	253	81
Total	**--**	**--**	**--**	**408**

*Participation calculated as increase in participation between 2010 and 2005 (base year). All savings are at the end-use level.

Table L.3: 2011 Energy Savings from Customers' Own Actions

Conservation Action	Annual Savings Per Customer (KWh)	2011		
		Participation* (%)	Total Customers ('000s)	Total Savings (GWh)
Set thermostat lower during the day and when away	206	18%	137	28
Set thermostat lower during the night	206	19%	143	30
Use cold water doing laundry	765	32%	182	139

Conservation Action	Annual Savings Per Customer (KWh)	2011		
		Participation* (%)	Total Customers ('000s)	Total Savings (GWh)
Hang clothes to dry	149	20%	216	32
Use timer for indoor lights	64	39%	440	28
Use timer for outdoor lights	20	25%	294	6
Use a dimmer switch	24	12%	156	4
Turn off lights when not required	15	9%	143	2
Natural cooling	50	19%	189	10
Use timer on pool pump or heater	384	13%	25	10
Regular maintenance of air conditioning	9	33%	195	2
Insulate electric water heater and pipes	270	23%	130	35
Air sealing and weatherization	318	37%	252	80
Total	--	--	--	**406**

*Participation calculated as increase in participation between 2011 and 2005 (base year). All savings are at the end-use level.

Table L.4: 2012 Energy Savings from Customers' Own Actions

Conservation Action	Annual Savings Per Customer (KWh)	2012		
		Participation* (%)	Total Customers ('000s)	Total Savings (GWh)
Set thermostat lower during the day and when away	206	20%	156	32
Set thermostat lower during the night	206	19%	148	31
Use cold water doing laundry	765	32%	187	143
Hang clothes to dry	149	21%	232	35
Use timer for indoor lights	64	44%	502	32
Use timer for outdoor lights	20	30%	356	7
Use a dimmer switch	24	17%	217	5
Turn off lights when not required	15	9%	152	2
Natural cooling	50	18%	187	9

Conservation Action	Annual Savings Per Customer (KWh)	2012		
		Participation* (%)	Total Customers ('000s)	Total Savings (GWh)
Use timer on pool pump or heater	384	13%	26	10
Regular maintenance of air conditioning	9	34%	206	2
Insulate electric water heater and pipes	270	23%	133	36
Air sealing and weatherization	318	37%	257	82
Total	**--**	**--**	**--**	**426**

*Participation calculated as increase in participation between 2012 and 2005 (base year). All savings are at the end-use level.

Conclusion

Based on the results of this bottom up analysis, it is estimated that Customer's Own Actions account for savings of 408 GWh in 2010, 406 GWh in 2011 and 426 GWh in 2012.

INCORPORATING CONSERVATION AND DEMAND MANAGEMENT IN THE DISTRIBUTION LOAD FORECAST

Hydro One Networks Inc.

April 2014

EXECUTIVE SUMMARY

This study was initiated in response to directions from the Ontario Energy Board (OEB) requiring Hydro One Networks Inc. ("Hydro One" or "the Company") to provide a detailed analysis for estimating the impacts of Conservation and Demand Management (CDM) and to develop a methodology to incorporate these impacts into the load forecast. The Board also noted that Hydro One should consult with stakeholders in devising the terms of reference for this study.

Stakeholders recommended that the study be completed by Hydro One without support from a third-party consultant. Hydro One worked with stakeholders and listened to and addressed their concerns.

The study focuses on two objectives: (i) propose a methodology to incorporate CDM impacts into the load forecast; and (ii) derive CDM impacts for use in Hydro One's distribution load forecast.

Objective 1: Propose a methodology to incorporate CDM impacts into the load forecast

To satisfy this objective, Hydro One, with input from stakeholders, designed a set of activities. These activities included a literature review and a survey of other utilities in North America as well as a comparative analysis of the methodologies used to incorporate CDM impacts into the load forecast.

It is difficult to determine the methods used by other utilities/entities to incorporate CDM in the load forecast based solely on a literature review, as publically available documents often do not have adequate information to determine the methodology used. Therefore, the literature review concentrated on the assessment of CDM categories, while the survey focused on the methodology to incorporate CDM impacts into the load forecast.

Approximately 100 surveys were sent out to the members of the North American Electric Reliability Corporation (NERC) and Edison Electric Institute (EEI), as well as to utilities previously surveyed by Hydro One. An excellent response rate of about 41% was achieved.

The survey responses identified three main methodologies: 1) use actual load for forecasting purposes, 2) use CDM as an explanatory variable on the right-hand side of the econometric equation, and 3) add the historical CDM savings back to the actual load and then use this gross load for forecasting.

In order to make an informed decision, Hydro One undertook a comparative analysis of the three methods. Hydro One has selected Method 3 as it is the most robust method for incorporating CDM impacts into the load forecast. Method 3 also addresses the OEB directive to apply a methodology that is less primitive and provides more acuity. It is also the same approach as used by the OPA.

Objective 2: Derive CDM savings forecast for use in Hydro One's distribution load forecast

For its CDM forecast for the distribution business, Hydro one adopted three CDM categories that are consistent with OPA's 2013 LTEP:

- Energy Efficiency Programs
- Codes and Standards
- Demand Reduction Programs from Demand Response (DR) Resources

The literature review and the survey conducted by Hydro One suggested that the CDM categories mentioned above are consistent with those used by utilities in other North American jurisdictions.

Hydro One worked closely with the OPA to forecast the CDM impacts in Hydro One's distribution service territory. The OPA provided Hydro One with province-wide annual energy and peak savings by CDM category including CDM programs, codes and standards, and DR programs. The OPA also provided key assumptions used to derive these savings.

ICF Marbek conducted a "conservation achievable potential" study for the OPA to develop Ontario's updated Long-Term Energy Plan (LTEP). Hydro One requested ICF Marbek to create a tailored dataset to estimate conservation potential by sector and end use within the Hydro One service territory by using the same techniques. This study includes details on the achievable potential in each of the residential, commercial and industrial sectors. The study covers a 20-year period with a base year of 2012 and milestone periods at five-year increments. The following table provides a summary of the forecasted annual impacts, specific to Hydro One, for each of the CDM categories.

Table ES 1: Hydro One Specific CDM Energy Savings (GWh) by Category

Category	2014	2015	2016	2017	2018	2019
Codes and Standards	328	358	387	417	527	637
Historical Program Persistence (2006-2010)	377	335	289	257	219	178
Target Program Persistence (2011-2014)	355	475	465	452	428	399
Forecasted Savings from Future Programs	585	514	582	588	784	1,073
Total	1,645	1,681	1,723	1,714	1,958	2,288

Note: All savings are at end-use level.

Note that the content of Appendices A, B and C in this report is similar to a report filed in Hydro One's last Transmission Rates Application (EB-2012-0031, Exhibit A-15-2, Attachment 1) which was approved by the Ontario Energy Board. For convenience, the information is re-submitted in this report and updated where appropriate.

1.0 INTRODUCTION

In response to directives from the OEB in recent rate applications, Hydro One has undertaken a study to evaluate the means by which the Company should forecast various Conservation and Demand Management (CDM) impacts and incorporate them in its load forecast. Based on the recommendations from two stakeholder sessions in early 2011 and extensive interaction with the Ontario Power Authority (OPA), Hydro One has completed the following study.

Note that the content of this report is similar to a report filed in Hydro One's last Transmission Rates Application (EB-2012-0031, Exhibit A-15-2, Attachment 1) which was approved by the Ontario Energy Board.[1] For convenience, the information is re-submitted in this report and updated where appropriate. This report contains five sections including this introduction.

- Section 1 provides background and context;
- Section 2 is a summary of the actions taken to determine appropriate CDM categories and methodologies to incorporate CDM in the load forecast;
- Section 3 describes the CDM categories and the methodology adopted by Hydro One to incorporate CDM impacts into the load forecast;
- Section 4 discusses the Hydro One specific CDM forecast with a description of how the OPA's assumptions were incorporated into Hydro One's CDM forecast; and
- Section 5 contains concluding remarks.

[1] EB-2012-0031 Settlement Agreement, November 6, 2012, Exhibit M, Tab 1, Schedule 1, pg. 9

1.1 Objectives

This study addresses two main objectives:

- **Objective 1** Propose a metholdolgy to incorporate CDM impacts into the load forescast.
- **Objective 2** Derive DCM impacts for use in Hydro One's distribution load forecast.

1.2 Ontario Energy Board Directives

The Board, in its decision on Hydro One's 2008 distribution rates proceeding (EB-2007-0681), directed Hydro One to come forward with a proposal to incorporate CDM impacts into its load forecast.

> *"Accordingly, the Board finds that the effects of CDM activities not attributable to the company's actions must be accounted for and requires Hydro One to come forward in its next rate case with a detailed proposal to incorporate the impacts of CDM into its load forecast, both those attributable to its own actions and those not attributable to the Company's actions."*[2]

This directive was restated in Hydro One's 2010 and 2011 distribution rates proceeding (EB-2009-0096). The Board further directed Hydro One in its transmission rates proceeding (EB-2010-0002) to:

[2] EB-2007-0681 Decision with Reasons, December 18, 2008, pg. 8

> *"Work with the OPA in devising a robust, effective and accurate means of measuring the expected impacts of CDM programs promulgated by the OPA. It is important that the terms of reference for the development of this methodology should, to the extent possible, be devised with input from and consultation with a sufficiently broad range of stakeholders so as to ensure that the resulting product has credibility within the sector."* [3]

Below is a summary of the Board's requirements based on the above mentioned directives:

- Consult with stakeholders to devise terms of reference for this study.
- Develop a robust methodology to forecast the CDM impacts.
- Work with the OPA to derive expected CDM impacts in Hydro One territory.
- Propose a methodology to incorporate the forecasted CDM impacts (both those attributable to Hydro One's actions and those that are not) into the load forecast.

1.3 STAKEHOLDER CONSULTATION

In response to the Board's directions, Hydro One held two consultation sessions in February and March of 2011 to seek input from stakeholders. Representatives from over 15 organizations were in attendance to provide valuable contributions to designing this study.

In the February consultation session, Hydro One presented the Board's directives to stakeholders and explored various options to meet the Board requirements.

[3] EB-2010-0002 Decision with Reasons, December 23, 2010, pg. 6 and 7

Several key messages were brought forward by stakeholders during the first consultation session:

- A third party study on CDM impacts is not required. Stakeholders determined that an internal study by Hydro One would be appropriate.
- Hydro One should undertake a review of utilities/entities in other jurisdictions to determine what categories are incorporated into their load forecasts. A review of British Columbia, New York and California was requested.
- CDM categories should be chosen so that they are comprehensive and can be tracked.
- Hydro One should work closely with the OPA to better define and measure CDM impacts for use in its load forecast and rate applications submitted to the OEB.
- CDM impacts should be presented by customer class. It is important to identify which distribution customer class is providing the savings in order to properly forecast the effect of the savings.

At the March consultation session, Hydro One worked with the stakeholders to design a set of activities that the Company would undertake to complete this study. Based on the input from stakeholders, Hydro One proposed the following activities:

- Review CDM categories and methodologies used by other utilities in North America. This would include review of publically available load forecast-related documents for British Columbia, New York and California, as well as a survey of other North American Utilities.
- Work closely with the OPA to better understand the assumptions used to derive their conservation forecast. These assumptions would then be applied to Hydro One's customer base to derive the CDM forecast specific to Hydro One.
- Use the information gathered, to forecast CDM impacts by category, by sector, and by rate class.

- Propose a methodology to incorporate these CDM impacts into Hydro One's load forecast.

Stakeholders agreed that this approach is appropriate to complete the CDM study. The presentations and notes from the stakeholder sessions are available online from Hydro One's website[4].

The remainder of this report discusses the methodologies and results of these activities.

1.4 STUDY APPROACH

Based on the above outlined recommendations from stakeholders, Hydro One developed the following framework to study the impacts of CDM on its load forecast.

- A literature review of some North American electric utilities was undertaken in the spring of 2011 to determine which methodologies and CDM categories are commonly in use in North America. Publicly available utility load forecasts and other pertinent documents were collected by a general web search. Where possible, direct communication with the utility, via phone or email, was established to gain further understanding. As requested by stakeholders, Hydro One conducted a literature review of British Columbia, New York and California. The review was expanded to include some of the other major utilities with knowledge and experience in the CDM area. This review was useful in determining industry practices regarding CDM categories, however there was not enough information available to fully understand the methodologies used to incorporate CDM in the load forecast. A recent review of

[4] http://www.hydroone.com/RegulatoryAffairs/Pages/DxRates.aspx

British Columbia, New York and California in October of 2013 found no significant updates.

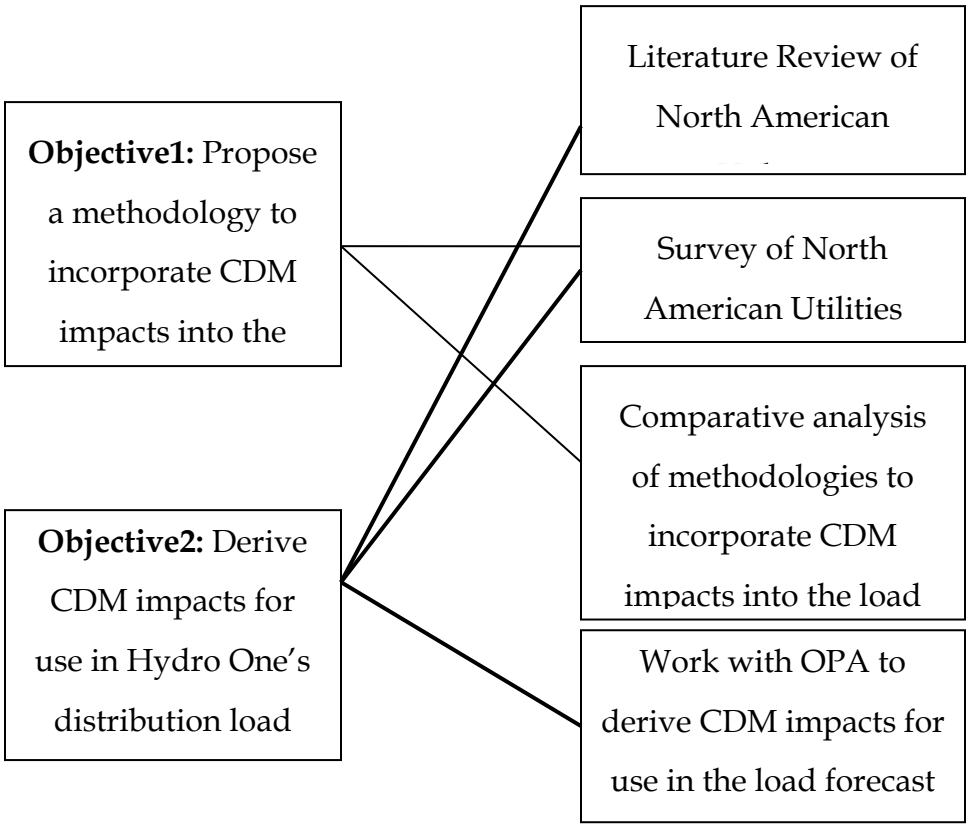
- Hydro One also developed a web-based survey which was launched in April 2011 to the members of the Edison Electric Institute (EEI) and North American Electric Reliability Corporation (NERC) load forecasting working group, as well as to other utilities that have participated in previous Hydro One surveys. A total of approximately 100 surveys were sent and 41 responses were received. This survey gave further insight into the CDM categories in use across North America. It also allowed Hydro One to ask specific questions regarding methodologies used to incorporate CDM in the load forecast. A follow-up survey undertaken in September 2013 found similar results.

- In light of the results of the literature review and survey, a comparative analysis was undertaken to examine the advantages and challenges associated with different methodologies to incorporate CDM impacts in the load forecast. This review took into consideration forecasting requirements specific to Hydro One.

- After the February 2011 stakeholder session, Hydro One met with the OPA to discuss OEB requirements and stakeholder expectations. Since then, Hydro One worked closely with the OPA to better understand their CDM categories and their methodology to incorporate CDM impacts in the load forecast. Detailed savings assumptions from the OPA were used to align Hydro One's CDM forecast with that of the OPA's.

Figure 1 illustrates, in a flow diagram, how this process addresses the two objectives of this study.

Figure 1: Study Approach Flow Diagram



- Section 2 of this report discusses the findings of the research Hydro One undertook to explore various CDM categories and forecast methodologies.
- Section 3 is a summary of the CDM categories and the methodology to incorporate CDM impacts into load forecast adopted by Hydro One.
- Section 4 describes how the OPA's savings assumptions have been incorporated into the Hydro One Distribution specific CDM forecast. It also provides Hydro One's CDM forecast for 2013 to 2019 by category and by rate class.
- Section 5 contains concluding remarks.

2.0 EXPLORING CDM CATEGORIES AND FORECAST METHODOLOGIES

The study approach described in Section 1 outlines the four main activities undertaken by Hydro One to satisfy the objectives of this study. This approach was designed to afford Hydro One a comprehensive view of commonly used CDM categories and existing methodologies in order to explore which categories and methods are appropriate for Hydro One to adopt. This section describes each of these activities and explains how the results of these activities were used to develop appropriate CDM categories and the methodology to incorporate CDM impacts into Hydro One's distribution load forecast.

2.1 Literature Review

In the spring of 2011, Hydro One carried out a literature review to explore various CDM categories and methodologies to incorporate CDM impacts into the load forecast used by electric utilities/entities in North American jurisdictions.

As per stakeholders' recommendation, utilities/entities in British Columbia, New York, and California were reviewed. The review was extended to include some of the major electric utilities/entities in other North American jurisdictions having significant experience with CDM. The utilities/entities reviewed are:

- British Columbia Hydro (BC Hydro)
- Manitoba Hydro
- New Brunswick Power (NB Power)
- Nova Scotia Power Inc. (NSPI)
- California Energy Commission (CEC)
- Consolidated Edison Company of New York (CECONY)
- Consumers Energy
- Independent System Operator – New England (ISO-NE)
- Long Island Power Authority (LIPA)

- New York Independent System Operator (NYISO)
- Wisconsin Public Service Corporation (WPS)

The process started with reviewing publically available documents on utilities' load forecasting methodologies and other documents that were of relevance. These documents were obtained either through a general web-search or from the utility's revenue requirement filings with its regulator. Where possible, Hydro One staff contacted the utility/entity (via phone and/or e-mail) for further clarifications and information.

Some of the key findings of the review are:

- It is difficult to determine the methods used by other utilities/entities to incorporate CDM in the load forecast based solely on a literature review, as publically available documents often do not have adequate information to determine the methodology used.
- CDM categories included in the load forecast vary widely from one utility/entity to another.
- Similarly, the definitions of CDM categories may be different for different utilities. For example, some utilities may consider impacts of building codes and appliance efficiency standards under "Federal/Provincial Programs" while others may define it as a separate category.
- Most utilities/entities reviewed, account for CDM programs in their load forecast.
- Most utilities/entities account for impacts of building codes and/or appliance efficiency standards in their load forecast.

The results of this review confirmed that, in general, the CDM categories used by Hydro One in its distribution load forecast are consistent with those used by utilities in other North American jurisdictions. A complete report on this literature review can be found in

Appendix A[5]. A recent review of British Columbia, California, and New York in October 2013 found no significant updates.

2.2 CDM Load Forecast Survey

In addition to the literature review, Hydro One also developed a web-based survey which was sent to approximately 100 North American utilities in April 2011. The survey questionnaire was designed to gain insight into the CDM categories used by other North American utilities and to learn more about the methods used to incorporate CDM in the load forecast.

2.2.1 CDM Categories

To determine commonly used CDM categories, the survey provided a list of categories and asked whether the utility/entity accounts for the impacts of that category. The categories listed in the questionnaire were:

- Energy efficiency programs
- Appliance and lighting efficiency standards
- Building codes
- Demand management programs
- Time-of-Use prices or dynamic pricing
- Customers' conservation actions (not captured by specific programs)

[5] It should be noted that this report only reflects information available during the review period (i.e., Spring 2011).

There was also an option to say none of the above and to list any additional categories that are considered by the utility.

The results of the survey confirmed the findings from the literature review in terms of the CDM categories that are used by utilities/entities in North America. Each utility/entity has its own categories; however none of the respondents indicated they consider a unique category not listed in the questionnaire. Each of these categories was recognized by multiple respondents.

2.2.2 Incorporating CDM in the Load Forecast

The survey also asked which methodology (if any) they use to incorporate CDM into their load forecast. There are two types of methodologies commonly in use in North America. The first is an implicit methodology where actual load data is used to generate the forecast with past conservation impacts embedded in it, then future incremental CDM savings are subtracted from the forecast. The second is an explicit methodology where the historical CDM savings are first added back to the actual load then all past and future efficiency savings are subtracted from the forecast. More details on each of these methods can be found in the next section.

Seventy-five percent of respondents said they use an implicit methodology while 20 percent said they use an explicit methodology. Five percent responded that CDM is not reflected in their load forecast. For those who said they use an implicit methodology, only 45 percent said that they use that method because it is the best available. Rather, they use this method because it is either recommended by their regulator or it is the most practical. On the other hand, for those who use an explicit methodology, 75 percent said they do so because it is the best methodology available. A follow-up survey undertaken in September 2013 confirmed that the majority of respondents use an implicit methodology (60% based on a sample of 30 utilities/entities).

The survey questionnaires and detailed results for both the 2011 and 2013 surveys can be found in Appendix B.

Hydro One undertook a comparative analysis of the implicit and explicit methodologies to evaluate the advantages and challenges associated with each method and to determine which is the most appropriate for Hydro One. The next section describes the results of this analysis.

2.3 Alternatives for Incorporating CDM Impacts in the Load Forecast

Since 2005, the Ontario Government has set specific Conservation and Demand Management (CDM) targets to be achieved in the province. Over the past several years, significant progress has been made in delivering various CDM programs across the province. The 2010 Long Term Energy Plan and the Supply Mix Directive (February 2011) issued by the government call for CDM savings of 4,550 MW and 13 TWh by 2015. Over the 2011-2014 period, Local Distribution Companies (LDCs) are mandated to meet the CDM target of 1,330 MW and 6,000 GWh. In December 2013, the Ministry of Energy released Ontario's updated Long-Term Energy Plan, *Achieving Balance* (the 2013 LTEP). The provincial long-term conservation target of 30 terawatt-hours (TWh) in 2032 represents a 16% reduction in the forecast gross demand for electricity compared to the 2010 LTEP. Ontario is aiming to use Demand Response (DR) to meet 10% of peak demand by 2025, equivalent to approximately 2,400 megawatts (MW) under forecast conditions. In order to achieve acceptable load forecasting accuracy, CDM impacts have to be handled appropriately in the modeling process.

Incorporating CDM into the load forecast is a challenge facing utilities across North America. As already discussed, Hydro One examined the methodologies for incorporating CDM into the load forecast used by other utilities and organizations through a survey. The results of this Hydro One survey, two other similar surveys (one launched by the North American Electric Reliability Corporation (NERC) in 2007 and

the other by Duke Energy in 2010), as well as a white paper published by Itron Inc. in 2010 suggest that there are three different methods widely being used by various North American utilities.

This section compares these three most commonly used methodologies and provides justification for the method adopted by Hydro One. A detailed description of each method can be found in Appendix C.

Method 1: Use Actual Load without CDM Adjustments (Implicit Method 1)

In this method, no CDM adjustments are made during the modeling process so that the actual load (which is net of CDM) is linked to the economy, demography, prices and weather variables. Over the forecast period, incremental CDM (over and above the historical period) is usually deducted from the forecast.

This method has several challenges which make it less than desirable for Hydro One:

- The load during the historical period is already affected by CDM after 2005, and hence, this data will not be consistent with the rest of the load data prior to 2005.
- The model linking load to explanatory variables does not acknowledge that, in addition to economic/demographic factors, the load has also been affected by CDM.
- Having ignored the CDM impact, the estimated coefficients of the model will likely be biased, because the impacts of CDM will now go to the error term. As a result, the error-term variance is inflated by the CDM impact which is not explicitly accounted for in the model.

  This method does not provide details regarding various CDM impacts accounted for in the load forecast, and hence, fails to meet the Board's requirement of a more detailed and transparent process for incorporating CDM impacts into the load forecast.

Method 2: Use CDM Impacts as an Explanatory Variable (Implicit Method 2)

In this method, CDM impacts are used as an explanatory variable on the right-hand-side of the econometric equation, together with other economic/demographic variables. The model is then used to forecast the load net of CDM.

Some of the challenges with using this method are as follows:

- The CDM series may be correlated with other variables on the right-hand-side of the equation (e.g., income). In this case, not only the CDM coefficient, but some other coefficients in the model may diverge from their true value.
- If there are missing explanatory variables that are not included in the equation, then the estimated CDM coefficient is biased and it would probably diverge significantly from its true value.

These challenges, along with the fact that the OEB has recognized the issues with this method (such as multicollinearity and heteroscedasticity between economic activity/income and the CDM variables)[6] lead to the conclusion that this methodology is not the most suitable for Hydro One.

Method 3: Add Historical CDM Impacts Back to the Actual Load (Explicit Method)

This method can be used to account for CDM impacts for both historical and forecast periods. This method employs the following steps:

- The historical CDM impacts are added back to the actual load reconstituting consistent load data over time, which is gross of CDM impacts.

[6] EB-2010-0131 Decision with Reasons, July 7, 2011

- The gross load data is then used to forecast the load using an econometric model. This requires linking gross load to explanatory variables, namely, weather, economic/demographic factors (e.g., GDP, income, population, number of households, etc.) as well as prices.
- Finally, estimated CDM impacts for the forecast period are deducted from the gross load forecast to arrive at the load forecast net of CDM.

The advantage of this method is that it explicitly accounts for historical and forecast CDM impacts. The challenge with this method is that it relies on accurate estimates of historical CDM impacts. If the actual impact of CDM is not properly measured, then projecting future CDM savings will be difficult.

Despite the challenges involved in using the implicit methodologies, the survey conducted by Hydro One in 2011 indicated that 75 percent of respondents use either Method 1 or Method 2. The survey conducted in 2013 found similar results. This may be due to a lack of data availability necessary to use the explicit methodology. It may also be because, unlike Hydro One, many utilities do not have aggressive CDM targets that require robust, bottom-up forecasts.

According to the Board's directives, Hydro One is required to use a methodology that provides detailed explanations for various CDM impacts incorporated in the load forecast. The comparison of the three methods (provided in Appendix C) shows that Method 3 is technically sound and efficient and effectively takes into account CDM impacts during the historical and forecast periods. Based on Hydro One's experience, this method has resulted in accurate load forecasts over the past several years. For these reasons, Method 3 was considered to be the most appropriate for use by Hydro One.

3.0 CDM CATEGORIES AND FORECAST METHODOLOGY ADOPTED BY HYDRO ONE

This section briefly outlines the forecasting methodology adopted by Hydro One. It also describes various CDM impacts that are incorporated into the load forecast.

Based on the research conducted, Hydro One adopted five CDM categories to account for in the load forecast: Hydro One and OPA programs; Other Influences; Codes and Standards; Pricing; and Increased Conservation Effect. Each of these categories is described in more detail below. In addition to these categories, CDM impacts from codes and standards approved before 2004 and naturally occurring conservation are embedded in the load forecast. As a result they are not included as separate categories.

3.1 CDM Categories Adopted by Hydro One

For its distribution CDM forecast for 2015-2019, Hydro One adopted three CDM categories that are consistent with the 2013 LTEP information: Energy Efficiency Programs, Codes and Standards, and Demand Reduction from DR Resources. Each of these categories is described in more detail below.

3.1.1 Energy Efficiency Programs

(a) Programs (MARR-funded and OPA-funded)

- *Non-Target Programs:* This category captures the persistence of savings from non-target programs implemented by Hydro One and the OPA between 2005 and 2010.
- *Target Programs***:** This category captures the savings from Hydro One Board-Approved CDM programs and/or OPA-contracted province-wide CDM programs established so that LDCs can achieve mandatory reductions in electricity consumption and reductions in peak provincial electricity demand. The current

target covers 2011 to 2014. The savings in 2015 to 2019 are calculated based on Hydro One's energy and peak share of all LDCs in Ontario.

(b) Other Influences

In addition to CDM programs offered by Hydro One and the OPA, there are many programs offered by other agencies such as the federal and provincial governments, gas companies, various associations and communities in Ontario. The CDM programs initiated by these agencies will have an impact on Hydro One load.

3.1.2 Building Codes and Appliance Efficiency Standards ("Codes & Standards")

The Ontario Energy Efficiency Act establishes energy efficiency standards for a wide range of energy-using products, with the objective of eliminating the least energy-efficient products from the Ontario marketplace. As of today, regulations have established minimum efficiency levels for more than 50 product categories that consume 80 percent of the energy used in the residential sector in Ontario and 50 percent of the energy used in the commercial/institutional sector.

The Ontario Building Code (building code) governs construction, renovation, change of use and demolition, within the province of Ontario. Although the primary purpose of the building code is to promote public safety through uniform building standards, energy conservation is also a key objective of the code. The 2013 LTEP expects to offset almost all of the growth in electricity demand to 2032 by using programs and improved codes and standards.

Codes and standards that promote energy conservation will have an impact on Hydro One's load.

3.1.3 Demand Response (DR)

DR occurs when people and businesses shift electricity use from periods of peak demand to periods of lower demand, or reduce use during peak periods. Customers could be responding to changes in the price of electricity during the day, incentive payments, and/or other mechanisms. DR resources include:

- Existing DR programs: peaksaver PLUS, DR2 and DR3;
- New dispatchable DR resources;
- Industrial Conservation Initiative - the global adjustment amounts for Class A customers are based on the percentage that their peak demand contributes to overall system demand during the given peak hours of a defined base period;
- Time-of-Use Rates - a rate structure that reflects the costs associated with electricity production throughout the day and encourages behavior change; and
- Dispatchable customer loads under contract in the market.

3.2 Methodology Adopted by Hydro One to Incorporate CDM Impacts in the Load Forecast

According to the Board's directives, Hydro One is required to use a methodology that provides detailed explanations for the various CDM impacts on the load forecast. Method 3 (Explicit method) described in Section 2.3 meets this criterion.

The main challenge with using Method 3 is to be able to accurately estimate historical CDM impacts and their persistence into the future. Hydro One has put significant effort into estimating the net cumulative impacts of past CDM efforts by using a "top down"

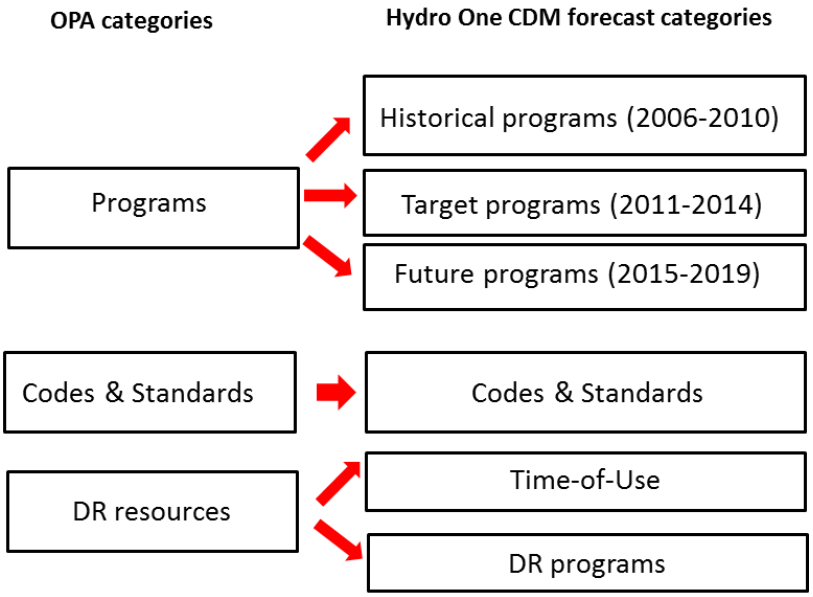
econometric method and "bottom up" end use method (please see Exhibit A, Tab 16, Schedule 3). Hydro One is able to use the OPA's detailed savings assumptions and apply them to its customer base.

For the reasons discussed above, Method 3 was considered to be the most appropriate for use by Hydro One.

4.0 INCORPORATING THE OPA ASSUMPTIONS INTO HYDRO ONE SPECIFIC CDM FORECAST

The OEB and the stakeholders requested that Hydro One work closely with the OPA to better define and forecast impacts for various CDM categories. Based on numerous discussions with the OPA, Hydro One has achieved an understanding of the CDM savings assumptions contained in the OPA's current conservation forecast. The two parties have shared information and discussed how to incorporate CDM impacts into the load forecast. The OPA uses three "policy instruments" in their conservation forecast: Programs, Codes and Standards and Pricing. Figure 2 below illustrates how Hydro One's categories (as described in Section 1.2) relate to those of the OPA.

Figure 2: Relationship between CDM Categories in Hydro One Load Forecast and the OPA's CDM Categories



A description of how Hydro One incorporates the OPA's savings assumptions into its load forecast is provided in detail below.

4.1 Steps to Incorporate the OPA Savings Assumptions

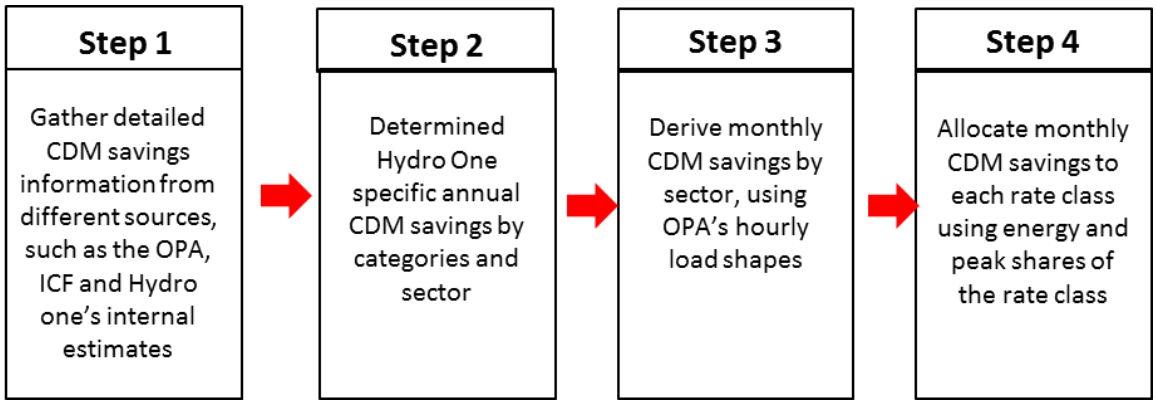
As previously discussed, Hydro One uses the assumptions provided by the OPA to forecast the CDM savings for each of its CDM categories. The OPA provides Hydro One with the province-wide annual energy and peak savings for energy efficiency, codes and standards, and Demand Response. Hydro One Distribution's share of provincial LDCs total peak demand and energy consumption are used to calculate the CDM forecast for 2014-2019 by category. To derive CDM savings by rate class, Hydro One needs information by sector which was not available in OPA's 2013 LTEP.

ICF Marbek conducted a "conservation achievable potential" study for the OPA to develop Ontario's updated Long-Term Energy Plan (LTEP). Hydro One requested ICF

Marbek to create a tailored dataset to estimate conservation potential by sector and end use within the Hydro One service territory by using the same techniques. This study includes details on the achievable potential in each of the residential, commercial and industrial sectors. The study covers a 20-year period with a base year of 2012 and milestone periods at five-year increments. Hydro One forecasts CDM savings by category and rate class based on the OPA's provincial wide saving and ICF's study by sector. The annual growth rate is calculated and used to estimate the energy saving share by sector for 2015-2019.

Figure 3 illustrates the overall alignment process.

Figure 3: Steps to Incorporate OPA Assumptions



<u>Step 1 – Gather detailed CDM savings assumptions for each CDM category</u>

Hydro One gathered detailed savings information for each CDM category from different sources:

i) ***The OPA*****:** The OPA provided Hydro One with the province-wide annual peak and energy savings, and associated key assumptions by category (i.e. Programs, Codes &

Standards and DR). Table 1 and Table 2 summarize the peak and energy savings information from the 2013 LTEP.

Table 1: Province-wide Annual Peak Savings by Category (MW)

	2014	2015	2016	2017	2018	2019
Energy Efficiency (Historical and Future Programs)	1,435	1,528	1,662	1,575	1,752	2,022
Codes and Standards (Existing and Forecast)	386	413	505	525	639	777
Dispatchable Load	377	377	377	377	377	377
Industrial Conservation Initiative	300	300	300	300	300	300
Time-of-Use Rates	184	221	232	239	239	239
Existing DR Programs (assume capacity maintained)	539	528	528	528	528	528
Total	3,221	3,367	3,604	3,544	3,835	4,243

Source: Ontario Power Authority. Savings are at generation level including TX and DX losses.

Table 2: Province-wide Annual Energy Savings by Category (TWh)

	2014	2015	2016	2017	2018	2019
Forecasted Savings from Future Programs	2.5	3.3	4.8	5.9	7.2	8.7
Historical Program Persistence (2006-2012)	5.8	5.5	4.1	3	2.3	2.2
Codes and Standards (forecasted savings)	0.2	0.5	0.9	1	1.9	2.6
Codes and Standards (existing savings)	1.6	1.6	1.6	1.6	1.6	1.6
LTEP 2013 Total Energy Savings	10.1	10.9	11.3	11.4	13	15.1

Source: Ontario Power Authority. Savings are at generation level including TX and DX losses.

ii) 2005 to 2009 Hydro One CDM Annual Reports: Since 2005, Hydro One has been tracking all MARR-funded CDM programs and reporting detailed savings

information (by sector and by program) to the OEB on an annual basis (as annual reports). These CDM savings occurred before 2013 but they are expected to persist into the forecast period.

***iii) 2006 to 2012 Final CDM Results from the OPA*:** Since 2006, the OPA has been delivering a variety of CDM programs for the province. Moreover, it has provided funding for several LDC custom programs (e.g. Hydro One's Double Return Program). The OPA evaluated all these programs and provided detailed savings information to each LDC. Hydro One specific savings were provided in the report "2006 to 2010 Final CDM Results from the OPA" and in subsequent annual verified CDM Savings reports (For details, please see Exhibit A, Tab 16, Schedule 3). These CDM savings occurred before 2013 but they are expected to persist into the forecast period.

iv) "***Achievable Potential in the Hydro One Service Territory" by ICF Marbek***: This study includes details on the achievable potential in each of the residential, commercial and industrial sectors. The study covers a 20-year period with a base year of 2012 and milestone periods at five-year increments. It provides an estimate of the potential from conservation measures by sector, building type, end use, milestone year, and conservation measure.

Step 2: Determine Hydro One specific annual CDM savings

Hydro One takes the annual savings assumptions provided by the OPA and applies them to its customer base to calculate Hydro One's total annual savings. This is done for each category as described below.

Programs (MARR-funded and OPA-funded):

This category has three components.

i) Historical Program Persistence (2006-2010): The programs delivered by Hydro One and the OPA from 2006 to 2010 will have persistent savings in the forecast period. These savings were calculated as follows.

- For the historical OPA-Initiated programs, Hydro One specific verified annual savings for the forecast period, provided by the OPA, were used.
- For the historical programs initiated by Hydro One, annual savings assumptions reported to the OEB (in Annual CDM Reports submitted by Hydro One) were used. For the impact of these programs in the forecast period, persistence assumptions specified by the OPA were utilized.

