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1			Ontario Energy Board (Board Staff) INTERROGATORY #4
2 3 4 5 6	Iss	sue 2.1	Does Hydro One Distribution's Custom Application adequately consider customer feedback and preferences? Have customer feedback and preferences been adequately reflected in the OM&A and capital spending plans?
7 8	Int	t <u>errogato</u>	<u>ry</u>
9 D	Re	f: Exhib	it A/Tab 19/Schedule 1 (Alignment of Outcomes and Customer
1	Ex	pectation	ns)
2	Ho	ow do Hyo	dro One's selected outcomes for the next five years (i.e., those it will
3	-	-	ocus on and invest heavily in) align with Hydro One's customers'
4	-		Please provide a summary of the customer preferences addressed by each
5	sel	ected out	come.
5	Da	cnouco	
7 8	Ле	<u>sponse</u>	
9 0 1 2 3 4	foc As pre	cus outlin such, the eferences	assumes that this Interrogatory Request refers to the eight proposed areas of ed in the pre-filed evidence, where Hydro One intends to increase investment. following summary provides the correlation between the customer as discussed in Exhibit A, Tab 5, Schedule 1 and the Outcome Measures Exhibit A, Tab 4, Schedule 4.
5		e custome ority incl	er preferences identified in the Voice of the Customer exhibit in order of ude:
7	1.	Maintair	n or reduce their Total Bill; Assist in managing the customer's bill;
8	2.	Meet co	mmitments and timelines for planned outages and ensure accurate and timely
9		Estimate	ed Time of power returning (ETR) for unplanned outages;
C	3.	Maintair	n reliability for residential customers and address power quality for large
1		custome	
!	4.		the customer is the focus in planning work programs by making the link
			investments and the levels of service our customers tell us they expect; and
	5.		trate value; become the customer's trusted advisor; Communicate effectively;
			resent in their communities.
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H	ydro One determined Customer Want:	Alignment to Performance and Outcome Measures:
1	Maintain or reduce their Total Bill; Assist in managing the customer's bill.	Overall plan is oriented to keep bill impacts low and maintain current overall levels of reliability. Also see Exhibit A-19-1 for Cost Efficiencies/Productivity
2	Meet commitments and timelines for planned outages and ensure accurate and timely Estimated Time of power Returning (ETR) for unplanned outages.	6. Customer Experience7. Handling of Unplanned Outages
3	Maintain reliability for residential customers and address power quality for large customers.	 Vegetation Management Pole Replacement Substation Refurbishments Distribution Line Equipment Refurbishments
4	Ensure the customer is the focus in planning work programs by making the link between investments and the levels of service our customers tell us they expect.	 Vegetation Management Pole Replacement PCB Line Equipment Substation Refurbishments Distribution Line Equipment Refurbishments Customer Experience
5	Demonstrate value; become the customer's trusted advisor; Communicate effectively; and be present in their communities.	 Customer Experience Handling of Unplanned Outages Estimated Bills

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1. Vegetation Management

The goal of Hydro One's Vegetation Management program is to deliver sustainability, affordability and value to the customer. The proposed plan will move the program to an 8 year trimming cycle. This will effectively manage the cost per km over the long term despite short term increases in expenditures required to deal with areas that are not on cycle and have resultant heavy vegetation growth. Unplanned vegetation-caused interruptions, repair work and associated costs will be minimized with an effective program. Successful execution of this plan will deliver sustained reliability statistics across the system. The proposed vegetation management program aligns with customer preferences to maintain reliability and power quality over the long term by stabilizing vegetation-caused interruptions and maintain or reduce customer bill impact over the long term by decreasing unit costs to trim lines over the long term. Further details regarding the Vegetation Management program can be found in Exhibit C1, Tab 2, Schedule 2.

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1 **2.** Pole Replacement

A sustainable and affordable planned pole replacement program will deliver value to customers by ensuring the replacement of a manageable number of poles annually rather than underinvesting and trying to catch up in future years. This approach will limit the frequency of unplanned replacements with longer duration times and manage the aging demographics that could pose safety hazards to the public during inclement weather. This is in accordance with customers' preference for sustained reliability and power quality levels. Further details regarding the Hydro One Distribution pole replacement program can be found in Exhibit D1, Tab 3, Schedule 2.

