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July 14, 2014

BY EMAIL AND RESS

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
PO Box 2319
2300 Yonge Street, 27th Floor

Toronto ON M4P 1E4

Dear Ms. Walli,

Re: Hydro One Brampton Networks Inc. (EB-2014-0083)
Procedural Order #1 – Confidential treatment of references to the UPM survey in the Business Plan

On April 23, 2014 with its pre-filed evidence, Hydro One Brampton Networks Inc. ("Hydro One Brampton") filed a redacted version of its Business Plan, Financial Summary, and Staffing Request ("the Business Plan"). References to a 3rd Party benchmarking report within the Business Plan were not placed on public record, however, the unredacted Business Plan was sent to the Board in confidence.

In the OEB's Procedural Order No. 1, dated July 10, 2014 with respect to the 2013 MEARIE Utility Performance Management ("UPM") the Board determined that confidential treatment of the references to the UPM survey in the Business Plan is not warranted. As such, the Board ordered that Hydro One Brampton file on the public record the unredacted version of the Business Plan.

Attached is Hydro One Brampton's unredacted Business Plan as ordered.

Sincerely,

Scott Miller
Director of Regulatory Affairs & Communications
Hydro One Brampton Networks Inc.
(905)-452-5504
smiller@hydroonebrampton.com

Paul Tremblay, President & CEO, Hydro One Brampton Networks Inc.

Marc Villett, Vice-President, Finance, Hydro One Brampton Networks Inc.

Encl.

Hydro One Brampton Networks Inc.

Business Plan,

Financial Summary and

Staffing Request

2014-2019

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A. STRATEGY

Vision

The vision for Hydro One Brampton Networks Inc. (Hydro One Brampton) is to be the leading electricity delivery company in Ontario.

Mission

The Company's mission is to improve shareholder value by achieving the regulated return while supplying safe and reliable distribution of electricity to customers and continuing to accommodate new development within its service area.

Hydro One Brampton's strategy is to continue to improve its operations, with employee safety and reliability being of foremost importance. The current plan continues to focus on productivity improvements and cost containment by further leveraging current resources, infrastructure and other technologies. As Hydro One Brampton's customer base continues to grow, efficiencies will be realized that will help mitigate the pressure of rising costs, and as a result, the average cost of servicing customers will remain relatively constant over the planning period. The Company will continue to invest capital to accommodate future growth and maintain reliability of existing plant. In order to maintain operations over the long term, the Company will also be focusing on staff resourcing and succession planning.

Values

a) We put safety first
b) We value our customers
c) We treat each other with respect
d) We take pride in our work
e) We care about our communities

The business plan is consistent with the Company's mandate, vision, values and strategic objectives as outlined below. A draft 2014 scorecard outlining the proposed key performance measures and targets is attached as Appendix "A".

Strategic Objectives

a) Creating an injury-free workplace and maintaining public safety
b) Satisfying our customers
c) Focusing on continuous innovation to ensure a modern, flexible and advanced distribution system
d) Building and maintaining a reliable cost-effective distribution system
e) Protecting and sustaining the environment for future generations
f) Employee Engagement
g) Maintaining a commercial culture that increases value for our shareholder
h) Achieving productivity improvements and cost-effectiveness

a) Creating an Injury-free Workplace and Maintaining Public Safety

Given the nature of the work performed, safety remains Hydro One Brampton's top priority. Hydro One Brampton will continue to focus on reducing the number of incidents and medical aids while searching for new innovative approaches to keep safety in the forefront. The Company measures its safety performance using the yearly all injury frequency rate per 200,000 hours worked. Hydro One Brampton is aiming to achieve a target of 2.2 or better in 2013 and 2014. The Company is committed to continual health and safety training and skills upgrade for all of its employees.

Hydro One Brampton has a robust Public Safety program, which includes safety programs through schools, participation in community programs such as "The Safe City Association" and various emergency preparedness exercises, communication programs such as "call before you dig", and education programs for civilian emergency responders.

The Company is working towards the Certificate of Recognition (COR) – the Canadian national standard and audit tool for health and safety management systems. Three mandatory COR training modules have already been taken by the designated Company representative. An internal COR audit is scheduled for September or October 2013 followed by an external review by the Infrastructure Health & Safety Association (IHSA). Hydro One Brampton expects to obtain the COR certificate by the first quarter of 2014.

In 2014 Hydro One Brampton's Health, Safety & Environmental (HSE) Department will be exploring ways to improve the existing HSE software in order to ensure the effective management of HSE programs, documents and data. The ultimate goal is to create a paperless, user-friendly, time and cost efficient system.

b) Satisfying Our Customers

Hydro One Brampton will continue to strive for strong customer relations and increased customer contacts by senior management. The Company aims to achieve customer satisfaction results that exceed the Ontario average. Customer satisfaction is currently tracking well with results above 90% for the past five years. In 2013, Hydro One Brampton achieved a customer satisfaction rating of 95% which was 5% better than the Ontario average.

Hydro One Brampton's investments in their distribution system have been noticed by its customers. The number of respondents that indicated they had a blackout or outage problem has steadily decreased since 2010 and is significantly lower than both the Ontario and National averages.

Table 1

Percentage of Respondents indicating that they had a Blackout or Outage problem in the last 12 months			
	Hydro One Brampton	**National**	**Ontario**
2013	21%	41%	35%
2012	24%	44%	46%
2011	31%	43%	43%
2010	39%	45%	41%

Based on figures shown in the 2013 UtilityPULSE Report Card

Other highlights of the survey are provided in Table 2.

Table 2

	Hydro One Brampton	**National**	**Ontario**
Provides consistent, reliable energy	92%	90%	90%
Is a respected company in the community	91%	83%	84%
Overall the utility provides excellent quality services	89%	85%	83%
Maintains high standards of business ethics	89%	81%	81%
Is a trusted and trustworthy company	89%	83%	83%
Keeps its promises to customers and the community	87%	81%	82%
A leader in promoting energy conservation	85%	80%	80%
The time it took for someone to deal with your problem	81%	73%	66%
The quality of the information provided by the staff who dealt with you	81%	77%	70%
Operates a cost effective hydro-electric system	79%	72%	68%
Adapts well to changes in customer expectations	79%	74%	73%
Provides good value for money	76%	71%	68%
Works with customers to keep their energy costs affordable	73%	66%	65%
Cost of electricity is reasonable when compared to other utilities	69%	66%	61%

Based on figures shown in the 2013 UtilityPULSE Report Card

Table 3 shows a comparison of Hydro One Brampton against National and Ontario ratings.

Table 3

Hydro One Brampton's UtilityPULSE Report Card®

Performance

	CATEGORY	Hydro One Brampton	National	Ontario
1	**Customer Care**	A	B+	B+
	Price and Value	B+	B	B
	Customer Service	A	B+	A
2	**Company Image**	A	A	A
	Company Leadership	A	A	A
	Corporate Stewardship	A	A	A
3	**Management Operations**	A	A	A
	Operational Effectiveness	A	A	A
	Power Quality and Reliability	A+	A	A
	OVERALL	A	A	A

Based on pulse figures shown in the UtilityPULSE Report Card

One of the major challenges Hydro One Brampton will face in maintaining its high customer satisfaction ratings is the continued increase in electricity rates. In 2010, the Ontario government indicated electricity rates would increase by 46% over five years. In March 2012, Aegent Energy Advisors prepared a report, *Ontario Electricity Price Increase Forecast, December 2011 to December 2016,* which indicated that residential rates would increase between 46-58% by 2016.

These projected rate increases contribute to customer concerns about rising rates. In the 2013 Customer Satisfaction survey, Hydro One Brampton customers were asked "What are the one or two most important things your local utility could do to improve service to their customers?" The most popular response chosen by 50% of customers was "better prices/lower rates".

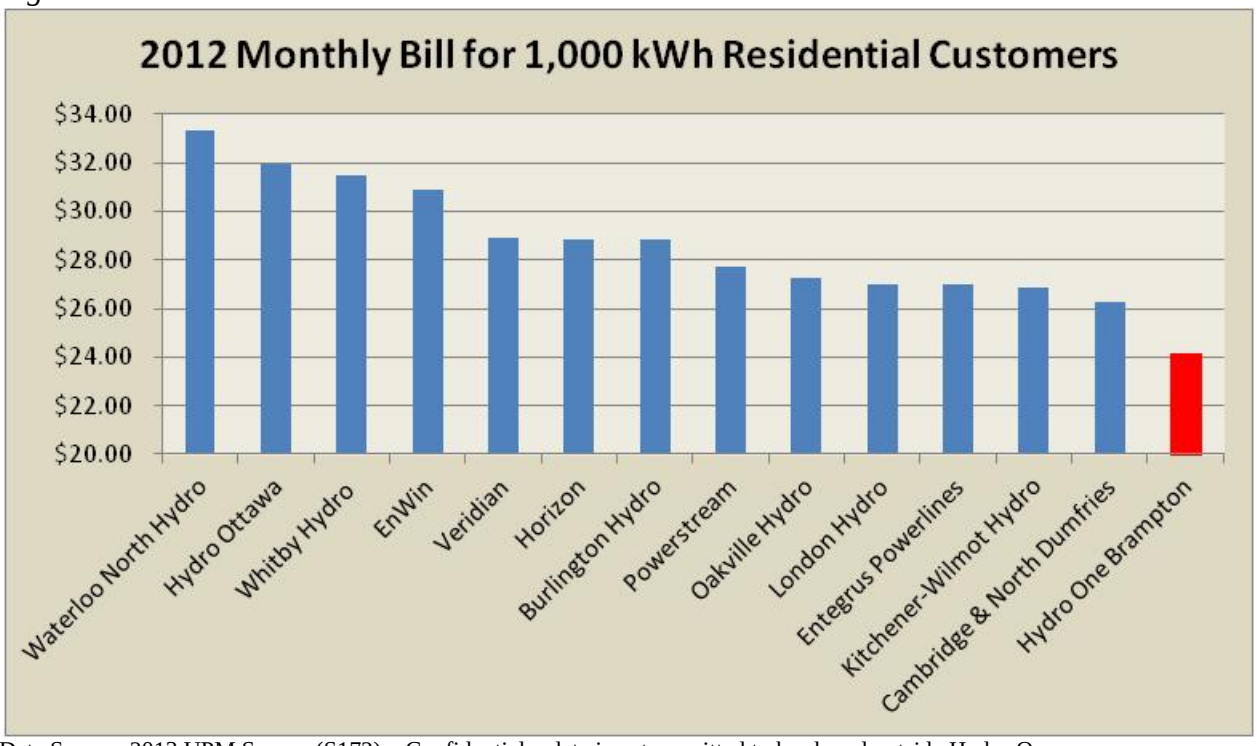
Although rates are expected to increase, the Company is better positioned than most Ontario utilities. Hydro One Brampton's 2012 residential distribution rates[1] were the lowest amongst large utilities according to the 2013 Utility Performance Management (UPM) survey (as illustrated in Figure 1). In addition, the Company scored 8% better than the Ontario average in its 2013 customer satisfaction survey on the question – "Cost of electricity is reasonable when compared to other utilities".

However, the distribution component of a typical residential customer's bill only represents 20% of the total bill before taxes, and therefore rising rates will remain a

[1] Based on a monthly bill for a 1,000 kWh residential customer

concern for Hydro One Brampton's customers. The Company will attempt to minimize the impact of future rate increases by continuing to focus on efficiencies and productivity improvements and delivering value for its customers.

Figure 1



Data Source: 2013 UPM Survey (S172) – Confidential – data is not permitted to be shared outside Hydro One

In order to maintain strong customer satisfaction results, Hydro One Brampton will continue to focus on staff development and training throughout the planning period. The Company is committed to maintaining and improving customer service levels and reliability and will measure its results against other local distribution companies (LDCs) in the industry.

The Company has updated its website in 2013 and incorporated tools such as mobile e-billing and payments. These tools enable customers to receive billing and/or outage notifications as well as receive and pay their bills through mobile devices.

c) Focusing on Continuous Innovation to Ensure a Modern Flexible and Advanced Distribution System

In 2014, Hydro One Brampton will continue to expand on the existing Geographic Information System (GIS), Outage Management System (OMS) and Supervisory Control and Data Acquisition system (SCADA) through automation of the core product software and the acquisition of add-on applications. The additional applications will help improve productivity, provide better customer information and help make back office information more accessible to field staff. These new products will primarily support asset management, system reliability and regulatory initiatives.

Specific areas for development will include more web-based applications to be used for equipment and electrical plant inspections, field data collection, field records updating and enhanced customer information.

d) Building and Maintaining a Reliable Cost-effective Distribution System

Asset Management Plan (AMP)

Hydro One Brampton's 2013-2019 AMP will be used to prepare the investment plan from 2014 to 2019 for the planned replacement of aging distribution assets. The Company's capital replacement programs and projects are planned around the sustainment, development and maintenance needs in support of the AMP and the business plan.

The AMP is built on the strategy of centralizing key decision making in order to maximize the long-term effectiveness of investments while maintaining performance levels. The principle of the strategy is to invest in and maintain assets to achieve the lowest long-term cost of ownership while adhering to accepted design standards, construction codes and requirements, system performance targets and prescribed manufacturing specifications. The AMP also considers economic, service quality, community safety, legal and reputational risks.

An example of a program that is cost effective and mitigates risk is the underground cable injection and rehabilitation program. Replacing underground cables is very costly and a major inconvenience to customers. Hydro One Brampton has implemented an innovative solution using silicone cable injection that eliminates the need to dig up trenches and driveways in order to replace the cable.

Meeting customer expectations is a key focus at Hydro One Brampton. In order to achieve this, improvements must be made to existing infrastructure in the continuing effort to manage growth in support of new and existing customers while maintaining high levels of service reliability. As part of Hydro One Brampton's effort to accommodate "new" customer connections, the Company must support customers' embedded generation requests as they arise and be responsible for ensuring that any such connections to the system are made in a safe and expedient manner.

Hydro One Brampton will continue to monitor the age and reliability of all plant to optimize the in-service life of equipment and determine the priority of future rehabilitation projects and replacements. The Company closely monitors repeat equipment failures and system events as they occur in order to determine the root cause of the failures and to identify trends that would warrant the implementation of remedial programs versus singular or isolated responses.

The Company will continue with feeder cable replacements throughout the City of Brampton (City) to reinforce underground bulk power delivery infrastructure. Some distribution cable systems are also being selected for replacement or rejuvenation to ensure reliability of supply. Cable fault events and cable age are the main criteria used to identify replacement/rejuvenation programs.

Distribution System Plan (DSP)

The 2014-2019 DSP will be developed based on supporting studies including the 2013 Asset Condition Assessment (ACA), 2013 System Capacity Study, North-West GTA Regional Study, 2013 AMP, 2013 Integration of Renewable Generation Plan and the 2013 System Sustainment and Maintenance Plan. The 2014-2019 DSP is an objective based plan to be developed in preparation for the upcoming 2015 cost of service rate application and it will adhere to the Ontario Energy Board (OEB) filing requirements.