The energy savings from these programs were adjusted using a "half year rule" as defined by the OEB in London Hydro's 2013 Cost of Service Application (EB-2012-0146) to reflect the fact that most CDM programs do not have the full impact in the first year of implementation.

ii) Historical Target Program Persistence (2011 to 2014): On March 31, 2010, the Minister of Energy issued a directive to the Board, instructing it to establish mandatory CDM Targets for LDCs to achieve reductions in electricity consumption and reductions in peak provincial electricity demand over a four year period beginning January 1, 2011. These targets can be achieved through Board-Approved CDM programs and/or through OPA-contracted province-wide CDM programs. As of November 2013, Hydro One only has OPA-contracted CDM programs. Hydro One estimated the impact of this category by applying the set of detailed program assumptions from the OPA (e.g. program cost, savings, free-ridership, and

persistence) to its specific service area and customer base. The energy savings from these programs were also adjusted using a "half year rule."

iii) Forecasted savings from future programs (2015 to 2019): The future programs are initiated by different agencies including OPA, federal government, provincial government, gas companies, various associations and communities in Ontario. Hydro One Distribution's shares of Ontario's energy consumption and peak demand are used to derive annual CDM savings.

Codes & Standards:

Hydro One derives C&S annual savings by using its share of Ontario's energy and peak, then produces savings forecasts by sector based on the ICF Marbek's study for Hydro One's achievable potential for residential, commercial and industrial sectors.

Demand Response Programs

The DR peak reduction target in the 2013 LTEP refers to capacity resources. The OPA provided Hydro One with DR actual monthly reduction for the historical period. Hydro One derives monthly savings profiles based on the actual impact and applies Hydro One Distribution's share of Ontario's peak demand to estimate the peak savings.

Step 3: Derive Hydro One specific monthly CDM savings

OPA provided hourly load shapes by program types in 2011. The annual savings by sector attributable to Hydro One (from Step 2) are applied to these load shapes to derive the monthly energy and peak savings by sector.

Step 4: Allocate monthly CDM savings to customer rate classes

Based on customer billing data and hourly load shapes, Hydro One calculated the share of energy and peak within the residential and non-residential sectors. The residential sector includes customers with rate classes of R1, R2, UR and Seasonal. The non-residential sector includes general service customers with rate classes of UGe, UGd, GSe, GSd and ST. The monthly energy and peak savings are then assigned to each rate class using the energy and peak shares (peak savings are only assigned to demand billed general service customers) as well as other criteria that are specific to individual programs, end-uses and customer types. Note that savings are not assigned to distributed generation, MicroFIT, sentinel light, or streetlight customers.

4.2 Hydro One Specific CDM Forecast

Using the methodology outlined above, Hydro One produced a detailed CDM forecast for the years 2014 to 2019 which aligns with the savings assumptions used by the OPA. This section provides the results of this forecast by category. As requested by stakeholders, the results have been divided into rate classes as well.

4.2.1 Hydro One Specific Forecasted Annual Peak and Energy Savings by CDM Category

Using the methodology described in section 4.1, Hydro One determined the energy savings from CDM by category. Table 3 below summarizes the Hydro One annual energy savings by CDM category.

The annual energy and peak savings by sector are estimated based on the ICF's study for Hydro One service territory. Table 4 and Table 5 summarize the savings by sector.

Table 3: Hydro One Specific CDM Energy Savings (GWh) by Category

Category	2014	2015	2016	2017	2018	2019
Codes and Standards	328	358	387	417	527	637
Historical Program Persistence (2006-2010)	377	335	289	257	219	178
Target Program Persistence (2011-2014)	355	475	465	452	428	399
Forecasted Savings from Future Programs	585	514	582	588	784	1,073
Total	1,645	1,681	1,723	1,714	1,958	2,288

Note: All savings are at end-use level.

Table 4: Hydro One CDM Energy Savings (GWh) by Sector

Sector	2014	2015	2016	2017	2018	2019
Residential	627	661	697	709	873	1,081
Commercial	891	830	836	813	897	1,036
Industrial	126	190	190	191	188	171
Total	1,645	1,681	1,723	1,714	1,958	2,288

Note: All savings are at end-use level.

Table 5: Hydro One CDM Peak Savings (MW) by Sector

Sector	2014	2015	2016	2017	2018	2019
Residential	185	197	214	212	237	270
Commerical	212	214	221	208	218	233
Industiral	23	29	37	41	48	58
Total	420	440	472	461	503	562

Note: All savings are at end-use level.

4.2.2 Hydro One Specific Forecasted Annual Energy and Peak Savings by Rate Class

Based on the methodology described in Sections 4.1, Hydro One derived the annual energy and peak savings from CDM by rate class. Table 6 and Table 7 below summarize the Hydro One annual peak and energy savings by rate class.

Table 6: Hydro One Specific CDM Peak Savings (MW) by Rate Class (for July)

Rate Class	2014	2015	2016	2017	2018	2019
R1	67	79	85	85	94	108
R2	79	74	81	80	89	102
UR	28	36	39	39	44	50
Seasonal	11	8	8	8	9	11
GSe	56	53	56	54	58	63
UGe	9	14	15	15	16	17
GSd	62	55	58	56	60	66
UGd	15	25	26	26	27	30
ST	94	97	103	99	106	116
Total	420	440	472	461	503	562

Note: All savings are at end-use level

Table 7: Hydro One Specific CDM Energy Savings (GWh) by Rate Class

Rate Class	2014	2015	2016	2017	2018	2019
R1	227	263	277	282	348	430
R2	283	265	279	284	350	433
UR	82	107	113	115	142	175
Seasonal	35	25	27	27	34	42
GSe	236	217	218	214	231	257
UGe	39	59	59	58	62	69
GSd	268	229	230	226	244	271
UGd	63	103	104	101	110	122
ST	412	413	415	406	439	488
Total	1645	1681	1723	1714	1958	2288

Note: All savings are at end-use level

5.0 CONCLUDING REMARKS

As outlined in Section 1.1, the objectives of this study were to (i) Propose a methodology to incorporate CDM impacts into the load forecast and (ii) Derive CDM impacts for use in Hydro One's distribution load forecast.

With input from the stakeholders, Hydro One developed a study approach consisting of four main activities to satisfy the above mentioned objectives:

1. Literature review – Hydro One performed a literature review of major utilities with extensive experience in the CDM area in North America. The results of this review provided Hydro One with a list of well-defined and comprehensive categories to use in forecasting the CDM impacts.

2. Survey – Hydro One launched a web-based survey to approximately 100 utilities across North America. The results of the survey confirmed the findings from the literature review in terms of the CDM categories that are used by utilities/entities in North America. The survey results also showed that there are three most commonly used methods to incorporate CDM into the load forecast. The majority of the utilities/entities use the method where actual historical load (with CDM embedded in it) is used to forecast the future load.

3. Comparative analysis of the forecast methodologies – Hydro One undertook a comparative analysis of the three forecast methods commonly used to incorporate CDM impacts into the load forecast. The research performed by Hydro One suggested that adding historical CDM impacts back to the actual load and then deriving a gross forecast is the most appropriate method for Hydro One.

4. Deriving Hydro One Distribution CDM forecast – As directed by the Board and recommended by the stakeholders, Hydro One worked closely with the OPA throughout the course of this study. The OPA provided province-wide conservation savings by CDM categories and achievable potential by sectors. Hydro One used the methodology discussed in Section 4, to derive the Hydro One specific CDM forecast by rate class.

In completing these activities, Hydro One explored options to forecast the CDM impacts and incorporate these impacts into the distribution load forecast. The results of these activities show that the methodology adopted by Hydro One is appropriate. Hydro One has spent significant time and effort in completing this study, and as a result, has produced a very detailed analysis that not only incorporates stakeholders' recommendations, but also meets all of the Board's requirements listed in Section 1.2.

APPENDIX A:
REVIEW OF CONSERVATION AND DEMAND MANAGEMENT (CDM) CATEGORIES

In the first quarter of 2011, Hydro One Networks Inc. ("Hydro One") hosted two consultation sessions with stakeholders to define the terms of reference for development of a methodology to effectively and accurately measure the expected impacts of Conservation and Demand Management (CDM) initiatives.

Stakeholders recommended that, as part of this study, it would be useful to review what CDM categories are accounted for in the load forecast by utilities in British Columbia, New York, and California. In response, Hydro One initiated a review process for the jurisdictions recommended by stakeholders. The review was extended to include some of the major electric utilities/entities, in other North American jurisdictions, with significant experience with CDM.

This Appendix discusses the results of the review conducted in the spring of 2011. It should be noted that this report only reflects information available during the review period. A recent review of British Columbia, California, and New York in October 2013 found no significant updates.

A.1 REVIEW FINDINGS

The review process started with reviewing publically available documents on utilities' load forecasting methodologies and other documents that were of relevance. These documents were obtained either through a general web-search or from the utility's revenue requirement filings with its regulator. Where possible, Hydro One staff contacted the utility (via phone or e-mail) for further clarifications/information.

British Columbia Hydro (BC Hydro)[7]

BC Hydro is a Crown Corporation, owned by the province of British Columbia, and a vertically integrated electric utility. It is the largest electric utility in British Columbia, serving approximately 1.8 million customers.

BC Hydro's electric load forecast is published annually and is based on several end-use and econometric models.

Based on the review of BC Hydro's latest load forecast document, BC Hydro accounts for the following CDM categories into its load forecast:

- Impacts of codes and standards
- Impacts of rate structure (pricing) (Inclining Block Rate)
    - BC Hydro refers to the conservation induced by general rate increases as "natural conservation" and the incremental conservation induced by changing elements of the rate structure from one year to the next as "rate structure conservation". In BC Hydro's load forecast, "natural conservation" is included in the before-CDM load forecast, and "rate structure conservation" is included in the estimates of CDM savings.
- Impacts of BC Hydro's energy efficiency and conservation programs.

[7] BC Hydro Electric Load Forecast 2010/11 to 2030/31
http://www.bchydro.com/etc/medialib/internet/documents/planning_regulatory/iep_ltap/2011q1/electric_load_forecast.Par.0001.File.Electric-Load-Forecast-2010-march-24.pdf

Manitoba Hydro[8]

Manitoba Hydro is a crown corporation and a major energy utility in Manitoba. It serves over 500,000 electric customers and exports electricity to over 30 electric utilities through four wholesale markets in Canada and the mid-western United States.

In addition to reviewing Manitoba Hydro's load forecast related documents, the utility was also contacted through e-mail. The following observations were made based on the review of Manitoba Hydro's latest load forecast and the e-mail correspondence with the market forecast personnel at Manitoba Hydro:

- The load forecast contains future CDM savings at the minimum level of CDM services and activity that Manitoba Hydro will provide to customers in the future and savings due to changes to codes and standards.
    - This is termed as the Basic Customer Information and Service in Manitoba Hydro's load forecast. The individual provincial/federal standards are not included on a program by program basis; rather they are grouped into savings by end-use.

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[8] MB Hydro Electric Load Forecast 2010/11 to 2030/31
http://www.hydro.mb.ca/regulatory_affairs/electric/gra_2010_2012/Appendix_62.pdf

MB Hydro 2010/11 and 2011/12 General Rate Application Filing, Information Requests from the Manitoba Public Utilities Board
http://www.hydro.mb.ca/regulatory_affairs/electric/gra_2010_2012/PUB.pdf

- The electricity savings due to CDM programs (energy efficiency and demand response) funded by MB Hydro are treated as a supply-side option, and hence, are not subtracted from their load forecast.
- Eco-Energy, the federal government funded program, is integrated in Manitoba Hydro's overall CDM initiative (Power Smart), which implies that the savings associated with this category are considered as a supply-side resource.
- Manitoba Hydro offers a curtailable rate program to its customers. When calculating the net total peak, the curtailments are added back to create a consistent hourly integrated load profile.

New Brunswick Power (NB Power)[9]

NB Power is a Crown Corporation, wholly owned by the Government of New Brunswick and consists of a holding company and four operating companies: NB Power Generation, NB Power Nuclear, NB Power Transmission, and NB Power Distribution and Customer Service which serves over 370,000 customers in the province.

In its 10-year forecast produced in 2009, NB Power included the following CDM categories:

- Naturally occurring efficiency;

[9] NB Power 3% rate increase investigation 2009, Responses to Written Questions, Appendix B: Load Forecast 2009-2019
http://156.34.203.123/Documents/Electricity%20Info/Responses_May_19_2009.pdf

- In addition to the naturally occurring conservation, which is embedded in the historical trend, this includes efficiency due to thermal shell improvements in the residential sector.

- Natural Gas conversions (Fuel Switching);
- Efficiency New Brunswick's programs; and
  - In New Brunswick, Efficiency New Brunswick is responsible for promoting efficiency measures, and for developing and delivering efficiency programs. The savings estimates from these programs (based on discussions and information from Efficiency New Brunswick staff) are included in the base load forecast.
- Appliance and lighting standards (embedded in the model).

Nova Scotia Power Inc. (NSPI)[10]

NSPI provides 95 percent of the generation, transmission, and distribution of electricity in the province of Nova Scotia and serves about 490,000 residential, commercial, and industrial customers.

NSPI's load forecast accounts for savings from CDM programs in the province and codes and standards (embedded in the model). In addition, NSPI offers optional Time-of-Use (TOU) pricing to its residential customers. As the customers on time-of-use prices do not yet constitute a large enough portion of the sector, impacts of the TOU prices are also assumed to be captured in historical trends.

[10] E-mail correspondence with sales forecasting personnel at NSPI.

California Energy Commission (CEC)[11]

CEC is California's primary energy policy and planning agency. One of its major responsibilities is to forecast future energy needs and keep track of historical energy data. CEC produces a 10-year load forecast for California as a whole and for each major utility planning area on an annual basis. During CEC's 2007 Integrated Energy Policy Report (IEPR) process, utilities and stakeholders expressed concern regarding the lack of transparency in methods that account for efficiency program impacts in CEC's demand forecast. To address this concern, the 2007 IEPR process required CEC to examine these methods in a public process in 2009 and beyond. CEC initiated a major effort to improve the measurement and attribution of efficiency impacts in the energy demand forecast, and as a result, starting in 2009, the Commission's electricity demand forecast documents provide more details on the impact of energy efficiency programs.

Below are the various CDM categories accounted for in CEC's load forecast for 2010-2020:

- Investor-owned utility programs;
- Public agency programs;
- Building codes and appliance standards (before 2006, excludes future standards); and

[11] California Energy Demand 2010-2020 Adopted Forecast
http://www.energy.ca.gov/2009publications/CEC-200-2009-012/CEC-200-2009-012-CMF.PDF

- Naturally occurring savings;
    - Impacts of rate changes, certain market trends, and other changes in consumption not directly associated with standards or efficiency programs; and
    - There are other consumption trends leading to reduced energy that could be included in this category.

In addition to these "committed" savings, CEC is also working with Itron Inc. to estimate the incremental impacts from future efficiency programs and standards reasonably expected to occur but not yet committed.

Consolidated Edison Company of New York (CECONY)[12]

CECONY is a subsidiary of Consolidated Edison, Inc., one of the US's largest investor-owned energy companies. It is a regulated utility that provides electric service to approximately 3.3 million customers in New York City (except for a small area of Queens), and Westchester County. Based on e-mail communication with the energy-efficiency programs personnel, CECONY captures savings from programs administered by the utility, as well as programs administered by the New York State Research and Development Authority (NYSERDA), and existing codes and standards in its forecasted

[12] Electric System Long Range Plan 2010-2030
http://www.coned.com/publicissues/PDF/Electric%20System%20Long%20Range%20Plan%20December%202010%20Final.pdf
E-mail correspondence with energy efficiency programs personnel at CECONY.

savings. CECONY is also working towards incorporating savings from programs administered by other utilities and future codes and standards into its load forecast.

Consumers Energy Company[13]

Consumers Energy is Michigan's second largest electric and natural gas utility, serving 1.8 million electricity customers and 1.7 million natural gas customers.

In its 2011-2015 official forecasts of electric deliveries, generation requirements, and peak demand produced in 2010, Consumers Energy included:

- Electricity savings due to energy efficiency programs from the Company's Energy Optimization Plan;
- Peak demand reductions from direct load management programs;
- Peak demand reductions from dynamic peak pricing programs (starting in 2013); and
- National appliance efficiency standards (starting 2012).

[13]Application of Consumers Energy Company for Approval of a Power Supply Cost Recovery Plan and for Authorization of Monthly Power Supply Cost Recovery Factors for the Year 2011 http://efile.mpsc.state.mi.us/efile/docs/16432/0001.pdf

Independent System Operator-New England (ISO-NE)[14]

ISO-NE is a regional transmission organization, serving Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont. Its primary responsibilities are ensuring the day-to-day reliable operation of New England's bulk power generation and transmission system, overseeing and ensuring fair administration of the region's wholesale electricity markets, and managing comprehensive, regional planning processes. Between 1980 and 2006, ISO-NE's load forecast methodology was to add back the historical CDM savings, forecast the load and then subtract forecasted CDM reductions. Starting 2007, demand resources (including energy efficiency) are treated as a supply resource. The load forecast is adjusted for:

- Historical energy efficiency savings, and
- Federal appliance efficiency standards

However, recently, ISO-NE stakeholders have been urging for greater inclusion of energy efficiency information in ISO-NE load forecasting.

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[14] Presentation on "Addressing the Evolving Role of Energy Efficiency" by Mr. Eric Wilkinson
http://neep.org/uploads/EMV%20Forum/Eric%20Wilkinson%20ISO%20NE%20Presentation.pdf

Presentation on "ISO-NE Load Forecast Methodology" by Mr. David Ehrlich
http://www.iso-ne.com/committees/comm_wkgrps/othr/reei/mtrls/load_forecast_method.pdf

Long Island Power Authority (LIPA)[15]

LIPA is a non-profit municipal electricity provider and is the second largest municipal electric utility in the US in terms of revenue. It provides electric service to more than 1.1 million customers in Nassau and Suffolk counties and the Rockaway Peninsula in Queens. In addition to the savings realized from its own energy efficiency programs, LIPA also accounts for building codes and appliance standards in the load forecast.

New York Independent System Operator (NYISO)[16]

The NYISO operates the high-voltage transmission network, administers and monitors the wholesale electricity markets, and planning for the New York state's energy future. NYISO accounts for the following CDM categories in its load forecast:

- New York State Energy Research and Development Authority (NYSERDA) and utility programs that have been approved by the Public Utilities Commission
- Appliance Efficiency Standards

[15] E-mail correspondence with load forecasting personnel at LIPA.

[16] E-Source response to the member inquiry submitted by Hydro One's load forecast staff. The responses were primarily secured from a principal analyst in electric load forecasting department at National Grid and load forecasting personnel at ISO-NE.

Wisconsin Public Service (WPS) Corporation[17]

WPS Corporation is a subsidiary of Integrys Energy Group, Inc. and operates as a regulated electric and natural gas utility. It serves electricity to more than 437,000 customers in northeast and central Wisconsin and an adjacent portion of Upper Michigan. WPS' electricity sales for 2011 test year were projected to be significantly lower as compared to their approved sales for the 2009 test year. According to the written testimony of David Clabots (Manager, Sales and Revenue Forecasting), one of the major reasons for this decrease in sales is increased energy efficiency efforts by the customers. These include the impacts of:

- Wisconsin's Focus on Energy (which partners with utilities) programs and rebates;
- Federal energy efficiency mandates;
- Federal tax credits on energy efficient appliances;
- Retailers promoting energy efficient equipment and appliances;
- Increasing energy costs; and
- Economy driven need to conserve.

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[17] Application of Wisconsin Public Service Corporation for Authority to Adjust Electric and Natural Gas Rates, Direct Testimony of David W. Clabots (Manager, Sales and Revenue Forecasting)
http://www.wisconsinpublicservice.com/company/rate_case/07_Clabots_Direct_Test_Final.pdf

E-mail correspondence with load forecasting personnel at WPS.

When contacted through email, Mr. Clabots mentioned that they did not specifically model each of the areas mentioned in his testimony. Rather, his testimony implied that the forecasts include impacts based on Energy Information Administration (EIA) forecasts (specifically the Energy Independence and Security Act of 2007) and other areas that are driving energy efficiency in the forecast. Some of the impacts are picked up in the EIA forecast and some are picked up from the utility's historical data that gets used in the regression models.

A.2 CONCLUSIONS

The review of utilities in other jurisdictions helped Hydro One better understand the industry practice of what CDM categories are accounted for in the load forecast. Below are some of the key findings of the review:

- It is difficult to determine the methods used by other utilities/entities to incorporate CDM in the load forecast based solely on a literature review, as publically available documents often do not have adequate information to determine the methodology used;
- CDM categories included in the load forecast vary widely from one utility/entity to another;
- The definitions of CDM categories may be different. For example, some utilities may consider impacts of building codes and appliance efficiency standards under "Federal/Provincial Programs" while others may define it as a separate category;
- Most utilities/entities reviewed, account for savings from CDM programs initiated by the utility/entity in their load forecast; and
- Most utilities/entities reviewed, account for savings from building codes and/or appliance efficiency standards in their load forecast (either modeled implicitly or accounted for explicitly in the load forecast).

The results of this review confirmed that the CDM categories used by Hydro One in its load forecast are consistent with those used by utilities in other jurisdictions.

APPENDIX B:
CDM LOAD FORECASTING SURVEY RESULTS AND QUESTIONNAIRE

In April 2011, Hydro One launched a web-based survey to members of the North American Electric Reliability Corporation (NERC) and Edison Electric Institute (EEI) to better understand the methodologies used to incorporate Conservation & Demand Management (CDM), also known as Demand Side Management (DSM) in the USA, into load forecasting.

The main objectives of the survey were to determine the methodologies used by other utilities to incorporate CDM/DSM into the load forecast and to also better understand which categories of CDM/DSM are incorporated via this methodology. There are two methodologies commonly in use in North America. The first is an implicit methodology where by data is used to generate the load forecast with past conservation impacts embedded, then future incremental efficiency program savings are subtracted from the forecast. The second is an explicit methodology where the historical efficiency program savings are first added back to the actual load then all past and future efficiency savings are subtracted from the forecast. Hydro One currently uses an explicit methodology to incorporate CDM/DSM in its load forecast.

A total of 41 organizations responded to this survey from jurisdictions within Ontario, several other Canadian provinces, and across the United States. A follow-up survey undertaken in September 2013 confirmed the results of the 2011 survey.

This appendix presents the results of these surveys along with the survey questionnaires.

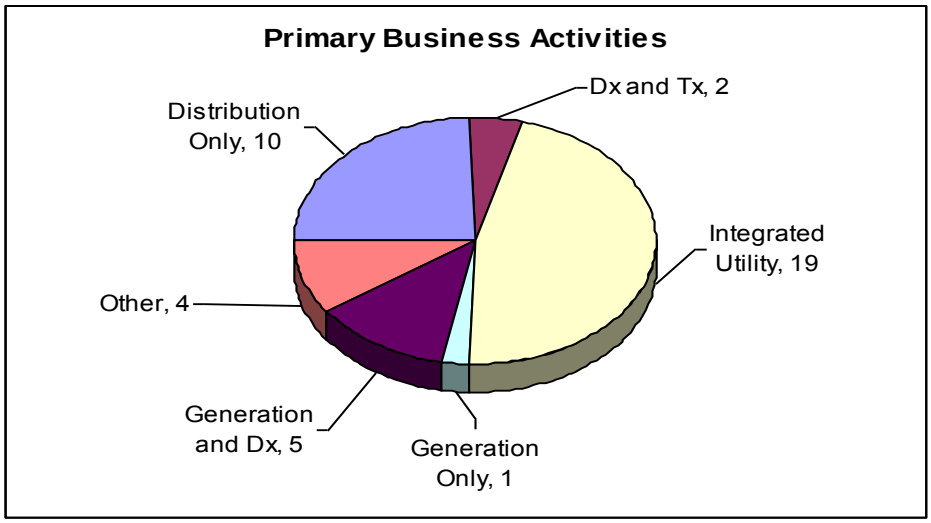
B.1 RESULTS OF THE 2011 SURVEY

This survey was conducted in April 2011. There were 41 respondents from utilities across Canada and the United States.

What are your primary business activities?

There were 41 responses to this question.

- 46% of respondents were from integrated utilities (generation, distribution and transmission services)
- 24% of respondents were from distribution companies



What were your total electricity sales (in MWh) in 2010?

There were 34 responses to this question.

- Answers ranged from 30,485 MWh to 196,592,052 MWh.

What was your customers' or company's total peak demand (in MW) in 2010?

There were 37 responses to this question.

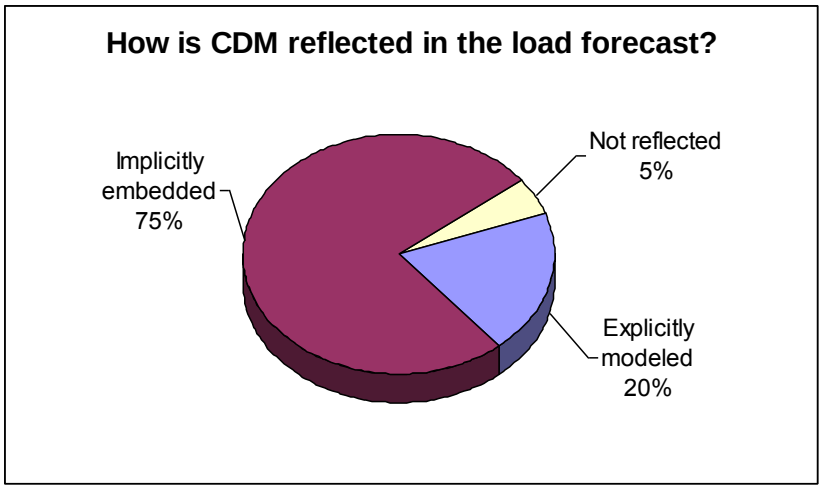
- Answers ranged from 707 MW to 47,500 MW.
- About 60% of respondents had peak demand of less than 10,000 MW in 2010.

	Definition	Number
Small	Less than 10,000 MW	22
Medium	10,000 to 20,000 MW	5
Large	More than 20,000 MW	9
No Answer	N/A	5

How is the impact of CDM/DSM reflected in your load forecasting?

There were 41 responses to this question.

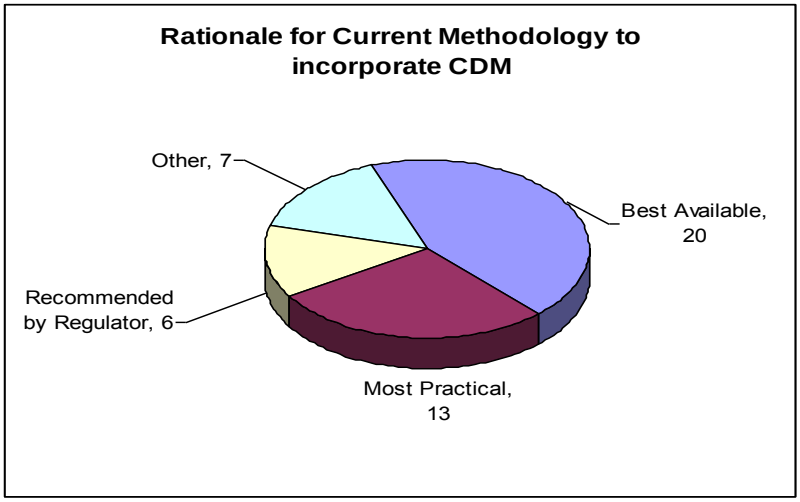
- 75% of respondents said that CDM was reflected in the load forecast using and implicit methodology.
- 20% said that CDM was explicitly modeled in the load forecast.
- 5% of respondents said they did not reflect CDM in their load forecast.



What is the rationale for the current methodology used to incorporate CDM/DSM in the load forecast?

There were 39 responses to this question. Respondents were able to respond to this question with more than one answer so as a result the numbers in the graph add up to more than 39.

- 20 respondents said that the current methodology was the best available.
- 13 respondents said that it was the most practical.
- 6 respondents said that it was the method recommended by their Regulator.



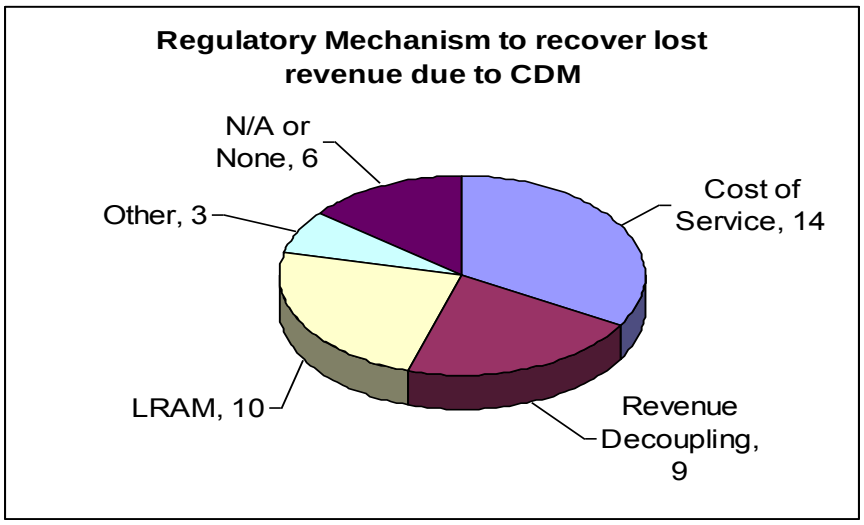
Additional notes:

- Of respondents using an explicit methodology, 75% said it was the best method available.
- Of respondents using an implicit methodology, 45% said it was the best method available.

What are the regulatory mechanisms for your company to recover lost revenue due to CDM/DSM programs?

There were 37 responses to this question. Respondents were able to respond to this question with more than one answer.

- 14 respondents said they use cost of service to recover lost revenue due to DSM/CDM programs.
- 10 respondents use a Lost Revenue Adjustment Mechanism (LRAM).
- 9 respondents use revenue decoupling.



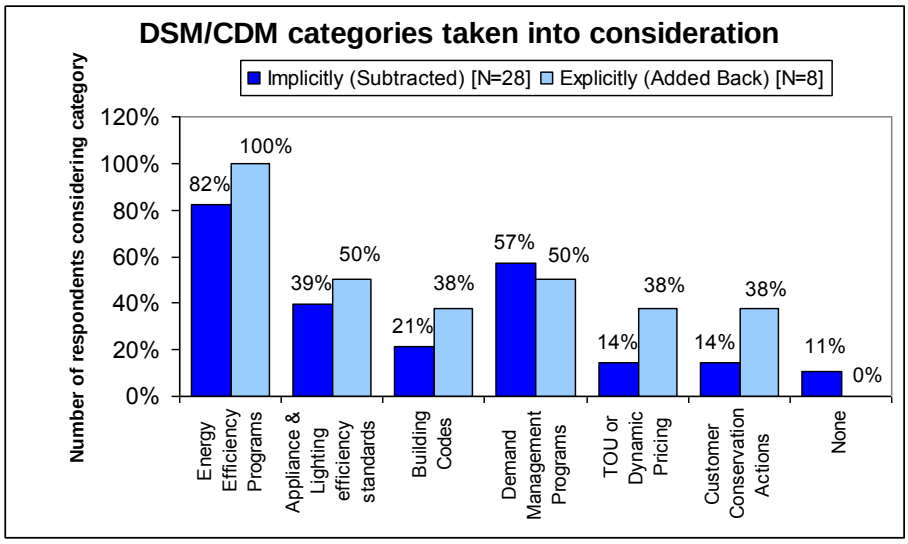
Additional notes:

- 2 respondents used both cost of service and revenue decoupling.
- 1 respondent used cost of service, revenue decoupling and LRAM.

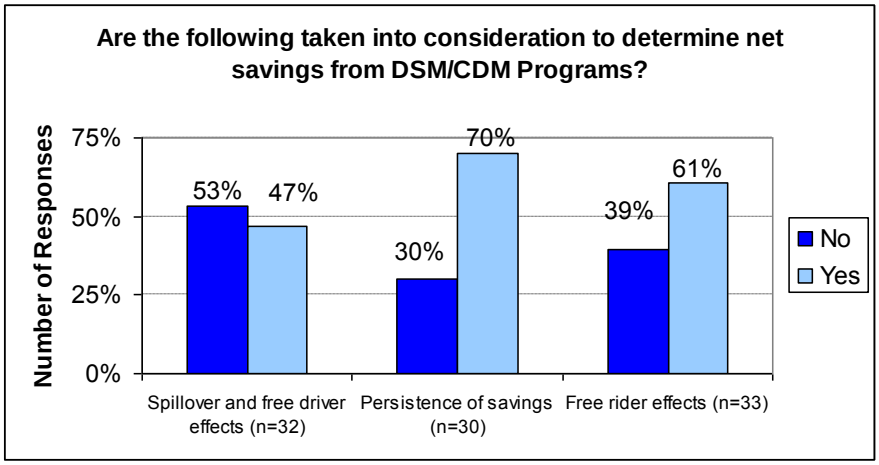
What DSM/CDM Categories are taken into consideration in the load forecast?

There were 36 responses to this question. Respondents were asked to select all that apply.

- All categories seem to be commonly recognized, regardless of forecasting methodology.
- The most common category considered was Energy Efficient Programs (82% of implicit and 100% of explicit considered this category)
- Demand Management Programs (57% of implicit and 50% of explicit) and Appliance & Lighting Efficiency Standards (39% of implicit and 50% of explicit) were also very commonly considered.



How do you determine net savings from DSM/CDM programs?



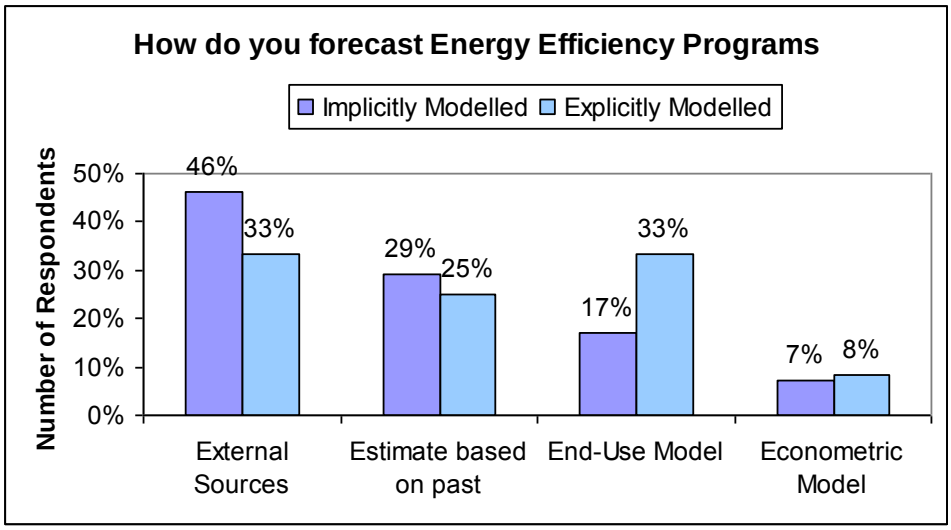
1. Spillover and Free Driver Effects

- 32 respondents answered this question.
- 53% said that they take spillover and free driver effects into consideration when determining net savings from CDM/DSM programs.
- Estimation methods given included econometrics, surveys, billing analysis, and estimates by consultants.
- Rationale given for estimation methods included best judgment and internal decisions.

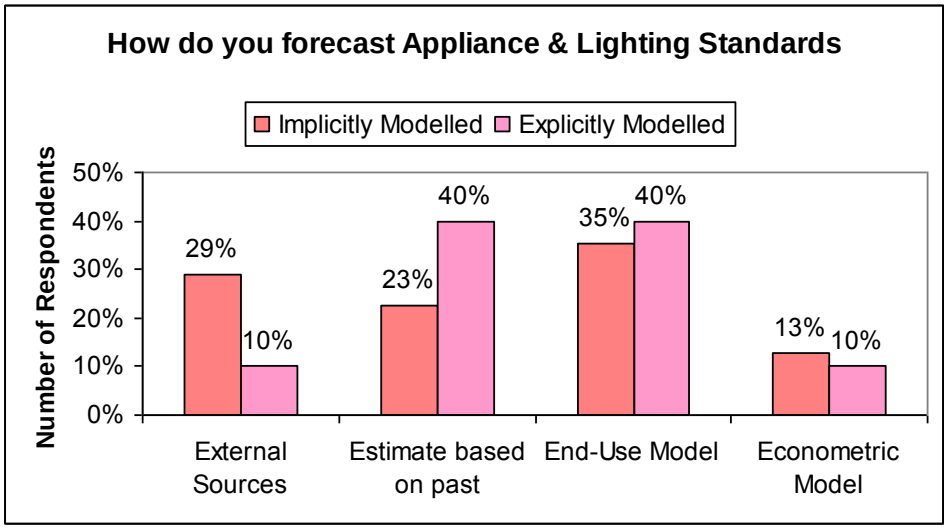
2. Persistence of Savings
    - 30 respondents answered this question.
    - 70% said that they take persistence of savings into consideration when determining net savings from CDM/DSM programs.
    - Estimation methods given included econometrics, surveys, engineering calculations and equipment life assumptions.
    - Rationale given for estimation methods included best judgment, internal decisions, and regulator recommendation.
3. Free Rider Effects
    - 33 respondents answered this question.
    - 61% said that they take free rider effects into consideration when determining net savings from DSM/CDM programs.
    - Estimation methods given included econometrics, surveys, EM&V, program participation and past experience.
    - Rationale given for estimation methods included best judgment, internal decisions, and regulator recommendation.

What are your methods used to FORECAST the following DSM/CDM categories?

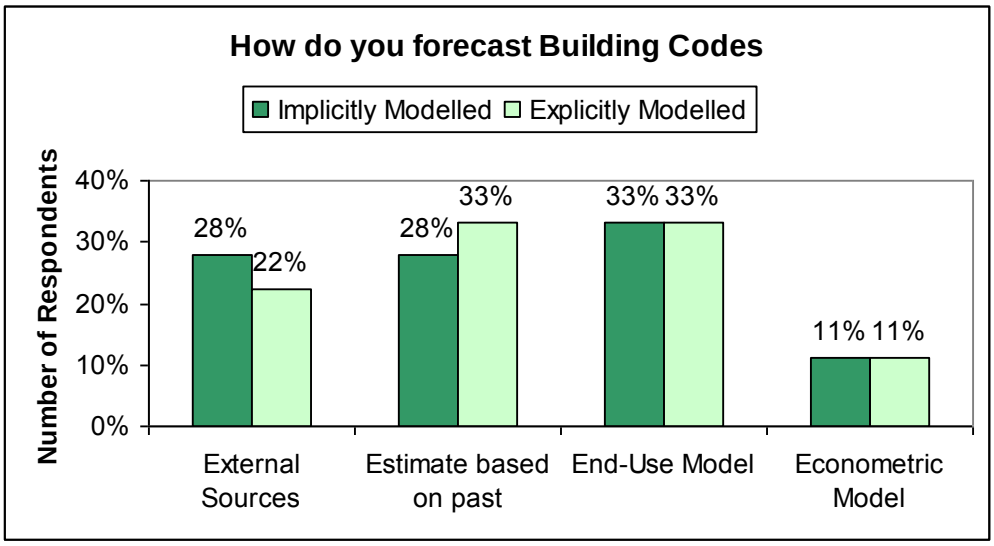
This question was asked to both implicit and explicit methodologies. The methods used varied across methodology and category.


How do you forecast Energy Efficiency Programs
Implicitly Modelled
Explicitly Modelled
Number of Respondents
50%
40%
30%
20%
10%
0%
46%
33%
29%
25%
17%
33%
7%
8%
External Sources
Estimate based on past
End-Use Model
Econometric Model

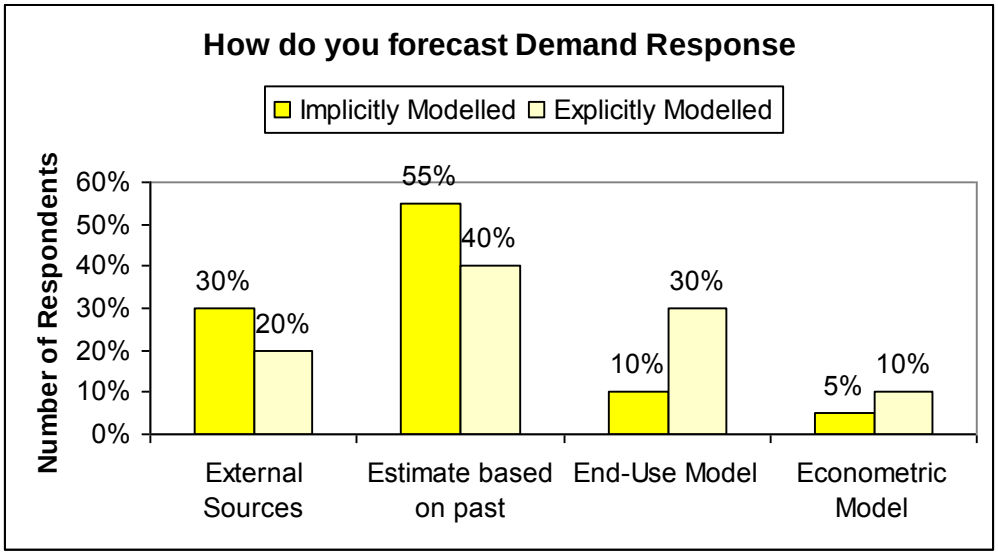
1


How do you forecast Appliance & Lighting Standards
Implicitly Modelled
Explicitly Modelled
Number of Respondents
50%
40%
30%
20%
10%
0%
29%
10%
23%
40%
35%
40%
13%
10%
External Sources
Estimate based on past
End-Use Model
Econometric Model

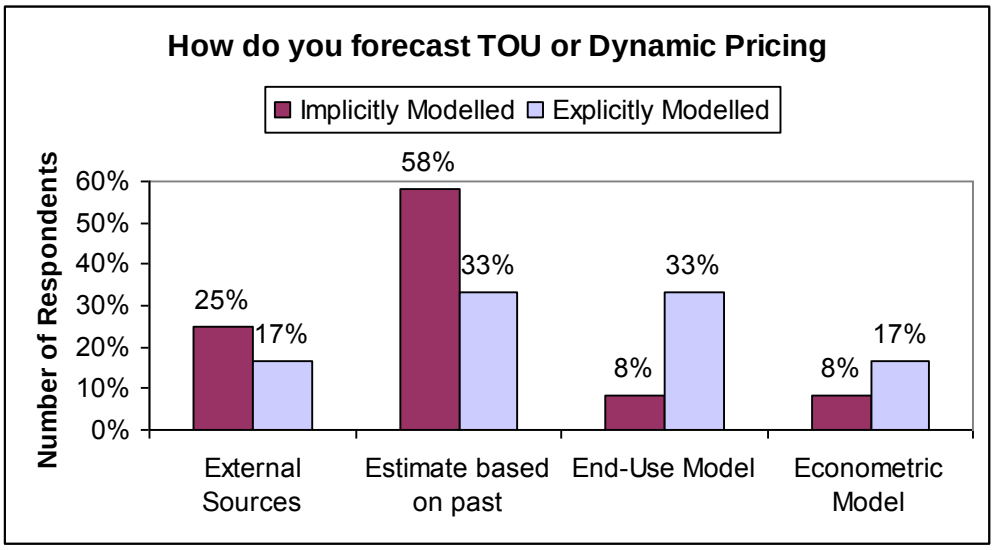
2


How do you forecast Building Codes
Implicitly Modelled
Explicitly Modelled
Number of Respondents
40%
30%
20%
10%
0%
28%
22%
28%
33%
33%
33%
11%
11%
External Sources
Estimate based on past
End-Use Model
Econometric Model

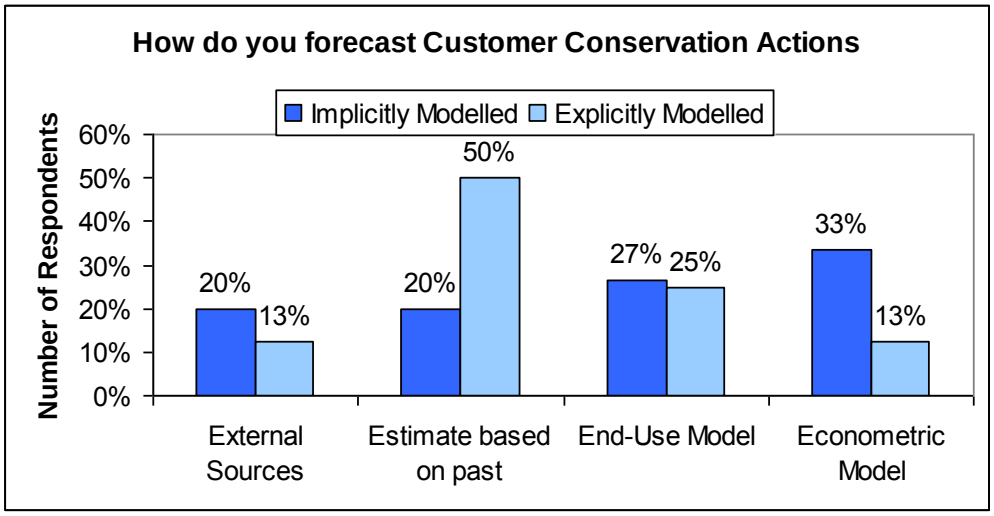
1


How do you forecast Demand Response
Implicitly Modelled
Explicitly Modelled
Number of Respondents
60%
50%
40%
30%
20%
10%
0%
30%
20%
55%
40%
10%
30%
5%
10%
External Sources
Estimate based on past
End-Use Model
Econometric Model

2


How do you forecast TOU or Dynamic Pricing
Implicitly Modelled
Explicitly Modelled
Number of Respondents
60%
50%
40%
30%
20%
10%
0%
25%
17%
58%
33%
8%
33%
8%
17%
External Sources
Estimate based on past
End-Use Model
Econometric Model

1

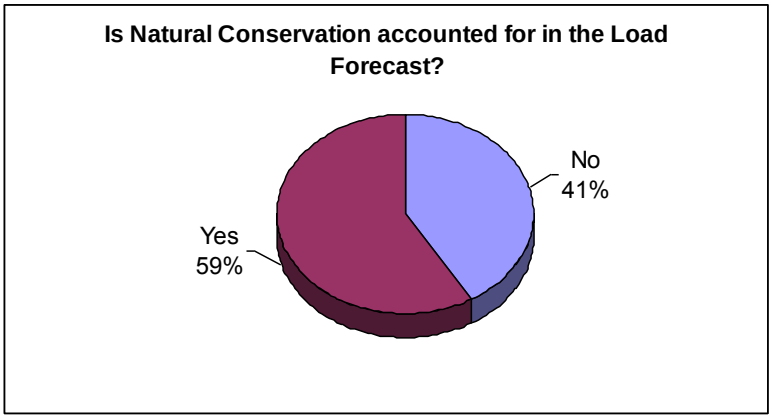

How do you forecast Customer Conservation Actions
Implicitly Modelled
Explicitly Modelled
Number of Respondents
60%
50%
40%
30%
20%
10%
0%
20%
13%
20%
50%
27%
25%
33%
13%
External Sources
Estimate based on past
End-Use Model
Econometric Model

2

3

Is Natural Conservation accounted for in your load forecasting?

There were 41 responses to this question.



- 59% of respondents said that natural conservation was accounted for in their load forecast.

Please explain your definition of "natural conservation" and the estimation methods used in your forecasting.

There were 30 responses to this question. There was a variety of answers received demonstrating that the definition of this term is not common among all respondents.

Some typical answers are shown below:

- Natural conservation is the behavior of customers to reduce energy usage without any utility or government incentive to do so. It is embedded in the historical trends.
- Natural conservation is assumed to be driven by future codes and standards and is based on some judgmental trend in future unit energy consumption by end -use.
- These are the reasonably expected improvements in efficiencies within the end-uses that we forecast.

- Natural conservation is non-program incentivized conservation due to prices, technology changes (i.e., unavailability of less efficient equipment in the market) and social, political and personal restraints. Natural conservation is embedded in the historical data.

Please tell us any other assumption that may be used in your load forecasting methodology.

There were 17 responses to this question. Listed below are a few responses:

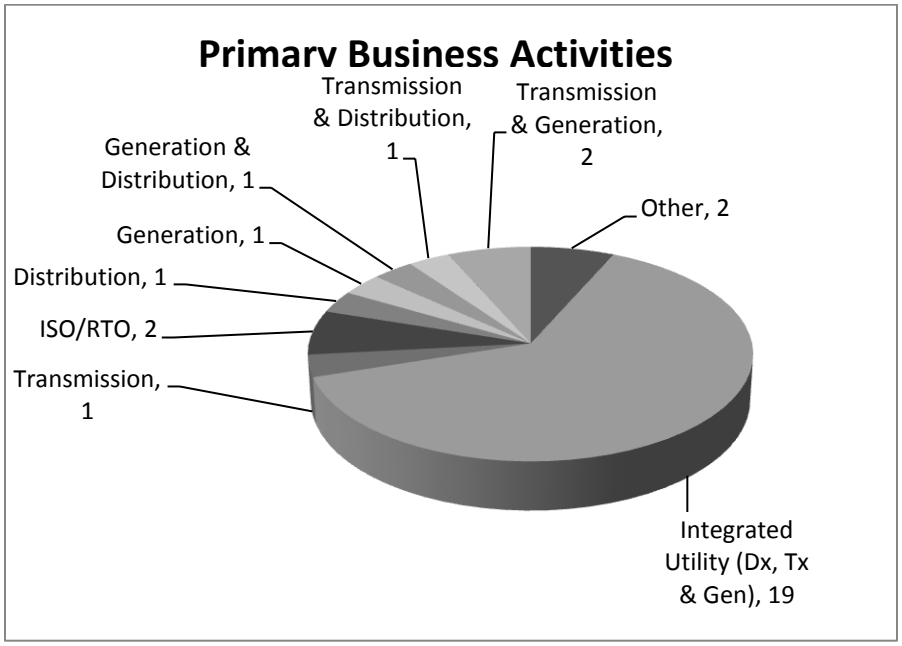
- The impact of renewable distributed generation has become the most rapidly growing aspect of customers' conservation efforts in our territory. Data is obtained from applications filed with the utility and assumptions about operating hours, etc. from historical experience are used to develop impacts that are added back to historical data then removed and future impacts subtracted from the forecast;
- We use SAE (Statistically Adjusted End Use modeling)--Heating, cooling and other index;
- Utilities must be careful to clearly distinguish between DSM savings and natural conservation in netting off DSM from load forecasts. This should be done with a detailed end use by end use accounting; and
- DSM measures such as energy efficiency, demand response, and conservation are implicitly assumed to occur at the same rate as historical trends.

B.2 RESULTS OF THE 2013 SURVEY

This survey was conducted in September 2013. There were thirty responses to this survey from utilities across Canada and the United States. Twenty-one of the respondent utilities/entities also responded to the 2011 survey.

Section 1: Company Information

What are your primary business activities?



What were you total electricity sales (in MWh) in 2012?

- Responses ranged from 3400 MWh to 184,000,000 MWh

What was your total peak demand (in MW) in 2012?

Responses ranged from 612 MW to 35,000 MW

Size	Definition	Number
Very Small	Less than 1,100 MW	4
Small	1,100 to 10,000 MW	18
Medium	10,000 to 20,000 MW	2
Large	More than 20,000 MW	6
Total		**30**

Section 2: Weather Normalization

Have you recently made changes to your methodology for weather normalization?

- Only one utility said that they have changed their weather normalization methodology. The change was to decrease the number of years used.

How many years of historical weather data are used in your weather normalization?

Number of Years Used in Weather Normalization	Number
Less than 10 years	1
10 years	5
11 to 20 years	2
20 years	7
25 years	1
30 years	12
More than 30 years	2
Total	**30**

Do you consider the impacts of changing climate and/or extreme weather in your weather normalization?

- 80% of customers said they do not consider the impacts of change climate and/or extreme weather in their weather normalization.

Section 3: Incorporating the impacts of CDM/ DSM in the Load Forecast

Which of the following methodologies, below, best describes the approach your organization uses to incorporate the impacts of CDM/DSM when preparing your load forecast?

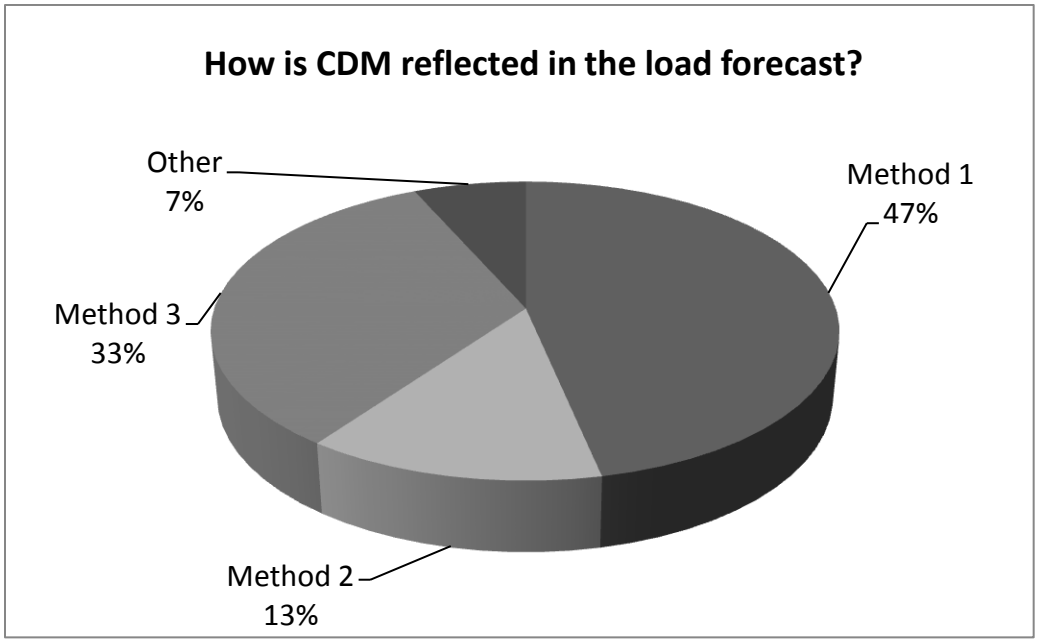
Hydro One has identified three commonly used methods for incorporating CDM/DSM impacts in load forecasting.

Method 1: Use Actual Load without CDM/ DSM Adjustments

Method 2: Use CDM/ DSM impacts as an explanatory variable

Method 3: Add back historical CDM/ DSM impacts to actual load

How is CDM reflected in the Load Forecast?	Number
Method 1	14
Method 2	4
Method 3	10
None of Above/Other	2



In the last year, have you made any significant changes to the methodology you use to incorporate CDM/DSM into the load forecast?

- Three utilities said that they have made a change to their methodology in the past year.
- One of these utilities said they switched from Method 1 to Method 3

Section 4: Dynamic Pricing

Does your company currently offer customers dynamic pricing (i.e.: critical peak pricing, real-time pricing, time-of-use pricing, etc.)?

Do you offer dynamic pricing?	Number
Yes, as part of a pilot program	6
Yes, this is available to all customers	7
Yes, this is available to a subset of our customers	7
No	10

If you offer dynamic pricing to all customers or to a customer subset, is this pricing mandatory or can customers opt-in/ opt-out?

Is dynamic pricing mandatory?	Number
Mandatory	4
Non-Mandatory	10
Not applicable	16

Have you analyzed the peak demand savings associated with dynamic pricing?

Have you analyzed the peak demand savings from dynamic pricing?	Number
Yes	6
No	7
Not sure	1
Not applicable	16

Have you analyzed the energy savings associated with dynamic pricing?

Have you analyzed the energy savings from dynamic pricing?	Number
Yes	3
No	10
Not sure	1
Not applicable	16

B.3 SUMMARY OF SURVEY RESULTS

The following is a summary of the Hydro One survey findings:

- In April 2011, Hydro One launched a web based survey to selected North American Utilities which was answered by 41 respondents across Canada and the United States;
- Respondents were primarily Integrated Utilities and Distributors;
- Twenty percent of respondents said that they use an explicit methodology to incorporate CDM/DSM in their load forecast. Seventy-Five percent of these said that it was the best methodology available;
- Seventy-Five percent said that CDM/DSM is incorporated in the load forecast using an implicit methodology. Forty-Five percent of these said that it was the best methodology available;
- A follow-up survey sent in September 2013 confirmed that the majority of respondents use an implicit methodology (60% based on a survey of 30 utilities/entities);
- The most common mechanism to recover lost revenue due to CDM/DSM was cost of service;
- The current CDM/DSM categories currently used by Hydro One (energy efficiency programs, appliance and lighting standards, building codes, demand response, time-of-use or dynamic pricing, and customer conservation actions) were commonly recognized among the respondents, regardless of forecasting methodology;
- The methods used to forecast these CDM/DSM savings varied by category and by utility;

- Spillover and free driver effects, free rider effects, and persistence of savings were all commonly accounted for in the load forecast;
- The majority of respondents (59 percent) said that natural conservation was taken into account in their load forecast methodology. The definitions given for natural conservation suggested that the definition of this term varies among the respondents; and
- Those who said they did not incorporate natural conservation commonly said that it was already embedded in the historical data.

B.4 COMPARISON OF SURVEY RESULTS

Duke Energy conducted a survey in January 2011 to members of the Edison Electric Institute (EEI) to explore the various methods used to incorporate the load reductions due to energy efficiency programs into load forecasts. While this survey asked specifically about energy efficiency programs and the load forecast, the results are similar to those from Hydro One's surveys in terms of forecasting methodology. The survey had 23 respondents with 3 stating they use an explicit model to incorporate the impacts from energy efficiency programs and another considering using the methodology. Three said they do not make reductions for energy efficient programs. The remainder used different variations of an implicit methodology. The survey found that, in general, utilities either subtract energy efficiency program impacts directly from the load forecast or they are captured through the econometric model.

Table B.1: Comparison of the Survey Results

Methodology to Incorporate DSM/CDM in Load Forecast	Hydro One Survey April 2011	Hydro One Survey September 2013	Duke Energy Survey January 2011
Implicit methodology	75%	60%	74%
Explicit methodology	20%	33%	13%
Do not incorporate or Other	5%	7%	13%

B.5 CONCLUSIONS

Based on the results of 41 survey responses from North American electric utilities in 2011, the current methodology used by Hydro One to incorporate DSM/CDM into the load forecast is commonly used. The CDM categories used by Hydro One (energy efficiency programs, appliance and lighting standards, building codes, demand response, time-of-use or dynamic pricing, and customer conservation actions) were recognized by the majority of respondents regardless of the methodology for incorporating the category in the load forecast.

Based on these results and the results from the 2013 follow-up survey, it was found that although an implicit methodology is the most prevalent methodology for incorporating CDM into the load forecast, the explicit methodology is also commonly used.

B.6 2011 SURVEY QUESTIONNAIRE

Hydro One Networks Load Forecasting Survey

1. What are your primary business activities? (Please check one)

□ Electricity Generation

□ Electricity Transmission

□ Electricity Distribution

□ Integrated Utility (Generation, transmission, distribution)

□ ISO/IESO

□ Commission or Government Agency

□ Other

Please explain in more detail where necessary.

2. What were your total electricity sales (in GWh) in 2010?

3. What was your customer's or company's total peak demand (in MW) in 2010?

4. How is the impact of DSM/CDM reflected in your load forecasting? (Please check one)

A. Explicitly modeled in the load forecast (e.g., add historical efficiency program savings back to actual load and then deduct all past and future efficiency savings from the forecast).

B. Implicitly embedded in the load forecast (e.g., data used to generate the forecast has past conservation impacts embedded, subtract future incremental efficiency program savings from the forecast).

C. Not reflected in the load forecast

D. Other (please specify):

5. What is the rationale for the current methodology used to incorporate DSM/CDM in the load forecast? (Check all that apply)

- ❑ Recommended/approved by Commission/Government Agency/Regulator
- ❑ Believe that it is the best methodology to prepare an accurate load forecast
- ❑ It is the most practical method for our utility even though it may not be the best one.
- ❑ Other (please specify):

6. What are the regulatory mechanisms for your company to recover lost revenue due to DSM/CDM programs?

- □ Cost of service
- □ Revenue Decoupling
- □ Lost Revenue Adjustment Mechanism (LRAM)

Targets)

- □ Other (please specify):

If SELECT "A " FOR QUESTION 4, THEN CONTINUE Q7, Q8, Q9, Q13, Q14, Q15, Q16

7. What DSM/CDM savings are added back to the historical load to generate the gross load with DSM/CDM? (Check all that apply)

- □ Energy efficiency programs
- □ Appliance and lighting efficiency standards
- □ Building codes
- □ Demand response
- □ Time-of-Use prices or Dynamic Pricing
- □ Customer conservation actions (not captured by specific programs, such as turning off lights when it is not in use, turn down thermostat etc.)
- □ Other [please specify]

8. What are the methods used to measure the ACTUAL IMPACT for the following DSM/CDM categories? (Check all that apply)

- □ Energy efficiency programs
- □ Appliance and lighting efficiency standards

☐ Building codes

☐ Demand response

☐ Time-of-Use prices or Dynamic Pricing

☐ Customer conservation actions (not captured by specific programs, such as turning off lights when it is not in use, turn down thermostat etc.)

☐ Other [please specify]

EACH OPTION HAS THE FOLLOWING DROP DOWN LIST

EMV (Evaluation, measurement and verification)

End use model

Econometric model

Other (please specify)

9. What are the methods used to FORECAST the following DSM/CDM categories? (Check all that apply)

☐ Energy efficiency programs

☐ Appliance and lighting efficiency standards

☐ Building codes

☐ Demand response

☐ Time-of-Use prices or Dynamic Pricing

☐ Customer conservation actions (not captured by specific programs, such as turning off lights when it is not in use, turn down thermostat etc.)

☐ Other [please specify]

EACH OPTION HAS THE FOLLOWING DROP DOWN LIST

External sources (such as State/provincial/utility DSM/CDM Target)

Estimate based on past experience, similar programs or customer base

End use model

Econometric model
Other (please specify)

If SELECT "B" FOR QUESTION 4, THEN CONTINUE Q10, Q11, Q13, Q14, Q15, Q16

10. What DSM/CDM savings are subtracted from the load forecast? (Check all that apply)

- ☐ Energy efficiency programs
- ☐ Appliance and lighting efficiency standards
- ☐ Building codes
- ☐ Demand response
- ☐ Time-of-Use prices or Dynamic Pricing
- ☐ Customer conservation actions (not captured by specific programs, such as turning off lights when it is not in use, turn down thermostat etc.)
- ☐ Other [please specify]

11. What are the methods used to FORECAST the following DSM/CDM categories? (Check all that apply)

- ☐ Energy efficiency programs
- ☐ Appliance and lighting efficiency standards
- ☐ Building codes
- ☐ Demand response
- ☐ Time-of-Use prices or Dynamic Pricing
- ☐ Customer conservation actions (not captured by specific programs, such as turning off lights when it is not in use, turn down thermostat etc.)
- ☐ Other [please specify]

EACH OPTION HAS THE FOLLOWING DROP DOWN LIST

External sources (i.e. State/provincial/utility DSM/CDM Target)
Estimate based on past experience, similar programs or customer

base
End use model
Econometric model
Other (please specify)

If SELECT "C " or "D" FOR QUESTION 4, THEN CONTINUE Q12, Q13, Q14, Q15, Q16

12. How do you account for the DSM/CDM impacts in the load forecast?

13. Natural Conservation

Is natural conservation accounted for in the load forecast?	□ YES □ NO
Your definition of natural conservation	**Specify**
Estimation method of natural conservation	**Specify**

14. How do you determine net savings from DSM/CDM programs?

	Is it addressed?	**Estimation methods (i.e. survey, billing analysis etc.)**	**Rationale for the estimation methodology (i.e., recommended by regulator, commission etc.)**
Free rider effect	□ YES □ NO	**Specify:**	
Spillover and free driver effects	□ YES □ NO	**Specify:**	
Persistence of saving	□ YES □ NO	**Specify:**	

15. Are there any documents related to the method of incorporating DSM/CDM impact in the load forecast or DSM/CDM assumptions you can share with us? **(UPLOAD FILE OR LINKS)**

_____

16. Would you like to receive the results of this survey?

❑ Yes

❑ No

17. Please provide your contact information:

Last Name: _____

First Name:_____

Company:_____

Email:_____

Phone:_____

Thank you for participating in this survey.

B.7 2013 SURVEY QUESTIONNAIRE

2013 Load Forecasting Survey

Introductory Information

Company's Name:_____

Contact's Name:_____

Contact's Job Title:_____

Contact's Telephone Number:_____

Contact's Email Address:_____

Would you like to receive the results of this survey?

☐Yes ☐No

Section 1: Company Information

1. What are your primary business activities?

   ☐Electricity Distribution

   ☐Electricity Transmission

   ☐Electricity Generation

   ☐Integrated Utility (Distribution, Transmission and Generation)

   ☐Regulatory Entity

   ☐Other_____

2. What were your total electricity sales (in MWh) in 2012?_____
3. What was your total peak demand (in MW) in 2012?_____

Section 2: Weather Normalization

1. Have you recently made changes to your methodology for weather normalization?

   ☐No

   ☐Yes, we have increased the number of years used to normalize

   ☐Yes, we have decreased the number of years used to normalize

   ☐Other: _____

2. How many years of historical weather data are used in your weather normalization?_____

3. Do you consider the impacts of changing climate and/or extreme weather in your weather normalization?
   If yes, please describe.
   _____

Section 3: Incorporating the impacts of CDM/DSM in the load forecast

1. Hydro One has identified 3 commonly used methods for incorporating CDM/DSM impacts in load forecasting. Which of the following methodologies below best describes the approach your organization uses to incorporate the impacts of CDM/DSM when preparing your load forecast?

☐ Method 1: Use Actual Load without CDM/DSM Adjustments

☐ Method 2: Use CDM/DSM impacts as an explanatory variable

☐ Method 3: Add back historical CDM/DSM impacts to actual load

☐ None of the above, we use another methodology

☐ Not Applicable

(Conditional Question: If choose "None of the above")

Please briefly describe the methodology you use to incorporate CDM/DSM in your load forecast:

_____

_____

(Conditional Questions: If choose "Not Applicable")

Please briefly explain why this is not applicable to your organization:

_____

_____

2. In the last year, have you made any significant changes to the methodology you use to incorporate CDM/DSM into the load forecast?

☐Yes

☐No

(Conditional Question: If Yes)

Please briefly explain the significant changes you have made to your methodology:

_____

Section 3: Dynamic Pricing

1. Does your company currently offer customers dynamic pricing? (i.e. Critical peak pricing, real-time pricing, time-of-use pricing, etc.)

☐No
☐Yes, as part of a pilot program
☐Yes, this is available to all customers
☐Yes, this is available to a subset of our customers

(Conditional Question: If c or d above)

2. Is this pricing mandatory or can customers opt-in/opt-out?

☐Mandatory
☐Non-Mandatory

3. Have you analyzed the peak demand savings associated with dynamic pricing?

☐Yes
☐No

4. Have you analyzed the energy savings associated with dynamic pricing?

☐Yes
☐No

(Conditional Question: If Yes to 3 or 4 (or both)):

5. Would you be willing to share the results of this analysis with Hydro One?

☐Yes
☐No

Thank you for taking the time to complete this survey!

May we contact you again if we have further questions regarding your responses to this survey?

☐Yes

☐No

APPENDIX C:
METHODOLOGIES USED TO INCORPORATE CONSERVATION AND DEMAND MANAGEMENT IMPACTS IN THE LOAD FORECAST

Since 2005, the Ontario Government has set specific Conservation and Demand Management (CDM) targets to be achieved in the province. Over the past several years, significant progress has been made in delivering various CDM programs across the province. The 2010 Long Term Energy Plan and the Supply Mix Directive (February 2011) issued by the government call for CDM savings of 4,550 MW and 13 TWh in 2015. Over the 2011-2014 period, Local Distribution Companies (LDCs) are mandated to meet the CDM target of 1,330 MW and 6,000 GWh. In order to achieve good load forecasting accuracy, CDM impacts have to be handled properly in the modeling process.

Hydro One undertook a methodology review of how CDM impacts are incorporated in the load forecast modeling process. The results of the review show that there are 3 methods commonly used by electric utilities in North America. All methods take into account projected CDM impacts for the forecast period. However, major differences exist in how the CDM impacts are used in the modeling process. These methods range from using the actual load without CDM adjustments, using historical CDM impacts as an explanatory variable, to adding back historical CDM impacts to the actual load. Advantages and challenges of these methods are discussed in detail in this report.

Hydro One has adopted Method 3 in its load forecast modeling process. The review results show that this method effectively takes into account CDM impacts during the historical and forecast periods. It is also shown that this method is technically sound and efficient.

C.1 INTRODUCTION

As explained in most economic textbooks, electric load forecasting models take into account economic, demographic, prices and other factors that affect the load. However, CDM does not behave like economic factors because it is determined as policy targets. As a result, economic theory would not be able to "model" CDM nor predict its impacts for the simple fact that it is set by policies. This does not change the fact that CDM affects the load and, as such, it should be taken into account in load forecast modeling process.

In addition to the survey carried out to better understand the methodologies to incorporate CDM in their modeling process, commonly used by other utilities in North America, Hydro One also undertook a review to compare these methodologies and better understand the issues surrounding this topic.

During this review process, Hydro One found that other entities have also done some research in this area. The results of this research are briefly summarized as follows:

- In 2007, North American Electric Reliability Corporation (NERC) Load Forecasting Working Group undertook a load forecasting survey among its members and concluded that there is insufficient consistency in forecasting methodologies used across the regions. It identified two key methodologies to model the impacts of historical and/or future conservation and efficiency improvements in the forecast, including explicit (e.g., directly modeling

conservation impacts) and implicit (e.g., data used for base forecast has past conservation impacts embedded) models;[18]

- In 2010, Itron Inc., a US consulting firm, published a white paper on "Incorporating DSM into the load forecast".[19] The document discusses three main econometric methods that may be used to account for CDM in the forecast period; and
- In 2010**,** Duke Energy conducted a survey of Edison Electric Institute (EEI) member utilities in North America to gain an insight of the methods used to incorporate projected energy efficiency impacts into the load forecast.

The results of Hydro One's research show that there are three methods, commonly used by electric utilities in North America, to incorporate the impacts of CDM into the load forecast. All methods take into account projected CDM impacts for the forecast period. However, major differences exist in how the historical CDM impacts are being used in the modeling process. Section C.2 to C.4 discusses these three methods in detail. Advantages and challenges of these methods are discussed in Section C.5 of this report.

C.2 METHOD 1: USE ACTUAL LOAD WITHOUT CDM ADJUSTMENTS

In this method, no CDM adjustments are made during the modeling process so that the actual load (which is net of CDM) is linked to the economy, demography, prices and

[18] http://www.nerc.com/docs/docs/pubs/NERC_Load_Forecasting_Survey_LFWG_Report_111907.pdf

[19] https://itron.com/na/PublishedContent/Incorporating%20DSM%20into%20the%20Load%20Forecast.pdf

weather variables. Over the forecast period, incremental CDM (over and above the historical period) is usually deducted from the forecast. This method is considered the most simple among the three methods discussed in this report. However, this modeling approach has the following challenges:

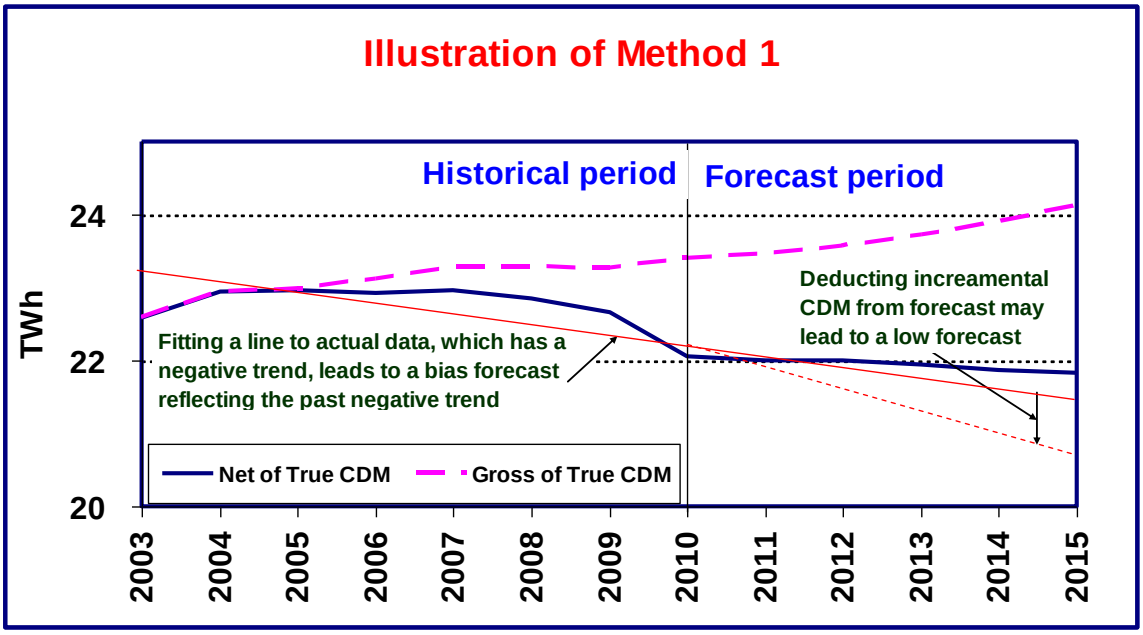
- Since the actual load during the historical period is affected by CDM between 2005 and 2010 (with CDM programs), this data will not be consistent with the rest of the historical load data prior to 2005 (without CDM programs);
- The model linking the actual load to various explanatory variables does not recognize that, in addition to the economic and demographic factors, the load has been affected by CDM. As a result, the estimated coefficients of the model will likely be biased as the impact of CDM will now go to the error term, and thereby affecting the coefficient estimates;
- Consequently, the forecast based on this model is biased. Due to CDM impacts, the forecasted load will likely grow less rapidly than it should for the same set of economic and demographic conditions. For example, estimated Gross Domestic Product (GDP) or income elasticity may be lower than its true value leading to a lower than normal forecast over the forecast period. GDP and income elasticity estimates will likely be negative, which is in contrast to their true positive impact to the load; and
- Both the estimates of coefficients and the forecasts are inefficient because the error-term variance is inflated by the CDM impacts which are not explicitly accounted for in the model.

Since the forecast is biased and most likely in a downward direction, it is difficult to determine how much incremental CDM should be deducted from the forecast. If the full incremental CDM impact during the forecast period is deducted from the forecast, there would potentially be double-counting issues because the forecast is already lower than it

should be. Ignoring CDM during the forecast period is not a solution either because it is difficult to determine whether the bias embedded in the forecast will be completely offset by the error during the forecast period.

There is no systematic solution to generate an unbiased forecast using this method. The forecaster will likely be forced to make a judgment call on how much CDM is already "embedded" in the forecast due to the bias in the historical load data used, and how much "incremental CDM" should be deducted from the forecast.

Figure 4



In short, the estimated coefficients and the forecast using this method will likely be biased and inefficient. There is also a possibility for double-counting the CDM impacts, leading to a lower forecast as illustrated in Figure 4. Consequently, if a regression line is fitted to the actual data, the line will likely pick up the negative trend in data.

C.3 METHOD 2: USE CDM IMPACTS AS AN EXPLANATORY VARIABLE

In this method, CDM impacts are used as an explanatory variable on the right-hand-side of the econometric equation, together with other economic variables. The model is then used to forecast the load net of CDM. For example, consider the following simple linear equation:

Load = a * CDM + b * Income + c * Electricity Price + d * CDD + e * HDD + Error Term

Where a, b, c, d and e are model coefficients to be estimated using data series on load and explanatory variables (i.e., income, prices, cooling degree days (CDD), heating degree days (HDD)). In this equation, the error term represents the balancing series consisting of random factors that could not be explained by any explanatory variable(s). The CDM variable can be represented as KWh, KW or dollars. In this example, the CDM variable is assumed to be using KWh. The CDM coefficient (a) in the forecasting model equals to -1 on *a priori* basis but because it is allowed to be estimated, its estimate may be different from -1.

This method has the following challenges:

- The CDM series may be correlated with other variables used in the equation (e.g., income). In this case, not only the CDM coefficient but some other coefficients in the model (e.g., b) may diverge from their true value;
- The error term in the equation potentially causes estimated coefficients to diverge from their true value. The larger the error, the higher the probability that the divergence would be substantial;

- If there are missing explanatory variables that are not included in the equation, then the estimated CDM coefficient is biased and it would probably diverge significantly from its true value (-1); and
- This method has limitations for modeling in a log-linear form because it is difficult to take the logarithm of a series (in this case CDM) if it has zero values (and CDM was zero prior to 2005).

All these could be avoided if the CDM coefficient (a) is set to equal to -1 so that CDM could be brought to the left-hand-side of the equation and be added to the actual load (which is Method 3 as discussed in this report). The correlation between the CDM series and other variables used in Method 2 potentially leads to increases in variance of the estimated coefficients in the model so that the estimates are less efficient compared to Method 3. Efficiency is important because efficient estimates are more robust in case of small changes in data and potential equation errors.

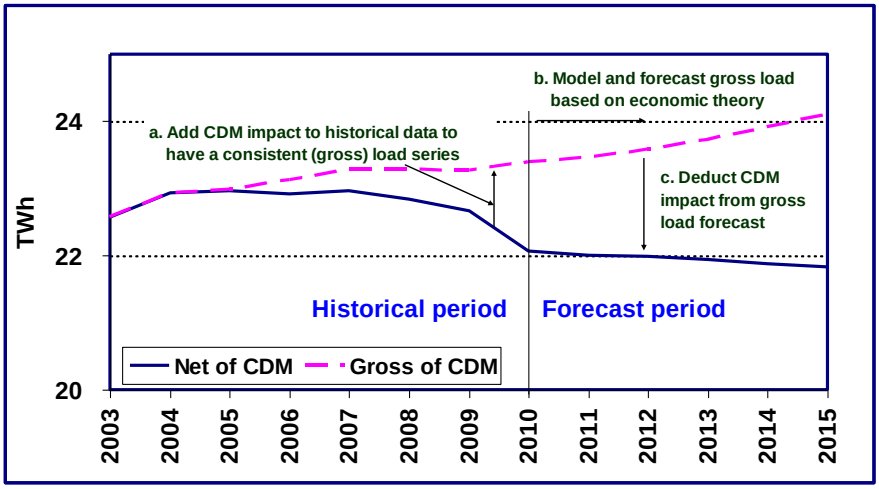
Some utilities in Ontario have used similar regression models as Method 2. The general approach is to regress monthly kWh based on economic activity, days in the month, HDD, CDD, Spring/Fall binary "flag", CDM (in KWh value) and other variables as appropriate. The Ontario Energy Board (OEB) recognized the modeling issues associated with this method in its recent Decisions for Horizon Utilities' 2011 Cost of Service Rates Application (EB-2010-0131) and suggested that using more sophisticated econometric modeling approaches is required to deal with the multicollinearity issues associated with Method 2.