Asset Condition Assessment (ACA)

The 2013 ACA study was undertaken with the assistance of Kinectrics and presents an overall assessment of the Company's distribution assets based on asset health. The study also provides guidance on suggested asset maintenance and replacement schedules.

Relative to the 2009 ACA study, the 2013 ACA results identify improvements to data capture and sample sizes as well as an improved health index as a result of enhanced maintenance and replacement of critical assets such as municipal station transformers and pad mounted switchgear. The 2013 ACA also identified two areas of action including the need to enhance testing and maintenance for specific assets such as breakers and switches as well as increased rehabilitation efforts of early generation underground cables.

13.8 kV System

In 2010, Hydro One Brampton completed a five year loading study on the 13.8 kV system originating from four transformer stations, namely municipal stations (MS) 19, 20, 21 and 22, all of which are located on the east side of the City. The study examined the risks associated with the loss of a transformer at any one of the stations and the resulting contingencies. At present, Hydro One Brampton has replaced the transformers at MS19, 20 and 21. The 2013 ACA confirmed the need to replace the transformer at MS22 which has been scheduled for 2015.

System Capacity Forecast

The 2013 system capacity forecast was completed through the use of a recently implemented load forecasting application, MetrixND, from Itron. The system capacity forecast identifies that the Hydro One Brampton system peak demand is projected to increase by 280 megawatts over the next 20 years relative to the 2012 system peak of 825.6 megawatts. The increased peak demand is driven by growth in the north-east 27.6 kV, north-west 27.6 kV and south-west 27.6 kV system zones with marginal growth in the east 44kV and south-west 27.6 kV and contraction in the west 44kV system. The expansion in the north-west, north-east and south-west are reflective of the City's remaining green space for development of residential and commercial lands.

Regional System Plan (Regional Plan)

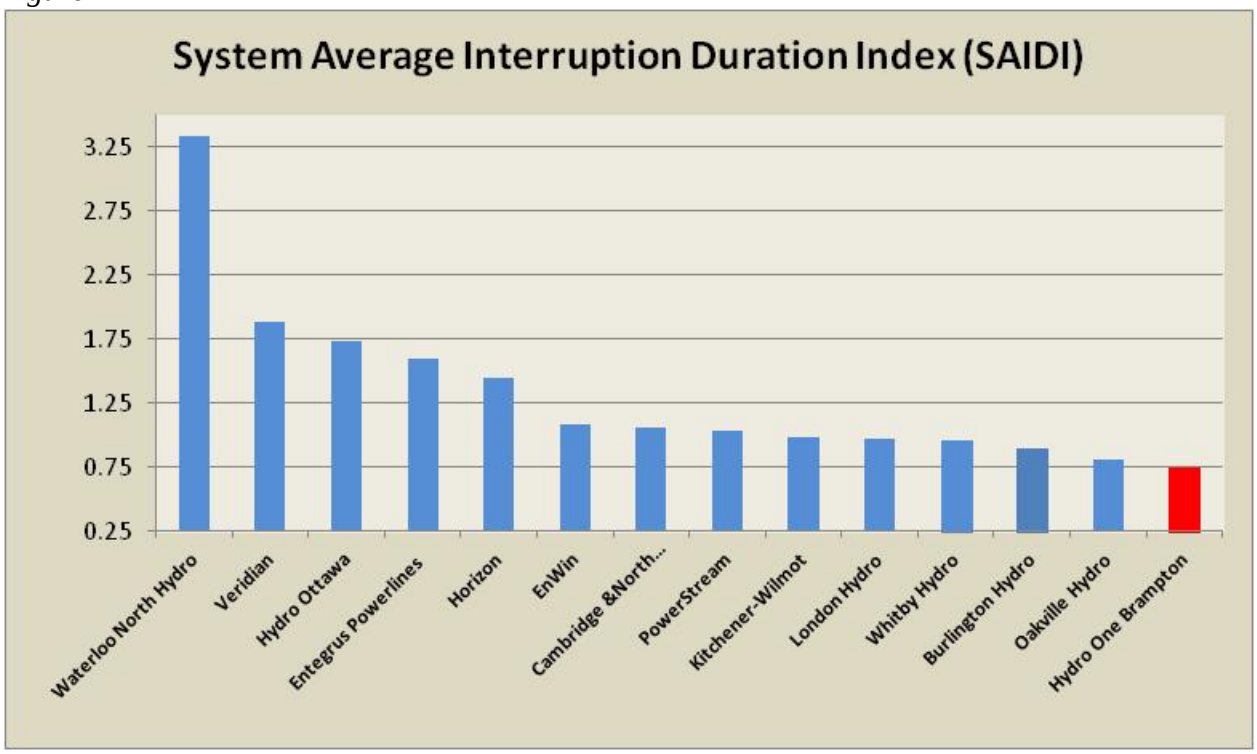
The Company actively participated with Hydro One Networks, the Ontario Power Authority (OPA), the Independent Electricity System Operator (IESO) and neighboring utilities including Milton Hydro and Halton Hills Hydro on a North-West GTA Regional

Plan. The Regional Plan continues to be a work in progress and the Company will ensure that the DSP continues to be in alignment with bulk system plans for the region.

Service Reliability

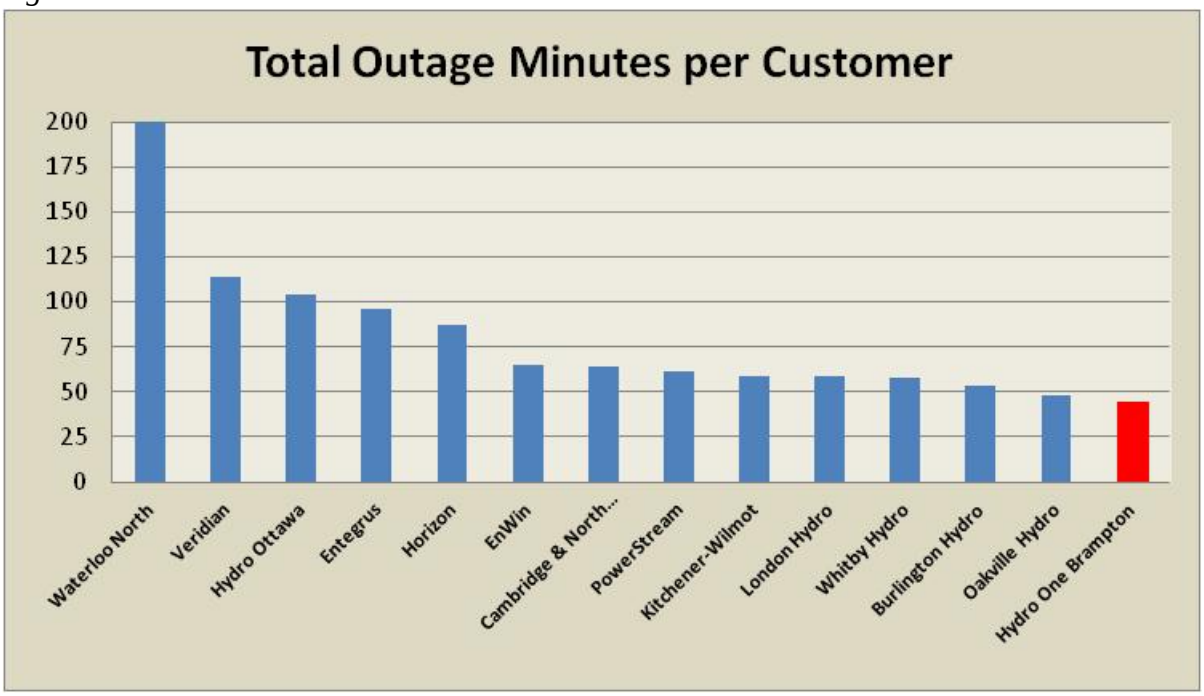
In the latest UPM survey Hydro One Brampton's 2012 reliability measures were in the third quartile or better amongst large utilities when measured by System Average Interruption Duration Index (SAIDI), Customer Average Interruption Duration Index (CAIDI), Index of Reliability and total outage minutes per customer. Hydro One Brampton also has the lowest SAIDI measure (Figure 2) and total Outage Minutes per Customer (Figure 3) compared to other large utilities.

Figure 2



Data Source: 2013 UPM Survey (SR010). Confidential – data is not permitted to be shared outside Hydro One

Figure 3



Data Source: 2013 UPM Survey (SR0180). Confidential – data is not permitted to be shared outside Hydro One

e) Protecting and Sustaining the Environment for Future Generations

Hydro One Brampton is committed to environmental excellence through continuous improvement in all aspects of its business. The Company's objectives are to reduce its impact on the environment, decrease carbon emissions and create a culture of energy conservation. This is achieved through the *Energy Conservation Programs.*

Hydro One Brampton offers a variety of conservation programs to residential, business, and industrial customers. To promote energy efficiency, customers are offered financial incentives, energy analysis for facilities and energy training. These tools allow customers to better manage their energy usage, enabling them to improve their current operations and reduce costs.

Hydro One Brampton has updated the customer self-serve website with new features to help them manage their energy usage. The website allows customers to view their electricity consumption by hour, day and month with time-of-use and tiered pricing models. Customers can also see how their electricity usage is affected by the weather and compare their usage with the same time last year, previous month and with the average in their community. This is all done with a simple and intuitive graphical interface for customers to view. All of these features are also available on smart phones and tablets with no need to download a mobile application.

Operations

- Hydro One Brampton's fleet replacement strategy includes the purchase of more environmentally-friendly and energy-efficient hybrid vehicles to minimize the

Company's environmental impact and carbon footprint. When purchasing new vehicles an analysis of available green vehicle options is undertaken. The evaluation process considers vehicle usage, cost for the new technology, fuel savings, hydro-carbon emissions, oxides of nitrogen and health and safety. Hydro One Brampton's intent is to green its fleet one vehicle at a time as existing vehicles reach end of life and require replacement. Currently the Company has a Chevrolet Volt and the Hybrid Ford Escape. A 220-Volt electric vehicle charging station was recently installed in the parking lot of the Company's Sandalwood Parkway facility, allowing customers and employees to access the charging station, free of charge.

- Since 2007, Hydro One Brampton has been generating renewable energy from its solar photovoltaic (PV) system capable of generating up to 22 kilowatts of electricity. The demonstration project allows customers to see how they can incorporate solar PV systems into their operations.

Community Involvement

- Hydro One Brampton has set up a unique partnership with Sheridan College to promote the Audit Funding Program. A team of Sheridan students and faculty, including certified energy professionals, perform a full energy assessment of customers' facilities. This partnership provides practical hands-on experience and training to an upcoming generation of energy professionals on real-world health and safety issues, facility operations, and measurement techniques.
- The Company has developed a customer portal to track the application process of Feed-In-Tariff (FIT) and micro-Feed-In-Tariff (microFIT) programs. The web portal will be available to Hydro One Brampton customers in late 2013 coinciding with revisions to the FIT and microFIT programs by the OPA.

f) Employee Engagement

The Company is proud to support its employees in their involvement in community activities and encourages them to be ambassadors of Hydro One Brampton through participation in the School Electrical Safety Education Program, City of Brampton Civilian Emergency Response Volunteers (CERV), United Way, Big Brothers/Big Sisters, Heart and Stroke Foundation Big Bike Ride, CIBC Run for the Cure, Knights Table Food Bank, Salvation Army Family Life Resource Centre, Brampton Santa Claus Parade, Be a Santa to a Senior Program, the Brampton Safe City Association, the Electrical Distributors Association (EDA) and the Brampton Board of Trade.

g) Maintaining a Commercial Culture that Increases Value for our Shareholder

Hydro One Brampton strives to earn its OEB regulatory return on equity while maintaining a commercial culture that focuses on efficiency and providing value for its customers. In the 2013 UPM survey the Company achieved superior performance on several financial metrics in comparison with its peer group. For example, in 2010, 2011 and 2012, Hydro One Brampton achieved top quartile performance in return on capital employed and return on equity. In addition, the number of days sales outstanding and the asset efficiency ratio have remained in the first quartile since 2009. Hydro One Brampton will continue to focus on shareholder value by meeting its net income and controllable cost targets included on the Scorecard (see Appendix A).

h) Achieving Productivity Improvements and Cost-effectiveness

Hydro One Brampton is currently one of the lowest-cost utilities in the province, a result accomplished by careful planning of projects, use of cost containment initiatives, contracting out when economically beneficial and negotiating favourable collective agreements. A focus on cost control is achieved through continuous improvement of management systems, reporting and monitoring of productivity.

The OEB selected Power System Engineering Inc. (PSE) to provide cost performance evaluations of power distributors in Ontario. In 2012 PSE published the report, *Third Generation Incentive Regulation Stretch Factor Updates for 2013*. Hydro One Brampton had the lowest cost index within its peer group of Large City Southern High Undergrounding Utilities. In comparison with its peer group, Hydro One Brampton's unit costs were 26% better than average as demonstrated in Table 4. The Company was ranked third out of 75 utilities in Ontario based on econometric benchmarks and third based on unit cost indexes.

Table 4

Unit OM&A Cost Indexes

Large City Southern High Undergrounding	2006	2007	2008	2009	2010	2011	Average of Last 3 Available Years [1]	Average / Group Average [1] (A)	Percentage Differences [1] (A-1)
Hydro One Brampton Networks Inc.	**0.548**	**0.516**	**0.602**	**0.595**	**0.583**	**0.623**	**0.600**	**0.740**	**-26.0%**
PowerStream Inc.	0.651	0.697	0.778	0.808	0.854	0.787	0.816	**1.006**	0.6%
Horizon Utilities Corporation	0.653	0.736	0.801	0.835	0.800	0.855	0.83	**1.023**	2.3%
Enersource Hydro Mississauga Inc.	0.819	0.862	0.855	0.966	0.837	0.877	0.893	**1.101**	10.1%
London Hydro Inc.	0.757	0.89	0.838	0.871	0.925	0.955	0.917	**1.130**	13.0%
Group Average								**0.811**	

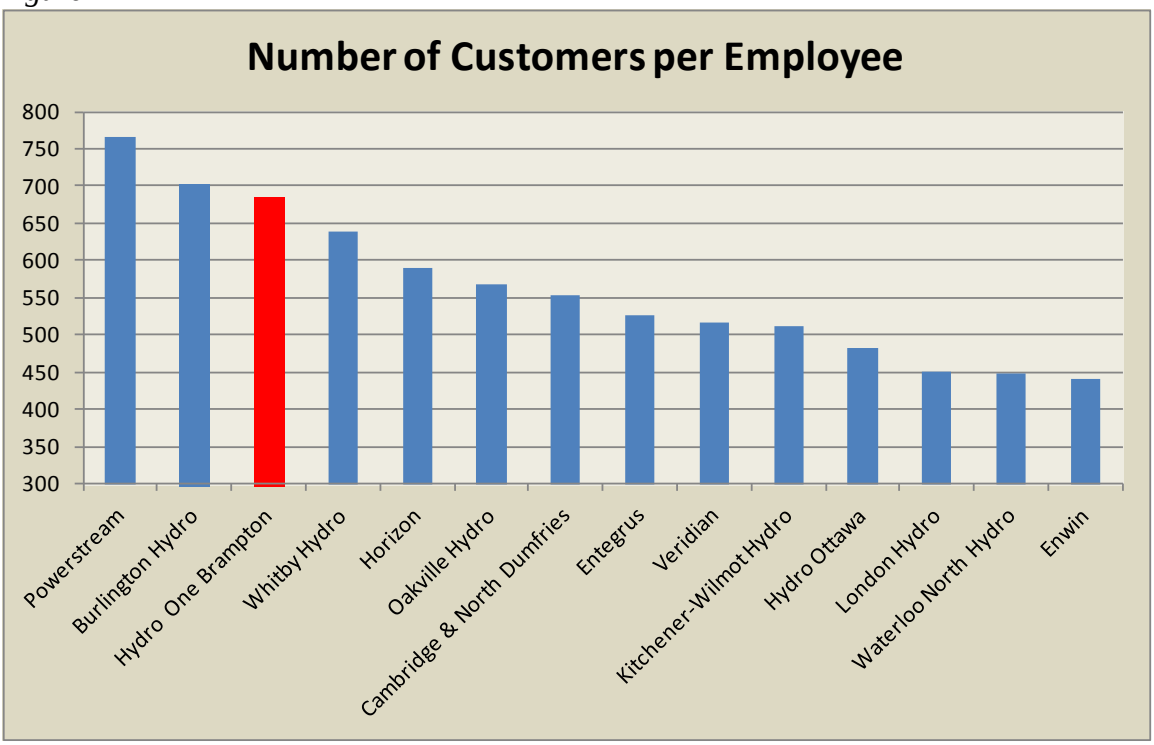
[1] Lower values imply better performance

Data Source: Third Generation Incentive Regulation Factor Updates for 2013)

In the 2013 UPM benchmarking survey, Hydro One Brampton achieved excellent results in many categories when compared with its peer group of large utilities. The Company performed well in several efficiency ratios including the following:

- Lowest controllable expense per customer in 2010 and 2012, second lowest in 2011 as illustrated in Figure 8
- Lowest controllable expense per MWh sold from 2009 to 2012
- Second lowest operating and maintenance expense per customer from 2010
- to 2012.
- Third best ratio of customers per employee in its peer group for 2012 as illustrated in Figure 4.
- Lowest residential distribution rates in 2012 as illustrated in Figure 1

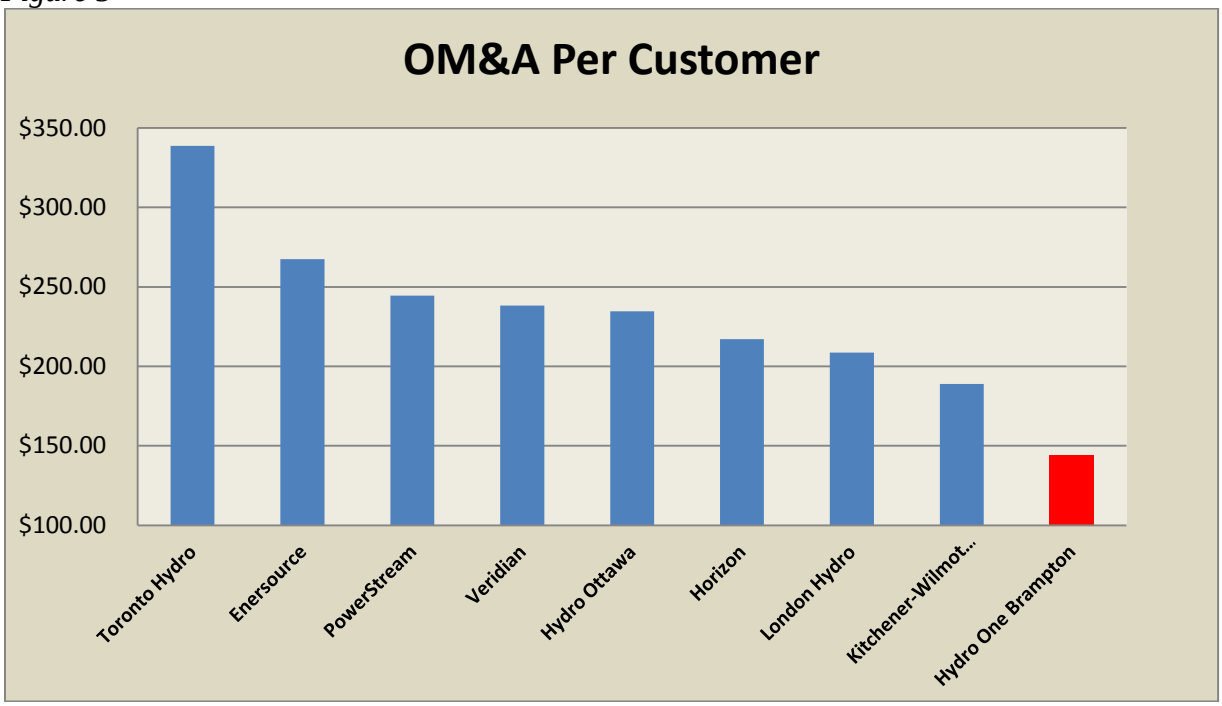
Figure 4



Data Source: 2013 UPM Survey (S16). Confidential – data is not permitted to be shared outside Hydro One

Hydro One Brampton also had the lowest operations, maintenance and administration (OM&A) costs per customer based on the OEB's 2011 and 2012 yearbooks as illustrated in Figure 5. In 2012 Hydro One Brampton had an OM&A per customer of $144 which was less than half of the provincial average of $309 per customer. The Company will continue to operate cost-effectively compared to other LDCs and will confirm this by monitoring its performance through ongoing benchmarking of key indicators.

Figure 5



Data Source: OEB 2012 Yearbook

In 2013, Hydro One Brampton introduced formal project management practices in the engineering group to improve tracking, reporting and scheduling of projects. The new project management practices provide technicians and supervisors with an up to date status on the project scope, actual costs and schedule in order to allow them to make prompt decisions regarding each project. This initiative is expected to improve the quality of the projects, mitigate the risk of budget and scope creep and provide enhanced reporting and scheduling of work to optimize resource allocation.

Hydro One Brampton plans to undertake the following productivity initiatives during the planning period in order to continue to remain cost efficient and provide value to customers.

- Continue with the implementation of mobile workforce management applications. This implementation involves the acquisition and development of new applications designed to enhance the existing GIS platform. These systems are designed to eliminate many of the manual record keeping and field data collection processes required for equipment maintenance, inspection and asset management. The implementation of these applications will result in improved data quality, faster record updating and productivity improvements in the way in which field data is collected and warehoused in the corporate records system. These improvements will ultimately result in improved customer response times and cost savings in these areas of the business. Hydro One Brampton plans to implement Outage Web Map, Planned Work Web Map and GMobileLink by the end of 2013.

- Continue exploring opportunities to lower purchasing costs through use of Ontario Government vendor of record (VOR) agreements and joint procurement arrangements with Hydro One Networks. The use of VORs and joint procurement will reduce the administrative burden associated with preparing separate tenders and requests for proposals (RFPs).

- Enhance and implement formal quality control and quality assurance procedures in the Engineering group to minimize occurrences of rework, redesign and rescheduling. The procedures will focus on "quality at the source" to develop tactics to identify and address issues at the earliest stages. In addition, the initiative will clarify accountabilities, provide reports on quality and produce ongoing monitoring of work progress. This initiative is expected to improve the allocation of resources and minimize delays in projects as a result of changes in scope and objectives.

- Implement objective risk monitoring on active projects to identify and address the changing risk exposure during the project and optimize the allocation of resources.

- Over the next five to ten years, Hydro One Brampton will be faced with the loss of many experienced employees due to retirement. To address the loss of these experienced staff, the Company will undertake knowledge management in order to codify knowledge, improve organization learning competencies and increase cross-departmental interaction. This initiative is expected to be linked to activities and developments identified in the organization succession planning and performance evaluations. By implementing knowledge management, the Company expects to mitigate costs of externally training and developing staff to replace retirees.

- Hydro One Brampton will pursue Scientific Research and Experimental Development (SR&ED) tax credits on developments that meet the innovation, development and fiduciary criteria of the program. Eligible projects will be identified during the business case development stages and will be documented and tracked in order to leverage available tax credits.

B. KEY PLANNING ASSUMPTIONS

IFRS

The Canadian Accounting Standards Board (AcSB) announced in March 2012 that it would allow rate-regulated entities a one-year deferral option for IFRS changeover until January 1, 2013. In May 2012, the International Accounting Standards Board (IASB) unanimously supported giving priority to developing a standards-level proposal for rate-regulated activities as a short-term Board project. The long-term objective of the project is to develop a discussion paper to consider whether rate regulation creates assets or liabilities in addition to those already recognized in accordance with IFRS for non-rate-

regulated activities. The project will also consider how these rate regulated assets and liabilities should be accounted for and whether IFRS should be amended.

In September 2012, the AcSB announced a further extension of the deferral option for IFRS changeover until January 1, 2014. The Hydro One Brampton Board of Directors approved the deferral of the adoption of IFRS at its November 21, 2012 meeting.

At their December 2012 meeting the IASB agreed to develop an Exposure Draft for an interim IFRS Standard on rate-regulated activities that "grandfathers" existing recognition and measurement polices. This would in effect allow rate-regulated industries to keep regulatory accounts on their balance sheet, subject to impairment tests. The objective of the proposals in the Exposure Draft is to enhance the comparability of financial reporting by reducing barriers to the adoption of IFRS by rate-regulated entities until guidance is developed through the Rate-Regulated Activities project. If the proposals are accepted, the IASB will issue an interim Standard.

On February 18, 2013, The AcSB decided to extend the deferral of the mandatory IFRS changeover date for entities with qualifying rate regulated activities by an additional year until January 1, 2015. On March 6, 2013 the Hydro One Brampton Board of Directors approved the deferral of the implementation of IFRS for an additional year. Hydro One Brampton will remain on legacy Canadian GAAP until 2015 but adopted IFRS capitalization policies required by the OEB in 2013.

On April 25, the IASB published for public comment the *Exposure Draft Regulatory Deferral Accounts* as part of its reactivated Rate-Regulated Activities Research Project. The IASB proposes an interim standard that will provide temporary guidance until their comprehensive project on accounting for rate-regulated activities is complete. The proposed interim standard is intended to allow entities that will soon transition to IFRS, and that currently recognize impact of rate-regulation in accordance with their local GAAP to continue to do so. The IASB accepted comment letters until September 4, 2013 on this exposure draft and expects to issue the discussion paper in the fourth quarter of 2013. Since the exposure draft has not yet been approved Hydro One Brampton has assumed in the business plan that IFRS will not allow the recognition of regulatory accounts.

Regulatory

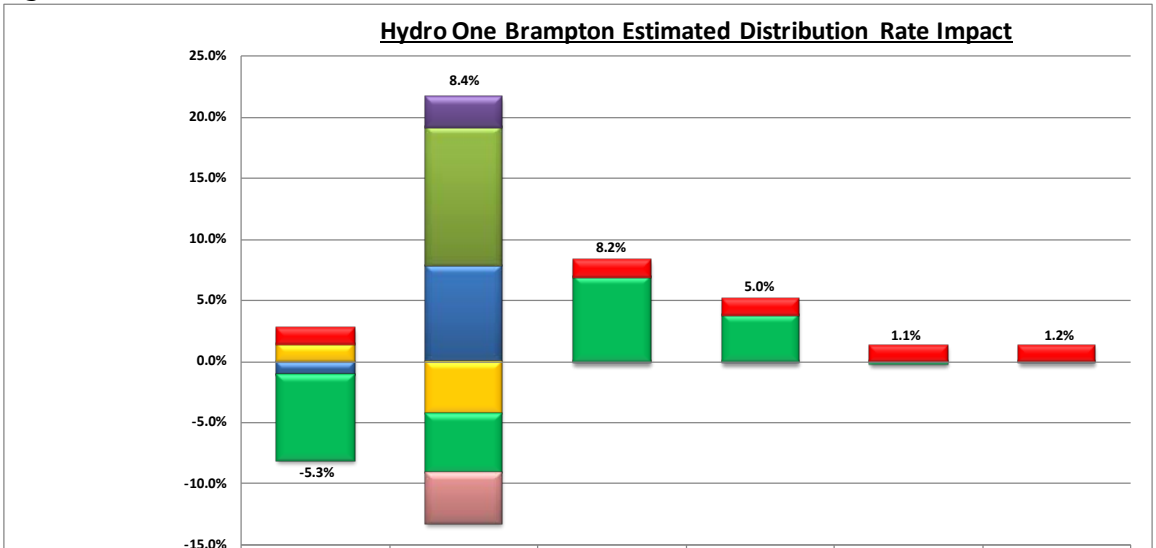
The OEB approved a regulated return on equity of 9.66% for 2011 as part of its approval of Hydro One Brampton's rate order. The rate of return calculation is based on the methodology in the OEB's December 11, 2009, *Report of the Board on the Cost of Capital for Ontario's Regulated Utilities.*

On August 14, 2013, Hydro One Brampton filed its 2014 incentive rate mechanism (IRM) application with the OEB. The Company also plans to file IRM applications for the years 2016, 2017, 2018 and 2019. The IRM filing is a rate cap mechanism allowing for inflationary rate adjustments (Input Price Index) less a productivity factor (X factor). On December 6, 2012, the OEB approved the Company's 2013 IRM application with a

distribution rate increase of 1.28%. A distribution rate increase of 1.25% is assumed in each of the IRM years.

In 2015, Hydro One Brampton plans to file a cost of service rate application under the Renewed Regulatory Framework for Electricity Distributors (RRFE) rate setting method 1, the 4th Generation Incentive Rate-setting (4th Generation IR). Implementation of new rates is assumed to commence on January 1st of each year. Due to recent changes in the OEB's approach to recovering lost revenue associated with the implementation of CDM initiatives, the Company plans to file for recovery of these lost revenues in the 2015 cost of service application A summary of the estimated rate impacts from 2014-2019 is provided in Figure 6.