C.4 METHOD 3: ADD BACK HISTORICAL CDM IMPACTS TO ACTUAL LOAD

In this method, the load impact of CDM is fully taken into account during the historical and forecast periods. This method employs the following steps as illustrated in Figure 4.

- The load impact of CDM is added back to the actual yielding a consistent data set (gross of CDM) over time for modeling;
- The adjusted (gross) load data is then used to model and forecast the load using appropriate explanatory variables (e.g., Gross Domestic Product (GDP), income, population, number of households, etc.) as well as prices in a manner consistent with economic theory. Having used consistent data and having accounted for all influential factors affecting the load, the model does not suffer from structural change due to CDM. As a result, both estimated model coefficients (elasticity) and forecasts are unbiased and efficient; and
- Finally, the historical CDM impacts and CDM impacts during the forecast period are deducted from the gross load forecast to arrive at the load forecast net of CDM.

Figure 5: Illustration of Method Three



C.5 COMPARISON OF THE THREE METHODS

Each method discussed above has advantages and challenges. Hydro One has assessed all three methods and has selected Method 3 as the best method to generate accurate and efficient forecast. Table C.1 compares the three methods for incorporating CDM in the modeling and forecasting process.

Table C.1: Comparison of the Three Methods

Method	Advantages	Challenges
Method 1	• Estimates of historical CDM impacts are not required. • Modeling is simple, without the need to adjust any right-hand-side or left-hand-side variables for CDM.	• Assume historical CDM impacts grow at the same rate over time, while it may not be true for all cases. • Historical efficiency savings embedded in the actual load data may influence the forecasted trend. • Subtracting additional CDM impacts for the forecast period may result in "double counting".
Method 2	• CDM is used as an explanatory variable to explain the declining trend of actual load.	• Requires estimates for CDM impacts for historical and forecast periods. • Need substantial historical CDM impacts to generate statistically significant parameters. • If CDM variable is in KWh or KW value, the regression model has potential multicollinearity issues.
Method 3	• Explicitly account for historical and forecast CDM impacts. • Reconstitutes consistent load data to develop forecast in the model.	• Requires estimates for CDM impacts for historical and forecast periods. • If historical CDM impacts are not accurately measured, projecting future CDM impacts based on past results may affect forecast accuracy.

C.6 CONCLUSION

In this document, alternative methods for incorporating CDM impacts in the load forecast modeling process were discussed and compared. Hydro One has adopted Method 3 in its load forecast modeling process. The comparison of the three methods in Section C.5 shows that this method effectively takes into account CDM impacts during the historical and forecast periods. It is also shown that this method is technically sound and efficient. Based on Hydro One's experience, this method has resulted in accurate load forecasts for Hydro One over the past several years. Recognizing the fact that factors affecting the load forecast may change over time, Hydro One will continue to assess and adopt appropriate methods that produce accurate load forecasts.

INVESTMENT PLAN DEVELOPMENT

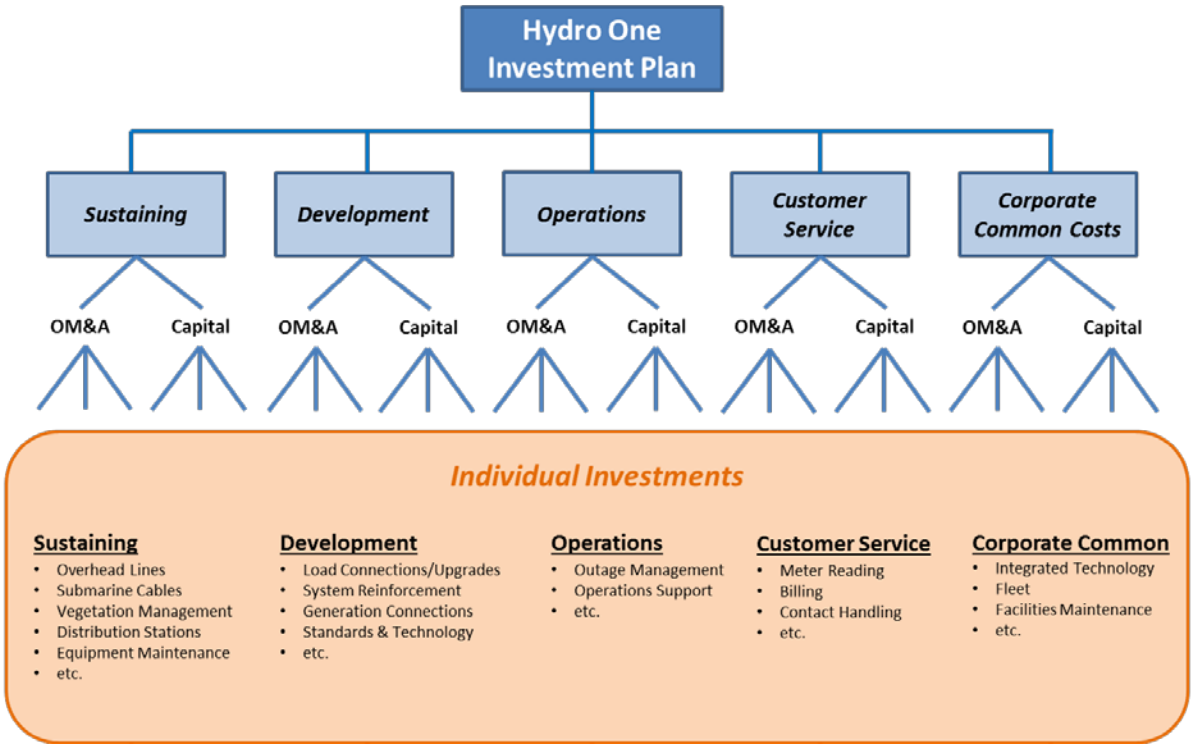
1.0 OVERVIEW

The development of Hydro One Distribution's Investment Plan consists of five major investment categories as outlined below.

- **Sustaining** – investments required to maintain the existing capability of distribution system assets to ensure that they will continue to function as originally designed.
- **Development** – investments required to ensure the distribution system capability to provide a secure and reliable supply of electricity in response to new large customer connections, cumulative system wide load growth and system demands associated with new generators.
- **Operations** – investments required to monitor the distribution system assets for power quality issues, faults and interruptions. Operations also manage the dispatch function, system reconfiguration, isolation and/or de-energization of equipment for work.
- **Customer Service** - provision of services to residential, commercial and large industrial customers connected to the Hydro One distribution system to address customer satisfaction concerns and to satisfy service levels.
- **Common Corporate Investments** - investment projects that are common to both Hydro One's Distribution and Transmission businesses. These projects are a subset of the Common Corporate costs and include the expenditures for minor fixed assets (MFA), service equipment, projects and programs for Facilities and Real Estate and Integrated Technology (IT) projects.

The investments for each category pyramid up to an overall Investment Plan for Hydro One Distribution as shown in Figure 1.

Figure 1: Investment Plan



As discussed in Exhibit A, Tab 17, Schedule 1, the investment plan development process is part of Hydro One Distribution's corporate business planning process. During this phase of the business planning process, information is collected, needs are assessed, and potential investments are identified for the five major investment categories. The individual investments are then evaluated taking into consideration the other investments within a category. The proposed levels of investment for each category are submitted for further evaluation against all other investments proposed, using the investment prioritization process described in Exhibit A, Tab 17, Schedule 4.

2.0 INVESTMENT PLAN DEVELOPMENT PROCESS

The investment plan development process consists of four steps that are common to each of the investment categories Sustaining, Development, Operations, Customer Service and Common Corporate Cost. The steps in the investment planning process include;

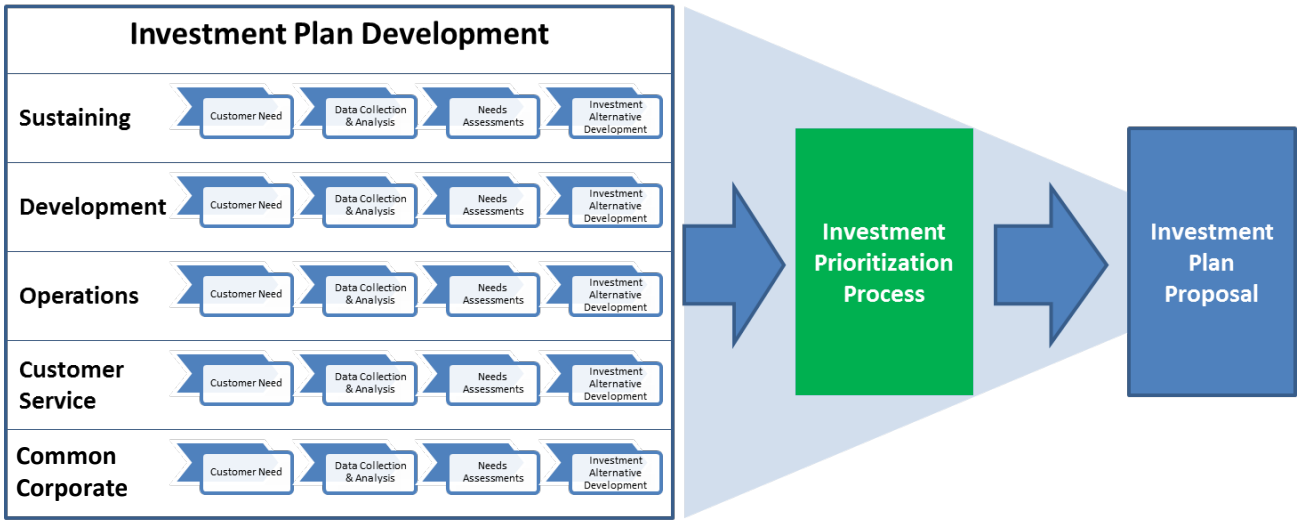
(i) the determination of customer needs;

(ii) collection and analysis of data;

(iii) assessment of needs; and

(iv) identification of investments alternatives as outlined in Figure 2.

Figure 2: Investment Plan Development Process



The details of each step of the Investment Development process are outlined in the following sections.

2.1 Customer Need

The first step in the investment plan development is to determine customer needs. Customer satisfaction and customer transactional research is conducted throughout the year across various customer segments to gain an understanding of the key drivers impacting customer satisfaction. This research guides the development of investment strategies and addresses satisfaction gaps.

The most recent results identified the following customer needs:

- maintain and reduce customer bills;
- improve outage handling and restoration efforts;
- maintain reliability for residential customers; and
- improve customer service communication.

Based on these customer needs and customer satisfaction strategies, investment alternatives are developed and included in this process. Specific investments are also evaluated in conjunction with asset and business needs.

2.2 Data Collection and Analysis

Data to guide and support the development of the investment plan is collected through a number of methods depending on the type of investment. Data requirements and decision criteria tend to be unique for each of the investment categories summarized below.

2.2.1 Asset Analytics

Asset Analytics is a new tool Hydro One uses in its investment planning process. Asset Analytics focuses on asset risk prioritization to enable planners to make optimal asset decisions at any point in time. The tool provides an integrated technology solution, leveraging existing SAP investments to provide an integrated asset view and line of sight to future asset sustainment needs using asset information that is continually updated any time any maintenance, refurbishment, replacement or new construction occurs. This ensures planners have constant up to date information to determine the most effective business plan to meet the customer, business and corporate requirements.

The Asset Analytic solution provides a common understanding of asset risk and comparability between assets of the same type along with standardized reports and dashboards. Asset Analytics also provides:

1. A cascading information view of asset risk/priorities based on demographics, condition, economics, utilization, performance and criticality/customer;
2. Geo-spatial presentation to help identify potential bundling opportunities;
3. Integrated data to support asset decision-making and the ability to format, filter and present data;
4. Documented, consistent and reliable processes that support the understanding of asset needs; and
5. A method of institutionalizing knowledge within the system to maximize value and facilitate knowledge transfer.

Asset Analytics is a valuable input into the investment planning process that assists in prioritization of investmenst and optimization of asset life.

2.2.2 Sustaining

For Sustaining investments, condition data collected during routine maintenance and inspections, performance history and other non-condition information is assessed as described in Exhibit A, Tab 17, Schedule 7.

The information is compiled for each specific asset and may be grouped with the information of other like assets for the purpose of developing integrated investments (i.e. station refurnishments). In other cases, due to the variable nature of the work (i.e. demand work), investment levels are based on forecast volumes and costs using observed historical averages rather than specific asset data.

2.2.3 Development

For Development investments, economic factors (e.g. Gross Domestic Product, housing starts), feeder loading along with future load growth forecasts is compiled. Feeder loading, protection schemes and system configuration issues can impact Hydro One customers in the quality of power delivered, number of interruptions the customer is subjected to and the availability of dual supply to the customer.

Technical assessments of loading and system conditions are performed to examine the impact of load growth and identify various system needs. The types of technical assessments Hydro One Distribution undertakes include: Feeder Studies, Area Studies, System Impact Assessments and Connection Impact Assessments.

2.2.4 Operations

For Operations investments, the lifecycle of operating facilities and infrastructure is used as an input to developing investments. Other inputs include the requirements from reliability authorities, operating agreements, and the facilitation of renewable generation and conservation initiatives.

2.2.5 Customer Service

Customer Service investments are driven by the need to support the customer call centre and other customer interfaces.

2.2.6 Common Corporate

Common Corporate investments support the Sustaining, Development, Operations and Customer Service work programs. Investments are based on organizational needs and then optimized for facility and fleet requirements while including cost savings from IT productivity enablers and utilization assessments.

2.3 Needs Assessment

The next step in the investment plan development process is the assessment of needs. Based on the data collected, an assessment of the distribution system and assets is undertaken. Investment needs are derived by focusing on mitigating risk associated with the likelihood and consequences of asset failure as well as maintaining system performance and satisfying customer expectations.

Changes in provincial regulations, legislative and environmental law requirements, or technical standards, are also factored into the determination of investment needs.

2.4 Investment Alternative Development

Developing the alternatives is the final step in the process and is guided by the results from the needs assessments.

2.4.1 Sustaining

For Sustaining investments, alternative levels of sustainment effort are defined for each asset considerating asset lifecycle cost and risks. Emphasis is placed on defining best value alternatives to address aging assets, maintain reliability and minimize customer disruption.

The potential investments are also reviewed to identify any areas where efficiency and productivity gains can be realized through the "bundling" of complimentary work as described in Exhibit A, Tab 19, Schedule 1.

Details on the Sustaining Capital and OM&A investments developed and included in the Investment Plan can be found in: Exhibit D1, Tab 3, Schedule 2 and Exhibit C1, Tab 2, Schedule 2.

2.4.2 Development

Similar to the process followed for Sustaining investments, potential Development investments are reviewed in a holistic manner and entails the "bundling" of complimentary work where synergies exist. Alternatives are developed to address the system reinforcement and customer connection needs. For example, a particular voltage issue may be addressed by either installing a capacitor, installing a regulator, or re-conductoring a distribution line. The appropriate alternative is proposed based on its ability to address the need in the most cost-effective manner.

Details on the Development Capital and OM&A investments developed and included in the Investment Plan can be found in Exhibit D1, Tab 3, Schedule 3 and Exhibit C1, Tab 2, Schedule 3.

2.4.3 Operations

For Operations investments, alternatives are developed with emphasis placed on defining best value that strikes a balance between sustaining existing Operations facilities and developing new facilities. Many of the Operations investments pertain to the improvement of customer facing communication systems and tools in order to improve the information regarding service impacts and timelines and additional options on mediums the customer can use to receive this information.

Details on Operations Capital and OM&A investments developed and included in the Investment Plan can be found in Exhibit D1, Tab 3, Schedule 4 and Exhibit C1, Tab 2, Schedule 4.

2.4.4 Customer Service

For Customer Service investments, service quality enhancement opportunities are assessed in the context of providing base services such as billing, meter reading and contact handling, and meeting regulatory compliance obligations. Opportunities are assessed based on best value, a balance between service improvements and enhanced features, and cost to deliver such services.

Details on Customer Service Capital investments developed and included in the Investment Plan can be found in Exhibit D1, Tab 3, Schedule 5 and Exhibit C1, Tab 2, Schedule 5.

2.4.5 Common Corporate

For Common Corporate investments, alternatives are developed to address the identified needs. In the case of information technology, for example, needs are assessed with regards to hardware, software and application required to support business processes throughout Hydro One and focus on:

- leveraging enhanced capabilities that are already inherent in the existing tool set;
- making better use of existing data;
- adjusting existing processes; or
- upgrading hardware and software in anticipation of its end-of-life.

Details on Common Corporate Capital and OM&A investments developed and included in the Investment Plan can be found in Exhibit D1, Tab 3, Schedule 6 and Exhibit C1, Tab 2, Schedule 6.

3.0 SUMMARY

Investment alternatives are developed to address asset needs and risks while maintaining reliability and satisfying customer expectations. These alternatives are then further evaluated applying the investment priorization and selection process outlined in Exhibit A, Tab 17, Schedule 4 in order to create a Investment Plan Proposal that is recommended to the Hydro One Board of Directors for approval as part of the corporate Business Plan.

WORK EXECUTION STRATEGY

1.0 BACKGROUND

Hydro One Distribution's Work Execution Strategy has successfully delivered the distribution program over the past five years. The refinement of several aspects of the strategy will continue to provide increased work execution capacity and necessary flexibility to accommodate the planned distribution work programs over the next 5 years. The strategy will also address the continuing global business challenges such as the uncertainty regarding material availability and qualified personnel to undertake the work. A focus on efficiency continues throughout Hydro One's work planning and execution activities and processes aided by the use of the new Asset Analytics and Asset Investment Planning tools.

Execution of Hydro One's distribution work program must be considered jointly with its transmission work program, as the resources required are part of an integrated workforce.

2.0 FACTORS IMPACTING FUTURE WORK PROGRAMS

The Hydro One Distribution work program has been steadily increasing over the last few years and continued growth is forecasted. Factors such as Smart Grid, Smart Metering, regulation compliance, distribution asset condition and workforce demographics continue to have an effect on completion of the work program. These factors are discussed in the following sections.

2.1 Smart Grid and Smart Meters

Distribution system projects and programs are becoming more complex to plan and execute due to the increasing complexity of the distribution system design and function

due to distributed generation and smart grid requirements. More than 50,000 repeaters and collectors have been added to Hydro One's distribution system to enable Smart Metering and Time of Use Billing which will improve the capability of Hydro One to better serve our customers. These additional units will now need to be maintained going forward.

2.2 Increasing Work Volumes

Hydro One Distribution's OM&A and Capital work programs are increasing:

- to satisfy the PCB testing and replacement requirements set out by Environment Canada regulations in a timely and orderly manner;
- to continue to address select areas of overgrown regions under the vegetation management program to mange costs and improve reliability;
- to manage the wood pole population through replacement of end of life wood poles and poles showing signs of premature decay;
- to address aging distribution station transformers and other distribution assets through replacement or refurbishment programs;
- for the submarine cable maintenance programs to meet challenges as a result of receding water levels in the Great Lakes; and
- ensure compliance with Ontario Regulation 22/04. This regulation has established a standard for electrical distribution safety requirements for all licensed electricity distributors in Ontario as well as national technical standards for infrastructure design and construction (including utility plant) with an audit-based compliance system. This has resulted in increased hours and costs to work on existing plant in order to ensure adjacent existing structures meet this regulation.

2.3 Aging Distribution System

Hydro One Distribution manages 1,004 distributing and regulating station facilities which are used for the delivery of power, voltage transformation and switching. An increased capital re-investment program is being undertaken to address the demographic pressures and deteriorating asset condition of the DS fleet. Integrated station refurbishment and replacement programs are required to address the overall condition of the station assets and facilities. Failure to complete this work may result in a decrease in the distribution system performance and reliability.

2.4 Material and Equipment Availability

Materials and equipment incorporated into distribution projects and programs account for approximately 40% of the total cost of the work. Rapid growth in work programs at utilities across North America, and the changing nature of the distribution business to enable distributed generation and Smart Grid technology, has resulted in an increased demand for specialized materials and equipment needed to build electrical generation, transmission, and distribution facilities. Manufacturing plants for specialized equipment are reaching full capacity.

2.5 Work Execution Capacity Challenges

Hydro One has an integrated workforce for its transmission and distribution businesses. This allows Hydro One to take advantage of economies of scale and efficiencies that would not be available through separate transmission and distribution operations. Distribution system work programs are completed on a project or program basis by Hydro One resources, by external resources or by both. The work execution challenges include:

Internal Work Capacity – Specialized staff such as Protection and Control (P&C) engineers, P&C field technicians and linemen have been more difficult to recruit than in the past, due to competing needs from other organizations in Ontario, and across North America, in response to expanding infrastructure programs. This critical staff is part of an integrated workforce for both the transmission and distribution work programs.

External Work Capacity – A greater volume of distribution work will be required to be outsourced. Where work is very integrated with existing facilities, it is always managed by Hydro One staff with support from outsourced specialist engineering or construction services when needed. Some greenfield projects can be outsourced using a "turnkey" approach, where the design and construction are done by an external firm. All categories of external resources and services are becoming harder to contract as the North American demand increasingly exceeds available supply.

3.0 IMPLEMENTATION OF WORK EXECUTION STRATEGY FOR 2014 2019 WORK PROGRAM

Hydro One Distribution has taken a number of actions to increase the volume of work the Company can complete in future years. Hydro One Distribution is now using fully integrated work planning methods that balance and optimize the use of internal and external resources, costs, system outages, customer needs and material availability. These improvements include:

- Increased Work Bundling and Outage Optimization
- Work Program Releases
- Work Prioritization
- Strategic Sourcing
- Logistics Support

- Improved Designs
- Staffing Strategy
- Improved Work Methods

3.1 Increased Work Bundling and Outage Optimization

Many of the distribution projects and work programs require parts of the system to be electrically isolated while the work is being performed. Getting the required planned outages is increasingly difficult as each year the distribution system grows larger and more complex with the addition of distributed generation and Smart Grid components, and supplied load increases. Additional outages may have an adverse effect on customers.

Planned outages are susceptible to being cancelled. Cancellation can be due to storm activity, customer demands and system constraints. When planned outages are cancelled due to system constraints or severe weather, crews have to be demobilized and the work and the required outages rescheduled for some future date. Outage cancellations increase project costs and limit work accomplishment.

Hydro One has made a number of improvements to outage planning by bundling work at common locations to become more efficient. Completing more bundled work enables Sustainment work and Development work to be planned and executed in an integrated manner under a common work plan. This reduces the number of system outages required, utilizes resources more efficiently, increases the total volume of work that can be executed, and positively impacts customer satisfaction. Fewer planned outages reduce risk to system reliability where feeder circuit redundancy exists, and reduces customer interruptions on radial circuits.

In addition, Hydro One has implemented a long term balancing of the preventive maintenance programs for switches, distribution transformers and instrument transformers. Work programs have been aligned into integrated and optimized maintenance frequencies and plan dates to minimize outages. For example, switch maintenance on a given feeder circuit is planned for the same year, with a single outage requirement.

Optimized outages and bundled work directly reduces switching time requirements, crew windshield time and the number of required mobilization and demobilization activities for field staff.

3.2 Work Program Releases

There is a direct correlation between quality upfront planning and the ability of service groups to effectively and efficiently execute the work. Asset Management continues to improve the project definitions and timeliness by which work is released. When work is released it means that the work and funding are ready for field execution. Earlier releases allow:

- the services groups to more efficiently plan, schedule and execute work;
- sufficient time in the schedule to order materials with long lead times;
- coordination with other capital or maintenance work;
- the development of new commissioning and maintenance procedures and associated documents; and
- work to be scheduled when site conditions are optimal. For example crews take advantage of frozen conditions when access may be an issue.

Moving from annual work releases to multi-year releases for programs enables long term vendor relationships to be contracted and work to be bundled and scheduled more

effectively. Multi-year programs also enable resources to be scheduled beyond the current year so that specific materials, equipment, and resources can be allocated over the entire duration of the program.

3.3 Work Prioritization

To become more efficient in work prioritization, Hydro One has developed processes to improve investment prioritization and the assessment of asset risk. The investment prioritization process outline in Exhibit A, Tab 17, Schedule 4, is a multi-criteria analysis which quantifies business risks so that objective decisions can be made respecting priorities in order to achieve the optimal balance of cost effectiveness, customer expectations, asset and business needs. The asset risk assessment process outlined in Exhibit A, Tab 17, Schedule 7, is Hydro One Distribution's new methodology for identifying current asset needs and creating a line of sight to future needs. This new methodology enables a holistic view of asset risk that improves decision making through the systematic evaluation of risk associated with distribution assets.

3.4 Strategic Sourcing

Collaborative planning and strategic sourcing are fundamental components of the work execution strategy. These initiatives ensure contracts are in place and long lead time materials are being effectively managed to mitigate any potential impacts on executing Hydro One programs due to material delays. Strategic sourcing which includes "bulk purchasing" is a significant contributor to Hydro One's cost savings initiatives and the Company's ability to complete the work programs. Bulk purchasing has been more broadly facilitated by the use of standardized designs.

Strategic sourcing also ensures materials arrive when scheduled so that work can be done efficiently. The improvements made in this area have reduced the need to reschedule crews and outages. This becomes very important when high volumes of similar work are executed across the province. Delayed delivery of material can have far reaching impact on many crews, outages and customers.

Through Hydro One's strategic sourcing program critical materials and services, contracts and contracting are being proactively managed to ensure work execution needs are being met.

3.5 Logistics Support

An important element of the Work Execution Strategy is optimizing the material stocked in the Company's warehouse. Hydro One has embarked on a Logistics approach to support the need for project and program timelines. The strategy provisions core materials from stock rather than waiting to purchase these materials after projects have received final approval. The materials lead times are therefore reduced. Materials are staged from a central warehouse and deployed as soon as they are needed on the work site. The result is that materials delays associated with vendor lead times have been largely eliminated

3.6 Improved Designs

An increased use of standardized and modular designs are being used to streamline the design process, allowing faster, more consistent, and lower cost work execution. This reduces the demands on specialist engineering resources, improves installation and maintenance efficiency, drives lower costs, optimizes inventory management of standardized materials and maximizes opportunities for strategic sourcing savings.

Standardized designs are already in use for distribution lines and stations. New designs currently under development include standardized generation connection designs.

Hydro One has implemented "virtual designs" using technology to limit travel time of staff in order to complete distribution designs (e.g. railway, water and pipeline crossing designs). The result is a decrease in time required to complete designs and extended availability of resources.

3.7 Staffing Strategy

Hydro One utilizes a work-based approach to staffing, whereby the Company resources according to work programs rather than plans the work around the number of internal resources available. To address the fluctuating and seasonal nature of work programs, the Company maintains as much flexibility as possible by utilizing a variety of labour resources, including regular, temporary, hiring hall and contract staff.

3.7.1 Outsourcing

Hydro One prides itself on its highly flexible Construction workforce giving the ability to meet the demands of the work program. Although the Hydro One construction workforce is scalable, there is a practical limit to its size defined by the volume of work that can be safely and efficiently planned and managed by internal staff. The work contracted out, typically greenfield and brownfield projects as well as some major refurbishment projects, is completed using a combination of internal resources, engineering subcontracts, construction contracts or arrangements contracted on a fixed-price basis. Through a combination of regular staff, casual trades, temporary, and overtime, both skill sets and cost are optimized.

Hydro One utilizes contractors for staff augmentation purposes when it is recognized that some specific skill sets required on non-regular basis are not available in house. This is necessary to ensure the efficient execution of the work program and address the ongoing variation in requirements for specific skills on a weekly basis.

As the total work program grows, Hydro One's outsourcing strategy ensures that sufficient resources are available to execute the work in the test years.

3.7.2 Resources and Enhanced Expertise

A key component of the work execution strategy is the optimal deployment of Hydro One expert internal resources to maximize work program execution:

- a fairly small group of highly skilled senior engineers to oversee the accomplishment of several tasks being done by several teams, instead of overseeing one task executed by one team; and
- a large apprentice component under the guidance of just a few tradesmen to quickly learn the required skills and become very productive.

This fast tracking of skills development allows the project to be efficiently delivered while ensuring qualified resource succession.

Hydro One's staffing strategy addresses issues such as growing staff demographic attrition, enhanced internal training programs, educational partnerships and opportunities and increased utilization of casual workers and temporary employees. For additional details regarding the Hydro One staffing strategy refer to Exhibit C1, Tab 3, Schedule 1.

3.8 Improved Work Methods

Productivity and cost efficiencies are being recognized in the field through improved work methods including the increased use of herbicides and mechanical brush control methods. An example of the mechanical brush control is the Feller Buncher. The Feller Buncher is a fleet machine used by Forestry in their Vegetation Management program. It can fell trees and stack them in clusters. The use of the feller Buncher decreases labour by 50% per tree and increase the level of safety for Forestry personnel. Further details are provided in Exhibit A, Tab 19, Schedule 1.

Another area of work showing efficiency gains is in storm and outage restoration. The integration of smart meter data with the Outage Response Management System (ORMS) to confirm outage locations has greatly reduced interruption time. Prior to this capability, Hydro One relied on customers to call in when there was an interruption or power quality issue and the lines staff would patrol the area to locate the site of the cause. With the GIS enabled, field staff have access to the GPS coordinates for most of the distribution assets. This aids greatly in facilitating personnel with limited knowledge of a geographical area to proceed directly to the outage location. Once the cause of the outage has been rectified, the “pinging” of the smart meter again can confirm the restoration of power to all affected customers.

4.0 SUMMARY

There are many factors changing the volume and characteristics of the future work program as well as in key enablers for successful completion. Hydro One Distribution has developed a comprehensive strategy to maximize the work execution capacity. Hydro One’s work execution strategy meets its customer’s needs, improves overall system performance and accommodates the expanded work program necessary to meet the Company’s Sustainment and Development program needs.

REGIONAL PLANNING PROCESS

1.0 INTRODUCTION

One of the requirements under the Board's Renewed Regulatory Framework for Electricity Distributors ("RRFE"), is a requirement that infrastructure planning on a regional basis between licensed distributors and transmitters, be undertaken to ensure that regional issues and requirements are integrated into utility planning processes.

To assist in the development of the regional planning process the Board established an industry stakeholder Planning Process Working Group ("PPWG"). The PPWG prepared a report, entitled "The Process for Regional Infrastructure Planning in Ontario", that outlined the details of the regional infrastructure planning process and the outputs of the planning process. This report was endorsed by the Board on May 17, 2013.

With the Board's endorsement of the PPWG report and subsequent Board amendments to the Transmission System Code and Distribution System Code in August 2013, all distributors are required to participate and align with the regional planning process and activities.

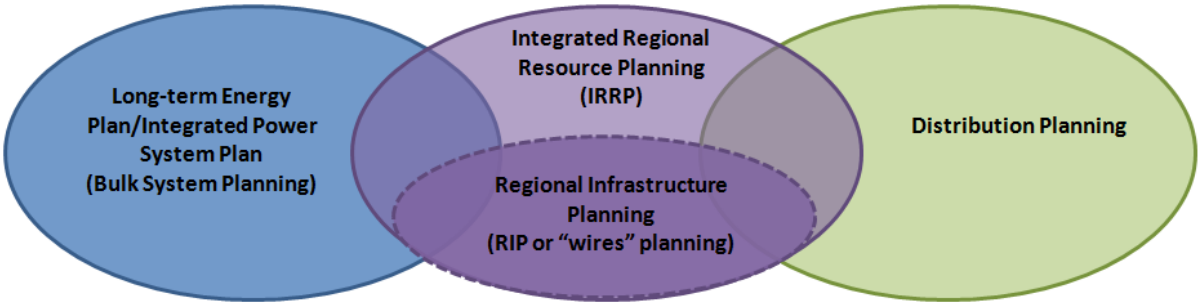
2.0 OVERVIEW OF PLANNING IN ONTARIO

Planning for the electricity system in Ontario is done at essentially three levels:

1. Bulk system planning;
2. Regional system planning; and
3. Distribution system planning,

These levels, as outlined in Figure 1, differ in the facilities that are considered and the scope of impact on the electricity system. Planning at the bulk system level typically looks at issues that impact the system on a provincial level, while planning at the regional and distribution levels looks at issues on a more regional or localized level.

Figure 1: Three Levels of Planning in Ontario



Bulk System Planning

- 500 kV & 230 kV transmission
- Interconnections
- Inter-area network transfer capability
- System reliability (security and adequacy) to meet NERC, NPCC, ORTAC
- Congestion and system efficiency
- System supply and demand forecasts
- Incorporation of large generation
- Typically medium- and long-term focused

Regional Planning

- 230 kV & 115 kV transmission
- 115/230 kV autotransformers and associated switchyard facilities
- Customer connections
- Load supply stations
- Regional reliability (security and adequacy) to meet NERC, NPCC & ORTAC
- ORTAC local area reliability criteria
- Regional/local area generation & CDM resources
- Typically near- & medium-term focused

Distribution Network Planning

- Transformer stations to connect to the transmission system
- Distribution network planning (e.g. new & modified Dx facilities)
- Distribution system reliability (capacity & security)
- Distribution connected generation & CDM resources
- LDC demand forecasts
- Near- & medium-term focused

As depicted in Figure 1, regional planning can overlap with bulk system planning at interface points such as at the 230/500 kV auto-transformer stations, or where regional resource options address a bulk system issue. Regional planning can also overlap with distribution planning which typically occurs at transformer load stations that deliver power to distributors and large directly-connected customers.

Regional planning is not a new concept in Ontario or for Hydro One for that matter. However, in the RRFE report, the Board concluded that a more structured approach is required to ensure the development of the provinces' electricity infrastructure in a cost-effective manner.

Moving forward, based on the PPWG report, there are two planning processes that together will comprise regional planning:

1. Integrated Regional Resource Planning process ("IRRP")
2. Regional Infrastructure Planning process ("RIP")

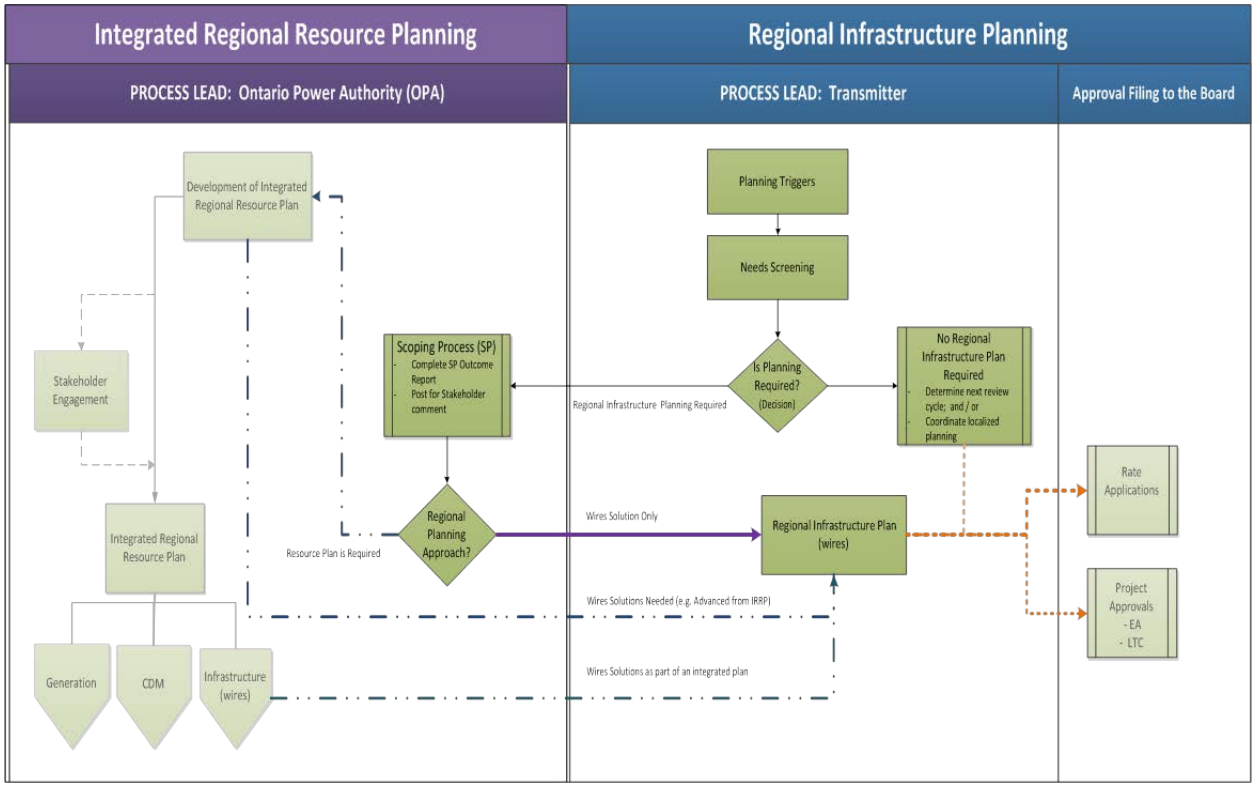
The IRRP process is to be led by the OPA and will take into consideration the broader regional needs in the context of provincial need, and the identification, evaluation and integration of available solutions (i.e. conservation, generation, and transmission and distribution options).

The RIP process is to be led by the transmitter and will focus on "wires" planning, mainly regional transmission and some distribution wires. The RIP process will require close coordination with the IRRP process.

3.0 THE REGIONAL INFRASTRUCTURE PLANNING (RIP) PROCESS

The Regional Infrastructure Planning process diagram is shown in Figure 2 below, which outlines the accountabilities and the coordination between the RIP and IRRP processes.

Figure 2: Regional Planning Process



The Regional Infrastructure Planning process begins with a planning trigger. Potential triggers include regularly scheduled Needs Screening by the transmitter, a scheduled review specified in an existing Regional Infrastructure Plan, a Government directive, a significant change to codes and standards or an emergent need brought forward by the transmitter, distributors, customers, the OPA or the IESO that cannot wait until the next scheduled review.

The next stage involves a Needs Screening process which is led by the transmitter to determine if there are regional needs that would lead to regional planning. If regional planning is required, the transmitter will then determine the geographic scope and which distributors should be involved in the development of a plan. The determination of which

distributors need to be involved is based on the load forecasts provided by distributors and the issues (e.g., equipment end-of-life, reliability, etc.) brought forward in a predetermined region. At the conclusion of the Needs Screening, the transmitter will produce a Needs Screening Summary Report that will identify the participants and summarize the data gathered, study assumptions and study findings.

Following the Needs Screening process, a decision is required as to whether a Regional Infrastructure Plan is necessary to address some or all of the needs. If no Regional Infrastructure Plan is required, any necessary infrastructure investments are planned directly by the distributor or customer. In situations where identified needs require coordination at the regional or sub-regional levels, the OPA then initiates the Scoping Process.

During the Scoping Process, the OPA, in collaboration with the transmitter and impacted distributors, reviews the information collected as part of the Needs Screening phase, along with additional information on potential non-wires alternatives, and makes a decision on the most appropriate Regional Planning Approach. The approach is either a RIP led by the transmitter, or an IRRP led by the OPA. In support of this stage of the process, the OPA will produce a Scoping Process Outcome Report, which will include the results of the Needs Screening process, a preliminary terms of reference identifying the various sub-regions that require study, and a list of the distributors to be involved.

The Regional Infrastructure Planning begins when it is identified that a wires approach represents the best overall means to address the needs of a region or its sub-regions, and that coordination of the planning is needed at a regional level. At the conclusion of the RIP process, the transmitter will produce a finalized Regional Infrastructure Plan that will outline the scope of study, describe key assumptions, confirm needs at the regional or sub-regional level, evaluate alternatives to address those needs, explain the rationale for

the wires solutions recommended, and an implementation plan. There may also be cases where it is determined that a transmission and/or distribution wires solution is necessary to address a near-term need, as part of the development of an IRRP. In such cases, infrastructure solutions ultimately become part of the Regional Infrastructure Plan.

The province has been divided into 21 electrical regions for the purposes of conducting assessments and developing regional plans. These regions will be assessed on a 3-5 year cyclical basis. These 21 Regions have been assigned to one of the 3 Groups in order to prioritize and manage the regional planning process.

Group 1 Regions	**Group 2 Regions**	**Group 3 Regions**
- Burlington to Nanticoke	- GTA East*	- Chatham/Lambton/Sarnia
- Greater Ottawa	- London area	- Greater Bruce/Huron
- GTA North	- Peterborough to Kingston	- Niagara
- GTA West	- South Georgian Bay/Muskoka	- North/East of Sudbury
- KWCG	- Sudbury/Algoma	- Renfrew
- Metro Toronto		- St. Lawrence
- Northwest Ontario		
- Windsor-Essex		

** Note: GTA East has been reassigned to Group 1 from Group 2*

A regional planning process for regions within Group 1 is currently underway. The regional planning process has not yet been initiated for the regions listed in Group 2 and Group 3. The Board expects evidence to be filed in both rate and leave to construct proceedings demonstrating that regional issues have been considered. For regions where the Regional Infrastructure Plan (or an Integrated Regional Resource Plan) is underway but has not been finalized, distributors will be required to provide a Planning Status

Letter from the transmitter supporting the distributors' distribution system planning as part of the application.

4.0 HYDRO ONE DISTRIBUTION SYSTEM PLANNING

Hydro One Distribution service territory extends into 19 regions. Hydro One Transmission is the lead transmitter for each of these 19 regions. Hydro One Distribution had been conducting its distribution planning activities as needed in coordination and collaboration with the OPA, Hydro One Transmission and other local distribution companies for planning studies pertaining to regional supply issues that impact the Hydro One Distribution service area.

From Hydro One Distribution's perspective and as mandated in the Distribution System Code, the key requirement under the new process is to participate and provide relevant information (e.g. load forecast, planned investments etc.) in the planning process to the Transmitter and/or the OPA. This will ensure effective, efficient and transparent planning along with cost effective and timely investments. In situations where the planning of investments for connection facilities does not require upstream coordination with other Local Distribution Companies or coordination with non-wires solutions, Hydro One Distribution will proceed with its normal distribution planning process to develop a solution to address the distribution system needs, and will work directly with the Transmitter as required.

Hydro One Distribution is actively participating in the planning studies currently underway. Hydro One Distribution's investments are collaborated and aligned by participating in planning studies with the OPA, the Transmitter, and other Local Distribution Companies. Hydro One Distribution will continue to participate and provide information to the lead transmitter and/or the OPA in a timely manner for the various

regional planning activities. This will include participation in the Needs Assessment, Scoping Process, RIP/IRRP Plan and providing relevant data and information to ensure CDM, Generation and Wires planning and investments are economical and an overall optimal solution is developed.

5.0 PLANNING STATUS LETTER

Hydro One Distribution's territory is located solely within Hydro One Transmission service territory and does not extend into any of the other transmitters' territory. Hydro One Distribution has received a Planning Status Letter from Hydro One Transmission that demonstrates that Hydro One Distribution has been providing data and information, such as load forecast and investment plans for planning activity undertaken by the OPA and/or the Transmitter.

Regional planning for all of Hydro One Distribution's Group 1 regions are currently in progress but are at different stages of completion. The planning status letter confirms that Hydro One Distribution is actively participating in the regional planning activities. To the extent possible, Hydro One Distribution planning and investments are consistent with the planning activities and objectives of the Regional Infrastructure Planning Process. A Planning Status letter from the transmitter is provided in Attachment 1 to this exhibit.

On January 22, 2014, Hydro One filed a Section 92 application for the Supply to Essex County Transmission Reinforcement Project with the Board. As part of this project a new transmission station, Leamington TS, is proposed to address the electricity supply capacity needs for the local area. Hydro One Distribution will be required to make a capital contribution to Hydro One Transmission for the new transmission facilities as stipulated in the Transmission System Code. Further details on this project are provided in Exhibit D2, Tab 2, Schedule 3, Reference # D-12.

SERVICE QUALITY INDICATORS

1.0 INTRODUCTION

Hydro One Distribution monitors and reports service quality indicators as required in Chapter 15 of the Ontario Energy Board 2006 Electricity Distribution Rate Handbook. Hydro One tracks and internally reports results on ten customer service indicators and three service reliability indices on a monthly basis. Reports are provided to the OEB annually in accordance with the Distribution System Code (DSC) amendments that were issued in March and June 2008. Hydro One's Customer Service and Service Reliability results and targets from 2010 to 2013 are shown in Tables 1 and 2. Over the historical period, Hydro One Distribution has met most of the OEB customer service indicator targets except the Rescheduling of Missed Appointments and Telephone Accessibility. Hydro One did miss its CAIDI target in 2010 and 2013 and in 2011 and 2013 the Emergency Response for Service Reliability target was missed.

1.1 Customer Service Indicators

Hydro One consistently tracks, analyzes and reports ten customer service indicators on a monthly basis as part of our internal performance reporting process. This process identifies areas of concern so that they can be immediately addressed and brought back in line with the OEB requirements.

Analysis of monthly and annual result trends provides valuable information for corporate planning, program planning and services management of resources.

The definitions of these indicators are provided in Section 2.1.

1.2 Service Reliability Indicators

Customer interruptions are analyzed and reported internally throughout the year. Interruption data is collected and recorded in the Distribution Operations and Maintenance Centre (part of Ontario Grid Control Centre), through communications with field staff involved in the interruption restoration. It is input into a database system called Outage Response Management System which provides data for in-depth performance analysis to drive strategy and business investment decisions.

Interruption data is used to calculate the OEB reliability indices (see Section 2.2 for definitions) monthly and results are reported internally. There is ongoing analysis of approximately 40,000 annual interruptions. Trends of frequency, duration, cause of interruptions, feeders, location, etc. are analyzed to allow prioritization of maintenance and capital programs on the distribution system.

2.0 DEFINITIONS

2.1 Customer Service Indicators

The ten customer service indicators are defined below:

2.1.1. Appointments

2.1.1.1 Appointment Scheduling

The percentage of appointment scheduling requests must take place within 5 business days on which all applicable service conditions are satisfied or at a later date agreed upon by the customer and Hydro One. This applies regardless of whether the customer or customer's representative's presence is required.

In instances where customer or customer representative presence is required, Hydro One must offer to schedule the appointment during Hydro One's regular hours of operation within a window of time no greater than 4 hours, and must attend the meeting at the appropriate time. This does not apply to appointments that are subject to the requirements in the section on Connection of New Services.

2.1.1.2 Appointments Met

The percentage of appointments met (as requested in the morning or afternoon of a particular date) includes appointments for disconnects and/or reconnects for maintenance or upgrades, connecting new services, under ground cable locates, inspections, meter reading and instructions on prepaid meters. The appointment may be considered to be met even when the customer failed to attend.

2.1.1.3 Rescheduling a Missed Appointment

In instances of rescheduling, an attempt to inform the customer before the appointment should be made and an attempt to reschedule should occur one business day following the initial appointment. This does not apply if the appointment is missed due to the failure of customer or customer representative to attend.

Section 7.5 of the DSC requires that, where an appointment is missed or is going to be missed, distributors must attempt to contact the customer (a) before the scheduled appointment to inform the customer that the appointment will be missed, and (b) within one business day to reschedule the appointment. This constitutes a service quality requirement under the DSC that must be met 100% of the time on a yearly basis. Hydro One is seeking an exemption from this requirement, requesting that it be obligated to meet this service requirement 90% of the time on a yearly basis. The exemption application is attached as Appendix A to this exhibit.

2.1.2 Connection of New Services

2.1.2.1 Low voltage connections

The percentage of connections for a request of a new low voltage service (<750 volts) that must be completed within 5 business days from which all applicable service conditions are satisfied, or at a later date agreed upon by the customer and Hydro One.

2.1.2.2 High voltage connections

The percentage of connections for a request of a new high voltage service (>750 volts) that must be completed within 10 business days from which all applicable service conditions are satisfied, or at a later date agreed upon by the customer and Hydro One.

2.1.3 Emergency Response

The percentage of responses to emergency trouble calls (including fire, ambulance, police) met within 120 minutes for rural utilities. Due to the predominantly rural nature of its distribution system, Hydro One Distribution is required to meet the 120 minutes response time. The elapsed time is measured from the call to the arrival of Hydro One qualified service personnel.

2.1.4 Telephone

2.1.4.1 Telephone Accessibility

The percentage of incoming calls answered within 30 seconds by the customer care center, with time counted from when the customer chooses to speak to a customer service representative (using IVR system) or from first ring in all other cases.

2.1.4.2 Telephone Call Abandon Rate

The percentage of incoming calls abandoned before being answered following the 30 second period outlined in 2.1.4.1 Telephone Accessibility.

2.1.5 Written Response to Inquiries

The percentage of responses to customers' request for written information relating to their accounts, required to be met within 10 days from the date where any conditions associated with their enquiry have been satisfied or from the date of receipt of the enquiry. The written response is deemed to be sent on the date it is faxed, mailed or e-mailed by Hydro One, and when it includes a written acknowledgement of receipt of the qualified enquiry and a specific date in which a complete response will be provided.

2.1.6 Reconnection Standards

The percentage of re-connections of a disconnected customer for non-payment that must be completed within 2 business days after the customer has made full overdue payment or entered into an arrears payment agreement with Hydro One.

2.2 Service Reliability Indicators

The three Service Reliability Indicators are:

2.2.1 Frequency of Interruptions (SAIFI)

The average number of times which Distribution customers served by Hydro One were interrupted in the year.

2.2.2 Duration of Interruptions (SAIDI)

The average numbers of hours that Distribution customers served by Hydro One were without power in the year.

2.2.3 Average Interruption Time (CAIDI)

The average interruption duration (in hours) of Distribution customers who were interrupted.

The above reliability indices measure all interruptions caused by planned and unplanned interruptions of 1 minute or more.

2.3 Force Majeure

Hydro One deems a *force majeure* to have occurred when 10% or more of Hydro One customers have been interrupted by an event.

An event may be a storm (usually the case), the August 14, 2003 blackout or any other problems that interrupt 10% or more customers and causes a change in the normal restoration business processes.

All Hydro One customers interrupted throughout the duration of the event while normal restoration business processes are suspended are counted in the determination of the numerator of the percent interrupted. The denominator is the total number of customers served at the end of the month when the force majeure occurred. Details of all *force majeure* events that have occurred from 2010 to 2012 are provided in Section 3.3.

3.0 RESULTS

The results of the ten Customer Service Performance Indicators and the three Service Reliability Indices are attached in Tables 1 and 2 respectively.

3.1 Customer Service Indicators

Table 1 indicates that all measures except the Rescheduling Missed appointments and the 2011 Emergency response with Force Majeure are better than the OEB target.

This exhibit has been revised to indicate Forecast Targets for the Customer Service Indicators as recommended by Intervenors and Board staff during the Technical Conferences. Hydro One believes these forecast targets are achievable excepting events beyond the control of the corporation such as re-deployment of staff to address emergencies including but not limited to weather-related contingencies, significant events and due to abnormally high customer driven requests. All Hydro One Forecast Targets exceed the OEB requirements excepting Appointment Rescheduling. Included as Appendix A to this exhibit, is an exemption request for the Board's consideration and approval, pertaining to this SQI measure.

TABLE 1

CUSTOMER SERVICE INDICATORS

Performance Measure	***OEB TARGET***	**2010 Actual**	**2011 Actual**	**2012 Actual**	**2013 Actual**	**2014 OEB Target**	**2015 OEB Target**	**2016 OEB Target**	**2017 OEB Target**	**2018 OEB Target**	**2019 OEB Target**
Appointments											
- Met	**≥90%**	**93**	**94**	**99**	**98**	**96**	**96**	**96**	**96**	**96**	**96**
- Scheduling	**≥90%**	**93**	**98**	**99**	**99**	**97**	**97**	**97**	**97**	**97**	**97**
- Reschedule (Contact customer ≤ 1 day before appointment missed)	**≥100%**	**98**	**79**	**98**	**87**	**95**	**95**	**95**	**95**	**95**	**95**
Connection of New Services											
(% completed in ≤ 5 days) **≤750V**	**≥ 90%**	**91**	**92**	**96**	**98**	**94**	**94**	**94**	**94**	**94**	**94**
(% completed in ≤ 10 days) **≥750V**	**≥ 90%**	**100**	**97**	**96**	**100**	**98**	**98**	**98**	**98**	**98**	**98**
Emergency Response –Rural											
(% responded to in ≤ 120 min)	**≥ 80%**	**86** **83****	**87** **65****	**88** **81****	**90**	**88**	**88**	**88**	**88**	**88**	**88**

TABLE 1 CONT.

CUSTOMER SERVICE INDICATORS

Performance Measure	***OEB TARGET***	**2010 Actual**	**2011 Actual**	**2012 Actual**	**2013 Actual**	**2014 OEB Target**	**2015 OEB Target**	**2016 OEB Target**	**2017 OEB Target**	**2018 OEB Target**	**2019 OEB Target**
Telephone Accessibility (% answered in ≤ 30 seconds)	**≥ 65%**	**70**	**81**	**83**	**64**	**65**	**70**	**80**	**80**	**80**	**80**
Telephone Call Abandon Rate	**≤ 10%**	**2.6**	**1.3**	**1.3**	**5.6**	**5.6**	**2.6**	**1.4**	**1.4**	**1.4**	**1.4**
Written Response to Inquiries (% responded to in ≤ 10 days)	**≥ 80%**	**99**	**100**	**100**	**99**	**99**	**99**	**99**	**99**	**99**	**99**
Reconnection Standard (% within 2 days)	**≥ 85%**	n/a	**97**	**98**	**97**	**97**	**97**	**97**	**97**	**97**	**97**

** Emergency Response results including the impact of Force Majeure.

3.2 **Service Reliability Indices** The Forecast Targets for the Service Reliability Indices (SRIs) assume required investments levels to maintain or slightly improve reliability. SRIs are provided including and excluding Force Majeure events however only forecast targets excluding Force Majeure have been provided.

TABLE 2

SERVICE RELIABILITY INDICATORS

Performance Measure	**2010 OEB Tgt**	**2010 Act**	**2011 OEB Tgt**	**2011 Act**	**2012 OEB Tgt**	**2012 Act**	**2013 OEB Tgt**	**2013 Act**	**2014 Fore Cast**	**2015 Fore Cast**	**2016 Fore Cast**	**2017 Fore Cast**	**2018 Fore Cast**	**2019 Fore Cast**
SAIFI *Frequency of Interruptions* (# of interruptions per customer)	**≤ 3.6**	**2.9**	**≤ 3.5**	**3.1**	**≤3.1**	**3.1**	**< 3.1**	**2.8**	**2.8**	**2.7**	**2.7**	**2.7**	**2.7**	**2.6**
SAIFI including *Force Majeure*		**3.3†**		**4.6††**		**3.7†††**		**4.6 ††††**						

Performance Measure	**2010 OEB Tgt**	**2010 Act**	**2011 OEB Tgt**	**2011 Act**	**2012 OEB Tgt**	**2012 Act**	**2103 OEB Tgt**	**2013 Act**	**2014 Fore Cast**	**2015 Fore Cast**	**2016 Fore Cast**	**2017 Fore Cast**	**2018 Fore Cast**	**2019 Fore Cast**
SAIDI *Duration of Interruptions (hrs of interruption per customer)	**≤ 8.6**	**7.5**	**≤ 8.6**	**7.4**	**≤7.5**	**7.4**	**≤ 7.5**	**7.3**	**6.9**	**6.9**	**6.8**	**6.7**	**6.7**	**6.6**
SAIDI including *Force Majeure		**9.4†**		**22.1††**		**11.3 †††**		**27.3 ††††**						
CAIDI *Average Interruption Time* (# of hrs per interruption)	**≤ 2.4**	**2.5**	**≤ 2.4**	**2.4**	**≤2.5**	**2.4**	**≤ 2.4**	**2.6**	**2.5**	**2.5**	**2.5**	**2.5**	**2.5**	**2.5**
CAIDI including *Force Majeure*		**2.9†**		**4.8††**		**3.1†††**		**5.9 ††††**						

* SAIDI targets can be affected by Transmission system contingencies.

† See explanation in section “2010 Force Majeure Events”

†† See explanation in section “2011 Force Majeure Events”

††† See explanation in section “2012 Force Majeure Events”

†††† See explanation in section “2013 Force Majeure Events”

3.3 2010 Force Majeure Events

In 2010 there were two *force majeure* events that met the 10% of customers affected definition. The storms and restorations occurred on September 21st to 25th and October 26th to 28th. These two event interrupted 18% and 13% of customers respectively.

On September 21st to 25th 2010, a series of severe thunderstorms and heavy down pours with 100 km/hr winds and lightning moved through Muskoka toward eastern Ontario, causing damage on the distribution system. Restoration of this event lasted until September 25th and interrupted more than 211,000 (18%) of Hydro One's customers.

On Oct 26 to 28th, a severe windstorm with winds gusting up to 80 kilometers per hour and heavy rain impacted most of Ontario, and spanned from the Manitoba border to the eastern part of the province. The windstorm interrupted more than 162,000 (13%) of Hydro One's customers.

The effect of these storms resulted in a contribution to the annual SAIDI of 1.9 hours and annual SAIFI of 0.4 interruptions per customer.

3.4 2011 Force Majeure Events

In 2011, there were eight *force majeure* events that met the 10% of customers affected definition. The storms and restorations occurred on February 18-20, April 10-11, April 28-May 02, May 31- June 02, June 7-12, July 17-19, October 15- 17 and November 29 to December 02. Each of those days interrupted the following percentages of customers respectively: 14%, 11%, 33%, 12%, 40%, 17%, 10% and 12%.

On February 18th to 20th, an event was caused by a windstorm that spanned from the Manitoba border to the eastern part of the province with speeds of up to 100 km/hr. This event affected 14% or 177,000 customers.

On April 10th to 11th, an organized cluster of severe thunderstorms caused widespread interruptions from Southwestern Ontario to Eastern Ontario with damaging wind gusts of up to 90 km/hr. This storm affected 11% or about 133,000 customers.

On April 28th to May 02nd, heavy downpour, lightning and very high winds of up to 100 km/hr swept across the province from Southwestern to Eastern Ontario wreaking havoc on the distribution system. This incident affected 33% or about 402,000 customers.

On May 31st to June 02nd, a severe thunderstorm moved across Northern Ontario to the Thunder Bay area with wind speeds of about 100 km/hr causing widespread interruptions. This incident affected 12% or about 146,000 customers.

On June 07th to 12th, a severe lightning storm moved across Southern Ontario impacting the distribution system causing trees to fall, poles to break and affecting other distribution equipment. This event affected 40% or 482,000 customers.

On July 17th to 19th, this event was caused by a cold front which moved southeast across the province generating severe thunderstorms. Most of the province saw wind speeds between 80 to 110 km/hr with lightning strikes and localized downpours. This event affected 17% or 205,000 customers.

On October 15th to 17th, damaging winds of up to 70 km/hr swept across the province causing this major event. The main area of the storm occurred around the edge of

Georgian Bay which saw wind gusts of up to 65 km/hr. This event affected 10% or 125,000 customers.

On November 29th to December 02nd, freezing rain fell in the Muskoka region accompanied with winds of up to 65 km/hr. This region also received very heavy snowfall causing outages to customers. This event affected 12% of about 148,000 customers.

The effect of these storms resulted in a contribution to the annual SAIDI of 14.7 hours and annual SAIFI of 1.5 interruptions per customer.

3.5 2012 Force Majeure Events

In 2012, there were four *force majeure* events that met the 10% of customers affected definition. The storms and restorations occurred on Mar 02-04, July 23-26, Oct 29-31, and Dec 21-23. Each of those days respectively interrupted the following percentages of customers: 14%, 13%, 21%, and 12%.

On Mar 02nd to 04th, an early spring storm that tracked up from Texas across Lake Huron and Georgian Bay to Lake Nippissing dragged a sharp cold front with very strong winds from east to west across Southern Ontario. The strong and gusty winds reached up to 105 km/hr along the Niagara Peninsula. This event affected approximately 173,000 or about 14% of customers.

On July 23rd to 26th, a strong lightning/thunderstorm, with hail and winds gusting up to 110 km/h moved through southeast Ontario and crossed over the Northeast areas. This tornado-like storm caused widespread damage and affected approximately 158,000 or 13% of customers.

On Oct 29th to 31st, remnants of hurricane Sandy with winds moving at 100 km/hr moved across Southern Ontario from the lower Great Lakes, passing through Sarnia, Georgian Bay and the Niagara region. The combination of strong winds and residual leaves on trees caused power outages due to falling limbs and downed trees snapping power lines. This event affected approximately 21% or approximately 258,000 customers.

On Dec 21st to 23rd, environment Canada issued a weather warning for Eastern and Northern Ontario when snow of up to 30 cm fell in these regions. This winter storm caused severe damage on the Distribution system with heavy wet snow and high winds that caused coniferous trees to contact phases. This event affected approximately 12% or 147,000 customers.

The effect of these storms resulted in a contribution to the annual SAIDI of 3.9 hours and annual SAIFI of 0.6 interruptions per customer.

3.6 2013 Force Majeure Events

In 2013, there were seven *force majeure* events that met the 10% of customers affected definition. The storms and restorations occurred on April 12-16, May 21-24, May 31-Jun 03, July 19-23, Nov 01-03, Nov 17-19, and Dec 21-29. Each of those days respectively interrupted the following percentages of customers: 34%, 12%, 10%, 35%, 25%, 28% and 46%.

On April 12th to 16th, Environment Canada issued a weather warning when a slow moving low pressure system combined with warm artic air to produce a messy mix of snow, rain, ice pellets and freezing rain over Southern Ontario. It laid down a blanket of 2 to 4 cm of snow and ice pellets in a swath from Toronto to Lake Huron. The storm was

accompanied with gusting winds of up to 65 km/hr that caused downed tree limbs resulting in widespread power outages. This event affected approximately 34% or about 419,000 of our customers.

On May 21st to 24th, a tornado warning was issued by Environment Canada when two clusters of thunderstorms made their way through Southern Ontario. Both tornadoes were accompanied by intense lightning, hail, heavy downpour and wind gusts of up to 100 km/hr that caused broken poles and downed trees. This event affected 147,000 customers or approximately 12% of customers.

On May 31st to June 3rd, a line of thunderstorms with winds up to 90 km/hr moved through Southern and Central Ontario. Hail, heavy rain and frequent lightning accompanying the storm caused severe widespread outages. This event affected 121,000 or approximately 10% of customers.

On July 19th to 23rd, scattered thunderstorms moved over North Western Ontario accompanied by wind gusts of 90 km/hr, hail greater than 2 cm in diameter and torrential downpours of up to 50 mm. At the same time, isolated thunderstorms moved over Southern and Central Ontario also accompanied with high winds, hail and torrential downpour. Both incidents resulted in power interruptions to 434,000 customers or approximately 35% of customers.

On Nov 1st to 3rd, a Colorado low pressure system bought rain and high winds to much of Southern Ontario. The winds reached speeds of up to 100 km/hr in areas near Lake Eire and Lake Ontario. These strong winds caused broken poles and down tree branches that negatively affecting the distribution system. This event affected 315,000 or 25% of customers.

On Nov 17th to 19th, an intense low pressure system from Colorado caused a strong cold front with heavy winds of up to 90 km/hr for much of South Western and South Central Ontario. This event impacted both the Distribution and Transmission system and caused interruptions to approximately 367,000 or 28% of customers

On Dec 21st to 29th, a low pressure system originating in Texas collided with a warm front causing up to 40 mm of freezing rain, snow and ice pellets to spread into Southern and Southwestern Ontario. As a result, ice accumulated on tree branches causing wide spread outages from downed trees. After the storm passed, light rain continued with extreme cold temperatures allowing ice to build up to 30 mm on surfaces and tree branches. The ice storm was followed by a windstorm of up to 55 km/hr that caused the ice covered tree branches to contact the distribution line. This severe ice storm affected approximately 585,000 or 46% of customers.

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*;
AND IN THE MATTER OF an Application by Hydro One Networks Inc.
for an Order or Orders including an exemption
from sections 7.5.1 and 7.5.2 of the Distribution System Code

SUMMARY OF APPLICATION

1. The Applicant is Hydro One Networks Inc. ("Hydro One"), a subsidiary of Hydro One Inc. Hydro One is an Ontario corporation carrying on the business, among other things, of owning and operating distribution facilities in Ontario.

2. Hydro One requests that the Ontario Energy Board ("the Board") grant an exemption from section 7.5.2 of the Distribution System Code ("the Code") as it applies to section 7.5.1. Section 7.5.1 directs distributors' obligations respecting missed and re-scheduled appointments with customers. Section 7.5.2 requires that these obligations be met 100 per cent of the time on a yearly basis. Hydro One requests that the Board grant, on a permanent basis, an exemption from the 100 per cent requirement and instead, direct Hydro One to meet these requirements 90 per cent of the time on a yearly basis.

3. Hydro One also requests that the Board grant to Hydro One an immediate, interim stay of the obligations specified in sections 7.5.1 and 7.5.2 of the Code, as of the date of this Application, until such time as the Board renders a final decision on this matter.

4. While requesting an alternative obligation of 90 per cent, Hydro One will nonetheless continue its best efforts to fulfill these requirements 100 per cent of the time, as calculated on a yearly basis.

The details of this Application are set out below.

OVERVIEW

On average, Hydro One staff arrange between 20,000 and 25,000 appointments with customers annually. These appointments may be scheduled for purposes such as the need to discuss a layout for new or upgraded electrical service, locate underground cable or to provide a Hydro One employee entry in order to read or service an inaccessible meter. Given the breadth of Hydro One's service territory, such customer visits often require staff to travel some distance through portions of the Province which are not only very rural and very sparsely populated, but which also present certain communication challenges. These conditions can affect the Company's ability to meet its obligations as a distributor, pursuant to the Code.

Code Requirements

Sections 7.5.1 and 7.5.2 of the Code address the distributor's time-based obligation to contact the customer when a scheduled appointment is expected to be missed or has been missed. More specifically:

- if the appointment is expected to be missed, the distributor must attempt to inform the customer beforehand (s. 7.5.1 (a)) and
- whether the customer was informed ahead of time of not, the distributor must attempt to re-schedule the appointment within one business day (s. 7.5.1 (b)).

These two requirements must be met 100 per cent of the time on a yearly basis (s. 7.5.2).

The relevant sections of the Code are reproduced in Attachment A.

HYDRO ONE'S COMPLIANCE STATUS

As seen in Table 1 below, Hydro One has been non-compliant with these sections of the Code, as it has been unable to consistently meet its obligations 100 per cent of the time, although it did attain 98 per cent in each of 2010 and 2012.

Table 1.
Distribution System Code 7.5.2, Re-scheduling a Missed Appointment
Hydro One's Historical Record

		Actuals			
OEB Requirement 100%	Year	2010	2011	2012	2013
	%	**98**	**79**	**98**	**87**

In 2013, the Company's capability to quickly make and re-schedule appointments was compromised with the newly installed Customer Information System. Despite training on the system, clerical errors in scheduling and re-scheduling of appointments occurred, which decreased the success rate of meeting the required time frame and resulted in a correspondingly lower percentage of re-scheduled appointments within 24 hours.

HYDRO ONE'S EFFORTS TO COMPLY

Hydro One's Current Processes

Today, if a Hydro One field employee knows that he or she will be unable to keep an appointment, the process is to contact the appropriate field office to call the customer, inform them that Hydro One is unable to keep the appointment and re-schedule to another date and time. On other occasions, such as during a storm, the field office, knowing that resources will be re-prioritized to restoration efforts, will proactively contact customers to re-schedule planned work with them at a later date.

There are times, however, when a customer cannot be informed prior to a missed appointment, for reasons such as the following:

- In some areas, communication challenges, such as limited cell phone coverage, may hinder the employee's timely communications with Hydro One field office staff, who would then contact the customer.

- In more rural areas, unforeseen difficulties such as a vehicle breakdown resulting in the employee's preoccupation with trying to safely move his or her vehicle to a secure area, can limit the employee's ability to contact the field office in a timely fashion.
- Similarly, unexpected emergencies, such as employees falling ill while on the road and having to go to hospital, or stopping to help with accidents or other incidents, can take them away from their main purpose and prevent timely contact with the field office.

Once an appointment has been missed, the field office will contact the customer and re-schedule the appointment within the required time frame. On occasion, however, Hydro One's capability to re-schedule a missed appointment within 24 hours may be compromised by extreme emergencies, such as a major storm or tornado, which will require the complete focus of all field and clerical staff while restoration efforts are in effect.

For all the above-noted reasons, Hydro One believes that, while it will make best efforts, it will not be fully compliant with section 7.5.2 of the Code, as the 100 per cent requirement does not reflect the issues presented by unforeseen or emergent circumstances, such as the diversion of crews to storm restoration, or the practical realities of scheduling employees who must travel long distances between individual appointments. A compliance requirement that is less than 100 per cent (such as the requested target of 90 per cent) would allow Hydro One the flexibility needed in these cases.

Hydro One's Future Processes

Hydro One recognizes the importance of keeping customers informed when customer appointments cannot be met, and of re-scheduling missed appointments in a timely fashion. Ongoing training will continue to be provided. The Company also has established a new process by which the field offices will report regularly on failures and processing of adjustments (clerical keying errors) which will heighten the awareness and importance of appointments and timely re-scheduling of appointments.

In short, Hydro One is increasing its efforts to meet the Section 7.5.1 obligations 100 per cent of the time. However, in light of the continuing issues stated above, the Company requests that the requirement imposed by the Board reflect an accomplishment of 90 per cent, rather than 100 per cent of the time on an annual basis. Hydro One believes that this is a reasonable obligation which mirrors other, very similar time-based obligations, such as those required for sections 7.3 (Appointment Scheduling) and 7.4 (Appointments Met) in the Code.

REQUEST FOR EXEMPTION

For the reasons cited above, Hydro One seeks the following exemptions from the Code, by way of Board Order(s) or licence condition(s) or any other vehicle that the Board may deem appropriate:

- An immediate and interim stay of the obligations of sections 7.5.1 and 7.5.2 of the Code, from the date of filing of this Application, to remain in effect while the Board considers the merits of this Application.
- A permanent exemption from the time-based obligation (100 per cent of the time) in section 7.5.2 of the Code as it applies to the requirements of section 7.5.1. Hydro One requests instead, that the Board direct that the Company meet its customer contact and appointment re-scheduling requirements at least 90 per cent of the time on a yearly basis.

While requesting a stated obligation of 90 per cent, Hydro One will nonetheless make best efforts to meet its obligations 100 per cent of the time on an annual basis, as stated in section 7.5.2 of the Code.

ATTACHMENT A
RELEVANT EXCERPTS FROM THE DISTRIBUTION SYSTEM CODE
(SECTIONS 7.5.1 AND 7.5.2)

7.5 Rescheduling a Missed Appointment

7.5.1 When an appointment to which sections 7.3.1, 7.3.3, or 7.4.1 apply is missed or is going to be missed, the distributor must:

(a) attempt to contact the customer before the scheduled appointment to inform the customer that the appointment will be missed; and

(b) attempt to contact the customer within one business day to reschedule the appointment.

7.5.2 This service quality requirement must be met 100 percent of the time on a yearly basis.

COST EFFICIENCIES/PRODUCTIVITY

1.0 INTRODUCTION

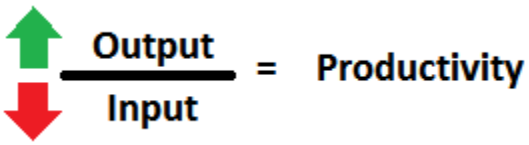
Hydro One has updated this exhibit to improve the information on Cost Efficiencies and Productivity initiatives and programs being developed and implemented. Although the savings have always been incorporated in the work programs and activities previously filed, this exhibit did not adequately explain the full extent of these savings.

Productivity at Hydro One remains an integral part of the Corporation's strategy and business objectives. This exhibit outlines the historical (2010 – 2013), present (2014) and future (2015 – 19) productivity initiative results within the Corporation. Productivity initiatives typically show results over a number of years and Hydro One continues to realize material cost reductions and avoidances, throughout the test years all of which are of direct benefit to Hydro One customers.

Productivity Definition

For the purpose of this analysis, the Hydro One definition of productivity is;

"The effectiveness of productive effort, is measured in terms of the rate of output per unit of input"



An example of Productivity can be demonstrated by an improvement made in the Vegetation Management Program. This program has realized substantialsavings with the

introduction of mechanical tools such as the Feller Buncher. The Feller Buncher is a fleet vehicle that significantly increases the efficiency of the Forestry division by cutting trees and stacking them in clusters. This machine reduces the total labour time required per tree from 0.8 hours to 0.16 hours. After factoring in the cost and maintenance of the Feller Buncher, a reduction of $40 per tree is realized. The previous cost for clearing one tree was $71; the new unit cost using the Feller Buncher is now $31 per tree. Hydro One currently has six Feller Bunchers in full-time operation with plans for the purchase of four more. This program will result in sustained savings for the test years and beyond under the Leveraging Technology Savings initiative. For further details on the Vegetation Management Program see Exhibit C1, Tab 2, Schedule 2.

OM&A expenditures over the five test years, demonstrate more productivity; if not for these initiatives Hydro One would be requiring an increased revenue requirement. This is illustrated in Table 1.

Table 1:

Impact to Revenue Requirement Inclusive and Exclusive of Productivity Savings

	2013 Actual	2014 Bridge	2015 Test	2016 Test	2017 Test	2018 Test	2019 Test
OM&A per application	610,622,850	581,316,339	564,304,626	610,181,582	613,969,206	603,863,604	600,001,194
YoY growth		-4.8%	-2.9%	8.1%	0.6%	-1.6%	-0.6%
Add: Productivity Savings	50,378,620	69,418,195	95,332,361	102,698,023	106,293,228	106,581,261	106,632,090
OM&A without Productivity	661,001,470	650,734,534	659,636,986	712,879,605	720,262,434	710,444,865	706,633,284
YoY growth		-1.6%	1.4%	8.1%	1.0%	-1.4%	-0.5%

PRODUCTIVITY EFFICIENCY INITIATIVES

The Corporation's strategic objectives include a commitment to achieve productivity and cost-effectiveness improvements. Table 1 identifies the major categories of productivity initiatives currently underway along with the estimated cost savings achieved from 2010 to 2013, and forecasted savings for 2014 to 2019 for Hydro One Distribution. While all savings estimates are for gross cost savings, it should be noted that the implementation costs are taken into consideration as part of the business planning process discussed in Exhibit A, Tab 17, Schedule 1.

Using the actual savings numbers from historical years (2010 to 2013) and the forecast savings for the bridge (2014) and test years (2015 and 2019), Hydro One Distribution will realize $864.3 million in savings. For initiatives that are common to Transmission and Distribution, a common cost allocation was used consistent with the Black and Veach studies provided in Exhibit C1-5-1 and Exhibit C1-5-3. $728.8 million has been forecast in savings for the bridge and test years for Distribution as shown in Figure 1 and Table 1.

Figure 1:

Distribution Productivity Savings

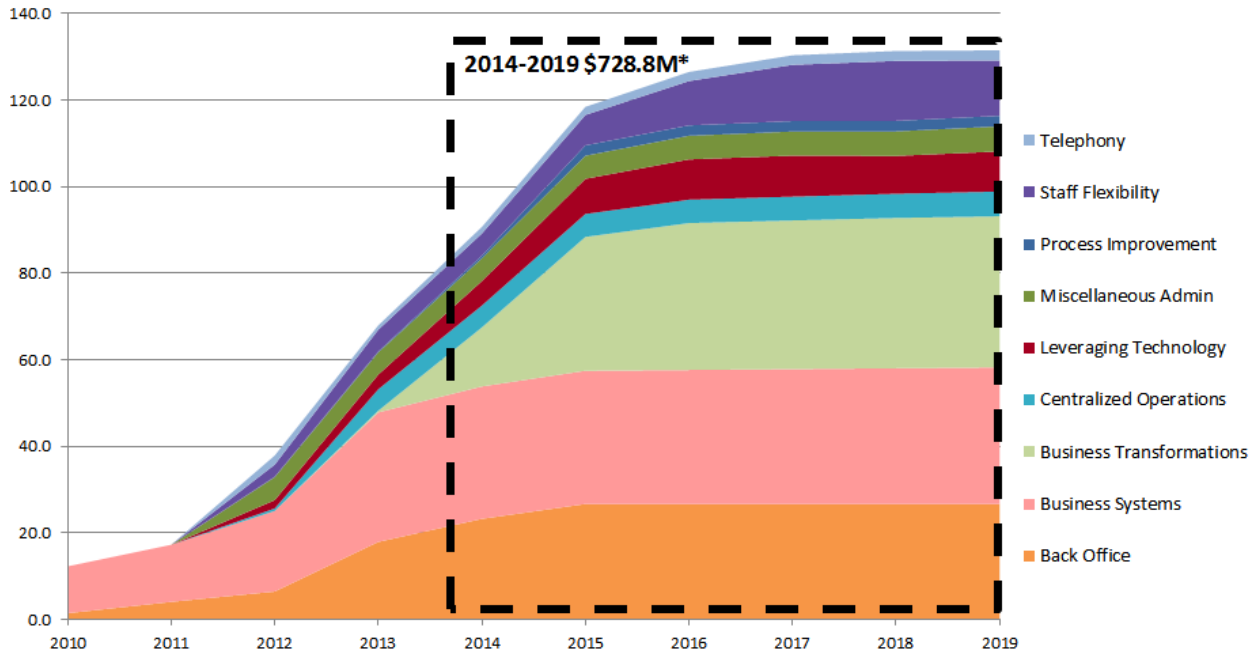


Table 2:

Total Annual Savings - Distribution ($ Million)

Description	Historical				Bridge Year	Test Years					Cumulative 2014 - 2019
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
Back Office	1.5	4.1	6.5	18.0	23.3	26.7	26.7	26.7	26.7	26.7	156.9
Business Systems	10.8	13.2	18.6	29.9	30.6	30.8	31.0	31.1	31.3	31.5	186.3
Business Transformations	0.0	0.0	0.0	0.4	13.6	30.9	33.9	34.4	34.7	34.9	182.5
Centralized Operations	0.0	0.0	0.6	5.0	5.0	5.3	5.4	5.5	5.6	5.7	32.6
Leveraging Technology	0.0	0.0	1.9	3.4	5.7	8.1	9.3	9.5	8.7	9.3	50.5
Miscellaneous Admin	0.0	0.0	5.3	5.1	5.2	5.3	5.5	5.6	5.7	5.8	33.0
Process Improvement	0.0	0.0	0.1	0.2	0.6	2.4	2.4	2.4	2.4	2.4	12.7
Staff Flexibility	0.0	0.0	2.8	5.0	5.1	7.0	10.2	13.0	13.8	12.8	62.0
Telephony	0.0	0.0	2.1	1.0	1.5	1.9	2.1	2.2	2.3	2.3	12.3
Total	**12.3**	**17.3**	**37.9**	**68.0**	**90.7**	**118.4**	**126.5**	**130.3**	**131.3**	**131.5**	**728.8**

PRODUCTIVITY INITIATIVE KEY SUCCESS STORIES

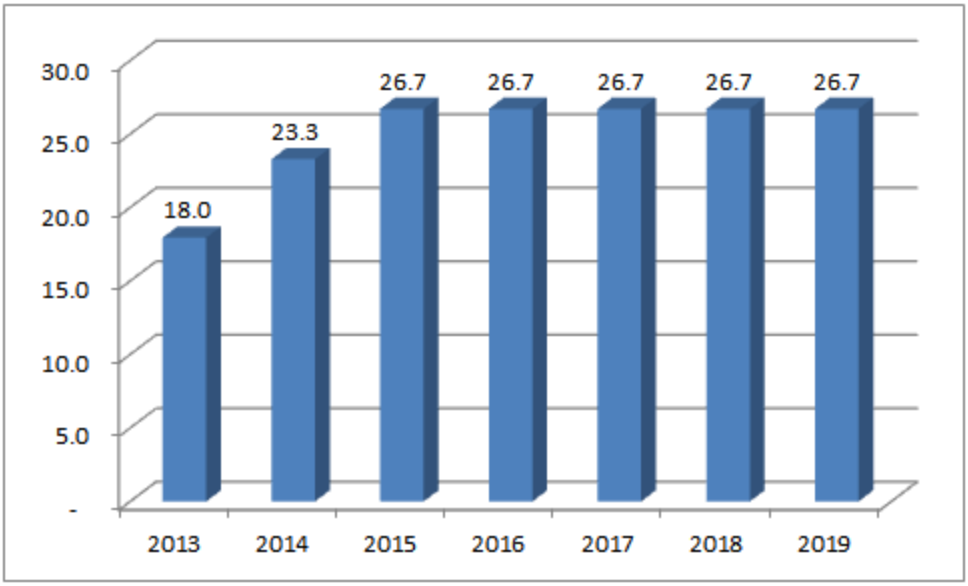
This section discusses the productivity categories and provides greater detail on how Hydro One is making improvements in an effort to provide greater value to the customer. Some key success stories have been provided to demonstrate the commitment Hydro One has made to reduce costs and improve productivity while maintaining or improving its output.