Figure 6



	2014	2015	2016	2017	2018	2019
IRM	1.3%		1.4%	1.3%	1.3%	1.3%
Load Change	0.0%	-4.2%	0.0%	0.0%	0.0%	0.0%
Riders	-7.0%	-4.9%	6.9%	3.8%	-0.1%	0.0%
Green	-0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Smart Meter	1.5%	-4.2%	0.0%	0.0%	0.0%	0.0%
Acctg Chg. under GAAP ACCT	0.0%	2.5%	0.0%	0.0%	0.0%	0.0%
Rate Base		11.3%				
OM&A and External Revenues	-1.0%	7.8%	-0.1%	-0.1%	-0.1%	-0.1%
Total Increase/ (Decrease)	-5.3%	8.4%	8.2%	5.0%	1.1%	1.2%

In April 2012, the OEB issued a letter to electricity distributors indicating that it will not require regulatory accounting and reporting to be under modified IFRS (MIFRS) if a distributor is not required to adopt IFRS for financial reporting and opts to remain on legacy Canadian GAAP. Since Hydro One Brampton has deferred the adoption of IFRS, the Company is not required to report under MIFRS until 2015.

The OEB issued another letter on July 17, 2012, which requires distributors to implement changes to their depreciation and capitalization policies in 2013, regardless of whether the AcSB permits further deferrals of the changeover to IFRS. These changes should be implemented consistent with the OEB's regulatory accounting policies as contained in their report, *Transition to International Financial Reporting Standards* (EB-2008-0408)

and the *Revised 2012 Accounting Procedures Handbook for Electricity Distributors* (APH).

In 2011, the OEB approved Hydro One Brampton's new depreciation rates as part of the 2011 cost of service application. Therefore, there is no impact to Hydro One Brampton's depreciation policies as a result of the OEB's July 17, 2012 letter. However, the Company was required to adopt the IFRS capitalization policy effective January 1, 2013 despite continuing to report the financial results under legacy Canadian GAAP. The effect of this change will reduce the overheads capitalized, increase miscellaneous revenues, recognize losses on asset retirements and increase OM&A expense under legacy Canadian GAAP.

The OEB approved a new variance account, *Accounting Changes under CGAAP*, for distributors to track the financial differences arising as a result of the requirement to make these mandatory changes to capitalization and depreciation. The cumulative balance in this account will be disposed of at Hydro One Brampton's 2015 cost of service hearing. On June 25, 2013 the OEB updated their accounting policy with respect to this new variance account outlining 1) the disposition of this account through a separate rate rider and 2) that distributors apply a rate of return component to the balance of the account in the year recovery commences. The rate of return component will result in additional revenues for Hydro One Brampton that will be recovered during the disposition period of five years.

Financial Assumptions

The 2014-2019 plan incorporates the financial assumptions outlined in the corporate business plan instructions, as applicable to Hydro One Brampton.

Customer & Load Growth

Residential development within the City continues to expand. As a result of the announcement of increased development fees by the City and Region of Peel (Region), Hydro One Brampton has experienced a significant increase in the number of residential development applications. This plan projects that once such applications are processed, the number of new applications is expected to return to levels experienced before the announcement of development fee increases.

The business plan includes a customer growth rate of 2.5% from 2014 to 2016, 2.1% per year from 2017 and 2018 and 2.0% in 2019. New customer connections are expected to be approximately 3,800 annually from 2014 to 2016 and 3,400 thereafter.

Energy load growth is expected to increase by 1.0% annually in the years 2014-19. The expected energy sales increase primarily reflects residential customer growth and relatively little commercial and industrial customer growth. Other non-quantifiable influences such as sub-metering and provincial and regional planning for intensification do not have a significant impact in the near term and therefore are not specifically incorporated into this plan.

Commitments to the City of Brampton

At the time of acquisition of Brampton Hydro by Hydro One Inc. on July 31, 2001, several commitments were made to the City. Although most of the commitments have expired, several will continue into future years. The remaining Hydro One Inc. commitments are as follows:

- Perpetual obligation to provide and maintain space and telecom requirements for the City's emergency operations centre. The penalty for breaching this requirement is $5M.
- Perpetual obligation for successor corporations to maintain and comply with policy E-104 (aesthetics for future line construction). The penalty for breaching this requirement is $15M.
- Perpetual obligation for business development including $10,000 annual contribution to the Brampton Development Team.

This plan meets these commitments, and no breach of any material covenants in the acquisition agreement is expected. As a result, no provision is made for payments for breach of covenants.

Hydro One Brampton will continue to work together with the City on projects that will meet the demands of development and growth.

Labour Agreements

On September 1, 2013, the Canadian Auto Workers (CAW) and the Communications, Energy and Paperworkers Union merged to form a new union called Unifor. The current CAW collective agreement has been adopted by Unifor and Hydro One Brampton.

The current labour agreements with Unifor and the International Brotherhood of Electrical Workers (IBEW) extend to March 31, 2014. Salary increases of 2% annually are planned for management over the plan period from 2014-2019 and for unionized staff from April 1, 2014 through 2019.

C. FINANCIAL RESULTS

		2013[1]	2014	2015[3]	2016	2017	2018	2019
Distribution Revenue ($M)	2014-19 BP	63.1	64.2	63.2	69.1	73.0	74.5	76.2
	2013-17 BP	61.1	61.7	67.1	70.5	72.0	73.5	77.1
Variance		2.0	2.5	(3.9)	(1.4)	1.0	1.0	(0.9)
Net Income (M$)	2014-19 BP	16.0	17.1	10.6	13.6	15.1	15.2	15.7
	2013-17 BP	15.7	15.2	14.1	16.1	16.5	16.3	16.5
Variance		0.3	1.9	(3.5)	(2.5)	(1.4)	(1.1)	(0.8)
OM&A (M$)	2014-19 BP	24.4	25.2	25.2	25.7	26.2	26.6	26.9
	2013-17 BP	24.7	24.7	25.2	25.6	25.5	26.4	28.2
Variance		(0.3)	0.5	-	0.1	0.7	0.2	(1.3)
Regulatory ROE (%)[2]	2014-19 BP	8.89	10.06	9.74	9.34	8.82	8.36	8.00
	2013-17 BP	9.22	8.52	9.12	9.12	8.90	8.41	9.12
Variance		(0.33)	1.54	0.62	0.22	(0.08)	(0.05)	(1.12)
Capital	2014-19 BP	29.3	31.9	52.4	48.5	43.4	43.6	42.1
	2013-17 BP	30.7	28.5	40.0	38.0	37.6	46.2	68.0
Variance		(1.4)	3.4	12.4	10.5	5.8	(2.6)	(25.9)
Rate Base	2014-19 BP	370.4	387.8	399.0	419.8	440.9	459.1	473.9
	2013-17 BP	369.9	387.0	390.7	404.5	419.7	433.8	456.7
Variance		0.5	0.8	8.3	15.3	21.2	25.3	17.2

Note 1 – 2013 numbers for the 2014-2019 BP are forecasted amounts.
Note 2 – Regulatory return on equity (ROE) in 2013-14 is calculated in legacy CGAAP and for 2015-19 it is calculated under MIFRS.
Note 3 - 2015 distribution revenue will be rebased under MIFRS.
Note 4 – Financial results are in legacy CGAAP for 2013-2014 and in IFRS from 2015-2019

Plan over Plan Variance Analysis

Distribution revenue increases on a plan-over-plan basis in 2014 as a result of greater than expected customer growth, Lost Revenue Adjustment Mechanism (LRAM) revenue and an increase in rates from the IRM. In 2015 Hydro One Brampton plans to file a cost of service application and distribution revenue will be rebased under MIFRS. Distribution revenue is lower on a plan over plan basis in 2015 and 2016 due to rate riders for the refund of regulatory liabilities (mainly RSVA balances).

Net income has increased on a plan-over-plan basis in 2014 largely as a result of higher distribution revenues and lower taxes partially offset by higher depreciation and OM&A. In 2015 and 2016, net income has decreased vs. last year's plan primarily due to lower revenues and higher depreciation and financing charges, partially offset by lower income taxes. Net income in 2017 and 2018 is lower on a plan over plan basis as a result of

higher OM&A, depreciation and financing charges, partially offset by lower income taxes and higher distribution revenue.

OM&A costs have increased on a plan-over-plan basis in 2014 as a result of additional software maintenance costs, project management costs and line maintenance expenses.

Capital expenditures are higher on a plan-over-plan basis in 2014 primarily due to a $3.7 million load guarantee payment to Hydro One Networks for the Pleasant Transformer Station (TS). In 2015, capital expenditures are higher vs. last year's plan due to investment in a new IT system, a $2.3 million load guarantee payment to Hydro One Networks for the Goreway TS, the replacement of power transformers at MS22, metering socket gate replacements, increased road widening projects and facility renovations. Capital expenditures are higher on a plan over plan basis in 2016 as a result of investment in a new IT system, metering socket gate replacements, increased road widening projects and facility renovations. In 2019, capital spending has decreased vs. last year's plan as a result of the deferral of investment in a new transformer station until 2022.

Year over Year Variance Analysis

The distribution revenue plan is based on an assumption of 1.0% annual increase in revenue due to customer growth as well as a 1.25% rate increase in the IRM years. In 2015, the distribution revenue plan is based on filing a new cost of service application under MIFRS that allows the Company to earn its regulated rate of return.

Distribution revenue decreases from 2014 to 2015 as a result of rate riders for the refund of regulatory liabilities, partially offset by increased revenue from the 2015 cost of service rebasing. In 2016 and 2017, distribution revenue increases as a result of annual IRM increases and the ending of regulatory liability refund rate riders.

Net income in 2015 decreases as a result of transition to IFRS which results in lower revenues due to rate riders to refund regulatory liabilities and higher income taxes. Depreciation also increases in 2015 as a result of increased capital expenditures. From 2016-19, net income increases primarily due to higher distribution revenues, partially offset by higher depreciation, financing costs and income taxes.

OM&A expenditures remain steady in 2014 and 2015 and increase modestly in 2016 primarily due to expected maintenance costs related to the new IT system.

Capital expenditures increase in 2014 primarily due to a $3.7 million load guarantee payment to Hydro One Networks for the Pleasant TS. In 2015, capital expenditures increase on a year over year basis primarily due to the transition to IFRS. Under IFRS capital contributions are treated as deferred revenue instead of being netted against capital spending. Other factors contributing to the increased capital in 2015 include investment in a new IT system, a $2.3 million load guarantee payment to Hydro One Networks for the Goreway TS, the replacement of power transformers at MS22 and metering socket gate replacements. Capital expenditures decrease from 2015 to 2016 as a result of one time expenditures in 2015 for the load guarantee payment and replacement

of power transformers at MS22. In 2017, capital expenditures decrease due to the completion of the new IT system in 2016.

D. WORK EXECUTION STRATEGY

Hydro One Brampton's work program combines both capital and maintenance initiatives to minimize the total cost of ownership for the life of the various service assets. The Company's capital expenditures are driven by both internal and external factors. Ongoing and multi-year capital initiatives are categorized as programs that may include a portfolio of projects that are specific in scope, duration and location. This approach optimizes project management activities and enhances work planning, control and reporting.

System Renewal Capital Initiatives

System renewal initiatives are categorized as discretionary capital expenditures which are organized into planned construction projects and programs.

Drivers for system renewal are initiatives based on the replacement of assets near or at the end of their useful life as a result of unsatisfactory asset condition, failure or risk of failure, substandard performance and technical or functional obsolescence. Asset failure in the field may lead to safety concerns for the public and employees. Table 5: *System Renewal Capital Initiatives* lists the key drivers with the scope and examples of system renewal programs.

Table 5: System Renewal Capital Initiatives

Key Drivers	Scope	System Renewal Programs
Safety	Activities required to address failing infrastructure to eliminate unsafe conditions and hazards.	Underground System Rebuilds
Reliability	Activities required to mitigate risk of asset failure, substandard performance of in-service assets and to address loss of high profile assets with high customer criticality.	Voltage Conversion Program Overhead System Rebuilds
Failure or Risk of Failure	Response to failed in service equipment resulting in an outage or potential outage.	Condition Based Equipment Replacement
Functional and Technical Obsolescence	Replacement of obsolete assets where the asset no longer supports current performance standards or regulatory requirements, and where vendor support or serviceable components are no longer available.	Reactive Equipment Replacement

System renewal initiatives focus primarily on the condition and performance of in service assets. Equipment within specific asset classes is evaluated for the impact "risk of failure" with respect to public safety, system stability, and reliable operation of the distribution system. High impact assets are classified as critical and hence replaced on a

proactive condition basis. A loss of a station transformer impacting a large number of customers is an example of an impact criteria used to derive critical equipment classification.

In Hydro One Brampton's 2013 customer satisfaction survey customers indicated that providing consistent and reliable energy is the highest priority attribute when describing the utility's operational effectiveness. Safety and the ability to quickly address and restore outages were the next highest priorities for customers. The Company has taken these customer expectations into consideration and aligned them with its system renewal capital initiatives.

Major assets undergo rigorous inspections, monitoring and condition analysis to identify degradation mechanisms and failure potential. Inspection results from such assessments are used to identify asset health indices and stages of degradation. The results drive remedial maintenance measures and intervention opportunities to ensure continued reliable service and to minimize the total life cycle cost of asset ownership. An Asset Condition Assessment is performed for all relevant asset classes and was completed by Kinectrics in 2013 using up to date asset information captured from inspection and testing activities.

Hydro One Brampton has a number of aged low voltage distribution systems that cannot be expanded. These assets must be replaced with modern equipment that will allow for continued future expansion. The Company has initiated a program to convert the older sub-standard 4.16 kV distribution system to a 27.6 kV system. The multi-year project has been phased to maximize the life of existing assets and is expected to be completed in 2021. The main benefit of this multi-year initiative includes avoidance of rebuilding an obsolete system and stations.

System Access and Expansion Initiatives

System access and expansion initiatives are driven by external factors such as customer demand as well as expansion of city, region and provincial transportation infrastructure. These types of projects are triggered by agencies like railways, provincial and municipal governments, road authorities, land developers and regulatory agencies.

Hydro One Brampton is obligated to respond to these requests and is bound by numerous regulations, acts and bylaws to undertake this work in a timely manner. Since development and expansion capital expenditures are non-discretionary and driven by third party requests, the timing of these projects can vary and be difficult to predict. Expenditure outlooks for these initiatives have been developed based on information from agency plans and are closely monitored throughout the planning stages. These initiatives are driven by growth, system reinforcement and customer demand as outlined in *Table 6*.

Table 6: System Access and Expansion Initiatives

Key Drivers	Scope	System Expansion and Enhancement Programs
Customer Request for Connections (Growth)	New connection assets and infrastructure required to connect new customers to the main distribution system.	New Substations & TS's TS/MS Feeder Egress New Feeder Installations New Pole Lines Relocation for Roadway Expansion
System Expansion (Main System)	Expand or increase capacity of the main distribution system to support capacity demand as a result of new customer connection requests and new load growth.	
Third Party Demand Requirements	Response to a request by an authority with jurisdiction over the location or relocation of existing infrastructure, i.e. roadway improvement projects.	

Hydro One Brampton must build new system infrastructure and increase the capacity of the main distribution system as new residential, commercial and industrial customers are added in the City. The impact of growth and third party initiatives drive the requirements for new system construction.