2.1 Back Office

Back Office productivity initiatives are related to the reduction in costs of the administrative and support functions that have been outsourced. The savings are shown in Figure 2.

Figure 2:

Back Office Savings (in $Millions)



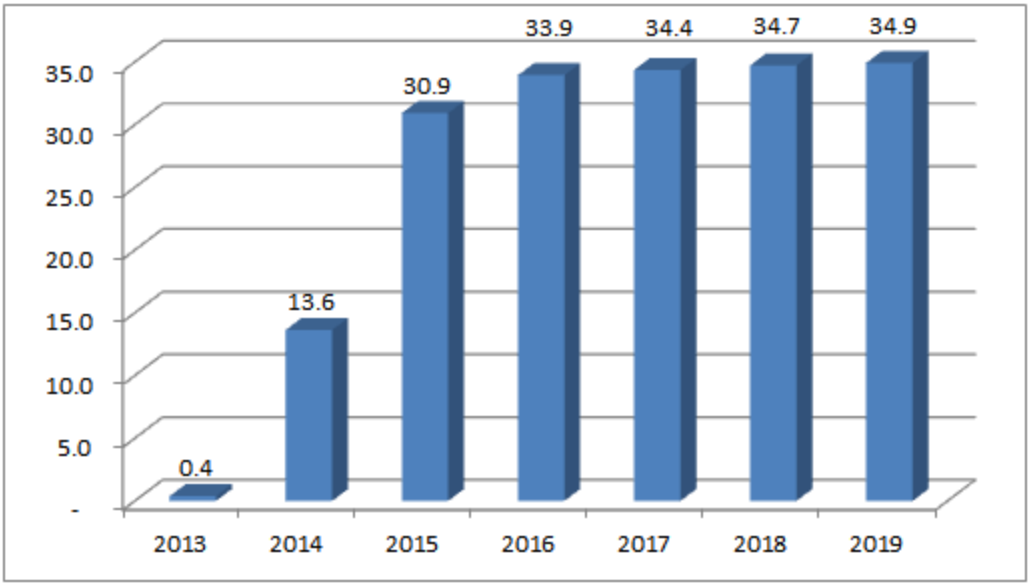
Hydro One negotiated a multi-year outsourcing contract for back office work programs primarily focused on information technology, call service operations, supply management services, finance and accounting, and payroll administration. The contract which was originally setup in 2002 had an established annual price decline for the baseline services. The contract was subsequently renegotiated in 2009 with an end date of 2015. This extended contract included improved service levels and a steeper annual price decline for the five years as a result of negotiated cost reductions and commitments to new business system (SAP) implementation**.** Hydro One expects to continue to outsource back office elements beyond 2015 through a new competitively bid contract that will result in further savings as discussed in Exhibit C1, Tab 2, Schedule 7.

2.2 Business Transformation

Business Transformation productivity initiatives are business unit led large IT projects that streamline processes and increase efficiencies. The savings are shown in Figure 3.

Figure 3:

Business Transformation Savings (in $Millions)



Customer Information System (CIS) Value Realization: The CIS Project is part of the overall information technology ("IT") strategy (moving into SAP applications) to replace several of Hydro One Distribution's key enterprise information systems ("the Cornerstone Initiatives") as they reach their 'end of life'. This new system provides a new interface for dealing with its customers throughout the province. The 360 degree view of the customer profile with enhanced customer issue resolution capability will reduce handling time on calls and correspondences improve billing timeliness and accuracy and increase first call resolution ("FCR") all of which will improve customer satisfaction.

The expected benefits of this new system are enabled primarily through application and process changes, greater data transparency, and integration and collaboration across Hydro One's lines of business. Benefits will be realized through reducing the time required to issue bills which will result in significant cash flow savings. Accounting processes are also streamlined in the new CIS due to the integrated nature of CIS with the existing SAP Accounting platform. There will also be a reduction of bad debt expense through better tracking of delinquent accounts and more efficient collection processes. Integration of CIS with other enterprise SAP platforms and new technologies such as smart meters will drive work force productivity improvement.

A common SAP platform for CIS enhances productivity in the area of application maintenance support across Hydro One and with Hydro One's outsourced service provider. Rationalization of the hardware environment on which CIS runs will reduce infrastructure management and support costs as well as facility costs and hardware refresh.

Hydro One has made substantial improvements to the customer experience in the Integrated Voice Response (IVR) automated call system at the Contact Centre as a means

to mitigate future costs by directing calls to the automated system rather than the more expensive agent handled calls.

Asset Analytics Value Realization: The Asset Analytics Project is also part of the overall information technology ("IT") strategy to improve business practices. Asset Analytics is a powerful software package that allows thorough analysis of the huge volume of Hydro One data. The system shows prioritized lists of assets requiring maintenance and / or replacement. Use of this tool will ensure asset investments will be made in areas that have the highest priority based on our system information. This will ensure the assets with the greatest need for maintenance or replacement are completed first which will avoid costly failures in the field result in much higher costs and customer inconvenience. For further details on the Asset Analytics tool, see Exhibit A, Tab 17, Schedule 3.

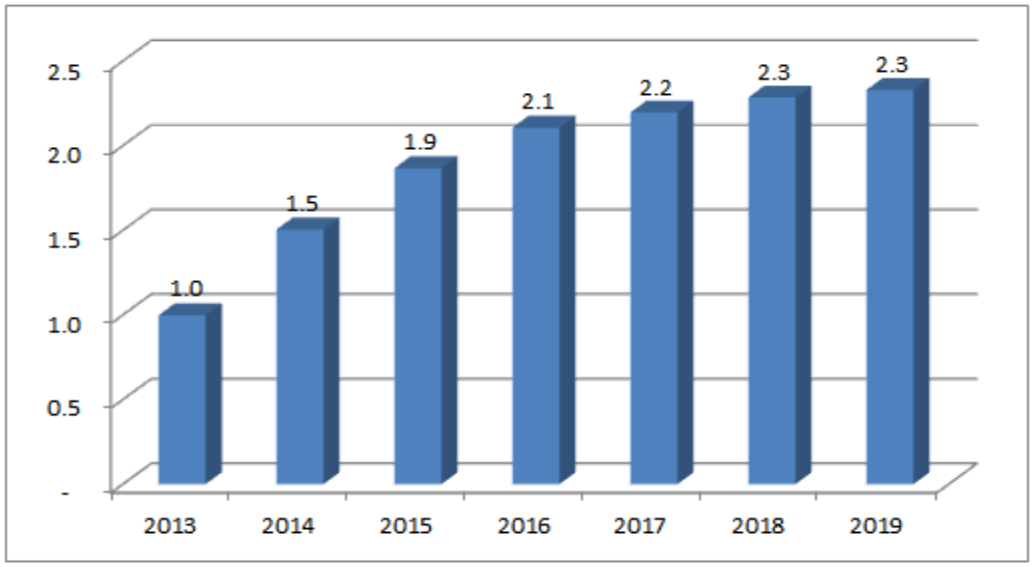
Business Process Consolidation: The automation of the current, very manual process for annually compiling budget baselines and preparing financial information in support of rate applications will reduce time and effort in the data handling as well as in the intensive quality assurance checking currently required.

2.3 Telephony

Telephony productivity initiatives enhance and rationalize services to reduce the monthly expenses for phone and data services. The savings from this category are shown in Figure 4.

Figure 4:

Telephony Savings (in $Millions)



Standardization of cell phone contracts through the adoption of Government subsidized cell phone plans are directly reducing costs by lowering voice and data rate plans and eliminating the paper billing process. Enhancements to telephone, video and web conferencing are reducing travel costs as more and more employees utilize the technology to replace costly physical meetings when appropriate. Utilization of the Telecom Expense Management software will enable Hydro One to rationalize the number of voice and data line circuits as well as power system circuits (e.g. metering, provincial mobile radios, station phones, SCADA and satellite) across the province.

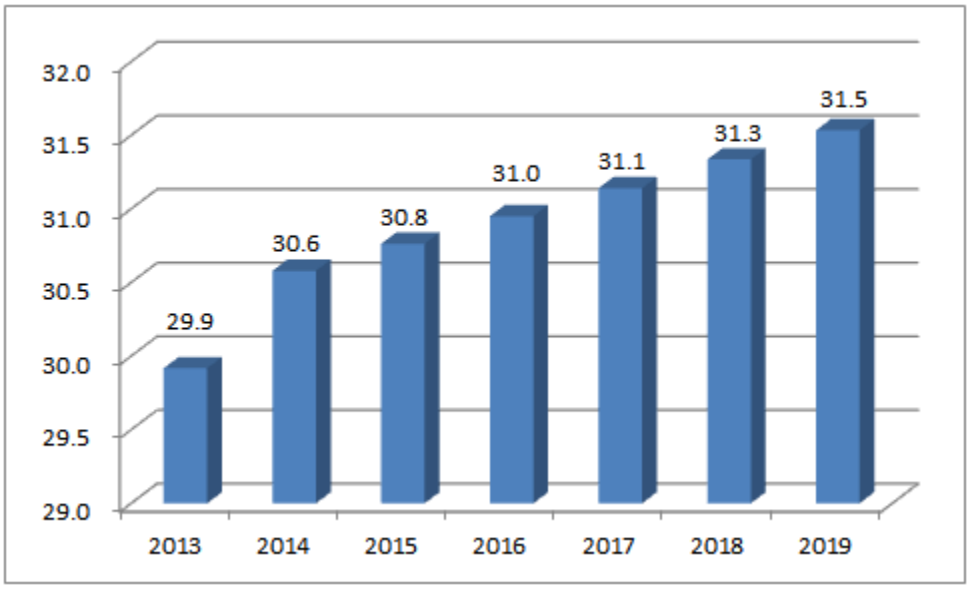
2.4 Business Systems

Business Systems productivity initiatives encompass savings realized from the incorporation of more efficient processes facilitated by the installation of more

technically advanced computer systems. The savings from the Business Systems category are shown in Figure 5.

Figure 5:

Business Systems (in $Millions)



Hydro One has replaced its main business systems with SAP and will continue to gain efficiencies from these improved systems. Implementation started in 2007 and was completed in 2010. The system modules that were implemented include Work Management, Supply Chain, Finance, Project Systems and Payroll, realizing value in areas such as Productivity, Cost Effectiveness, Process Efficiency, Better Decision Making, Compliance and Employee Engagement. Examples of savings being realized include:

- **Strategic Sourcing** - considerable savings have been realized by consolidating purchases for volume discounts, ensuring maximum value for equipment life cycle,

improving security of supply through longer term agreements and fixed pricing, better planning with supplier as well as streamlining standards which simplifies procurement and lowers inventory levels. For further details of Supply Chain productivity initiatives see Exhibit C1, Tab 4, Schedule 1.

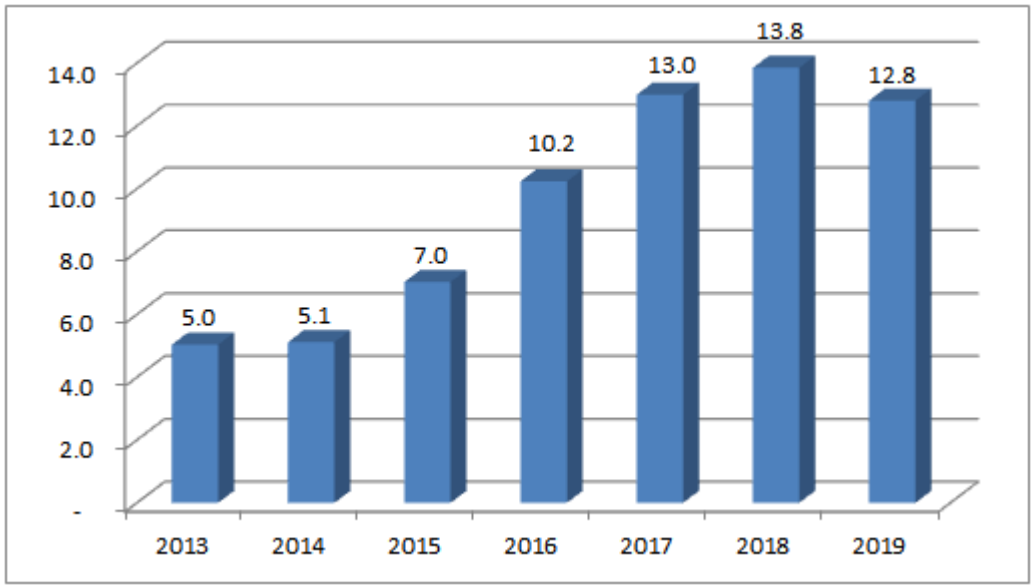
- **Rationalization of Legacy IT Systems** - there has been a reduction in IT application, database, licensing fees and support costs with the decommissioning of over 450 business software applications and system tools. The replacement of PeopleSoft, Congo's and SAS applications with modern Enterprise Resource Planning and Business Integration solutions has resulted in an integrated enterprise suite that has further enabled more effective information access and productivity within the company.

2.5 Staff Flexibility

Staff Flexibility productivity savings are realized from the more efficient use of skilled and non-skilled labour and through the use of Purchase Service Agreements (PSAs) signed with the Unions to clear backlogs. The distribution portion of the savings realized from cost efficiencies in the Staff Flexibility Savings category is shown in Figure 6.

Figure 6:

Staff Flexibility Savings (in $Millions)



Hydro One continues to make the best use of its available resources. Where safe and possible, we uses lower skilled and/or contract resources to undertake less complex work leaving highly skilled resources to focus on complex work activities. This has resulted in better prioritization and more cost effective completion of the work programs. For further details of the corporate staffing strategy see Exhibit C1, Tab 3, Schedule 1. Other examples of staff flexibility savings include:

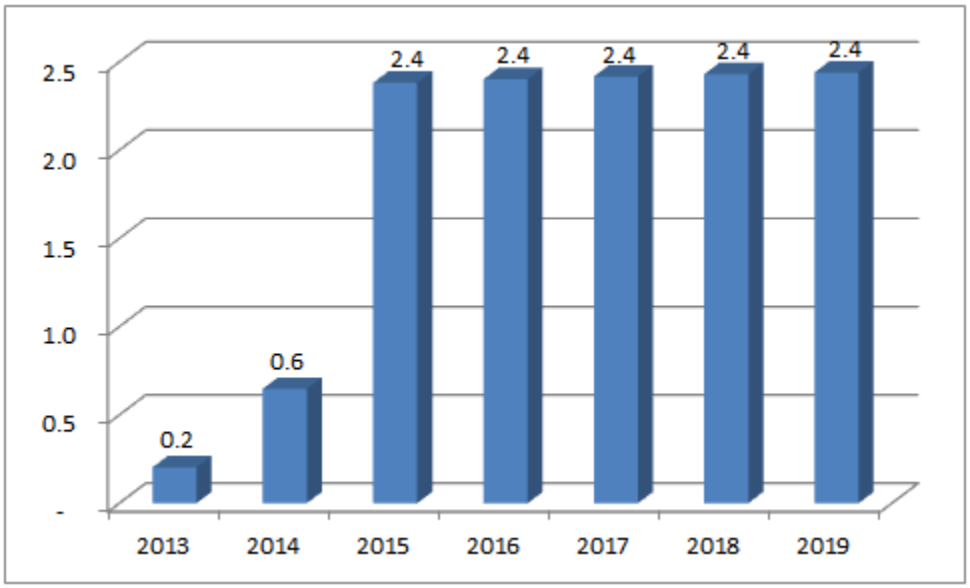
- Use of casual labour for the Vegetation Management program through a PSA;
- Facilities, a non-core operation has been positioned for Outsourcing; and
- The increased use of hiring hall staff to perform cable locates will decrease the unit cost from $131/locate to $110/locate by 2019.

The reduction in total savings in 2019 is a result of lower program spending within the Vegetation Management program as the work plan decreases so do the savings, however the proportionate savings per dollar spent remains the same.

2.6 Process Improvement

Process Improvement productivity savings result from the emphasis placed on more thorough and advanced work activity planning. Process Improvement savings are illustrated in Figure 7.

Figure 7:
Process Improvement Savings (in $Millions)



Hydro One has identified internal processes where there are opportunities for improvement. These include, more thorough and interactive advanced planning on complex projects and optimal designs that can be determined prior to project approval

which reduces potential design changes or rework. Hydro One is also implementing different ways to undertake field work for some types of work. For example:

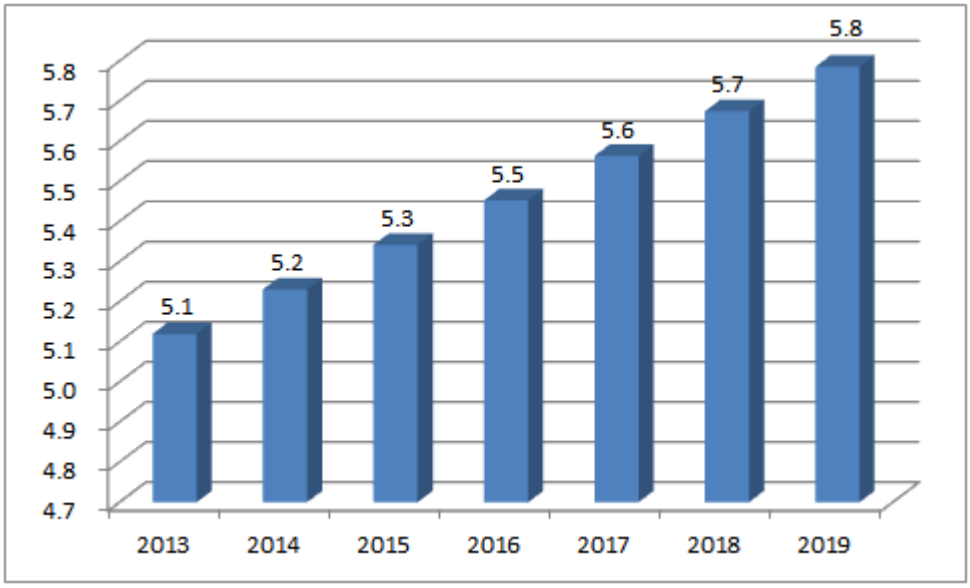
- **Cable Locates** – Hydro One became part of the "One Call" Government initiative to improve service to customers requiring underground cable locates. Initially this created more service calls and crew inspections for Hydro One since the process did not differentiate between underground and overhead cables. In recognition of this Hydro One has implemented the following processes:
  - "All Clear" process which allows the identification of whether the wire is underground or overhead (the latter not requiring a crew to be sent out);
  - Hydro One's Call centre is no longer required to be part of the Cable Locate process, requests go directly to "One Call" and then out to the field staff for action; and
  - Starting in 2014, the work is being undertaken exclusively by Hiring Hall field staff.
- **Meter Reads** – for customers where the smart meter is not functional due to technology limitations, meter reads have been reduced from 4 to 2 per year until the technological issues have been resolved.
- **Distribution Station Refurbishment** – Hydro One has developed a prefabricated, integrated modular distribution station which provides a more cost effective solution for station refurbishment particularly where space is limited.

2.7 Miscellaneous Administration

Miscellaneous Administration productivity savings are being recognized with tighter controls and better communication of requirements. The savings from miscellaneous administration processes are shown in Figure 8.

Figure 8:

Miscellaneous Administration Savings (in $Millions)

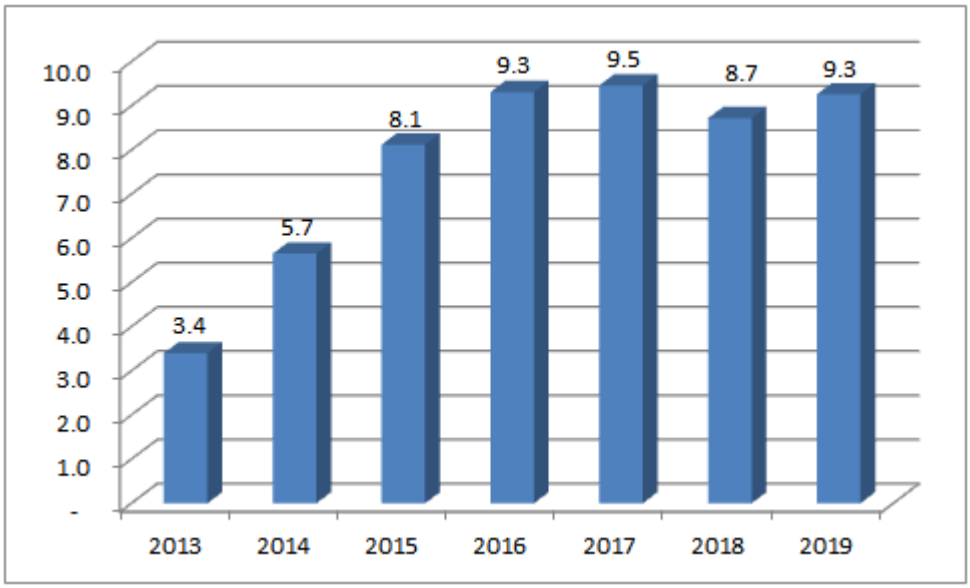


Hydro One continues to instill an "every penny counts" culture within its workforce to reduce its administrative expenditures to as low a level as possible. Over the past 3 years there have been administration cost decreases between 3 to 5 percent across business units. The main areas where reductions have been implemented are in travel, meals and mileage. This was accomplished by implementing spend limits on meals, fixed mileage rates that decrease with increased mileage and reduced travel expenses by reducing number and improving scheduling of meetings.

2.8 Leveraging Technology in the Field

Leveraging Technology productivity savings involves making better use of modern technology and equipment in order to accomplish work faster and more efficiently. Savings realized in this category are illustrated in Figure 9.

Figure 9:
Leveraging Technology Savings (in $Millions)



The use of GPS/Telematics in Hydro One vehicles has allowed for improved travel time through planned route optimization. This leads to increased fuel efficiency and a reduction in greenhouse gases. It also allows for increased fleet response time, and automated tracking of vehicle condition. Hydro One is also using energy efficient vehicles and retrofitting facilities with energy efficient equipment where possible.

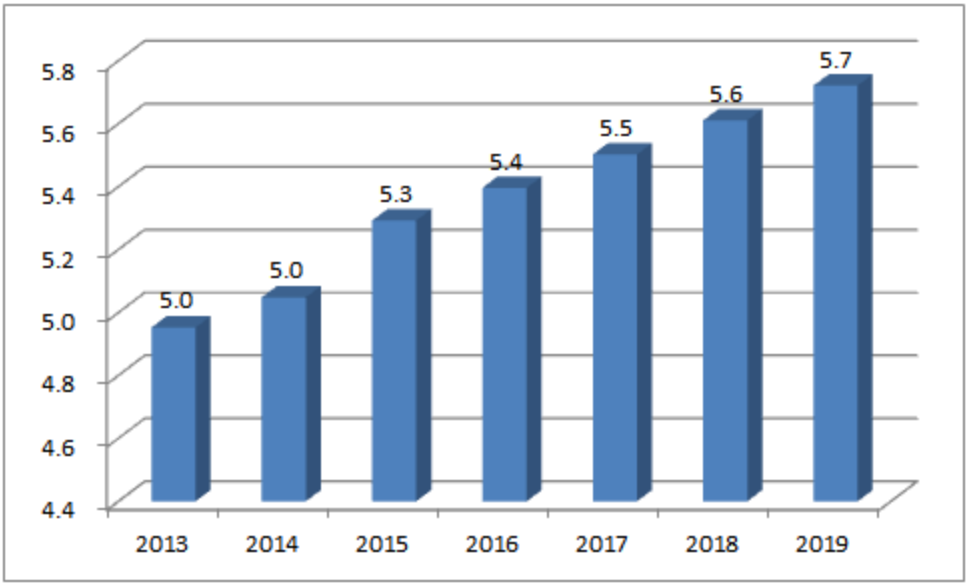
Recent transformation in the electricity utility industry has been centered on Smart Grid. For Hydro One, Smart Grid commenced with the provincial smart meter mandate. Hydro One recognized that implementing smart meters in a primarily rural geography would be challenging due to the then-existing limitations in metering technology and the lack of metering communications options for data transfer. Hydro One undertook to influence the market to develop robust back office metering solutions with standards-based communications to enable the daily aggregation of over a million meters. This culminated in Hydro One leading Canadian utilities in acquiring dedicated spectrum for

the use of the electrical sector. The improved telecommunications reach and connectivity for critical electricity operations enabled the use of mobile technologies to optimize field work execution. It allows information, systems and tools to be available to the workforce when they need them and allows reporting of the completion of work in real-time thus getting information to asset planners and to customers in a more timely and accurate manner.

2.9 Centralized Operations

Centralized Operations involve consolidating and reorganization groups within Hydro One to create efficiencies in work processes that lead to a reduction in labour time. Figure 10 depicts the savings from this category.

Figure 10:
Centralized Operations Savings (in $Millions)



Hydro One is focusing on ensuring as much field work gets done as possible by centralizing and reducing support functions. For example;

- replacing classroom training with E-Learning courses designed to be completed online at times that do not interfere with critical work activities;
- an integrated Asset Management strategy centralizing all support functions into one department to streamline prioritization and execution of work;
- Hydro One is utilizing the Hiring Hall staff on specific work activities such as Cable Locates, Vegetation Management and Distribution Wood Pole Replacement Programs resulting in accelerated work programs and labour savings: and
- Leveraging the provincial government contract through the Ministry of Transportation Ontario to capitalize on additional fuel rebates.

3.0 UTILITY TRANSFORMATION

Hydro One has been involved in a number of industry initiatives that have a large impact on all provincial rate payers. Examples include Hydro One's leadership in the connection of green energy projects, Hydro One's work with Measurement Canada and Industry Canada, as well as equivalent US based agencies to establish industry standards that will ultimately lead to economies of scale across all Utilities. For each of these initiatives, Hydro One has taken a leadership position in the North American industry and helped defray large implementation costs which would have been incurred by Hydro One and other Ontario utilities and ultimately borne by all Ontario ratepayers.

Hydro One is part of the Standard Drafting Team on the North American Electric Reliability Corporation's (NERC) revision to the definition of the Bulk Electric System (BES). At the core, the revision was to designate all elements and facilities above 100kV as BES. Adopting this new approach would have resulted in significant additional Capital and O&M costs to facility owners including Hydro One, as BES elements are subject to

meet the mandatory reliability standards as established by NERC. Hydro One has been able to influence the proposed BES definition application, specifically the exceptions process, which should avoid significant Capital and O&M costs relative to the original proposal.

4.0 UTILITY SECTOR COST PRESSURES

In parallel to implementing these productivity improvements, Hydro One and the utility sector in general, face numerous changes that result in increased cost pressures. These additional upward cost pressures can impact the effectiveness and productivity of an organization. As examples, Hydro One has incurred material cost pressures due to the following changes in the sector:

- The ongoing introduction of mandatory reliability standards including new cyber security requirements. An initial $30-$40 million of Capital was needed to bring our facilities in line with the requirements. On an annual basis there are additional OM&A obligations of approximately $5 million to $8 million annually and also a requirement for affected employees to use additional security controls in their day-to-day activities adding steps to their work process.
- Updated and new environmental standards, such as the elimination of PCBs, result in approximately $2 to $3 million in added costs per year.
- New ESA regulations and related escalated engineering requirements and standards result in an annual additional cost of $12 million; and
- Other future industry challenges/opportunities such as implementation of new protection standards (e.g. IEC 61850), will continue to put upward cost pressures on Hydro One.

5.0 SUMMARY

Hydro One is developing a culture where productivity, efficiency and the customer are considered in every corporate process, practice and policy. Hydro One strives to achieve its missions and vision as a company:

"We will be an innovative and trusted company, delivering electricity safely, reliably and efficiently to create value for our customers."

PROCEDURAL ORDERS/CORRESPONDENCE/NOTICES

The Procedural Orders, Correspondence, Notices are attached.

Ontario Energy Board
P.O. Box 2319
27th. Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416- 481-1967
Facsimile: 416- 440-7656
Toll free: 1-888-632-6273

Commission de l'énergie de l'Ontario
C.P. 2319
27e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone: 416- 481-1967
Télécopieur: 416- 440-7656
Numéro sans frais: 1-888-632-6273

Ontario

BY E-MAIL

January 24, 2014

Erin Henderson
Regulatory Coordinator – Regulatory Affairs
Hydro One Networks Inc.
7th Floor, South Tower
483 Bay Street
Toronto ON M5G 2P5

LETTER OF DIRECTION

Dear Ms. Henderson:

Re: Hydro One Networks Inc.
Application for 2015 - 2019 Distribution Rates
Board File Number: EB-2013-0416

The Ontario Energy Board has now issued its Notice of Application and Hearing relating to your 2015-2019 Custom distribution rates application (the "Notice"). Please note that you must publish the Notice within **fourteen days** of the date of this letter. If publication is not possible within fourteen days, you must inform the Board Secretary immediately.

You are directed:

1. To arrange immediately for the publication of the English version of the Notice, in the exact form accompanying this letter, except, under the fourth bullet of the section entitled "**BE INFORMED AND HAVE YOUR SAY**".

    a. remove the bold and bracketed words **"[insert actual date 10 calendar days from publication]**"; and

    b. insert the actual date, using the following format: "**January 1, 2014**", which date shall be determined by adding 10 calendar days to the date of publication of the newspaper in which the Notice appears.

    Publication must be made in the Business section of one Ontario edition of the Globe and Mail; one edition of the Toronto Star, one edition of the Ottawa Citizen, and one edition of the National Post.

Please note that invoices regarding publication are not to be sent to the Board.

2. To arrange immediately for the publication of the French version of the Notice, in the exact form accompanying this letter, except, under the fourth bullet of the section entitled "l**NFORMEZ-VOUS ET DONNEZ VOTRE AVIS**".

    a. remove the bold and bracketed words **"[insérer la date correspondant à 10 jours calendaires suivant la publication du présent document]**"; and

    b. insert the actual date, using the following format "**1 janvier 2014**", which date shall be determined by adding 10 calendar days to the date of publication of the newspaper in which the Notice appears.

    Publication must be made in one edition of the Ottawa Le Droit.

    Please note that invoices regarding publication are not to be sent to the Board.

3. To immediately, and no later than the date of publication of the Notice, e-mail or serve a copy of the Notice directly on Hydro One Networks Inc.'s sub-transmission class customers and intervenors of record for Hydro One Network Inc.'s last distribution rates proceedings, IRM and Cost of Service : EB-2013-0141 and EB-2009-0096.

4. To place notification of both the English and French versions of the Notice and the application on your website, your "My Account" login page, your RSS feed and your Twitter account.

5. To file with the Board an affidavit proving publication and service of the Notice immediately thereafter;

6. To make a copy of the application and evidence and any amendments thereto, available for public review at Hydro One Networks' offices in Toronto, Barrie, Peterborough, Sudbury, Ottawa, Dundas, Beachville, and Thunder Bay; at the following addresses:

    Head Office, 483 Bay Street, Toronto
    Barrie Field Business Centre, 45 Sarjeant Drive, Barrie
    Peterborough Field Business Centre, 913 Crawford Drive, Peterborough
    Sudbury Field Business Centre, 957 Falconbridge Road, Sudbury
    Merivale Service Centre, 31 Woodfield Drive, Ottawa
    Dundas Field Business Centre, 40 Olympic Drive, Dundas,
    Beachville Field Business Centre, 56 Embro Street, Beachville,
    Thunder Bay Field Business Centre, 255 Burwood Road, Thunder Bay.

7. To provide a copy of the application and evidence and any amendments thereto, to anyone requesting the material.

8. To provide a copy of the application and evidence and any amendments thereto, on your website.

9. To file with the Board an affidavit proving publication and service of the Notice and that a copy of the application, evidence, and Notice are available for public review at Hydro One's offices (as noted above) and on its website.

You are further directed not to include any document(s) or material(s) when serving the Notice other than document(s) or material(s) expressly required by this Letter of Direction to be served.

Yours truly,

Original signed by

Kirsten Walli
Board Secretary

Encl.
cc: D.H. Rogers Q.C, Applicants Counsel

Hydro One Networks Inc.
7th Floor, South Tower
483 Bay Street
Toronto, Ontario M5G 2P5
www.HydroOne.com

Tel: (416) 345-4479
Fax: (416) 345-5866
Erin.Henderson@HydroOne.com

Erin Henderson
Senior Regulatory Coordinator – Regulatory Research and Administration
Regulatory Affairs

BY COURIER

March 3, 2013

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

Dear Ms. Walli:

EB-2013-0416 – Hydro One Networks' 2015 - 2019 Distribution Custom Rate Application and Evidence Filing – Affidavit of Service

As directed by the Board in the January 24, 2014 Letter of Direction, I am now attaching for filing an executed copy of the Affidavit of Service dated March 3, 2014 addressing the service of the Board's Notice of Application.

Sincerely,

Erin Henderson

Attach.

CANADA PROVINCE OF ONTARIO CITY OF TORONTO TO WIT:	**IN THE MATTER OF** the *Ontario Energy Board Act, 1998*; **AND IN THE MATTER OF** an Application by Hydro One Networks Inc. for an Order or Orders approving rates for the distribution of electricity.

AFFIDAVIT OF ERIN HENDERSON

I, Erin Henderson, of the City of Toronto, **MAKE OATH AND SAY AS FOLLOWS:**

1. I am employed as a Senior Regulatory Coordinator in the Regulatory Affairs Division of Hydro One Networks Inc.

2. In accordance with paragraph 1 of the Board's EB-2013-0416 Letter of Direction dated January 24, 2014, the Notice of Application was published in the Business section of one Ontario edition of The Globe and Mail, the Toronto Star, the Ottawa Citizen, and the National Post newspapers on Wednesday, February 5, 2014. The forms of the Notice as published are attached to this Affidavit as Exhibit "A".

3. In accordance with paragraph 2 of the Board's EB-2013-0416 Letter of Direction dated January 24, 2014, the French version of the Notice of Application was published in one edition of the Ottawa Le Droit newspaper on Wednesday, February 5, 2014. The form of the Notice as published is attached to this Affidavit as Exhibit "B".

4. In accordance with paragraphs 3 of the Board's EB-2013-0416 Letter of Direction dated January 24, 2014, I certify a copy of the Notice of Application was served on Hydro One

Networks Inc.'s sub-transmission customers and intervenors of record for the last distribution rates proceeding, IRM and Cost of Service: EB-2013-0141 and EB-2009-0096.

5. In reference to paragraph 4 of the Board's EB-2013-0416 Letter of Direction dated January 24, 2014, both the English and French versions of the Notice of Application were placed on Hydro One Networks Inc.'s external website, the "My Account" login page, RSS feed, and Twitter account. The postings are attached to this Affidavit as Exhibit "C".

6. In accordance with paragraph 6 and 9 of the Board's EB-2013-0416 Letter of Direction dated January 24, 2014, a copy of the Application, the pre-filed evidence and any additional materials are available for convenient public perusal at the specified Hydro One offices. The e-mail of direction to the Hydro One offices is attached to this Affidavit as Exhibit "D".

7. In accordance with paragraph 7 of the Board's EB-2013-0416 Letter of Direction dated January 24, 2014, I certify a copy of the application and evidence and any amendments thereto is available to anyone requesting the material.

8. In accordance with paragraph 8 and 9 of the Board's EB-2013-0416 Letter of Direction dated January 24, 2014 the application, evidence and Notice are posted on Hydro One Networks Inc.'s Distribution Rate Applications Website:

   http://www.hydroone.com/RegulatoryAffairs/Pages/DxRates.aspx

   A copy of the Hydro One Networks Inc.'s Distribution Rate Application webpage is attached to this Affidavit as Exhibit "E".

SWORN before me at the City of Toronto this 3rd day of March 2014

Erin Henderson

Commissioner of Oaths

INTERNATIONAL INVESTMENT

Two northern bets on South America

Looking beyond market turmoil, CPPIB and EDC anticipate opportunities in Brazil and Colombia

IANET McFARLAND TORONTO
BARRIE McKENNA OTTAWA

Canada Pension Plan Investment Board and Export Development Canada are making major bets on Latin America – despite turmoil in emerging markets and steep drops in South American markets in recent months.

CPPIB will announce Wednesday that it is opening an office in Brazil, becoming the first Canadian pension plan to have permanent staff on the ground in Latin America.

Also Wednesday, EDC, the federal export lender, will open an office in Bogota to help Canadian companies tap a coming infrastructure boom in Colombia.

CPPIB chief executive officer Mark Wiseman said the fund is not deterred by recent market upheavals and currency devaluations; he still believes in the long-term potential of key markets such as Brazil and Chile.

"If you have a long-term view and you understand the dynamic of what's happening – including the demographic dynamic and the expansion of free market economies in those five countries – now is absolutely the right time to be there to establish that long-term presence in the region."

The recent market turmoil obscures a sustained economic turnaround in Colombia, which is poised to invest as much as $55-billion (U.S.) by 2021 in roads, ports, airports, subways and other projects, said Todd Winterhalt, EDC's vice-president of international business development.

"In Colombia, we see an economy that has weathered the ups and downs really well, averaging well over 4 per cent [a year] growth," he said from Bogota.

Canadian companies are well positioned to take advantage thanks to the 2011 free trade agreement between the two countries, a recent tax treaty and diminished security concerns, he pointed out. Colombia is becoming an important hub for the Andes region and Canada is already the fifth largest foreign investor in the country, with significant mining and oil-and-gas projects. Bogota is the EDC's seventh location in Latin America.

CPPIB has $5-billion of investments in Latin America, including real estate and infrastructure holdings, which is enough "critical mass" to build a bigger portfolio with staff on the ground, Mr. Wiseman said.

CPPIB's office will be in Sao Paulo, which is Brazil's biggest financial centre, and will open in April with an initial staff of three people that will grow to 12 within several months. The pension fund has offices in London and Hong Kong, and opened a new office in New York in January. "Really, the missing piece in terms of regional coverage was having a presence in Latin America," Mr. Wiseman said.

A regional office makes it easier to oversee existing holdings and helps to build contacts that can lead to new deals, Mr. Wiseman said. CPPIB has also found branch offices help prevent investing mistakes because local employees have a better understanding of local people and market conditions.

Staff in Sao Paulo will focus primarily on investments in five key markets that CPPIB has targeted for growth: Bazil, Chile, Colombia, Peru and Mexico, which Mr. Wiseman says are the five strongest economies in the region. The fund does not have large holdings in volatile countries such as Argentina and Venezuela, he said.

"I think we are perhaps a little bit more global a little bit earlier than some of the other Canadian [pension] funds, but I think it's fair to say most of the Canadian funds are headed in a similar direction. It's the nature of where the world is today."



CPPIB's office in Sao Paulo will oversee its $5-billion of investments in Latin America. PAULO FRIDMAN/BLOOMBERG

ONTARIO ENERGY BOARD NOTICE TO CUSTOMERS OF HYDRO ONE NETWORKS INC.

Hydro One Networks Inc. has applied to raise its electricity distribution rates. Learn more. Have your say.

Hydro One Networks Inc. has applied to the Ontario Energy Board to adjust the amount it charges each month for electricity distribution beginning January 1, 2015 and continuing for a 5 year period to December 31, 2019. Hydro One's proposed monthly bill impacts for a typical residential customer using 800 kWh per month are set out in the table below:

2015	a decrease of $0.69 per month
2016	an increase of $2.15 per month
2017	an increase of $1.37 per month
2018	an increase of $1.03 per month
2019	an increase of $1.61 per month

Other customers, including businesses, may be affected as well.

THE ONTARIO ENERGY BOARD IS HOLDING A PUBLIC HEARING

The Ontario Energy Board (OEB) will hold a public hearing to consider Hydro One's request. We will question the company on its case for a rate increase. We will also hear arguments from individuals and from groups that represent Hydro One's customers. At the end of this hearing, the OEB will decide what, if any, increase will be allowed.

Distributors typically apply for a full review of their rates every five years with any rate changes for the years in-between automatically tied to inflation (and other factors intended to promote efficiency). In this application, Hydro One is applying for a full review of its distribution rates over each of the five years, consistent with the option for a distributor to file an application on a custom basis.

The OEB is an independent and impartial public agency. We make decisions that serve the public interest. Our goal is to promote a financially viable and efficient energy sector that provides you with reliable energy services at a reasonable cost.

BE INFORMED AND HAVE YOUR SAY

You have the right to information regarding this application and to be involved in the process. You can:

- Review Hydro One's application on the OEB's website now.
- Sign up to observe the proceeding by receiving OEB documents related to the hearing.
- File a letter with your comments, which will be considered during the hearing.
- Become an active participant (called an intervenor). Apply by **February 15, 2014** or the hearing will go ahead without you and you will not receive any further notice of the proceeding.
- At the end of the process, review the OEB's decision and its reasons on our website.

LEARN MORE

These proposed charges relate to Hydro One's distribution services. They make up part of the Delivery line – one of the five line items on your bill. Our file number for this case is EB-2013-0416. To learn more about this hearing, find instructions on how to file letters or become an intervenor, or to access any document related to this case please select the appropriate application from the list at the OEB website: www.ontarioenergyboard.ca/notice. You can also phone our Consumer Relations Centre at 1-877-632-2727 with any questions.

ORAL VS. WRITTEN HEARINGS

There are two types of OEB hearings – oral and written. If you have a preference as to which hearing type should be held, you can write to the OEB to express your preference and explain why.

PRIVACY

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Ontario

Ontario Energy Board | Commission de l'énergie de l'Ontario

STREETWISE ENERGY

Suncor vows to focus on current assets

JEFFREY JONES CALGARY

Suncor Energy Inc. chief executive Steve Williams won't be contributing big fees to investment banks for merger-and-acquisition activity over the next few years.

Canada's largest oil company intends to make the best use of its current assets against a backdrop of uncertain heavy oil and natural gas markets rather than look for new opportunities to spend, Mr. Williams said on Tuesday.

The company has been ramping up bitumen production at its Firebag steam-driven oil sands operations in Alberta, currently pumping as much as 175,000 barrels a day, and is seeking ways to move oil to the Gulf Coast and its Montreal refinery on newly opened pipelines and by rail. It is also looking to bolster its offshore operations.

"Probably in the next few years, we have no plans for large non-core acquisitions, and we have no plans for any significant exploration outside of our existing theatres where we operate in the North Sea and off of the East Coast of Canada," he said in a conference call to discuss Suncor's fourth-quarter results, which were accompanied by a dividend increase and plans for additional share buybacks.

Mr. Williams has made improving shareholder returns a priority at the country's dominant oil sands producer, so splashing out on big deals is not in the cards, at least not for a while.

The shares are up 4 per cent in the past six months, though they have weakened a bit since the start of this year.

Suncor has also decided against plowing more money into its Montney unconventional natural gas assets in British Columbia with the industry's plans for a major new market for liquefied natural gas on the West Coast slow to come to fruition.

The decision to halt delineation drilling follows the $1 billion sale of most of its conventional gas holdings to Centrica PLC and Qatar Petroleum last year.

Suncor isn't planning to put the property on the block, however. Mr. Williams estimated the reserves there at 7.5 billion to eight billion barrels of oil equivalent.

"We have no plans in the next couple of years to do any further work on that. The optionality, we still like. So we could retain it, but relatively cheaply as an option against a gas price movement in the future. That's a possibility," he said. "It's big enough that it could go into an LNG project to be a sizable piece of an LNG plant feed."

Suncor (SU)
Close: $35.01, down 63¢

This is Exhibit "A" to the Affidavit of Erin Henderson sworn before me this 3rd day of March, 2014
Michael Russell

Good advice for low-income retirees lacking



Ellen Roseman

As the March 3 contribution deadline gets closer, almost everyone in financial services sings from the same songbook: Prepare for your life after work by contributing to an RRSP.

You don't hear many voices telling you to skip annual RRSP contributions or to start taking money out of your RRSP.

Let's face it. The registered retirement savings plan is a great vehicle that suits many people.

But it's not a "one-size-fits-all" solution.

John Stapleton spent a 28-year career in social assistance policy with the Ontario government. He's now a consultant who helps people plan for retirement if they expect to live mainly on government old-age pensions.

You can find his tool kit on retiring on a low income (produced with clear language and the help of design specialist Sally McBeth) at his website, Open Policy Ontario.

"The banks treat low-income people as rich people who don't have money," he told a Toronto Reference Library workshop this week. (I was also a participant.)

"Low-income retirees need very different advice than they get from the mainstream. But is this advice available? The answer is largely, 'No.'"

He was talking about those who receive the guaranteed income supplement (GIS) to top up their old-age security (OAS) pension after age 65.

The GIS is powerful, adding up to $750 a month, or $9,000 a year, for a single person. In contrast, the maximum OAS payment is $550 a month, or $6,600 a year.

You're eligible for the GIS if you have little money coming in besides your OAS pension.

This means you have income of $16,728 as a single person or $22,080 in combined income if you and your spouse both get the OAS pension.

Why is standard advice wrong for these retirees? He gives a few reasons:

› Many low-income seniors receive higher incomes when they turn 65 and get OAS, GIS and the Canada Pension Plan retirement benefit. Mainstream advice assumes you will earn less when you retire.

› Many low-income seniors pay higher taxes at 65, since OAS and CPP are taxable (unlike the social assistance and some disability benefits they received during their working years).

› Their GIS payments are reduced by 50 cents on the dollar when they receive taxable income from RRSP withdrawals.



"It's almost as if potential low-income retirees live in a different world, where their situation is the polar opposite to what is faced by most retirees," Stapleton says.

What advice does he offer? Here are his main tips for those who expect to be low-income retirees:

› Take CPP retirement benefits at age 60. Don't wait until 65 or 70. With the high GIS reduction at low-income levels, you'll have smaller CPP payments at age 65 if you start early — and you'll benefit from the extra income.

› Don't save money inside an RRSP. After retirement, you may find your income has risen to the point that you're exposed to tax for the first time. The income from RRSP withdrawals may reduce your GIS.

› Save money inside a tax-free savings account (TFSA). There is no tax on TFSA withdrawals (unlike RRSP withdrawals) and no tax on investment income. Most important, there is no GIS reduction.

› When advising low-income people about retirement saving, urge them to redirect their RRSP contributions to a TFSA. They may also want to "melt down" existing RRSPs by withdrawing money over a period of years to maximize their GIS entitlement.

› Contributing to an RRSP can make sense after 65 if your income is a bit over the GIS eligibility limit. RRSP contributions will lower your income and qualify you for GIS. If you have unused RRSP room, you can contribute annually until age 71.

Stapleton called on a list of heavy hitters to review his tool kit, including economists Don Drummond and Richard Shillington, financial adviser and author Preet Banerjee and former Toronto Star business writer James Daw. (I, too, had a role in reviewing it.)

Low-income people are typically overlooked in financial discussions, says Sherri Torjman of the Caledon Institute of Social Policy.

This can mean little or no access to important benefits — or lost benefits when one program reduces money delivered through another.

You probably don't plan to rely on the GIS after retirement. But you may have relatives or friends who will be part of that underserved population group.

Stapleton's tool kit can help you give them advice or steer them away from advisers who don't understand their specific needs.

Ellen Roseman writes about personal finance and consumer issues. You can reach her at eroseman@thestar.ca or ellenroseman.com.



Netflix continues to grow in Canada and is being used in millions of households, suggest two research reports.

Netflix growth heading way north in Canada

Almost a third of families subscribe to online video service, research reports find

MICHAEL OLIVEIRA
THE CANADIAN PRESS

Netflix continues to grow in Canada and is being used in millions of households, suggest two research reports.

Telephone surveys commissioned by the Media Technology Monitor with 4,009 anglophone Canadians between Oct. 7 to Dec. 1 found 29 per cent of the respondents said they were Netflix subscribers.

That was up nearly 40 per cent compared to MTM survey results from 2012. Based on the latest polling data, MTM estimates there are 5.8 million Canadians using Netflix to stream content.

Solutions Research Group Consultants estimates that three million Canadian households are using Netflix, based on an online poll conducted in November.

Of the Netflix users polled, almost nine in 10 said they found the $8-a-month subscription fee to be "excellent" or "good" value for their money, and the average user spent 1.5 hours a day watching TV shows or movies with the service.

That poll also revealed that 81 per cent of the respondents said they watch short online videos monthly and 56 per cent were watching long-form content.

MTM's polling suggests that more Canadians are connecting their TVs to the Internet to play online video on their biggest screen.

About 26 per cent of the respondents said they use their TV to access online content, which was up about 20 per cent from the previous year. MTM attributes the growing popularity of Netflix as the biggest reason for the increase.

Netflix, which launched in Canada in September 2010, no longer discloses how many Canadian customers it has.

It last reported the service had reached the one million Canadian subscriber milestone just shy of its one-year anniversary in Canada, which was the company's first international market outside the U.S.

The results of the MTM poll conducted by Forum Research are considered accurate within 1.5 percentage points 19 times out of 20.

The polling industry's professional body, the Marketing Research and Intelligence Association, says online surveys cannot be assigned a margin of error because they do not randomly sample the population like traditional telephone polls.

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ONTARIO ENERGY BOARD NOTICE
TO CUSTOMERS OF HYDRO ONE NETWORKS INC.

**Hydro One Networks Inc. has applied to raise its electricity distribution rates.
Learn more. Have your say.**

Hydro One Networks Inc. has applied to the Ontario Energy Board to adjust the amount it charges each month for electricity distribution beginning January 1, 2015 and continuing for a 5 year period to December 31, 2019. Hydro One's proposed monthly bill impacts for a typical residential customer using 800 kWh per month are set out in the table below:

2015	a decrease of $0.69 per month
2016	an increase of $2.15 per month
2017	an increase of $1.37 per month
2018	an increase of $1.03 per month
2019	an increase of $1.61 per month

Other customers, including businesses, may be affected as well.

THE ONTARIO ENERGY BOARD IS HOLDING A PUBLIC HEARING
The Ontario Energy Board (OEB) will hold a public hearing to consider Hydro One's request. We will question the company on its case for a rate increase. We will also hear arguments from individuals and from groups that represent Hydro One's customers. At the end of this hearing, the OEB will decide what, if any, increase will be allowed.

Distributors typically apply for a full review of their rates every five years with any rate changes for the years in-between automatically tied to inflation (and other factors intended to promote efficiency). In this application, Hydro One is applying for a full review of its distribution rates over each of the five years, consistent with the option for a distributor to file an application on a custom basis.

The OEB is an independent and impartial public agency. We make decisions that serve the public interest. Our goal is to promote a financially viable and efficient energy sector that provides you with reliable energy services at a reasonable cost.

BE INFORMED AND HAVE YOUR SAY
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Ontario

BUSINESS & TECHNOLOGY

CEO: Seeking to remain relevant

Continued from page D1

Microsoft's revenue growth has averaged 9.4 per cent in the last 10 years, compared with 24 per cent during the prior period. In the past decade, Microsoft's stock has gained 88 per cent including dividends, compared with a 91 per cent rise in the Standard & Poor's 500 Index.

The new CEO will oversee a sprawling empire of 130,000 employees once the Nokia acquisition closes in the next few months.

Microsoft is seeking to remain relevant as consumers turn to mobile devices and the web to check email and access data, putting the brakes on sales of PCs, the main driver of Microsoft's Windows and Office software. The acquisition of Nokia is aimed at speeding up the transition to devices and services.

In 2012, Microsoft's Windows operating system had 19 per cent of the consumer-computing market, according to Goldman Sachs Group Inc., down from 93 per cent in 2000 when PCs were prevalent. In tablets and smartphones, Microsoft has less than five per cent share of each market, according to researcher IDC.

Nadella, who was at Sun Microsystems Inc. before joining Microsoft, has worked on business software and services through much of his career. Born in Hyderabad, India, Nadella has a bachelor's degree in electrical engineering from Mangalore University, a master's degree in computer science from the University of Wisconsin-Milwaukee and an MBA from the University of Chicago.

Nadella was "very focused and had very good academics," said M.A. Faiz Khan, who attended Hyderabad Public School with Nadella. Television broadcast vans were gathered outside the campus, which Nadella visited in recent years to open a robotics lab.

Shantanu Narayen, CEO of Adobe Systems Inc. and Prem Watsa, the CEO of Fairfax Financial Holdings Ltd. who abandoned a takeover of BlackBerry Ltd. last year, are also graduates of Hyderabad Public School, according to Khan, who is also a member of the school's board.

"The one thing that I would say that defines me is that I love to learn," Nadella said in an online video. "I get excited about new things, I buy more books than I read or finish, I sign up for more online courses than I can actually finish, but the thing about being able to watch people do great things, learn new concepts, is something that truly excites me."

Nadella accelerated the move to Internet-based computing and worked to better connect cloud software with Microsoft's programs for internal corporate networks.

BLOOMBERG

Expansion: 'Voracious growth'

Continued from page D1

Grocers such as Sobeys and Loblaw have opened in Toronto's core, with the latter announcing it will build a 20,000-square-foot store inside a condo near the city's quirky Kensington Market, an area where a Walmart building proposal was stalled by city council last summer.

"There are all kinds of ways to grow," Broader said. "Acquisition is one way to grow, (building new big boxes) is another, and we have had a voracious growth plans in our Walmart.ca business."

The website launched in earnest in 2013 and currently gets its highest sales in general merchandise, but food is growing very rapidly, as is business in "the kind of categories Walmart wants to grow in," Broader said. "That core consumable item: paper, diapers, toilet tissue. There, it is growing."

In the third quarter, e-commerce traffic at Walmart.ca rose 42 per cent and sales were up 96 per cent over the prior year, its U.S. parent said in November.

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ADVERTISING SALES CONSULTANT

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- Build the sales pipeline by creating sincere business relationships through cold calling, social networking and unique lead generation techniques that will separate you from the competition.
- Schedule and attend sales appointments with business owners to identify their marketing challenges, and complete a thorough needs and opportunities assessment.
- Work with our integrated media strategist team to build and then present a compelling, audience-based, print and digital marketing solution.
- Overall – meet advertising sales targets by generating and closing new business opportunities.

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Desired Skills and Experience

Requirements

- A proven track record in sales
- A driver's license, use of a vehicle and valid vehicle insurance
- Adept with Microsoft Office (Outlook, Word, PowerPoint, Excel)

Nice to Have

- Experience with in-person, consultative B2B sales or account management
- Experience generating new business (e.g. cold calling, prospecting, etc.)
- Deep knowledge of or experience with advertising, media sales and/or digital marketing
- Experience with NetSuite CRM (or another similar CRM tool)
- Training in a consultative selling methodology (e.g. SPIN, Solution Selling, Miller Heiman, etc.)
- Strong personal social media presence

How to Apply

Our online application process will assess your qualifications, traits, and culture fit, as well as your résumé. It should take about 15 minutes to complete, and afterwards you will get access to a copy of the personality assessment for your own personal development. We thank everyone who applies and will only contact those selected for further discussion. No follow up calls or emails please. Thank you.

To apply, please go to: **https://www.jobfit.co/apply/414?s=di**

About the Ottawa Citizen

The Ottawa Citizen is the National Capital Region's leading multi-media news platform and includes OttawaCitizen.com, SenatorsExtra.com, OttawaCitizenStyle.com, among others, as part of its network portfolio. Focused on continually setting the bar for comprehensive in-depth journalism and innovative media, the Citizen is committed to providing a growing audience with the information and stories that matter.

OTTAWA CITIZEN



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PRODUCTION COORDINATOR

The Advertising Department has an immediate full-time opening for a fluently bilingual Production Coordinator. Located in Ottawa and reporting to the Advertising Operations Manager, the Production Coordinator is responsible for receiving, reviewing and processing advertising campaign material for the Ottawa Citizen, Montreal Gazette and Windsor Star sales teams.

The Eastern Region support team is a close-knit team, and excellent mentorship will be provided to new hires. We work at a fast pace, and welcome new talent who take pride in the quality of their work, enjoy hard work, and are able to have fun doing it.

Key Responsibilities:

- Liaise with Advertising Sales Consultants, Support Specialists and Media Strategist to execute our clients' advertising campaigns and keeping them aware of any delivery concerns
- Locate client material, traffic ads through an ad tracking system, and work closely with support team to proof and make necessary changes to the ads.
- Troubleshoot ad creative issues that affect tracking, pacing and implementation.
- Ability to create/design ads when necessary as well as make corrections to existing ads.
- When faced with challenges, exercises independent judgment within defined practices and procedures to determine appropriate action.
- Report problems and discrepancies to supervisor.
- May also include administrative support.

Competencies:

- Proficient in using Adobe Creative suite.
- Design advertising campaigns.
- Fluently Bilingual (verbal and written)
- Post-secondary education in related field or equivalent experience
- The ability to juggle multiple projects and stay calm and collected under pressure.
- Demonstrated ability to juggle multiple projects and stay calm in a multiple daily deadline environment with while maintaining an eye on detail.
- Ability to work effectively with cross functional partners
- Has energy and drive, takes ownership and pride in their work.
- Applies innovative solutions to everyday situations and problems
- Builds respect and credibility with stakeholders by being service oriented, and demonstrating integrity.
- An interest in all things media related.
- Proficient with other software program such as Excel, Word and PowerPoint
- Previous media experience is an asset

In order to be considered for the position, resumes must be received by the Human Resources Department, quoting job #14-012 by noon, Friday, February 14, 2014:

Human Resources Department of the Ottawa Citizen
1101 Baxter Road Ottawa ON K2C 3M4
Via email at: hr@ottawacitizen.com

- Applications received without the job number quoted will not be considered for this position.
- It is the applicant's responsibility to ensure that all relevant experience and/or skills are identified on their application.
- We thank all applicants for their interest. However, only those applicants considered for the position will be contacted. NO PHONE CALLS OR FOLLOW UP EMAILS PLEASE.

OTTAWA CITIZEN

RECREATION

Whistler Blackcomb posts higher Q1 net loss, lower revenue, as visits fall 13%



Whistler Blackcomb Holdings Inc. says a drop in customer visits to its ski resorts in the final months of 2013 pushed down its first-quarter revenue and adjusted earnings. Its net loss also more than doubled to $12.3-million in the three months ended Dec. 31, compared with $5.6-million in the first quarter of fiscal 2012. The loss amounted to 19¢ per share, compared with 7¢ per share a year earlier, with the increase mostly due to non-operating items. Whistler Blackcomb's adjusted earnings dropped to $9.5-million from $10.2-million while revenue declined by $400,000 to $49.8-million. It says the number of visits fell about 13% but revenue per visit was up 14% from higher ticket prices and guest spending on the company's other related businesses. *The Canadian Press*

Walmart plans to raise focus on fresh food

URBAN

Continued from Page FP1

"There are all kinds of ways to grow," Ms. Broader said. "Acquisition is one way to grow, [building new big boxes] is another, and we have had a voracious growth plans in our Walmart.ca business."

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One of the biggest ways Walmart has grown in Canada is by expanding further into groceries, which it will sell at 282 stores by next year. The investments announced Tuesday include more than $376-million for store projects, $91-million to enhance its fresh food distribution network, and $31-million on e-commerce.

The food investments will continue to weigh on Canadian grocers, analyst Peter Sklar of BMO wrote in a note to clients Tuesday.

"Many of Walmart's competitor discount banners have dedicated resources to sharpen their fresh offerings, and Walmart Canada's move to also improve its fresh food capabilities was likely required to continue to effectively compete in this hyper-competitive category."

But it's not an easy battle, and while the grocers struggled to grow sales and profits last year amid an explosion of 4.3 million square feet of added food sales space into the market, Walmart Canada has felt pressure, too. Same-store sales, a critical industry measure calculating volume at outlets open for more than a year, have fallen for the past three quarters in a row, as has customer traffic.

Rival Target, which opened 124 stores in Canada last March and will add nine more this year, has fared worse than expected as it approaches its first anniversary here.

Target's arrival "has made us a better Walmart," Ms. Broader said. "This is an incredibly competitive market with world-class retailers. In order to compete you have got to understand this consumer and understand the diverse and well-run competitors that already exist here."

Financial Post
kshaw@nationalpost.com



PETER J. THOMPSON / NATIONAL POST

Walmart Canada chief executive Shelly Broader said Tuesday Target's arrival in Canada has made the retailer a better competitor.

Obama urged to OK Keystone XL

BY MATTHEW DALY

WASHINGTON • An unusual coalition that includes Republicans, Democrats, labour and business leaders, veterans groups and Canada's ambassador to the United States joined forces Tuesday to push for quick approval of the Keystone XL pipeline.

Five Democrats joined Republicans at a news conference to urge President Barack Obama to approve the pipeline following a State Department report last week that raised no major environmental objections. The $7-billion pipeline would carry oil sands bitumen from the oil sands in western Canada to refineries along the Texas Gulf Coast. The project has lingered for more than five years and has become a symbol of the political debate over climate change.

The Associated Press

National REPORT

BoC NAMES RIVARD ADVISOR TO BOSS

The Bank of Canada appointed Line Rivard, a former managing director with BMO Capital Markets, as a special advisor to the governor on Tuesday to deepen the central bank's understanding of corporate finance. Montreal-based Ms. Rivard will begin her role on Wednesday after more than 20 years working in investment banking and corporate finance, most recently at Bank of Montreal. "Line's deep knowledge of corporate finance and years of private-sector experience will help the bank better understand the linkages between the financial system and the corporate sector in Canada," said Bank of Canada governor Stephen Poloz in a statement. The bank said Ms. Rivard would "lead an examination of the role of the financial system in supporting the building of new economic capacity." *Reuters*

GOLDCORP, BARRICK SELL MARIGOLD

Two of Canada's largest gold miners have agreed to sell the Marigold mine in Nevada to **Silver Standard Resources Inc.** for a total of US$275-million cash. **Goldcorp Inc.** owns two-thirds of Marigold, while **Barrick Gold Corp.** owns the remaining third of the open pit mine. Silver Standard said Marigold would immediately add to its cash flow and reserves and give its shareholders exposure to the gold sector. "The acquisition of Marigold accomplishes our strategic goal of adding an operating mine in a well-established, low-risk mining jurisdiction," said John Smith, Silver Standard's president and chief executive. Barrick said it will receive US$86-million for its stake in the mine. The Marigold sale is the second deal so far this year for Barrick. *The Canadian Press*

NDP SAYS FRACKING A FREE-FOR-ALL

The opposition NDP says newly released documents show fracking has become an unregulated free-for-all in Alberta with no regard for the impact on groundwater or people's health. NDP leader Brian Mason says information provided under freedom of information laws shows that the number of fracking licences granted by the province soared 647% last year to 1,516. Mr. Mason says the amount of water allocated and used for fracking has increased even faster. He says the province has gone too far to make a temporary moratorium on fracking realistic, but he says the government needs to get a handle on the health and environmental implications. In fracking, underlying rocks are blasted with pressurized water and chemicals to release gas. *The Canadian Press*

ONTARIO ENERGY BOARD NOTICE TO CUSTOMERS OF HYDRO ONE NETWORKS INC.

Hydro One Networks Inc. has applied to raise its electricity distribution rates. Learn more. Have your say.

Hydro One Networks Inc. has applied to the Ontario Energy Board to adjust the amount it charges each month for electricity distribution beginning January 1, 2015 and continuing for a 5 year period to December 31, 2019. Hydro One's proposed monthly bill impacts for a typical residential customer using 800 kWh per month are set out in the table below:

2015	a decrease of $0.69 per month
2016	an increase of $2.15 per month
2017	an increase of $1.37 per month
2018	an increase of $1.03 per month
2019	an increase of $1.61 per month

Other customers, including businesses, may be affected as well.

THE ONTARIO ENERGY BOARD IS HOLDING A PUBLIC HEARING

The Ontario Energy Board (OEB) will hold a public hearing to consider Hydro One's request. We will question the company on its case for a rate increase. We will also hear arguments from individuals and from groups that represent Hydro One's customers. At the end of this hearing, the OEB will decide what, if any, increase will be allowed.

Distributors typically apply for a full review of their rates every five years with any rate changes for the years in-between automatically tied to inflation (and other factors intended to promote efficiency). In this application, Hydro One is applying for a full review of its distribution rates over each of the five years, consistent with the option for a distributor to file an application on a custom basis.

The OEB is an independent and impartial public agency. We make decisions that serve the public interest. Our goal is to promote a financially viable and efficient energy sector that provides you with reliable energy services at a reasonable cost.

BE INFORMED AND HAVE YOUR SAY

You have the right to information regarding this application and to be involved in the process. You can:

- Review Hydro One's application on the OEB's website now.
- Sign up to observe the proceeding by receiving OEB documents related to the hearing.
- File a letter with your comments, which will be considered during the hearing.
- Become an active participant (called an intervenor). Apply by **February 15, 2014** or the hearing will go ahead without you and you will not receive any further notice of the proceeding.
- At the end of the process, review the OEB's decision and its reasons on our website.

LEARN MORE

These proposed charges relate to Hydro One's distribution services. They make up part of the Delivery line – one of the five line items on your bill. Our file number for this case is EB-2013-0416. To learn more about this hearing, find instructions on how to file letters or become an intervenor, or to access any document related to this case please select the appropriate application from the list at the OEB website: www.ontarioenergyboard.ca/notice. You can also phone our Consumer Relations Centre at 1-877-632-2727 with any questions.

ORAL VS. WRITTEN HEARINGS

There are two types of OEB hearings – oral and written. If you have a preference as to which hearing type should be held, you can write to the OEB to express your preference and explain why.

PRIVACY

If you write a letter of comment or sign up to observe the hearing, your name and the content of your letter or the documents you file with the OEB will be put on the public record and the OEB website. However, your personal telephone number, home address and email address will be removed. If you are a business, all your information will remain public. If you apply to become an intervenor, all information will be public.

This rate hearing will be held under section 78 of the Ontario Energy Board Act, 1998, S.O. 1998 c.15 (Schedule B).

Ontario

Hydro Québec — *Appel de qualification*

APPEL DE QUALIFICATION EN INGÉNIERIE DE DISTRIBUTION

Hydro-Québec effectue actuellement un exercice de qualification des fournisseurs de services professionnels qui œuvrent en ingénierie de distribution. Pour prendre connaissance des règles entourant cet exercice, ces fournisseurs sont invités à visiter le **www.hydroquebec.com/soumissionnez/index.html** afin de consulter le document intitulé ***Appel de qualification – Ingénierie de distribution*** dans la section **Appels de propositions en cours**, ainsi que de se procurer les documents dont ils ont besoin pour préparer un dossier de qualification.

AVIS DE CHANGEMENT DE NOM

Prenez avis que Micheline Marie Bertha, Renaud-Gauvreau dont l'adresse du domicile est le 91, chemin de la Prairie, Masham (La Pêche), P.Q. J0X 2W0, présentera au Directeur de l'état civil une demande pour changer son nom en celui de Micheline Marie Bertha, Gauvreau

Avis rempli :
À Masham (La Pêche, P.Q.)
le vendredi 24 janvier 2014.

AVIS DE CHANGEMENT DE NOM

Prenez avis que **Bernadette Marie, Renaud-Gauvreau** dont l'adresse du domicile est le 11, ch. de l'Orée du Bois, Masham (La Pêche), P.Q. J0X 2W0, présentera au Directeur de l'état civil une demande pour changer son nom en celui de **Bernadette Marie, Gauvreau**

Avis rempli :
À Masham (La Pêche, P.Q.) le vendredi 24 janvier 2014.

AVIS DE LA COMMISSION DE L'ÉNERGIE DE L'ONTARIO AUX CLIENTS D'HYDRO ONE NETWORKS INC.

Hydro One Networks Inc. a demandé une hausse de ses tarifs de distribution d'électricité. Apprenez-en plus et donnez votre avis.

Hydro One Networks Inc. a déposé une demande auprès de la Commission de l'énergie de l'Ontario en vue de rajuster le montant mensuel facturé pour la distribution d'électricité à compter du 1er janvier 2015, pendant une période de 5 ans se terminant le 31 décembre 2019. Figurent dans le tableau ci-dessous les modifications proposées aux factures mensuelles d'Hydro One pour un abonné résidentiel normal dont la consommation d'électricité s'élève à 800 kWh par mois :

2015	**une baisse de 0,69 $ par mois**
2016	**une hausse de 2,15 $ par mois**
2017	**une hausse de 1,37 $ par mois**
2018	**une hausse de 1,03 $ par mois**
2019	**une hausse de 1,61 $ par mois**

D'autres clients, y compris les entreprises, peuvent également être touchés par ces hausses.

LA COMMISSION DE L'ÉNERGIE DE L'ONTARIO TIENDRA UNE AUDIENCE PUBLIQUE
La Commission de l'énergie de l'Ontario (CEO) tiendra une audience publique afin d'étudier la demande d'Hydro One. Nous demanderons à la société de justifier la nécessité d'une augmentation des tarifs. Nous écouterons également les arguments des particuliers et des groupes représentant la clientèle d'Hydro One. À l'issue de l'audience, la CEO décidera du bien-fondé d'une augmentation et, le cas échéant, du montant de l'augmentation à venir.

Les distributeurs demandent généralement une révision complète de leurs tarifs tous les cinq ans. Toute modification des tarifs entre ces intervalles est automatiquement liée à l'inflation (et à d'autres facteurs cherchant à favoriser l'efficacité). Dans la présente demande, Hydro One réclame une révision complète de ses tarifs de distribution sur chacune des cinq années, en accord avec l'option dont dispose le distributeur, soit la présentation d'une demande adaptée à ses besoins.

La Commission de l'énergie de l'Ontario est un organisme public indépendant et impartial. Les décisions que nous prenons visent à servir au mieux l'intérêt public. Notre objectif est d'encourager le développement d'un secteur de l'énergie efficace et financièrement viable qui offre des services énergétiques fiables à un prix raisonnable.

INFORMEZ-VOUS ET DONNEZ VOTRE AVIS
Vous avez le droit d'être informé au sujet de cette demande et de participer au processus. Vous pouvez :
- examiner la demande d'Hydro One sur le site Web de la CEO dès maintenant;
- assister à la procédure en vous inscrivant pour recevoir les documents de la CEO relatifs à l'audience;
- déposer une lettre de commentaires, lesquels seront pris en compte au cours de l'audience;
- devenir participant actif (« intervenant »). Inscrivez-vous le **15 février 2014**, faute de quoi l'audience aura lieu sans votre participation et vous ne recevrez plus d'avis dans le cadre de la présente affaire;
- examiner la décision de la CEO à l'issue de la procédure, ainsi que ses justifications, sur notre site Web.

APPRENEZ-EN PLUS
Les tarifs proposés s'appliquent aux services de distribution d'Hydro One. Des cinq lignes figurant sur votre facture, ils s'intègrent à la ligne de frais de livraison. Notre numéro de dossier pour cette affaire est EB-2013-0416. Pour de plus renseignements sur cette audience, apprendre comment déposer une lettre, devenir intervenant ou accéder à tous les documents relatifs à cette affaire, saisissez ce numéro de dossier sur le site Web de la CEO : www.ontarioenergyboard.ca/notice. Pour toute question, vous pouvez également communiquer avec notre centre des relations avec la clientèle au 1-877-632-2727.

AUDIENCES ORALES ET AUDIENCES ÉCRITES
Il existe deux types d'audiences à la CEO : les audiences orales et les audiences écrites. Si vous avez une préférence pour l'un ou l'autre type d'audience, vous pouvez écrire à la CEO pour présenter vos arguments.

PROTECTION DES RENSEIGNEMENTS PERSONNELS
Si vous écrivez une lettre de commentaires ou que vous vous inscrivez dans le but d'assister à l'audience, votre nom et le contenu des documents que vous adressez à la CEO figureront au dossier public et sur le site Web de la CEO. Cependant, votre numéro de téléphone personnel, l'adresse de votre domicile et votre courriel n'y figureront pas. En revanche, si vous représentez une entreprise, tous les renseignements de l'entreprise resteront publics. Si vous vous inscrivez pour agir à titre d'intervenant, tous vos renseignements seront rendus publics.

Cette audience sur les tarifs sera tenue en vertu de l'article 78 de la Loi de 1998 sur la Commission de l'énergie de l'Ontario, L.O. 1998, chap. 15 (annexe B).

Ontario
Ontario Energy Board / Commission de l'énergie de l'Ontario

Bill Gates quitte la tête du c.a. de Microsoft

REDMOND – Microsoft a annoncé hier la nomination de Satya Nadella, un dirigeant responsable de sa division des logiciels et services en ligne, à sa tête. Le fondateur de la société, Bill Gates, quittera pour sa part son rôle de président du conseil pour adopter celui de conseiller en technologie.

M. Nadella succède ainsi à Steve Ballmer au poste de chef de la direction du géant du logiciel. M. Ballmer avait indiqué en août qu'il quitterait la société dans les 12 mois. Satya Nadella, âgé de 46 ans, devient seulement le troisième grand patron de la compagnie en 38 ans d'histoire.

Il est à l'emploi de Microsoft depuis 22 ans et a dirigé certaines de ses divisions les plus rentables ou qui ont connu les meilleurs taux de croissance, incluant la suite de logiciels Office et les activités de serveurs.

Ces sept derniers mois, il était vice-président exécutif des services d'infonuagique de Microsoft. Il s'agit d'un nouveau secteur pour Microsoft, qui se concentrait traditionnellement davantage sur les logiciels installés sur les ordinateurs personnels plutôt que sur ceux fonctionnant sur de distants serveurs reliés par Internet. Le groupe de M. Nadella a cependant connu une solide croissance, même si cette division ne représente toujours qu'une petite partie des activités de Microsoft.

L'administrateur John Thompson remplacera M. Gates au poste de président du conseil de l'entreprise établie à Redmond, dans l'État de Washington.

Microsoft a indiqué que Bill Gates, dans son nouveau rôle de conseiller, «consacrera plus de temps à la société, en appuyant M. Nadella dans les décisions liées à la technologie et à la direction des produits». M. Gates restera membre du conseil d'administration.

Associated Press

CASILOC

APPELS D'OFFRES

LOT L-0224 – DÉMOLITION BASSINS – PHASE 4
LOT L-0554 – STRUCTURE HALL D'ENTRÉE – PHASE 4

TRAVAUX DE REVITALISATION ET MAINTIEN DE L'ACTIF AU CASINO DU LAC-LEAMY

Les entrepreneurs peuvent obtenir de l'information sur ces appels d'offres en visitant le site internet de l'entreprise :

www.casiloc.com

This is Exhibit "B" to the Affidavit of Erin Henderson sworn before me this 3rd day of March, 2014.

Michael Engelberg
Commissioner of Oaths

This is Exhibit "C" to the Affidavit of Erin Henderson sworn before me this 3rd day of March, 2014

Michael Eagleton
Commissioner of Oaths

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Generators
Feed-in Tariff Program
Electricity and Safety
Conditions of Service

Hydro One News

OEB Issues Notice to Hydro One customers
On February 5, 2014, the Ontario Energy Board issued a public Notice of Application and Hearing regarding Hydro One's Distribution Rate filing for the years 2015-19. Read the Notice: English | en français. See the full Application.

Letter to Our Customers from Carm Marcello
Ontario's Ombudsman, André Marin, has announced his office will conduct an investigation of Hydro One's billing practices and the timeliness and effectiveness in managing customer billing concerns. We will work openly and constructively with the Ombudsman's Office. More...

Hydro One's Electricity Discovery Centre in Port Burwell from February 5-7, 2014. Take a tour of our new mobile interactive exhibit outside Port Burwell Public School (30 Strachan Street)

CUSTOMER LOGIN

Hydro One's My Account website makes it easy to update and view your account and billing information, enrol for Pre-Authorized Payment or submit service order requests at your convenience.

Email Address:

Password:

☐ **Remember me**

Forgot your Email Address?
Forgot your Password?
Not registered yet? Create an online profile

Law Offices

Notify us of a Move In or Move Out on behalf of your client(s).

New custo ıers

If you're new to Hydro One's service territory, notify us of the date you Move In. If you're an existing customer, please use the Customer Login process above.

Introducing
Green Button

Now you can download your detailed energy usage in a standardized format, with the simple click of a button! It's a safe and easy way to share your data – while maintaining your privacy. Learn more here.

ONTARIO ENERGY BOARD NOTICE TO CUSTOMERS OF HYDRO ONE NETWORKS INC.

HYDRO ONE NETWORKS INC. HAS APPLIED TO RAISE ITS ELECTRICITY DISTRIBUTION RATES (EB-2013-0416). CLICK TO LEARN MORE.

Where do we serve?

Note: You will be automatically logged off after 30 minutes of inactivity.