Customer demand expenditures are also driven by regulatory requirements such as the *Green Energy and Green Economy Act* and projects initiated by agencies responsible for civil infrastructure. Hydro One Brampton remains committed to connecting such projects as required by regulations and the conditions of its license.

The City is anticipating continued growth based on population forecasts, subdivision proposals and issued building permits. Hydro One Brampton incorporates annual projections from the City for building permits and new subdivisions into the work program planning processes.

Development initiatives triggered by external drivers such as expansion of City, Region and transportation infrastructures are initiated by agencies like railways, provincial and municipal governments, road authorities, land developers and regulatory agencies. These projects have a significant impact on the financial resources of the Company and the timing of these expenditures is difficult to forecast. Cost sharing arrangements for these projects are dictated by the *Public Service Works on Highways Act* for municipal projects, and by the *MTO Corridor Control and Permit Procedures* for provincial highways.

Hydro One Brampton meets monthly with representatives of the City and the Region to review the status of current and future projects. The City and the Region also provide ten year capital projections which form the basis on which Hydro One Brampton plans for upcoming relocation projects.

Utilizing best utility practices, the Company incorporates funding allocations in the annual budgets based on the best information available at the time; however, the dynamic nature of these projects invariably causes the Company to adjust the capital expenditures in a reactive manner often impacting previously planned capital investments.

System Service Initiatives

System service initiatives include upgrades and modifications to the distribution system to address expected changes in the use of the system by customers. These upgrades are necessary to ensure that the distribution system continues to meet distributor operational objectives while addressing anticipated future customer electricity service requirements. *Table 7: System Service Initiatives* outlines the drivers, scope and example of programs that are included in the system service initiatives.

Table 7: System Service Initiatives

Key Drivers	Scope	System Programs
System Enhancement	Upgrade of the main distribution system to relieve system capacity constraints from general load growth excluding renewable generation.	Protection & Control System Automation & Switching SCADA System Capacity Upgrades Distribution Loss Reduction
System Operation & Protection	Upgrade of system to improve operating characteristics including system automation, supervisory control and data acquisition, system switching and controls.	
System Performance & Reliability	Modification to the main distribution system to meet acceptable levels of reliability, power quality, system efficiency and safety.	

General Plant Initiatives

General plant investments are modifications, replacements or additions to a distributor's assets that are not part of its distribution system; including land and buildings; tools and equipment; rolling stock and electronic devices; and software used to support day to day business and operations activities. *Table 8: General Plant Initiatives* outlines the drivers, scope and example programs that make up general plant initiatives.

Table 8: General Plant Initiatives

Key Drivers	Scope	System Renewal Programs
Safety Capital Investment Support	Systems and analytic tools to facilitate decision making, planning and project management of capital initiatives.	Finance, Administration & Billing Software Equipment & Tools Capital Contributions to Other Utilities Land, Office Space and Supplies Rolling Stock
System Maintenance Support	Fleet, tools and equipment, testing monitoring and data collection applications and devices deemed necessary to support the organization's needs and objectives.	
Operational Efficiency	Acquisition and implementation of new IT, billing, finance and other enterprise applications to improve operational efficiencies.	
Non system equipment	Acquisition of land rights and easements to support the operation of the distribution system.	

Overview of Major Programs 2014-2019

a) Residential Subdivision Connection Program

System expansion expenditures are required to support residential subdivision connections. Hydro One Brampton will install the necessary distribution feeders, switchgear, transformers, secondary service cables and connections required for residential services. In order to safely, securely and reliably service these connections, the Company must ensure all subdivision system plans align with upstream distribution system developments. Hydro One Brampton plans to install approximately 23.5 km of feeders required to connect 5,000 residential units in 2014 and 20.3 km of feeders to connect 4,630 residential units in 2015. Residential subdivision services are expected to grow at the same pace as population growth in the City over the medium term.

b) Distribution System Expansion & Enhancement Program

New development and subdivision construction occurs on vacant land that requires Hydro One Brampton to expand and enhance the main distribution system. This work must be completed to ensure all new connections are provided with required capacity without constraining the supply of existing customers and negatively impacting system safety and reliability. In the near term, the distribution system expansion program will focus on both underground and overhead main distribution circuits that provide optimal loading and necessary contingencies to maintain system reliability.

c) Transmission Station Feeder Egress Program

In order to meet increasing customer capacity demand, Hydro One Brampton must enhance and expand the 27.6kV distribution feeders connected to transmission stations in Brampton. In the near term, feeder egress construction will focus on high growth areas supplied by Jim Yarrow, Pleasant and Goreway

transmission stations. Individual projects are developed in phases to permit system expansion and enhancement in the most economic manner without jeopardizing existing customer supply and system reliability. The results of this program align with the main distribution system enhancement efforts and will address near term customer driven demand.

d) Asset Relocation for Road Widening Program

The City and the Region undertake annual road construction projects which require Hydro One Brampton to relocate existing overhead and underground assets that conflict with the proposed road layouts. The cost of relocating these assets is shared with the City and/or the Region through cost sharing arrangements that are outlined in regulations. In 2014, Hydro One Brampton expects to relocate assets on ten major roadways and expand nine intersections to enable infrastructure development. In 2015, Hydro One Brampton expects to relocate assets on nine major roadways to enable infrastructure development. Asset relocation activity due to road widening is expected to continue over the medium term as the population of the City continues to grow.

e) Distribution System Voltage Conversion Program

Hydro One Brampton has initiated a multi-year program to convert the older sub-standard 4.16 kV distribution system to a 27.6 kV system. This program is being implemented due to expansion limitations and increasing system performance risks associated with the 4.16 kV system. Benefits of this program include enhanced system reliability, performance and robustness. In 2014 and 2015, the program will focus on project areas in the Eldomar Avenue and Nanwood Drive neighborhoods.

f) Underground Cable Rehabilitation/Replacement Program

Hydro One Brampton's underground distribution systems include various cable types dating back to 1960. Certain vintages within this system are nearing the end of their useful life and are demonstrating an increased frequency of cable faults. In 2009, a cable fault study was performed which identified the frequency of primary faults within specific grids in the Company's service territory. Trouble statistics and cable fault records were used to prioritize areas most in need of system rehabilitation or where necessary, cable replacement. This program will support the Company's efforts to maintain its excellent reliability indices and high customer satisfaction levels.

g) Switchgear Replacements at Municipal Stations

The 13.8 kV distribution system at Hydro One Brampton has been in service since the early 1970’s. In 2015 Hydro One Brampton will complete the last of the upgrades to the municipal stations on the east side of the City with the replacement of the power transformers at MS22. In 2016, the Company will be looking at upgrading the 27.6 / 13.8kV municipal stations on the west side of the City starting with the replacement of one of the power transformers at MS14 that is reaching end of life. Other major projects will include the replacement of the

indoor metal clad switchgear with new arc flash rated metal clad switchgear at MS14 and MS10.

h) IT Roadmap

Hydro One Brampton's AS 400 (iSeries) computer system is over 30 years old and highly customized. Most of the computer programmers that support the system are eligible to retire in the next five years and finding and retaining qualified personnel that can support the system is becoming more difficult. Both the age of the technology and the potential loss of staff expertise are a risk to the Company's ability to maintain operations over the medium to long term. Therefore, Hydro One Brampton hired PwC to complete a review of its information technology (IT) landscape (excluding operational systems like SCADA, GIS etc...) and produce an IT roadmap to help guide future investments.

PwC's approach to preparing the IT roadmap was to work with key management staff and interview numerous end users throughout the Company to assess the current state, gather business requirements, develop a target state and prioritize future initiatives. PwC completed the roadmap in June 2013 and identified a number of key themes which are listed below.

1. IT is supporting business needs in a cost effective manner, however this may not be sustainable to meet future needs.
2. Inadequate data accessibility and analytics for decision making.
3. IT capacity and constraints limiting business agility.
4. Business processes are not consistently or sufficiently enabled by technology.
5. Existing/legacy technology is not aligned with current or future business needs.
6. Informal IT governance creates business risks and impacts focus on strategic priorities.
7. Current business continuity plan exposes risk of disruptions to critical business processes.
8. Current IT security and controls increase risk for protection of confidential data.

PwC made five key recommendations in their report which are outlined below.

1. *Mitigate AS 400 (iSeries) risks*
    - Implement risk mitigation controls and measures for the AS 400 including system documentation, business continuity plan and platform currency for maintaining vendor support.

2. *Develop Enterprise Resource Planning (ERP)/Customer Information Systems (CIS) Strategy*
    - Determine a go forward approach for ERP and CIS to leverage the existing assets, align with business priorities, provide scalability, ease migration, and phase technology costs and change impact.

3. *Investigate Business Process Outsourcing*
    - Investigate and evaluate potential business and technological opportunities for outsourcing (e.g. – payroll)

4. *Business Intelligence (BI) Analytics Platform*
    - Identify scope and requirements of analytics, incorporate data governance and implement a solution to improve decision making.

5. *Implement IT Governance*
    - Improve IT/business alignment through adoption of a formal IT governance framework, roadmap oversight, risk and resource management.

Hydro One Brampton will undertake a number of initiatives during the planning period in response to PwC's recommendations. However, IT and financial resource limitations will affect the implementation timelines. According to PwC research the average Tier 2 LDC (defined as 50,000-200,000 customers) has 40 employees supporting IT. In comparison, Hydro One Brampton has only 12 employees supporting IT.

In 2013, Hydro One Brampton will be upgrading the IBM iSeries operating system software to the latest version. The Company will also undertake the review of potential software enhancements and/or replacements for existing AS/400 (iSeries) applications. This will involve preparation of a request for information (RFI) and/or request for proposal (RFP) for a new ERP system. The business plan contains $10 million of capital for the purchase and implementation of a new ERP. The plan also includes additional software maintenance costs required for the new system.

i) Facility Renovation

In February 2010, Hydro One Brampton used the services of Kinectrics to conduct a Facility Management Study for its facility at 175 Sandalwood Parkway West. The results of the study have provided Hydro One Brampton with a plan for short and long term facility maintenance requirements.

Hydro One Brampton engaged Bennett Design (Bennett) to conduct an in-depth review of the facility and staff in order to prepare a design that would meet future needs for renovations as well as department locations and workstation solutions. The process called Discovery Initiative Guide (DIG) was completed in 2012. This process involved reviewing the physical environment, interpreting the Company's needs and using best practices to create an appropriate design. As the facility is now over twenty years old Hydro One Brampton has put in place a renovation plan based on Bennett's review of the facility.

A review of the Health and Safety statistics was performed in conjunction with the facility design plan. The review indicated that a high number of

musculoskeletal disorders (MSDs) were affecting staff. Most work-related MSDs develop over time and are caused either by the work itself or by the employee's working environment. Hydro One Brampton's Ergonomic Change Team has performed many employee assessments and although they have attempted to make improvements to some workstations, they have found that the existing workstation designs were never ergonomically sound.

From the Facility Management Study and DIG a plan has been put in place to renew and revitalize the facility. The total cost of this project is expected to be approximately $6M over the planning period.

Work Program Challenges/Issues/Limitations

Hydro One Brampton faces a number of challenges in completing the work program. The Company has put in place appropriate monitoring, planning and risk mitigation tactics to minimize the impact of these challenges.

- Land Rights – Difficulties in securing easements for road widening projects sometimes results in planned work being deferred to future years. Hydro One Brampton continues to work closely with the City to negotiate easements that are in the best interest of the utility to meet both current and future distribution system expansions.
- Customer and Agency Demand Projects – These projects are very unpredictable in nature and can create budgeting and resource scheduling limitations and constraints. Activity may be very high in one year and very low in another. These projects are also affected by government initiatives (e.g. infrastructure funding in recent years).
- Regulatory Requirements – Hydro One Brampton's work program may be impacted by government legislation or regulations from numerous regulatory bodies such as the OEB and IESO. For example during the past several years the Company has been required to implement smart meters, test and replace polychlorinated biphenyl (PCB) transformers and connect renewable generation as a result of legislative and regulatory requirements. These external requirements make it challenging to prioritize projects and balance customer demand based initiatives. As a result, Hydro One Brampton must often allocate assets and resources to regulatory initiatives that could otherwise be used to undertake proactive based planning projects.
- Outage Restrictions – Hydro One Brampton's feeder circuits are presently not configured in a steady state and therefore the Company is not in a position to always obtain the necessary circuit isolations due to loading. This impacts the Company's ability to complete projects during certain peak periods of the year.
- Equipment Procurement – Long lead times for large equipment purchases such as power transformers and indoor metal clad switchgear at municipal substations can extend out past the year to year budget threshold. Hydro One Brampton will address this issue by seeking approval to release capital work program funding for the next two years in order to procure long lead time assets in the fall and winter for installation the following year. This is expected to permit delivery in the early part of the year so that projects can be undertaken and completed before the

summer loading constraints.

Fleet Capital Investment

Hydro One Brampton manages its vehicle/equipment maintenance and repairs on site at the Sandalwood Parkway facility and through use of local garages when necessary. The Company attempts to replace vehicles before costly repairs occur and before the safe and reliable operation of the vehicles is compromised.

In May 2013, Hydro One Brampton hired R. Irwin Fleet Services to perform an assessment of its fleet of vehicles. The assessment indicated that the Company's fleet was aging and contained outdated equipment and devices. The report recommended a fleet replacement schedule to optimize the effectiveness of the fleet while progressing to achieve industry standards. Based on the findings of the assessment, Hydro One Brampton plans to purchase vehicles and equipment to maintain current numbers as vehicles require replacement.

Hydro One Brampton also plans to increase the number of green vehicles in its fleet by purchasing electric cars, hybrid light duty vehicles and bucket trucks with the Posi-Plus Plug-in Hybrid systems in situations where it is found to be economical and practical. The green vehicles will be purchased when older vehicles are due for replacement and capital funding is available.

Lines Inspection and Maintenance

Hydro One Brampton's line inspection and maintenance program is generally reactive in nature and is designed to meet OEB guidelines. The Company has instituted programs for both planned (preventative maintenance and testing) and corrective maintenance (stations and lines assets, as well as vegetation management). Response times for reactive maintenance range from same day to two weeks, depending on the nature of defects revealed in the maintenance plan.

The types of work performed in the line inspection and maintenance program include the following:

- Forestry is performed on a three year rotation, and is outsourced
- Insulator washing is performed in February / March for glass insulators only
- Annual infrared inspection is performed in the summer peak load season and is outsourced
- Cable injection program for underground cables is outsourced
- Dry ice cleaning of energized switchgear is outsourced
- Asset inspections are augmented by customer reports of system defects
- Wood pole testing is outsourced
- Municipal Station transformer maintenance
- Continuous patrols

E. REGULATORY ENVIRONMENT

The electricity industry in Ontario has undergone significant change during the past several years which has impacted customers' bills. The government and the OEB have recognized customer concerns about rising costs and consequently, Hydro One Brampton faces a regulatory environment whereby necessary expenditures will continue to come under increasing scrutiny. The Company will need to demonstrate a culture of efficiency and effectiveness and illustrate its progress in achieving improvements in productivity.

Renewed Regulatory Framework for Electricity

In October 2010 the OEB announced plans to develop a renewed regulatory framework for electricity. The objective of the new framework is to ensure that transmitters and distributors are encouraged to manage the prioritization and pace of network investments with regard to the total bill impact on consumers. The OEB envisions that the renewed regulatory framework will lead to a more outcome-based approach to regulation, supported by clearly defined objectives and responsibilities.

As part of the RRFE, the OEB has established three alternatives for how distributors may apply for rate applications commencing in 2014:

i. Annual Incentive Rate (IR) Index for those distributors with steady state capital investments who can manage their operations based on an annual Price Cap Index Adjustment.
ii. Custom IR with five forward test years - most appropriate for distributors with significantly large multi-year or highly variable commitments that exceed historical levels.
iii. 4th Generation IR with a single forward test year, for the remaining distributors.

The OEB continues to hold stakeholder sessions on the RRFE in 2013 to update codes, rules, and filing requirements which are expected to be completed later this year. As this initiative continues to unfold more information will be known regarding its impact on Hydro One Brampton.

Updated Filing Requirements

On March 28th, 2013 the OEB established new requirements in Chapter 5 of *Filing Requirements for Electricity Transmission and Distribution Applications for Consolidated Distribution System Plans*. These filing requirements set out the information required by the OEB under the RRFE to assess distributor applications involving planned expenditures on distribution system and other infrastructure. The DSP consolidates documentation of a distributor's asset management process and capital expenditure plan. The DSP encompasses the following criteria:

- Optimize investments to reflect regional and smart grid considerations; serve present and future customers; place a greater focus on delivering value for money; align the interests of the distributor with those of customers; and support the achievement of public policy objectives.

- Provides additional information to stakeholders regarding asset performance, lifecycle asset management planning, and management of asset related operational and financial risk.
- Ensures an integrated approach to planning is used to provide a foundation for distribution rate-setting and that projects are appropriately paced and prioritized.
- Provides for a longer term planning horizon to enhance predictability necessary to facilitate planning and decision making and help distributors to manage consumer rate impacts.
- Regional planning process considerations will help promote the cost effective development of electricity infrastructure in Ontario.
- Smart Grid development and implementation which will be an integral component of the DSP process including:
    - Activities undertaken to understand customer preferences
    - Customer access to electronic historical and real time data for decision making pertaining to energy costs
    - Investments to facilitate integration of distributed generation and more complex loads
    - Technology enabling opportunities regarding operational efficiencies, improved asset management, adoption of innovative processes, services, business models and technologies.

Chapter 5 also ensures that all distribution system plans are completed in a manner that will meet customers' needs and expectations. Distributors are required to consult with customers and include them in their decision making processes.

On July 17, 2013 the OEB posted *Filing Requirements for Electricity Distributors* updating chapters 1, 2 and 3. The filing requirements now require extensive details on corporate governance including:

- Policy related to composition of the Company's Board of Directors (BOD),
- Description of how independent judgment is facilitated,
- Text of the BOD's written mandate describing how the BOD delineates its role and responsibilities,
- Schedule of board meetings in the current fiscal year,
- Measures taken for the orientation and continuing education for its directors,
- Provision of information for an ethical business code of conduct,
- Description of the nomination of directors,
- Identification of any committees of the BOD and their functions. If an audit committee exists, a statement as to whether or not the members are independent and financially literate.

The updated filing requirements also require an outcome based approach to OM&A spending. The review of OM&A costs will move towards an output/program-focused review with less attention to discrete elements of inputs to OM&A.

4th Generation Incentive Rate Mechanism (IRM)

On May 3, 2013 the OEB released a report prepared by its consultant, Pacific Economics Research Group (PEG), entitled "*Empirical Work in Support of Incentive Rate Setting in Ontario*". This report makes specific recommendations for the inflation, productivity and stretch factor parameters for incentive rate setting, and for the benchmarking of electricity distributor total costs.

PEG's report is based on a total factor productivity (TFP) benchmarking approach which takes into consideration both OM&A and the cost of capital consumed during the calendar year. Previously the OEB's approach to benchmarking was solely based on OM&A costs.

The OEB released its draft report, "*Report of the Board on Empirical Research to Support Incentive Rate-setting for Ontario's Electricity Distributors*" (EB-2010-0379), on September 6, 2013. In their report the OEB indicates they intend to use a two factor input price index (IPI) as the inflation factor for the 4th Generation IRM. The two factor IPI will be updated annually from Statistics Canada data and will consist of 1) the labour sub-index comprised of the average weekly earnings for workers in Ontario and 2) a non-labour sub-index comprised of the Canada GDP-IPI (FDD). The OEB intends to use the year-over-year change in the GDP IPI (FDD) and the Average Weekly Earnings for All Workers in Ontario (AWE) to calculate the 2-factor IPI.

A productivity factor will remain in effect until a distributor's next rebasing. The OEB has determined that the appropriate value for the productivity factor (Industry TFP) for Price Cap IR is zero.

Distributors will be assigned to one of five tranches with stretch factors based on their efficiency as determined through PEG's econometric total cost benchmarking model. The OEB has determined that the appropriate stretch factor values range from 0.0% to 0.6%. Hydro One Brampton ranks 28th of 73 utilities based on PEG's September 2013 report. This places the Company in the third tranche which represents LDCs whose actual costs are between 0 and 15% below the costs predicted by PEG's cost model. LDCs in the third tranche will be assigned a stretch factor of 0.3%.

The estimated inflation factor based on the OEB's proposed 4th Generation IRM model is forecast to be 1.6% for 2013 and 1.9% for 2014. The OEB and PEG reports have not been finalized. Further consultations and a stakeholder conference were held on September 11, 2013.

Smart Metering

Hydro One Brampton has completed its Smart Metering program and has met the requirements of the Ministry of Energy and Infrastructure. On April 25, 2013 the OEB approved Hydro One Brampton final disposition of its Smart Meter program. The OEB approved two rate riders; the first was a Smart Meter Disposition Rider (SDMR) for approximately $1.9M to be recovered over 20 months. The second rate rider, the Smart Meter Incremental Revenue Requirement Rider (SMIRR), totaling $1.54M, is related to

the annual incremental revenue requirement and is to be recovered until the Company's next cost of service application in 2015.

Conservation and Demand Management

Hydro One Brampton is required by the OEB to achieve 186 GWH and 46 MW of energy and demand savings respectively by 2014 as a condition of its license. The Company expects to experience decreases in consumption as a result of these CDM initiatives, which could lead to a reduction in revenue. Hydro One Brampton plans to file an LRAM claim for the years 2011 and 2012 as part of the 2015 cost of service application and for the years 2013 and 2014 as part of its 2017 IRM application. The LRAM recovery or payment will be based on the true up of lost revenues included in base distribution rates against actual lost revenues associated with the OPA's final CDM programs (as verified by a third party). Future rate adjustments will be based on a forward test year, which will provide for changes associated with CDM impacts.

F. LABOUR STRATEGY AND STAFF LEVELS

Hydro One Brampton's resourcing strategy is to utilize a combination of full time staff and external contractors to complete its work program while maintaining workforce flexibility and controlling costs. The Company's collective agreement with Unifor allows the Company to contract out work, provided that a minimum of 45 linemen remain employed. Several examples of the types of work that Hydro One Brampton currently contracts out include: line maintenance, forestry, cable locates, engineering design, civil construction, installation of underground hydro plant equipment, preparation of easements, repair of secondary faults and restoration. The Company will continue to review its resourcing strategy and utilize opportunities to use external contractors where appropriate.

The Company is finding it challenging to attract and retain qualified staff. Several departments have been negatively impacted as employees with the required skill sets and experience are in demand throughout the electricity industry.

Hydro One Brampton's management compensation plan is also making it more difficult to attract qualified candidates to fill key vacancies. In 2013 the Company hired the Hay Group to complete a review of management base salaries and total compensation vs. other LDCs and 905 area industrial companies. The review indicated that Hydro One Brampton's median base pay for management positions is below the 10^{th} percentile of the market in most pay bands.

As a result of the management wage freeze from 2010 to 2012, Hydro One Brampton is also experiencing issues with wage compression between union and management staff. For example, the average Line Supervisor salary in 2013 is only 0.4% higher than the Line Foreperson that reports to them. Wage compression between union and management staff will make it difficult for the Company to replace management staff as they retire over the next several years.

During the course of the business plan, Hydro One Brampton's resourcing strategy will be focused on succession planning and hiring to manage customer growth. Key vulnerabilities exist in operations, IT and at the Supervisor level. Known challenges associated with human resources have been identified, and the Company is currently working on developing a succession plan for key employees to mitigate this risk.

In the past, the Company has hired new line staff from Cambrian College in Sudbury and experienced a high turnover rate as staff moved back to the Sudbury area once their apprenticeship was completed. In an effort to hire and retain local talent, Hydro One Brampton is currently recruiting from Conestoga College which tends to have more students from the greater Toronto area. Hydro One Brampton will also expand its pool of available candidates by recruitment from local colleges, the EDA, the local paper and the Company website.

The expected number of retirements throughout the planning period will present an opportunity for continued activity in apprenticeship programs, which have been very successful in the past and are expected to continue throughout the planning period. On a plan-over-plan basis staffing levels remain the same as the Company continues to focus on productivity in order to minimize future rate increases.

		Projected	Plan					
		2013	2014	2015	2016	2017	2018	2019
Regular staff headcount:								
Beginning Year Staff		207	219	219	219	219	219	219
Vacant positions carried forward		8	-	-	-	-	-	-
Annual Regular Staff Attrition		(8)	(8)	(8)	(8)	(8)	(8)	(8)
Annual New Hires –	**Replacements**	8	8	8	8	8	8	8
	New positions	4	-	-	-	-	-	-
	Total (Year-End Staff)	219	219	219	219	219	219	219
Regular Staff (headcount)	2014-19 Plan	219	219	219	219	219	219	219
	2013-17 Plan	219	219	219	219	219	219	219
	Difference	-	-	-	-	-	-	-

G. RISKS TO PLAN AND MITIGATION STRATEGIES

Regulatory/Political Change

There are several considerations with respect to the regulatory and political environment. The following risks may impact this plan:

- Government policy uncertainty remains a significant risk to the Company. Over the past several years significant changes have been introduced in the electricity sector. Customer rates have increased due to the combined impact of smart meter costs, the, the cost of new generation, and investments required in maintaining the Company's distribution system. In October 2010, the OEB announced plans to develop a renewed regulatory electricity framework which will have a "sharper focus on total costs to consumers".

Although the outcome of the OEB and Government of Ontario initiatives is uncertain at this time, they could negatively impact Hydro One Brampton's ability to increase rates in the future. Any significant implications to rates could impact the Company's productivity and cost effectiveness, its ability to maintain the network and ability to maintain its financial fundamentals.

Hydro One Brampton's ability to maintain high customer satisfaction levels could also be negatively impacted by government or regulatory policy changes that increase electricity costs or increase administrative burden. The Company will continue to consider customer rate impacts and manage customer expectations.

- Further rationalization of the distribution sector could have positive or negative impacts on Hydro One Brampton's future operating results. The Company will evaluate opportunities to acquire distribution assets on a case by case basis and will only participate in transactions that increase value for its shareholder.

- The Company plans to file a 4th generation cost of service application with the OEB under MIFRS in 2015. As a result of the transition to MIFRS and continued growth in rate base the Company will be requesting an increase in revenue requirement in order to achieve the regulated ROE. Should the OEB not approve Hydro One Brampton's requested revenue requirement in 2015, achievement of the financial results presented in this plan will be at risk. The Company will attempt to mitigate this risk by reevaluating OM&A and capital program spending in the event the OEB does not approve the cost of service application.

- The OEB's draft report, "*Report of the Board on Empirical Research to Support Incentive Rate-setting for Ontario's Electricity Distributors*" (EB-2010-0379) indicates that under the 4th Generation IRM distributors will be assigned a stretch factor based on their efficiency as determined through PEG's econometric total cost benchmarking model. The PEG model will be updated annually and new stretch factors will be assigned to each distributor. There is a risk that Hydro One Brampton could be assigned to a higher tranche in the future. If the Company was assigned to a higher tranche its revenue would decrease by approximately $100,000 for each change in tranche levels. In order to mitigate this risk, Hydro One Brampton will continue to focus on providing cost efficient operations to our customers.

- Although the current economic outlook for Ontario is positive and growth in the City of Brampton is expected to continue over the next several years, the outlook for parts of the world economy remains uncertain. If world economic conditions deteriorate, there could be a negative spill-over effect into Canada as occurred in the 2008-2009 recession. A downturn in the economy would put achievement of the Company's revenue plan at risk and could also lead to higher bad debt expenditures. Hydro One Brampton is closely monitoring larger accounts to mitigate the impact of bad debt risk on the financial results.

- A key factor in this business plan is the assumed customer growth of 2.5% from 2014 to 2016, and approximately 2.1% from 2017 to 2018 and 2.0% in 2019. If economic conditions deteriorate, resulting in lower Gross Domestic Product (GDP) growth or increased inflation and interest rates, Hydro One Brampton's customer growth rate may be unfavourably impacted. For example, decreased economic activity would likely have a dampening effect on the residential housing market and slow down subdivision development and new customer growth rates. Hydro One Brampton will attempt to mitigate any impacts of lower than expected customer growth by reviewing the work program and OM&A expenditures for opportunities to reduce costs.

- Hydro One Brampton was assigned CDM targets of 186 GWH and 46 MW of energy and demand savings respectively by the OEB. The Company must achieve these targets by the end of 2014 as a condition of its distribution license. Failure to reach these targets could result in suspension of this license. The OEB did however announce that any load reductions related to the implementation of time-of-use rates will be included in the total GWH savings. The impact of these load reductions on the Company's GWH savings is unknown at the present time.

  Hydro One Brampton is on track to achieve its energy targets however, it will be difficult to achieve the assigned demand targets by 2014. The Company will attempt to mitigate this risk by continuing to promote CDM initiatives with its customers.

Operational Risks

- Hydro One Brampton has an aging workforce with employee demographics similar to the rest the electricity utility industry and Hydro One Networks. Approximately 54% of staff are 50 years old or over and are eligible to retire during the next five years. The average age of all employees is 48. Hydro One Brampton faces an even greater demographic challenge within its management ranks as 58% of management staff are 50 years old or over and can retire within five years. Key vulnerabilities exist in operations, IT and at the Supervisor level.

  The Company may find it difficult to attract and retain staff for key positions that are in demand throughout the industry as a result of below market compensation for management in comparison with other LDCs and industrial companies in the 905 region. Wage compression between management and union positions will also make it difficult to fill management positions from within the Company. A shortage of qualified staff in key positions could have a negative impact on operations in the short term. Hydro One Brampton will continue to monitor this risk and will attempt to mitigate it by developing a succession plan, training existing staff and focusing recruiting efforts on filling key vacancies.