MY ACCOUNT HOME FAQ CONTACT US HYDRO ONE HOME

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Hydro One HydroOne Feb 6
The @OntEnergyBoard issued a public Notice of Application and Hearing regarding our Distribution Rate filing. To view ow.ly/tmeqr

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RETWEETS
2

11:10 AM - 6 Feb 2014 Details

Reply to @HydroOne @OntEnergyBoard

HENDERSON Erin

From:	HENDERSON Erin on behalf of REGULATORY AFFAIRS
Sent:	Friday, February 07, 2014 4:09 PM
To:	BAMBRIDGE Jennifer; CYR Danielle; DIXON Crystal; FINNEY Michele; GRAHAM Lori-Ann; JACKSON Kim; MYERS Krista; STEPHENS Stephanie; CHARBONNEAU Kelly
Subject:	EB-2013-0416 - Dx Rate Application and Evidence, OEB Notices
Attachments:	OEB_Notice_to_HydroOne_Customers_Feb5_2014.pdf; OEB_Notice_to_HydroOne_Customers_Feb5_2014_FRENCH.PDF
Importance:	High

Good afternoon,

The OEB has directed that a copy of HONI's Dx rate application and evidence be available for public review at the Hydro One FBC offices.

I have attached the notices that were published on February 5, 2014 and sent to specific Hydro One customers. Also for your reference the application and evidence can be found at the following link below should you have customers that would like to review the public information at an FBC office:

EB-2013-0416 Distribution Custom Rate Application and Evidence

Please let me know if you have any questions,

Erin Henderson
Senior Regulatory Coordinator
Regulatory Affairs

Hydro One Networks Inc.
483 Bay Street
Toronto, ON, M5G 2P5
office 416-345-4479

please consider the environment before printing this e-mail.

This is Exhibit "D" to the Affidavit of Erin Henderson sworn before me this 3rd day of March, 2014
Michael Engelberg
Commissioner of Oaths

hydro one

Distribution Rate Applications

2015-2019 Distribution Custom Rate Application (EB-2013-0416)

On December 19, 2013, Hydro One Networks Inc. filed a Distribution Rate Application after holding multiple stakeholder sessions which provided an overview of Hydro One's plans for the 2015-2019 Custom Evidence, and to solicit Stakeholder input on our approach and views regarding the Chapter 5 guidelines issued by the OEB.

- View or download a copy of the Participant Terms of Reference
- View or download a copy of the April 29, 2013 - Stakeholder Session Agenda
- View or download a copy of the Stakeholder Session #1
- View or download a copy of the Stakeholder Consultation Notes #1
- View or download a copy of the June 26, 2013 - Stakeholder Session Agenda
- View or download a copy of the Stakeholder Session #2
- View or download a copy of the Stakeholder Consultation Notes #2
- View or download a copy of the October 16, 2013 - Stakeholder Session Agenda
- View or download a copy of the Stakeholder Session #3
- View or download a copy of the Stakeholder Consulation Notes #3
- View or download a copy of the December 2, 2013 - Stakeholder Session Agenda
- View or download a copy of the Stakeholder Session #4
- View or download a copy of the Stakeholder Consultation Notes #4
- View or download a copy of the Application and Pre-filed Evidence
- View or download a copy of the OEB Notice of Application and Hearing (PDF - disponible en français) issued February 5, 2014.

This is Exhibit "E" to the Affidavit of Erin Henderson sworn before me this 3rd day of March, 2014.
Michael Angelozzo
Commissioner of Oaths

2014 Distribution Rate Application (EB-2013-0141)

On April 26, 2013 Hydro One Networks Inc. filed a Distribution 3GIRM Application with the Ontario Energy Board (OEB) for 2014 rates effective January 1, 2014.

- View or download a copy of the Application and Pre-filed Evidence
- View or download a copy of the OEB Notice of Application and Hearing (PDF - disponible en français) issued May 24, 2013
- View or download a copy of the OEB Partial Decision and Order issued September 26, 2013

2013 Distribution Rate Application (EB-2012-0136)

On May 28, 2012 Hydro One Networks Inc. filed a Distribution IRM Rate Application with the Ontario Energy Board (OEB) for the 2013 test year for rates effective January 1, 2013.

- View or download a copy of the Application and Pre-filed Evidence
- View or download a copy of the OEB Notice of Application and Hearing (PDF - disponible en français) issued July 6, 2012
- View or download a copy of the OEB Decision issued December 14, 2012

Stakeholder Consultation

- View or download a copy of the Participant Terms of Reference

Studies Directed To Be Undertaken For Future Distribution Rate Application

Stakeholder Consultation

Stakeholder Session (October 19, 2011) — CDM, Density Cost Allocation, Compensation Benchmarking and Productivity Studies and Cornerstone Phase 4 CIS Replacement in Support of Hydro One Rate Applications

On October 19, 2011, Hydro One held a stakeholder session which provided an update on the progress of the Studies and the Cornerstone Phase 4 CIS intitiative. All presentation materials can be viewed or downloaded below:

ROGERS PARTNERS LLP

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P.O. BOX 255, TORONTO, ON M5K 1J5
T. 416.594.4500 | F. 416.594.9100
WWW.ROGERSPARTNERS.COM

D. H. ROGERS, Q.C.
Donald H. Rogers Professional Corporation
Direct Dial : **416.594.4501**
E-mail: **don.rogers@rogerspartners.com**
Assistant: Debbie Baldassarra
Direct Dial: 416.594.4511
E-mail: debbie.baldassara@rogerspartners.com

February 18, 2014

Our File Number: 72738

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

Dear Ms. Walli:

Re: Hydro One Networks
2015-2019 Distribution Custom Rate Application (EB-2013-0416)

We represent Hydro One Networks Inc. ("**Hydro One**") in the above-referenced application.

On December 19, 2013, Hydro One filed a 5-year Custom Distribution Rate Application ("**Distribution Application**") with the Board, covering the 2015-2019 test year period. It is the first custom application submitted to the Board under the new *Renewed Regulatory Framework for Electricity Distributors*. Hydro One submitted supplementary evidence in support of the Distribution Application on January 31, 2014. It intends to file an update in late April to reflect 2013 year-end actual results, their impact on in-service additions, and other adjustments such as recent LTEP direction.

In the interest of establishing an orderly, transparent hearing process while enhancing the efficiency and effectiveness of the review of the application, we respectfully submit the following suggestions for the Board's consideration.

1. Prior to the April update, Hydro One could hold a series of technical conference sessions for participants in the Distribution Application proceeding, each focusing on a specific aspect of the evidence. These sessions would offer opportunities to further clarify Hydro One's approach beyond that provided in the 4 stakeholder sessions held during the development of the application. The technical conferences would identify areas for potential settlement or where modifications could be incorporated in the updated evidence. These sessions could begin in late March and possible subjects include:

    a. the overall framework of the Distribution Application and the proposed annual adjustment mechanisms, adjustments outside of the normal course of business, off-ramps and outcome measures described therein;

    b. the determination of customer preferences and their incorporation into the distribution system plan, which is set out in the Distribution Application; and

    c. cost allocation and rate design changes including line losses.

2. Given that the Distribution Application contains new and untested elements, Hydro One could provide an overview of its Distribution Application to the Board panel and make a senior executive team available to meet and answer clarifying questions. We propose that this session be held in mid-May, after Hydro One has completed its evidentiary update in April and before the issues list is finalized.

3. Opportunities might also exist to increase the effectiveness of the interrogatory process. Materiality constraints could be established for interrogatories ("IRs"), permitting only IRs that clarify evidence relevant to the Board-approved issues list. To avoid duplication of questions and ensure each area gets examined, each issue could be assigned to one intervener, which would be responsible to take the lead on IRs specific to that issue.

4. Settlement conferences could be scheduled for those issues that can be settled or which might be appropriate for written submissions, by agreement.

In early May 2014, Hydro One intends to file a 2-year Transmission Application covering the 2015-2016 test year period. Certain evidentiary exhibits in the Transmission Application will be identical to those already filed in the Distribution Application. Other evidentiary exhibits pertaining to common costs will also be the same, other than the amounts allocated to the distribution or transmission business, as the case may be. We suggest the following means of streamlining the Ontario Energy Board's concurrent review of these applications for your consideration.

5. For elements that are common to both the Distribution Application and Transmission Application (which could include direct evidence, IR responses, transcribed testimony, undertakings and relevant arguments):

    a. evidence could be examined in one proceeding and the Board panel for the other proceeding could adopt the findings of the first proceeding; or

    b. any common oral testimony could be heard by a panel composed of Board members overseeing the Distribution Application and the Transmission Application.

We believe that, if adopted, these measures would improve the orderly and efficient examination of Hydro One's rate applications as well as reducing the strain on resources for the Board, the intervener community and Hydro One. We respectfully submit that this would improve the applications and hearing process in a manner that is consistent with the Board's 2013-2016 Business Plan objectives.

We look forward to hearing from you.

Yours very truly,

D.H. Rogers, Q.C.
DHR:db

Ontario Energy Board

Commission de l'énergie de l'Ontario

Ontario

EB-2013-0416

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF an application by Hydro One Networks Inc. for an order approving just and reasonable rates and other charges for electricity distribution to be effective January 1, 2015, each year to December 31, 2019.

PROCEDURAL ORDER NO. 1
March 14, 2014

Hydro One Networks Inc. ("Hydro One") filed a cost of service rate application with the Ontario Energy Board (the "Board") on December 19, 2013 under section 78 of the *Ontario Energy Board Act*, *1998*, S.O. 1998, c. 15, (Schedule B), seeking approval for changes to the rates that Hydro One charges for electricity distribution, to be effective January 1, 2015 and each year thereafter to December 31, 2019. Hydro One is applying through a Custom Incentive Regulation application for a full review of its distribution rates over each of the five years. The Board has assigned the application file number EB-2013-0416.

The Board issued a Notice of Application and Hearing dated January 24, 2014. Hydro One supplemented its application with additional material filed January 31, 2014. The applicant published the Notice on February 5, 2014 and the Board received 19 requests for intervention. Hydro One objected to the request from the Haudenosaunee Development Institute (HDI) for intervenor status. If HDI wishes to respond to the objection, it must do so in writing by March 26, 2014.

At this time, the Board grants intervenor status to the 18 parties listed in Appendix A as intervenors.

The Board has also determined that all the intervenors except the Ontario Federation of Agriculture, Ontario Power Generation, Power Workers Union, Toronto Hydro Electricity System Limited, Union Gas, Society of Energy Professionals and Mr. Pat Hurley are eligible to apply for an award of costs under the Board's *Practice Direction on Cost Awards*.

The City of Hamilton applied to be eligible for costs in the proceeding. Section 3.05(i) of the Board's *Practice Direction on Cost Awards* indicates that a municipality in Ontario is not eligible for a cost award. However, section 3.06 provides that a party whose cost eligibility is ruled out by section 3.05 may be eligible for a cost award if it is a customer of the applicant. The City of Hamilton is a customer of the applicant Hydro One, and the issues of concern listed by the City in its letter of intervention are relevant to the proceeding. The Board finds, therefore, that the City of Hamilton is eligible to recover its reasonably incurred costs in this proceeding.

On February 18, 2014, Hydro One filed a letter with the Board indicating that it intends to file an update to its evidence in April 2014 to reflect 2013 year-end actual results, their impact on in-service additions and other adjustments prompted by the recent Long Term Energy Plan direction. The letter also included a number of suggestions intended to enhance the efficiency and effectiveness of the proceeding. In response to the Hydro One letter, the School Energy Coalition (SEC) filed a letter on March 10, 2014, commenting on Hydro One's procedural suggestions.

The Board sees benefit in certain aspects of the Hydro One proposal. The Board notes that this application is the first electricity distribution application filed under the Board's *Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach* (RRFE) that proposes that rates be set using the 5 year Custom Incentive Rate-setting option. The Board is of the view that it would assist both the Board and parties to provide for a series of transcribed technical conferences, as proposed by Hydro One. The technical conferences will allow Hydro One to explain, and parties to explore, the fundamentals of the application.

The Board would also benefit from a presentation from Hydro One senior executives describing the strategy behind the application. The presentation will be transcribed but the Hydro One presenter(s) will not be sworn, nor will cross-examination be invited. The Board, intervenors and Board staff may ask clarifying questions of the Hydro One

presenters if necessary to ensure a full understanding of the presentation. The Board acknowledges, as pointed out by SEC, that a presentation is not equivalent to sworn and tested evidence. However, receiving a presentation from Hydro One does not reduce the obligation on Hydro One to prove its case on the basis of evidence it chooses to present or which the Board may require.

Following the presentation, Hydro One will be required to explain its rationale for the Draft Issues List filed as Exhibit A/Tab 24/Schedule1. The Board will also invite oral submissions from Board staff and intervenors on the Draft Issues List as filed by Hydro One.

The Board intends to proceed with this application by way of oral hearing. The Board notes Hydro One's suggestion that settlement conferences be scheduled and that some issues could be settled or decided by way of written submissions. Since this is the first application using the 5 year Custom Incentive Rate-setting option, the Board intends to hear as part of the oral hearing issues related to the implementation of the Board's policy and framework for the Custom Incentive Rate-setting option. There may, however, be some issues that are not strictly policy related and may be suitable for settlement. The Board invites parties to communicate with Board staff to suggest issues suitable for settlement.

The Board will consider the proposal by Hydro One to find efficiencies in the hearing of common elements of the Distribution and Transmission rate applications. The hearing dates for this Distribution application will not be finalized until the Transmission application is filed.

The Board considers it necessary to make provision for the following matters related to this proceeding.

THE BOARD ORDERS THAT:

1. The list of approved intervenors is attached as Appendix A to this Procedural Order. The Board will issue a decision in due course regarding the request for intervenor status made by HDI.

2. A series of three transcribed Technical Conferences will be held on the following dates, commencing at 9:30 am in the Board's Hearing Room, for the following topics:

   April 1, 2014 - the framework of the application, including the proposed approach to ratemaking over the 5-year planning horizon, proposed annual adjustment mechanisms, adjustments outside the normal course of business, off-ramps, outcome measures, and the consistency of the framework of the application with Board policy

   April 10, 2014 – the distribution system plan, including planned capital investments and asset management planning; discussion of operations, maintenance and administration expenditures, their key drivers, and linkages to RRFE outcomes, such as improvement in productivity and cost performance; the determination of customer preferences, and their incorporation into the distribution system plan.

   April 23, 2014 – proposed cost allocation and rate design changes including line losses.

3. On May 12, 2014, commencing at 9:30 am in the Board's Hearing Room, the Board will convene to hear Hydro One's presentation and receive submissions on the Draft Issues List.

All filings to the Board must quote the file number, EB-2013-0416, be made electronically through the Board's web portal at https://www.pes.ontarioenergyboard.ca/eservice/, in searchable / unrestricted PDF format. Two paper copies must also be filed at the Board's address provided below. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at http://www.ontarioenergyboard.ca/OEB/Industry. If the web portal is not available parties may email their documents to the address below. Those who do not have internet access are required to submit all filings on a CD in PDF format, along with two paper copies. Those who do not have computer access are required to file 7 paper copies.

All communications should be directed to the attention of the Board Secretary at the address below, and be received no later than 4:45 p.m. on the required date.

With respect to distribution lists for all electronic correspondence and materials related to this proceeding, parties must include the Case Manager, Harold Thiessen at harold.thiessen@ontarioenergyboard.ca and Board Counsel, Jennifer Lea at jennifer.lea@ontarioenergyboard.ca.

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DATED at Toronto, March 14, 2014

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

Appendix A

To Procedural Order Number 1

Hydro One Networks Inc.

List of Intervenors

Board File No: EB-2013-0416

DATED: March 14, 2014

Hydro One Networks Inc.
EB-2013-0416

APPLICANT & LIST OF INTERVENORS

March 14, 2014

APPLICANT	**Rep. and Address for Service**
Hydro One Networks Inc.	**Erin Henderson** Senior Regulatory Coordinator Hydro One Networks Inc. 483 Bay Street 7th Floor - South Tower Toronto, ON M5G 2P5 Tel: 416-345-4479 Fax: 416-345-5866 Regulatory@hydroone.com

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Hydro One Networks Inc.
EB-2013-0416

APPLICANT & LIST OF INTERVENORS

March 14, 2014

INTERVENORS	Rep. and Address for Service
Association of Major Power Consumers in Ontario (AMPCO)	**Wayne Clark** Consultant SanZoe Consulting Inc. 25 Priest Avenue Minesing ON LOL 1Y3 Tel: 705-728-3284 Fax: 705-721-0974 c.w.clark@sympatico.ca
	Shelley Grice Consultant Econalysis Consulting Services 34 King Street East Suite 630 Toronto ON M5C 2X8 Tel: 416-348-0193 Fax: 416-348-0641 shelley.grice@rogers.com
Balsam Lake Coalition	**Nicholas Copes** Balsam Lake Coalition 14 Baymark Road Thornhill ON L3T3X9 Tel: 905-881 2443 Fax: Not Provided ncopes@sympatico.ca
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Hydro One Networks Inc.
EB-2013-0416

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Hydro One Networks Inc.
EB-2013-0416

APPLICANT & LIST OF INTERVENORS

March 14, 2014

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Energy Probe Research Foundation	**Peter Faye** Counsel Barrister & Solicitor 42 Eastwood Crescent Markham ON L3P 5Z7 Tel: 905-294-2013 Fax: Not Provided pfaye@rogers.com
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Hydro One Networks Inc.
EB-2013-0416

APPLICANT & LIST OF INTERVENORS

March 14, 2014

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Hydro One Networks Inc.
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Hydro One Networks Inc.
EB-2013-0416

APPLICANT & LIST OF INTERVENORS

March 14, 2014

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Hydro One Networks Inc.
EB-2013-0416

APPLICANT & LIST OF INTERVENORS

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	Jay Shepherd Jay Shepherd Professional Corporation 2300 Yonge St. Suite 806 P.O. Box 2305 Toronto ON M4P 1E4 Tel: 416-483-3300 Fax: 416-483-3305 jay.shepherd@canadianenergylawyers.com
Sustainable Infrastructure Alliance of Ontario	**Robert Sutton** Director Sustainable Infrastructure Alliance of Ontario 2307-88 Bloor St. E. Toronto ON M4W 3G9 Tel: 647-835-6150 Fax: Not Provided siaontario@gmail.com

Hydro One Networks Inc.
EB-2013-0416

APPLICANT & LIST OF INTERVENORS

March 14, 2014

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Hydro One Networks Inc.
EB-2013-0416

APPLICANT & LIST OF INTERVENORS

March 14, 2014

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Ontario Energy Board

Commission de l'énergie de l'Ontario

Ontario

EB-2013-0416

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF an application by Hydro One Networks Inc. for an order approving just and reasonable rates and other charges for electricity distribution to be effective January 1, 2015, each year to December 31, 2019.

PROCEDURAL ORDER NO. 2
March 19, 2014

Hydro One Networks Inc. ("Hydro One") filed a cost of service rate application with the Ontario Energy Board (the "Board") on December 19, 2013 under section 78 of the *Ontario Energy Board Act*, *1998*, S.O. 1998, c. 15, (Schedule B), seeking approval for changes to the rates that Hydro One charges for electricity distribution, to be effective January 1, 2015 and each year thereafter to December 31, 2019. Hydro One is applying through a Custom Incentive Regulation application for a full review of its distribution rates over each of the five years. The Board assigned the application file number EB-2013-0416.

The Board issued a Notice of Application and Hearing dated January 24, 2014. Hydro One supplemented its application with additional material filed January 31, 2014.

The Board issued Procedural Order No. 1 on March 14, 2014 in which the Board established a schedule setting the dates for a series of three technical conferences and a Presentation/Issues Day for this proceeding.

On March 17, 2014 the Board received a request from Hydro One indicating that key staff would not be available on April 1 for the first scheduled technical conference but suggesting the week of April 28 for possible replacement dates. The Board has determined that it will accommodate this request and has amended the technical conference schedule as shown below. The Board has also updated the list of intervenors.

The Board considers it necessary to make provision for the following matters related to this proceeding.

THE BOARD ORDERS THAT:

1. The updated list of approved intervenors is attached as Appendix A to this Procedural Order. As noted in Procedural Order No. 1, the Board will issue a decision in due course regarding the request for intervenor status made by HDI.

2. A series of three transcribed Technical Conferences will be held on the following dates, commencing at 9:30 am in the Board's Hearing Room, for the following topics:

   April 10, 2014 - the framework of the application, including the proposed approach to ratemaking over the 5-year planning horizon, proposed annual adjustment mechanisms, adjustments outside the normal course of business, off-ramps, outcome measures, and the consistency of the framework of the application with Board policy

   April 23, 2014 – the distribution system plan, including planned capital investments and asset management planning; discussion of operations, maintenance and administration expenditures, their key drivers, and linkages to RRFE outcomes, such as improvement in productivity and cost performance; the determination of customer preferences, and their incorporation into the distribution system plan.

   April 30, 2014 – proposed cost allocation and rate design changes including line losses.

3. On May 12, 2014, commencing at 9:30 am in the Board's Hearing Room, the Board will convene to hear Hydro One's presentation and receive submissions on the Draft Issues List.

All filings to the Board must quote the file number, EB-2013-0416, be made electronically through the Board's web portal at https://www.pes.ontarioenergyboard.ca/eservice/, in searchable / unrestricted PDF

format. Two paper copies must also be filed at the Board's address provided below. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at http://www.ontarioenergyboard.ca/OEB/Industry. If the web portal is not available parties may email their documents to the address below. Those who do not have internet access are required to submit all filings on a CD in PDF format, along with two paper copies. Those who do not have computer access are required to file 7 paper copies.

All communications should be directed to the attention of the Board Secretary at the address below, and be received no later than 4:45 p.m. on the required date.

With respect to distribution lists for all electronic correspondence and materials related to this proceeding, parties must include the Case Manager, Harold Thiessen at harold.thiessen@ontarioenergyboard.ca and Board Counsel, Jennifer Lea at jennifer.lea@ontarioenergyboard.ca.

ADDRESS

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DATED at Toronto, March 19, 2014

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

Appendix A

To Procedural Order Number 2

Hydro One Networks Inc.

List of Intervenors

Board File No: EB-2013-0416

DATED: March 19, 2014

Hydro One Networks Inc.
EB-2013-0416

APPLICANT & LIST OF INTERVENORS

March 19, 2014

APPLICANT	Rep. and Address for Service
Hydro One Networks Inc.	**Erin Henderson** Senior Regulatory Coordinator Hydro One Networks Inc. 483 Bay Street 7th Floor - South Tower Toronto, ON M5G 2P5 Tel: 416-345-4479 Fax: 416-345-5866 Regulatory@hydroone.com
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Hydro One Networks Inc.
EB-2013-0416

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March 19, 2014

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	Shelley Grice Consultant Econalysis Consulting Services 34 King Street East Suite 630 Toronto ON M5C 2X8 Tel: 416-348-0193 Fax: 416-348-0641 shelley.grice@rogers.com
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Hydro One Networks Inc.
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City of Hamilton	**Gord McGuire** Manager, Survey & Technical Services City of Hamilton 320 - 77 James Street North Hamilton ON L8R 2K3 Tel: 905-546-2424 Fax: 905-546-2463 gord.mcguire@hamilton.ca

Hydro One Networks Inc.
EB-2013-0416

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March 19, 2014

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Energy Probe Research Foundation	**Peter Faye** Counsel Barrister & Solicitor 42 Eastwood Crescent Markham ON L3P 5Z7 Tel: 905-294-2013 Fax: Not Provided pfaye@rogers.com
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	Brady Yauch Energy Probe Research Foundation 225 Brunswick Avenue Toronto ON M5S 2M6 Tel: 416-964-9223 Ext: 236 Fax: 416-964-8239 bradyyauch@consumerpolicyinstitute.org

Hydro One Networks Inc.
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March 19, 2014

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Hydro One Networks Inc.
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March 19, 2014

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Hydro One Networks Inc.
EB-2013-0416

APPLICANT & LIST OF INTERVENORS

March 19, 2014

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Hydro One Networks Inc.
EB-2013-0416

APPLICANT & LIST OF INTERVENORS

March 19, 2014

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Hydro One Networks Inc.
EB-2013-0416

APPLICANT & LIST OF INTERVENORS

March 19, 2014

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Hydro One Networks Inc.
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March 19, 2014

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Ontario Energy Board

Commission de l'énergie de l'Ontario

EB-2013-0416

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF an application by Hydro One Networks Inc. for an order approving just and reasonable rates and other charges for electricity distribution to be effective January 1, 2015, each year to December 31, 2019.

ISSUES LIST DECISION
and
PROCEDURAL ORDER NO. 3
May 20, 2014

Hydro One Networks Inc. ("Hydro One") filed a cost of service rate application with the Ontario Energy Board on December 19, 2013 under section 78 of the *Ontario Energy Board Act*, *1998*, S.O. 1998, c. 15, (Schedule B), seeking approval for changes to the rates that Hydro One charges for electricity distribution, to be effective January 1, 2015 and each year thereafter to December 31, 2019. Hydro One is applying through a Custom Incentive Regulation application for a full review of its distribution rates over each of the five years. The Board assigned the application file number EB-2013-0416.

The Board issued a Notice of Application and Hearing dated January 24, 2014. Hydro One supplemented its application with additional material filed January 31, 2014.

The Board issued Procedural Order No. 1 on March 14, 2014 in which the Board established a schedule setting the dates for a series of three technical conferences and a Presentation/Issues Day for this proceeding. On March 19, 2014, the Board issued Procedural Order No. 2, amending the dates for these events and issuing an updated list of parties.

Transcribed technical conferences were held on April 10th, April 23rd and April 30th and a transcribed presentation by Hydro One senior executives to the Board took place on May 12, 2014. Following the presentation, parties discussed a proposed issues list filed

by Hydro One on May 9, 2014. The parties then filed a draft issues list, designated as Exhibit PD 2, for the Board's consideration which contained issues agreed to by all parties and four disputed issues. The Board heard submissions on the disputed issues.

Findings

The Board accepts all of the agreed issues as shown in Exhibit PD 2, with the exception of issue 1.1. Issue 1.1 reads as follows in Exhibit PD 2:

> 1.1 Is the Custom Application consistent with the Renewed Regulatory Framework for Electricity? Are any modifications to the Custom Application required to make it compatible with the planning requirements and rate-setting methods described in the RRFE Report?

Parties agreed to the second sentence of this issue. The applicant objected to the first sentence arguing that this wording could be interpreted to mean that consistency with the Board's Report on a Renewed Regulatory Framework for Electricity ("RRFE") is a threshold issue, which may lead to rejection of the application before it is fully heard. Hydro One proposed removing the first sentence, submitting that the second sentence was adequate to address compliance with the RRFE.

In response to Hydro One's concern, no party argued that the first sentence should be interpreted as a threshold issue. Intervenors and Board staff agreed that the application should be heard. The Vulnerable Energy Consumers Coalition and The Canadian Manufacturers and Exporters argued that the first sentence of the issue needs to remain on the list. They submitted that an enquiry into the consistency of the application with the RRFE would help the Board decide whether the proposed five-year rate term should be approved and what ratepayer protections might be necessary.

The Board finds that issue 1.1 as proposed should be deleted and the following substituted:

> 1.1 To what extent does the application reflect the objectives and approaches described in the RRFE Report?

This wording removes the implication that 1.1 is a threshold issue, while allowing consideration of RRFE policy to inform the review of the application and the decision and order that the Board will make in this case. The Board did not agree with the

second sentence of the issue as this sentence could also be interpreted to suggest that modifications had to be made before the application was heard. Hydro One has described the application as being compliant with the RRFE. Issue 1.1 will allow parties to explore that claim without subjecting the applicant to the risk of dismissal without a full hearing.

The Board findings regarding the other disputed issues are outlined below.

Proposed issues 2.6 and 3.3 read as follows in Exhibit PD 2:

> 2.6 Are Hydro One's forecasts (revenue, costs, inflation and productivity) reasonable? Is it appropriate to benchmark Hydro One's forecasts?
>
> 3.3 Has Hydro One Networks proposed sufficient, sustainable productivity improvements for the 2015-2019 period, and have those proposals been adequately supported by benchmarking?

The dispute with the wording of these issues centred on the words "benchmark" and "benchmarking". Hydro One argued that the wording of the issues should not assume that benchmarking of Hydro One's costs and forecasts is necessary or appropriate for the company, as it is unique. Board staff, supported by Energy Probe Research Foundation, argued that benchmarking was an important element of the rate-setting approach in the RRFE, and should be explicitly recognised on the issues list.

The Board understands the concerns of the applicant, but agrees that explicit recognition of benchmarking should be included in the issues list. The Board finds that the disputed issues should read:

> 2.6 Are Hydro One's forecasts (revenue, costs, inflation and productivity) reasonable? Should Hydro One be expected to provide benchmarking evidence as an indicator of reasonableness?
>
> 3.3 Has Hydro One proposed sufficient, sustainable productivity improvements for the 2015-2019 period, and have those proposals been adequately supported, for example, by benchmarking?

This wording will focus parties' attention on benchmarking as a recognized element of the RRFE approach to rate-setting, while providing the applicant with the flexibility to identify areas where external benchmarking may be problematic for Hydro One.

Issue 4.1 read:

> 4.1 Are the business planning processes, assumptions and policies used by Hydro One Networks to develop, allocate and disclose its distribution and transmission revenue requirements appropriate?

The Board believes that the focus of the dispute regarding this issue was the word "disclose". The Board did not have the benefit of a full explanation of what was intended by this word. The Board will remove the word "disclose" at this time and will deal with any disputes about the breadth of the issue during the discovery process if it becomes necessary. Issue 4.1 will now read:

> 4.1 Are the business planning processes, assumptions and policies used by Hydro One Networks to develop and allocate its distribution and transmission revenue requirements appropriate?

In Procedural Order No. 1, the Board indicated that the hearing dates for this Distribution application would not be finalized until the Transmission application was filed. The Board understands that Hydro One is unable at this time to provide a definite date for the filing of the Transmission application, and the Board will proceed with the Distribution case. The Board further understands that Hydro One will be filing an update to its evidence by May 30, 2014. The Board considers it necessary to make provision at this time for the following procedural matters:

THE BOARD ORDERS THAT:

1. The approved list of issues for this proceeding is attached as Appendix A.

2. Board staff shall request any relevant information and documentation from Hydro One that is in addition to the evidence already filed, by written interrogatories filed with the Board and served on all parties on or before **June 11, 2014**.

3. Intervenors shall request any relevant information and documentation from Hydro One that is in addition to the evidence already filed, by written interrogatories filed with the Board and served on all parties on or before **June 13, 2014**.

4. Hydro One shall file with the Board complete written responses to the interrogatories and serve them on all intervenors and Board staff on or before **July 4, 2014.**

5. Intervenors or Board staff that wish to file evidence in this proceeding shall do so no later than **July 10, 2014**.

6. Board staff, intervenors or the applicant shall request any relevant information and documentation regarding filed intervenor evidence by written interrogatories filed with the Board and served on all parties on or before **July 17, 2014**.

7. Intervenors that filed evidence shall file with the Board complete written responses to the interrogatories and serve them on the applicant, all intervenors and Board staff on or before **July 24, 2014.**

8. A transcribed Technical Conference shall be convened on **July 21, 2014,** starting at 9:30 a.m. If necessary, the Technical Conference will continue on **July 22, 2014**. The Technical Conference will be held at 2300 Yonge Street, 25th Floor, Toronto. Parties participating in the Technical Conference are requested to file with the Board and copy Hydro One and all other parties, by **July 17, 2014**, a list of issues, questions or matters on which they intend to seek clarification at the Technical Conference.

9. A pre-settlement conference for Board staff and intervenors will be convened on **July 23, 2014** at the Board's offices at 2300 Yonge Street at 9:30 am to discuss intervenor positions for the Settlement Conference.

10. A Settlement Conference among the parties will be convened on **July 28, 2014** starting at 9:30 a.m., at 2300 Yonge Street, 25th floor, Toronto. If necessary, the Settlement Conference will continue until **July 30, 2014**.

11. Any settlement proposal arising from the Settlement Conference shall be filed with the Board on or before **August 14, 2014**. In addition to outlining the terms of any settlement, the settlement proposal should contain a list of any unsettled issues, indicating with reasons whether the parties believe those issues

should be dealt with by way of oral or written hearing. As noted in Procedural Order No. 1, the Board intends to hear as part of the oral hearing issues related to the implementation of the Board's policy and framework for the Custom Incentive Rate-setting option.

12. If there is no settlement proposal arising from the Settlement Conference, Hydro One shall file a statement to that effect with the Board by **August 1, 2014**. In that event, parties shall file and serve on the other parties by **August 13, 2014** any submissions on which issues shall be heard in writing, and for which issues the Board should hold an oral hearing.

13. Any submission from Board staff on a settlement proposal shall be filed with the Board and served on all parties within 7 days from the date any settlement proposal is filed.

14. The oral hearing for this proceeding will begin on **September 8, 2014** at the Board's hearing at 2300 Yonge Street, 25th floor at 9:30 am.

All filings to the Board must quote the file number, EB-2013-0416, and be made electronically through the Board's web portal at https://www.pes.ontarioenergyboard.ca/eservice/, in searchable / unrestricted PDF format. Two paper copies must also be filed at the Board's address provided below. Filings must clearly state the sender's name, postal address, telephone number, fax number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at http://www.ontarioenergyboard.ca/OEB/Industry. If the web portal is not available parties may email their documents to the address below. Those who do not have internet access are required to submit all filings on a CD in PDF format, along with two paper copies. Those who do not have computer access are required to file 7 paper copies.

All communications should be directed to the attention of the Board Secretary at the address below, and be received no later than 4:45 p.m. on the required date.

Parties should also send all communications and materials for this proceeding to Board staff's Case Manager, Harold Thiessen, at harold.thiessen@ontarioenergyboard.ca and Board counsel, Jennifer Lea, at jennifer.lea@ontarioenergyboard.ca.

ADDRESS

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4
Attention: Board Secretary

E-mail: boardsec@ontarioenergyboard.ca
Tel: 1-888-632-6273 (Toll free)
Fax: 416-440-7656

DATED at Toronto, May 20, 2014

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

Appendix A

To Issues List Decision Procedural Order No. 3

Hydro One Networks Inc.

Board File No: EB-2013-0416

May 20, 2014

APPROVED ISSUES LIST

EB-2013-0416

1.0 CUSTOM APPLICATION

1.1 To what extent does the application reflect the objectives and approaches described in the RRFE Report?

1.2 Has Hydro One Distribution responded appropriately to all relevant Board directions from previous proceedings, including commitments from prior settlement agreements?

1.3 What actions should the Board require Hydro One Distribution take at or near the end of the 5-year rate term (e.g. rebasing, plan assessment, measurement of customer satisfaction)?

1.4 Is the proposed rate-smoothing mechanism appropriate? Given Hydro One's rate smoothing proposal, should the application include any other ratepayer protection measures such as an earnings sharing mechanism?

2.0 OUTCOMES AND INCENTIVES

2.1 Does Hydro One Distribution's Custom Application adequately consider customer feedback and preferences? Have customer feedback and preferences been adequately reflected in the OM&A and capital spending plans?

2.2 Does Hydro One Distribution's Custom Application promote and incent acceptable outcomes for existing and future customers (including, for example, cost control, system reliability, service quality, bill impacts)?

2.3 Does the Custom Application adequately incorporate and reflect the four outcomes identified in the RRFE Report: customer focus, operational effectiveness, public policy responsiveness and financial performance?

2.4 Is the monitoring and reporting of performance proposed by Hydro One Distribution adequate to demonstrate whether the planned outcomes are achieved?

2.5 Are Hydro One Distributions' proposed off-ramps, annual adjustments and annual adjustments outside the normal course of business appropriate?

2.6 Are Hydro One's forecasts (revenue, costs, inflation and productivity) reasonable? Should Hydro One be expected to provide benchmarking evidence as an indicator of reasonableness?

2.7 Is Hydro One's proposed annual reporting and stakeholder engagement process appropriate?

2.8 Should the application provide appropriate incentives for line loss reduction?

3.0 PROGRAM AND PROJECT EXPENDITURES

3.1 Are the levels of planned operation, maintenance and administration expenditures for 2015-2019 appropriate, and is the rationale for the planning choices appropriate and adequately explained?

3.2 Is the level of planned capital expenditures appropriate for the period 2015-2019 and is the rationale for the planning and pacing choices appropriate and adequately explained?

3.3 Has Hydro One proposed sufficient, sustainable productivity improvements for the 2015-2019 period, and have those proposals been adequately supported, for example, by benchmarking?

3.4 Is the company's effort to reduce line losses appropriate?

4.0 COMMON COSTS AND PROCESSES SHARED BY HYDRO ONE NETWORKS' TRANSMISSION AND DISTRIBUTION BUSINESSES

4.1 Are the business planning processes, assumptions and policies used by Hydro One Networks to develop and allocate its distribution and transmission revenue requirements appropriate?

4.2 Is the proposed level of 2015-2019 common corporate costs spending appropriate with an adequate demonstration of efficiencies over the 5-year period?

4.3 Are the methodologies used to allocate common corporate costs to the distribution and transmission businesses and to determine the overhead capitalization rate for 2015-2019 appropriate?

4.4 Is the compensation strategy for 2015-2019 appropriate and does it result in reasonable compensation costs?

5.0 DEFERRAL AND VARIANCE ACCOUNTS

5.1 Are the proposed amounts, disposition, discontinuance and continuance of Hydro One Distribution's existing deferral and variance accounts, as set out in the Custom Application, appropriate?

5.2 Is it appropriate to include in rate base, effective January 1, 2015, the following in-service assets which are presently recorded as regulatory assets:

a) smart meter assets as of December 31, 2013, the costs for which are recorded in variance accounts 1555 and 1556;
b) smart grid assets as of December 31, 2013, the costs for which are recorded in account 1536; and
c) assets to facilitate distributed generation as of December 31, 2013, the costs for which are recorded in account 1533.

6.0 REVENUE REQUIREMENT

6.1 Is the rate base component of the revenue requirement for 2015 as set out in the Custom Application appropriate?

6.2 Is the capital structure and cost of capital component of the revenue requirement for 2015 as set out in the Custom Application appropriate?

6.3 Is the depreciation component of the revenue requirement for 2015 as set out in the Custom Application appropriate?

6.4 Is the taxes / PILs component of the revenue requirement for 2015 as set out in the Custom Application appropriate?

6.5 Is the OM&A component of the revenue requirement for 2015 as set out in the Custom Application appropriate?

6.6 Is the load forecast a reasonable reflection of the energy and demand requirements of the applicant? Is the forecast of other rates and charges appropriate? Is the forecast of other revenues appropriate?

7.0 COST ALLOCATION AND RATE DESIGN

7.1 Are the rate classes and their definitions proposed by Hydro One appropriate?

7.2 Is the proposed definition of “seasonal” customer class appropriate? Particularly, is residency an appropriate criterion in defining a class? Has this criterion been applied consistently?

7.3 Is the reclassification of customers to reflect findings of the company’s review of existing customer rate classifications appropriate?

7.4 Is moving revenue-to-cost ratios for all rate classes to within 98% to 102% over the 2015-2019 period appropriate?

7.5 Is the addition of a new “Unmetered Scattered Load” rate class appropriate?

7.6 Are Hydro One’s proposed charges for street lighting appropriate?

7.7 Is an increase to the fixed charges revenue appropriate?

7.8 Are the proposed charges for miscellaneous services over the 2015-2019 period reasonable?

7.9 Are the adjustments to reflect the Board-directed line loss study appropriate?

7.10 Are the proposed rate mitigation plans appropriate for some customers moving between rate classes in accordance with the results of the rate class review?

DRAFT ISSUES LIST

Refer to **Exhibit A, Tab 22, Schedule 1, Attachement 5** for the Approved Issues List which is Appendix A to the Ontario Energy Board's Procedural Order No. 3 issued May 20, 2014.