- During the past several years Hydro One Brampton's workload has increased as a result of increased customer growth, aging assets and new reporting, regulatory and administrative burdens. Although the Company is currently one of the most efficient utilities in the province it faces pressure to freeze headcount, improve productivity and minimize rate increases. Should Hydro One Brampton not achieve the headcount levels requested in this business plan, achievement of its operational objectives and

Scorecard targets will be at risk. The Company will continue to focus on productivity and look for ways to increase efficiencies in order to mitigate this risk.

- Changes in weather can significantly influence reliability, OM&A and revenues. While the plan provides for a normal level of storm activity and the Company's system is designed to standards that meet a high level of reliability, abnormal storm activity could materially affect restoration of the distribution system. To address these abnormal activities, there are existing emergency plans and mutual aid agreements in place with several neighbouring utilities which could be activated in a timely manner if necessary.

- The ACA identified two areas for action including the need to enhance data capture for the testing and maintenance of specific assets such as breakers and switches. The second action item identified in the ACA was the amount of early generation underground cable that is slated for replacement in the near term. Steps will be taken in 2014 and 2015 to improve testing and allocate resources to address early generation underground cables. Deferring the rehabilitation schedule for first generation underground cable increases the risk of prolonged outages as underground distribution system faults are challenging to access and can lead to long outages, customer disturbances in residential neighborhoods and increased reactive spending. Insufficient testing and maintenance data on critical assets such as breakers and switches limits the analytical capabilities required to derive and optimize in service life before replacement or rehabilitation activities.

- Engineering and Operations continue to develop plans to help mitigate the operational and capital impact of the increased load growth in all areas of the City.

- There is an operational risk on the 4.16 kV system on the west side of the City associated with Hydro One Brampton's 27.6/4.16 kV municipal stations and related equipment. These transformers were identified in the ACA report as being in "poor" condition and in need of replacement. Loss of an MS could lead to significant reliability issues and as such a plan was implemented to begin a conversion program to modernize the 4.16 kV distribution system to 27.6 kV. The plan involves converting the distribution systems emanating from six 4.16 kV municipal substations over a seven year period.

- Hydro One Brampton has completed PCB testing of all known transformers in order to comply with Environment Canada's PCB Regulations. The Company has removed all known units from service where units met or exceeded the PCB concentrations stated in the "End of use dates" in the regulations. The regulations allow certain concentrations of PCBs to remain in service until December 31, 2025. Hydro One Brampton currently owns and operates 108 transformers within this category and these units are scheduled to be replaced between 2014 and 2020.

- Hydro One Brampton's assets are widely-distributed throughout the community, and as such there is always a risk to public safety. The Company has a robust Public Safety program, which includes safety programs through schools, participation in

community programs such as "The Safe City Association" and various emergency preparedness exercises, communication programs such as "call before you dig", and education programs for civilian emergency responders.

- PwC's information technology roadmap report identified the following risks associated with the existing IT technology and processes:
    - Approximately 75% of the present IT staff are eligible to retire within the next five years and finding and retaining qualified personnel with this knowledge is becoming difficult
    - Informal IT governance creates business risk
    - Current business continuity plan exposes risk of disruption to critical business processes
    - Current IT security and controls increase risk for protection of confidential data

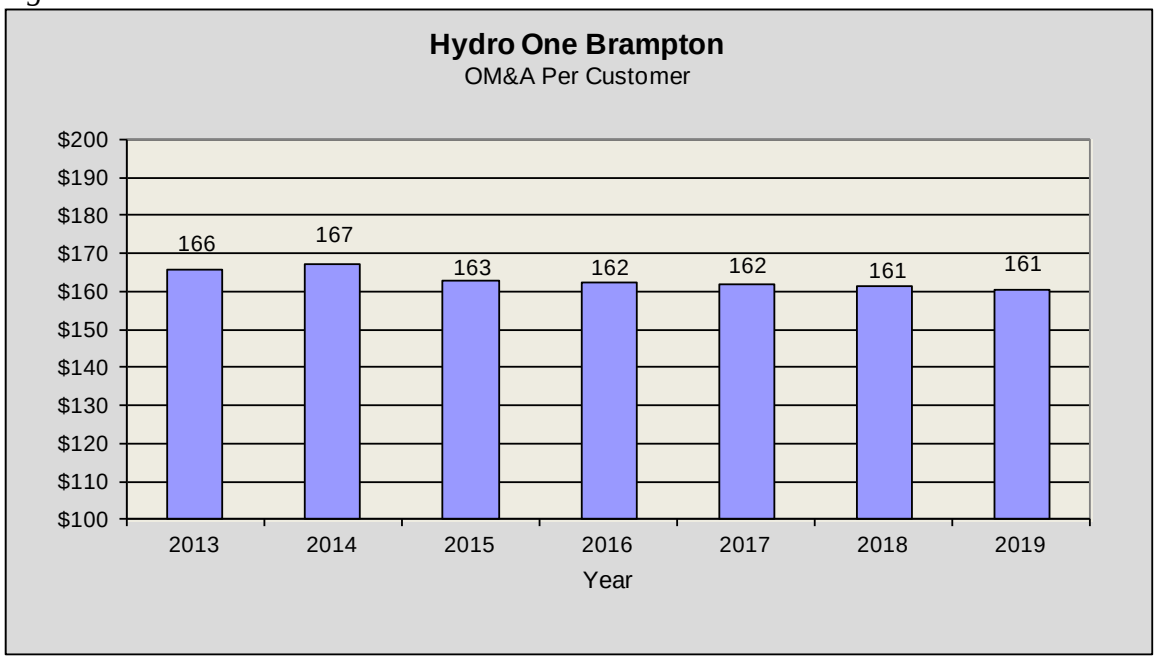
  Hydro One Brampton will implement risk mitigation controls and measures for its IT systems including developing system documentation (Master Data Framework and Functional Assessment), reviewing and improving the business continuity plan and establishing formal IT governance. The Company expects to complete the upgrade of the iSeries operating system to the latest version by the end of September 2013. In addition, the development iSeries machine will be moved to Jim Yarrow TS by November 2013 to provide full redundancy of the existing platform.

- A pandemic could have serious impacts on the operation of the business and reliability of supply. Hydro One Brampton's Pandemic Plan was developed and tested to mitigate the impact of this risk.

H. KEY SUPPLEMENTARY DATA

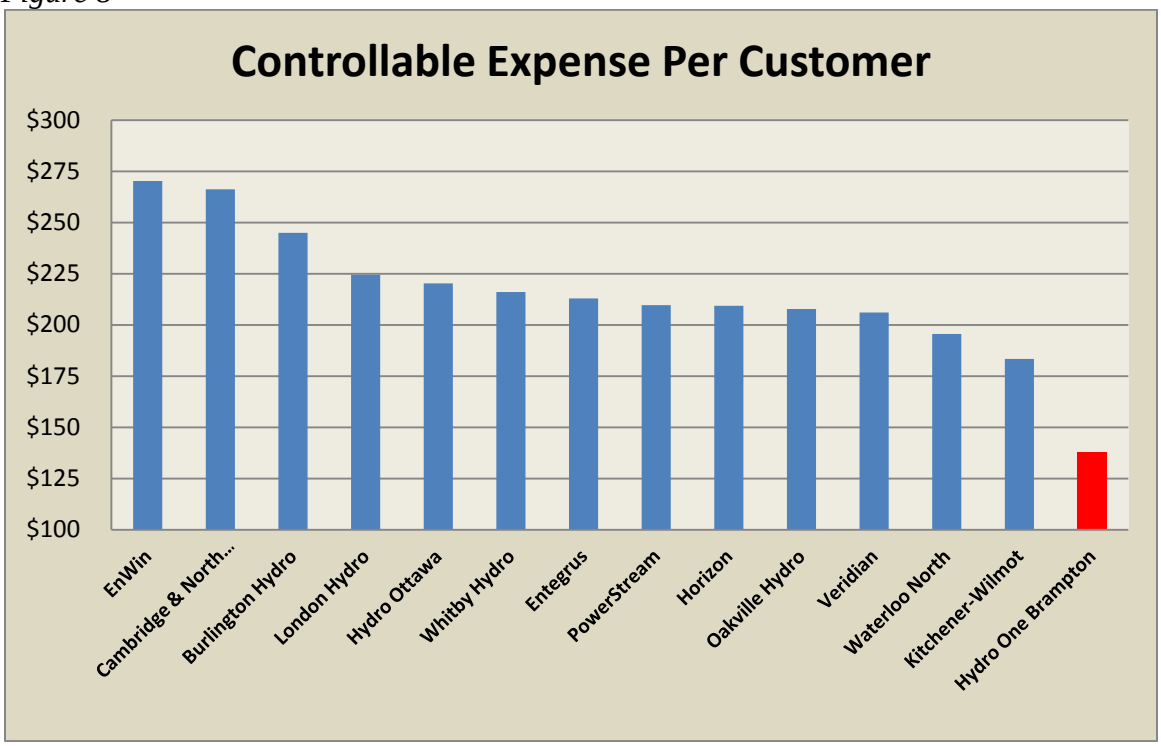
The following graph (Figure 7) depicts the Company's OM&A cost per customer. The year-over-year changes are driven mainly by anticipated economic adjustments to wages, materials and supplies.

Figure 7



Hydro One Brampton had the lowest OM&A costs per customer in the province based on the OEB's 2012 yearbook. In the 2013 UPM benchmarking survey, Hydro One Brampton had the second lowest Operating and Maintenance expense per customer in its peer group of large utilities for 2012. In addition, the Company had the lowest controllable cost per circuit kilometer of line and the lowest controllable expense per MWh sold in its peer group.

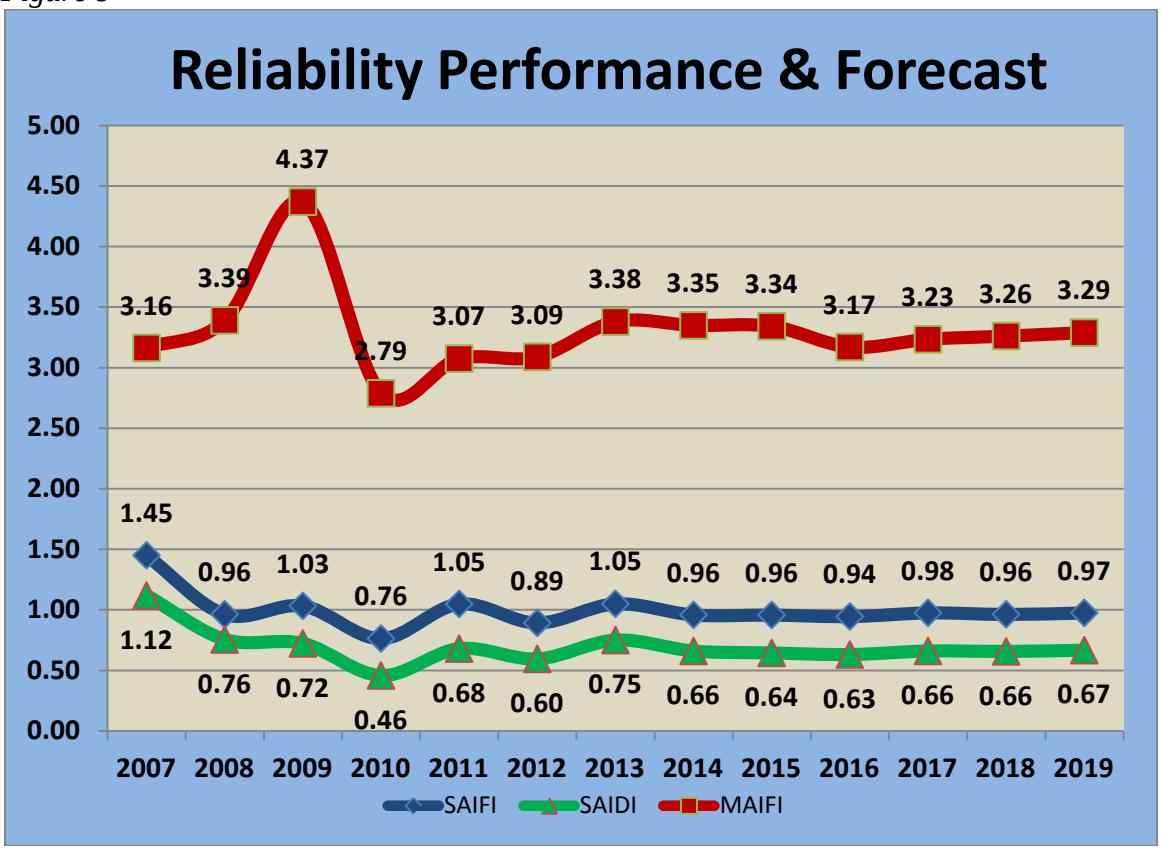
Figure 8



Data Source: 2012 UPM Survey (ER020). Confidential – data is not permitted to be shared outside Hydro One

The System Average Interruption Frequency Index (SAIFI), the System Average Interruption Duration Index (SAIDI) and Momentary Average Interruption Frequency Index (MAIFI) are graphically depicted in Figure 9 below. Efforts will be focused on reducing the length of outages (thereby improving SAIDI) by introducing procedures, monitoring equipment and expanding the use of the OMS.

Figure 9



APPENDIX A- 2014 Score Card

Strategic Objective		Performance Measure	Target
Financial	Increase Shareholder Value[1]	Net Income after Tax ($M)	$16.0M
		Controllable Cost Index *(OM&A actual / OM&A budget)*	≤ 100%
Customer Commitment	Meet Service Quality Commitments	Customer Service Indices *(% of measures meeting target*)	10 of 10 indicators met
		Reliability Indices *(# of measures meeting target SAIDI, SAIFI & MAIFI)*	3 of 3 indicators met
	Satisfying our customers	Customer satisfaction *(% satisfied)*	≥90%
Business Excellence	Achieve Operational Excellence[1]	Work Program Achievement *(% of projects under the control of HOB completed within budget)*	≥90%
Organizational Strength	Achieve Health & Safety Excellence		
		All Injury Frequency rate per 200,000 hours worked	≤ 2.2
		Meet OPA CDM	6 of 7 targets met

[1] *A variance from plan of + or – 5% is considered on plan*

APPENDIX B- 2013 Score Card

Strategic Objective		Performance Measure	Target
Financial	Increase Shareholder Value[1]	Net Income after Tax ($M)	$15.7M
		Controllable Cost Index *(OM&A actual / OM&A budget)*	≤ 100%
Customer Commitment	Meet Service Quality Commitments	Customer Service Indices *(% of measures meeting target*)	10 of 10 indicators met
		Reliability Indices *(# of measures meeting target SAIDI, SAIFI & MAIFI)*	3 of 3 indicators met
	Satisfying our customers	Customer satisfaction *(% satisfied)*	≥90%
Business Excellence	Achieve Operational Excellence[1]	Work Program Achievement *(% of projects under the control of HOB completed within budget)*	≥90%
Organizational Strength	Achieve Health & Safety Excellence		
		All Injury Frequency rate per 200,000 hours worked	≤ 2.2
		Meet OPA CDM	6 of 7 targets met

[1] *A variance from plan of + or – 5% is considered on plan*

APPENDIX C- SWOT Analysis

Strengths

- Experienced staff
- Excellent reliability – lowest SAIDI, and outage minutes per customer in peer group
- Excellent customer service. 95% satisfaction on 2013 customer survey
- Low cost structure –lowest OM&A per customer of Ontario LDCs
- Efficient operations – third highest Customers/FTE in peer group
- Top quartile ROE compared to peer group
- Robust asset base (over half of assets are less than 20 years old)
- Low distribution rates – lowest rates in peer group for a 1000 kWh residential customer
- Management of inventory - inventory turnover ratio in top quartile of peer utilities
- Accounts receivable – days sales outstanding ratio is in the top quartile of peer utilities

Weaknesses

- Aging work force
  - 54% of all employees and 58% of management over 50 years of age
  - 54% of all staff and 58% of management eligible to retire in five years
- Difficulty in attracting and retaining qualified employees
- IT systems are customized, and qualified people are difficult to attract
- Inconsistent level of documentation of processes across the organization
- Highest number of days lost due to long term absences (> 5 days) in peer group

Opportunities

- Residential development in the City of Brampton expected to continue for 10-15 years
- Potential to lower purchasing costs through use of Ontario Government VOR agreements and through joint procurement with Hydro One Networks
- Leverage resources of Hydro One Networks
- More opportunities to share co-op apprentice programs
- CDM initiatives provide opportunity to increase customer contact
- Growth in service territory through acquisitions
- Partner with colleges/universities to attract qualified graduates

Threats

- Government and regulatory policy uncertainty
- Increased industry regulation
- OEB reduction/denial of requests for future rate increases or recovery of regulatory assets
- Economic conditions – loss of large customers, slowdown in customer growth
- Sabotage of equipment or theft of equipment. Cyber attacks on information systems
- Pandemic
- Adverse weather conditions
- Shortage of qualified candidates available in the industry to replace retirees
- Increased customer expectations
- CDM impacts on load
- Ability to meet CDM targets
- Below market management wages making it more difficult to attract qualified staff
- Increases in cost of power could adversely impact customer satisfaction

APPENDIX D: STAFFING APPROVAL REQUEST

Resourcing Strategy

Hydro One Brampton's resourcing strategy utilizes a combination of full time staff and external contractors to complete its work program while maintaining workforce flexibility and controlling costs. The Company's collective agreement with Unifor allows us to contract out work, provided that a minimum of 45 linemen remain employed. Several examples of the types of work that Hydro One Brampton currently contracts out include: line construction/maintenance, forestry, insulator washing, switchgear cleaning, wood pole testing, cable locates, engineering design, civil construction, installation of underground hydro plant equipment, preparation of easements, repair of secondary faults and restoration. The Company will continue to review its resourcing strategy and utilize opportunities to use external contractors where appropriate.

During the course of the business plan, Hydro One Brampton's resourcing strategy will be focused on succession planning and replacing vacancies.

The Company has an aging work force with 54% of all staff and 58% of management over the age of 50. In the next five years 54% of the total workforce and 58% of management will be eligible to retire. Key vulnerabilities exist in operations, IT and at the supervisor level. Known challenges associated with human resources have been identified and a succession plan is being developed to mitigate this risk for key positions in the organization.

1. 2013 Hiring

Summary

Regular Staff – Year-end Level	Mgmt	Unifor	IBEW	Total
2013 Headcount Projection – (A)	58	117	44	219
2012 Actual Headcount as of December 31, 2012 – (B)	52	111	44	207
2013 Projection higher/(lower) than 2012 Actual HC - (A-B)	6	6	-	12
2013 Plan – (C)	55	120	44	219
2013 Projection higher/(lower) over 2013 Plan – Plan Over Plan (A-C)	**3**	**(3)**	-	-

This is a request for approval to replace eight vacant positions in 2013 and four six new positions, to enable Hydro One Brampton to maintain its operational capability.

The new hires are derived from the known total staff level requirement and an estimated attrition rate. As such, the actual level of new hires (as well as skill categories and labour groups) may vary, depending on the actual attrition rate. Hydro One Brampton will need to manage the forecast uncertainty with regard to new hires and attrition. As such, to allow for some flexibility, it is being requested that accountability be focused on the overall staff level. Any action which may result in increasing the overall staff level will need to be brought forward again for approval.

This is a request for approval to replace eight vacant positions (Lines Apprentice (5), Lines Foreperson, Drafting and Records Supervisor and Operations Analyst and hire four new positions in 2013 (Asset Management Engineer, Communications Specialist, Control Room Operator and Senior Project Engineer).

Apprentice Lineperson (5 positions)	**Duties** • Maintenance and construction of overhead and underground distribution lines • Perform job safely and efficiently **Justification** • Five positions required due to promotions into vacant Line Foreman and Journeyman positions. • Maintain Line department staffing levels to allow use of contractors. Per the Unifor contract if 45 Lineman are not employed, Hydro One Brampton would lose the ability to contract out lines work • Succession planning

Line Foreperson (1 position)	**Duties** • Maintenance and construction of overhead and underground distribution lines • Perform job safely and efficiently **Justification** • Required due to promotion into vacant Line Supervisor position • Need to maintain Line department staffing levels to allow use of contractors. • Succession planning

Drafting & Records Supervisor (1 position)	**Duties** • Supervise and monitor the activities of the Drafting & Records staff. • Responsible for the creation, maintenance and accuracy of all Engineering, Construction Drawings, Schematics, GIS Map in the OMS, GIS Records System, the creation, accuracy and maintenance and development of numerous supporting corporate databases. • Work with Survey & Inspections to keep Joint-Use System current. • Responsible for coordinating training staff in Microstation, G/Electric and other graphic products and applications. **Justification** • To replace the position of Drafting & Records Supervisor left vacant by a resignation. • This position plays a key role in many different areas of the utility. The Drafting/GIS group responsible for the preparation of construction drawings, maintaining the Geographic Information System and supporting the Outage Management System.

Operations Analyst (1 position)	**Duties** • Prepare monthly management reports on the status of major projects including variance analysis. • Review and analyze actual project costs vs. budgeted amounts, as well as month end and year-end financial results and provide variance analysis. • Review economic analysis costs and update economic templates on a regular basis • Participate in the annual capital budgeting process, including preparation of detailed estimates for budgeting purposes and Prepare budgeting updates in support of departmental goals with "to date" and projected performance. • Actively participate and support the development of business cases and plans with the focus on financial attributes, including costs and benefits to the organization and ratepayers. • Review and reconcile construction in progress, economic analysis, customer temporary service, road widening and street light (supply) costs and assist with work order closure, asset creation and billing. • Analyze data and produce reports for review by Senior Management **Justification** • Replacement due to vacancy • Position is the main liaison between Accounting and the Engineering/Operations departments. • Key position in analysis of capital and OM&A accounts for cost of service application

Asset Management Engineer (1 position)	**Duties** • Using project management practices, oversee the delivery and implementation of the corporate work achievement program. • Track, monitor and analyze base line expenditures against actual costs. • Develop variance reports for project cost, scope and time variances from baseline. • Perform engineering risk and benefit analysis to support decisions required to develop business case documentation for capital and maintenance expenditures. • Lead system studies, benchmarking and tracking performance against targets on capital projects and system development. • Identify process improvements and support other initiatives by Asset Management. • Act as a subject matter expert on key organization projects including IT software implementation, regulatory filing, system plans and smart grid integration. • **Justification** • Allow Hydro One Brampton to meet regulatory and customer expectations with increasingly tighter timelines from the City, Region and developers • Lead engineering reporting required under the new regulatory framework for distributors. • Support Company's progression towards enhanced quantitative approach with asset management and system maintenance. • Reduce reliance on contract resources • Internal competency development and succession planning • Required to manage increasing work program

Communication Supervisor (1 position)	**Duties** • Prepare a companywide Communications Strategy and facilitate its implementation. • Oversee the management and development of Hydro One Brampton's corporate internet and intranet. • Explore various social media opportunities that may prove beneficial to the company. • Prepare and manage various press releases. • Provide advice and guidance to senior management associated with various public relations and corporate events. **Justification** • Demands associated with Conservation and Demand Management programs are requiring more time and resources than existing staff of one can provide. • Corporate communications goals and objectives cannot be met with the existing resources available. • Reduce the dependency on contract resources

Control Room Operator (1 position)	**Duties** • Responsible for the safe and reliable operation of the Hydro One Brampton distribution system • Operation of the distribution system via the OMS and SCADA systems on a 24hr/7 day per week basis under normal and emergency conditions, always cognizant of the need for safety to the public, Hydro One Brampton personnel and equipment • Operation of multiple municipal substations • Provide an effective and courteous interface for customers • Provide controlling, establishing and issuing authority functionality as per the Utility Work Protection Code • Provide clear and effective communications with the IESO, OGCC, neighboring controlling authorities, senior management at Hydro One Brampton and other outside agencies **Justification** • New position required for succession planning. Six of the seven qualified Operators are over the age of 40. Four of the seven Operators are over the age of 50. The Company expects two Operators to retire in 2013. In addition, one Operator is on long term disability and is unlikely to be able to return to work

Senior Project Engineer (1 position)	**Duties** • Propose, implement and project manage smart grid initiatives and pilots. • Lead efforts to capture and process data for system performance and productivity improvements. • Lead stakeholder consultations including customer engagement for system and smart grid initiatives. • Support regional planning initiatives to ensure Hydro One Brampton's requirements are addressed in regional plans. • Investigate new technologies and its impact on the Company. • Study the effectiveness of maintenance and inspection programs to optimize the allocation of budgets in order to sustain or improve system reliability. **Justification** • Smart grid activities are now required as part of system distribution planning. Resource is required to capture, evaluate and analyze data for relevance and planning. • Document and revise engineering procedures, policies and decisions to mitigate risks when senior staff leaves the organization. • Strategic internal competency development and succession planning in the Standards and System Planning group.

2. 2014 Hiring

Summary

	Mgmt	Unifor	IBEW	Total
2014 Budget	58	117	44	219
2013 Projection	58	117	44	219
2014 Budget higher/(lower) than 2013 Projection	-	-	-	-

- In 2014 the Company plans to maintain staffing levels at 219. Any new hires will be derived from an estimated attrition rate. As such, the actual level of new hires (as well as skill categories and labour groups) may vary, depending on the actual attrition rate.
- Hydro One Brampton will need to manage the forecast uncertainty with regard to new hires and attrition. As such, to allow for some flexibility, it is being requested that accountability be focused on the overall staff level. Any action which may result in increasing the overall staff level will need to be brought forward again for approval.

3. Overall Staff Level Comparisons

	2013	2014	2015	2016	2017	2018	2019
2014-19 Business Plan	**219**	**219**	**219**	**219**	**219**	**219**	**219**
2013-17 Business Plan	219	219	219	219	219	219	219
2014-19 higher/(lower) than 2013-17	-	-	-	-	-	-	-

APPENDIX E: CAPITAL WORK PROGRAM 2014-2019 ($ 000'S)

Description	GAAP 2014	IFRS 2015	IFRS 2016	IFRS 2017	IFRS 2018	IFRS 2019	Total
Developer Works & New Connections	3,178	12,412	11,827	11,498	11,110	10,521	60,546
Road Widenings	4,441	7,786	7,846	7,675	7,884	7,943	43,575
New General Service Customers	896	2,738	2,807	2,871	2,938	3,021	15,271
Feeder Cable Rehab Or Replacement Program	2,103	2,212	2,272	2,351	2,462	2,511	13,911
Planned Enhancements & System Improvements	1,994	1,860	1,895	1,831	2,025	2,193	11,798
Fleet	1,395	2,392	1,940	1,936	1,885	2,026	11,574
Distribution Cable Rehabilitation or Replacement Program	2,045	1,755	1,753	1,653	1,799	1,897	10,902
ERP System	-	5,065	5,057	-	-	-	10,122
Admin & Service Centre	1,315	1,458	1,242	1,239	1,239	634	7,127
Pleasant and Goreway TS Load Guarantee True-Up	3,653	2,345	-	-	-	-	5,998
4.16kV To 27.6kV Conversion Program	1,205	1,207	496	1,080	842	746	5,576
Goreway TS Expansion 27.6kV Egress Program	949	875	937	745	864	933	5,303
New Meters - Residential	898	874	864	869	865	855	5,225
Reactive Capital Replacement Programs	793	826	835	848	924	992	5,218
Pleasant TS Expansion 27.6 kV Egress Program	710	683	810	684	770	824	4,481
Expansions & Extensions for New Residential Subdivisions	789	722	712	701	691	701	4,316
Transformer Replacement Programs	482	628	675	770	819	867	4,241
Switchgear Replacement Program	579	637	598	616	578	578	3,586
New Residential - High Density	84	446	455	465	476	489	2,415
Wood Pole Replacement Program	275	324	371	417	460	491	2,338
Industrial/Commercial Meter Installations	354	359	369	373	383	387	2,225
Scada-Mate Automation Switch Program	386	396	352	356	375	347	2,212
Metering Equipment Commissioning	326	350	361	378	335	312	2,062
Jim Yarrow TS Expansion 27.6kV Egress Program	314	282	318	328	371	386	1,999
Smart Metering Socket Gate Upgrades	-	709	945	331	-	-	1,985
Insulator Replacement Program	299	309	337	337	327	308	1,917
Other Planned Sustainment Projects	251	290	309	327	347	385	1,909
Switchgear Replacement at MS14	-	-	-	-	1,563	-	1,563
Switchgear Replacement at MS10	-	-	-	1,465	-	-	1,465
Land Rights	220	220	220	234	234	234	1,362
44KV/13.8 KV Station Tx Replacement (MS22 T1 & T2)	-	1,174	-	-	-	-	1,174
Gtechnology/OMS Intergraph Code Development	163	163	163	163	163	163	978
GIS Computers, Printers (Plotter)	133	133	105	105	133	133	742
MS14 TX Replacement	-	-	586	-	-	-	586
Indoor Switchgear Replacement at MS19	488	-	-	-	-	-	488
Renewable Generator Connections	76	98	70	72	74	76	466
GIS Software	48	48	48	48	48	48	288
VCOM Radio System Infrastructure Replacements	227	10	10	10	10	11	278
Computer Hardware	10	10	159	10	10	52	251
Bramalea City Centre Auto Transfer Replacement	57	57	57	57	-	-	228
Other	749	539	742	531	554	1,056	4,171
Total Capital Work Program	**31,885**	**52,392**	**48,543**	**43,374**	**43,558**	**42,120**	**261,872**