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12 **3.** PCB Line Equipment

Customers want Hydro One to be a trusted advisor and to that end, Hydro One 13 has an accountability to deliver programs consistent with government 14 regulations. Environment Canada has issued regulations that require the 15 removal of equipment with insulating oil that contains PCBs to protect the 16 public and the environment. To address this requirement, the PCB Line 17 Equipment program includes the inspection and testing of oil-filled 18 distribution line equipment to determine the PCB contamination level. All 19 transformers that exceed the allowable PCB threshold will be retired as part of 20 the Lines PCB Equipment Replacements Program by 2025. This satisfies the 21 Federal PCB regulations and ensures Hydro One's community environmental 22 concerns are addressed. Further details regarding the PCB Line Equipment 23 program can be found in Exhibit D1, Tab 3, Schedule 2. 24

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4. Substation Refurbishments

The proposed sustainable and affordable planned renewal program will ensure Hydro One distribution station assets continue to perform reliably and mitigate the higher cost of unplanned replacements associated with eventful failures. A large number of distribution stations require this renewal. Further Filed: 2014-07-04 EB-2013-0416 Exhibit I Tab 2.01 Schedule 1 Staff 4 Page 4 of 6

deferrals will not be sustainable for the business plan period. As these distribution station refurbishments are undertaken, some cost effective distribution automation will be implemented to allow visibility and controllability that does not exist with the old designs. The increase in station refurbishments will sustain customer service reliability, safety and maintainability, as well as mitigate the rising costs associated with maintaining old equipment. Further details regarding the Hydro One Distribution Substation Refurbishment program can be found in Exhibit D1, Tab 3, Schedule 2.

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5. Distribution Line Equipment Refurbishments

A sustainable and affordable distribution line equipment refurbishment 12 program is required to perform planned renewal of sections of line equipment 13 with a high number of components reaching their end of life. Some assets will 14 be replaced with new distribution automation technology to reduce outage 15 durations and dispatch times and limit the area and number of customers 16 affected by an outage. This integrated approach contributes to greater 17 customer satisfaction by maintaining the level of reliability and power quality, 18 improving productivity over the long term by installing new automated and 19 remotely controllable devices and ensures the integrity of distribution assets 20 for public safety. Further details regarding the Distribution Line Equipment 21 Refurbishments program can be found in Exhibit D1, Tab 3, Schedule 2. 22

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6. Customer Experience

Hydro One is fully committed to improving the customer's experience and will become a trusted partner to customers by improving the quality of interactions and by meeting their expectations regarding reliable power supply. Further, Hydro One recognizes that rates and cost are a primary issue for our customers and have created a balanced investment plan intended to maintain reliability levels while addressing critical asset and infrastructure

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needs in a targeted manner. An independent third-party research firm will 1 2 conduct random bi-annual residential and small-business impression surveys on behalf of Hydro One to determine the areas customers have concerns or 3 preferences. This will assist in ensuring Hydro One investments will continue 4 to align with customer preferences, as these may evolve over time. For further 5 details regarding Customer Service work activities see Exhibit C1, Tab 2, 6 Schedule 5 and for the Voice of the Customer see Exhibit A, Tab 5, Schedule 7 1. 8

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10 7. Handling of Unplanned Outages

Hydro One is investing in new technology to better meet commitments and 11 timelines for planned outages and ensure accurate and timely Estimated Time 12 of Power Restoration (ETR) for unplanned outages. Leveraging the 13 capabilities of smart grid and smart meter technology will enable quicker 14 identification and restoration of an interruption or power quality issue in the 15 distribution system. Investments in more proactive and targeted 16 communications and updates through many communications channels such as 17 mobile, web, text message, auto dialer, email, in home display, etc. will also 18 enhance timely communications between Hydro One crews and response to 19 customers in the medium of their choice. Better handling of outages will serve 20 21 to increase customer satisfaction with the service they receive from Hydro One. For more information regarding Smart Grid technology see Exhibit C1, 22 Tab 2, Schedule 4. For further details regarding enhanced communications see 23 Exhibit A, Tab 5, Schedule 1. 24

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8. Estimated Bills

Hydro One understands one issue for customers is "estimated bills". The
company therefore proposes an outcome metric to measure the success of
reducing the number of estimated bills received. The 1.3 million smart meters
installed by Hydro One are 99.9 per cent accurate. However, some of these

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1	meters have been unable to transmit consumption data on a regular basis as
2	communication technologies have not yet evolved sufficiently and due to the
3	geography we serve. Hydro One continues to configure and "tune" this still
4	maturing technology to improve automated meter reading where economically
5	viable. In the cases where automated reads are not possible and it is feasible to
6	travel, the meters will be read manually to make sure the amount billed is
7	accurate. Hydro One is committed to work with customers to ensure a
8	common understanding of their bill and of any measures that customers can
9	take to help maintain or reduce their bill.
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Ontario Energy Board (Board Staff) INTERROGATORY #5

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Issue 2.1 Does Hydro One Distribution's Custom Application adequately consider customer feedback and preferences? Have customer feedback and preferences been adequately reflected in the OM&A and capital spending plans?

8 Interrogatory

10 Ref: Exhibit G1/Tab 4/Schedule 1 p 2

Distribution costs for Urban General Service <50kW (UGe) customers are expected to 11 grow 45% in 2015 and will nearly double by the end of the term. Similarly, general 12 service demand-billed customers will experience increases in distribution costs between 13 9% and 15% in each of the 5 years of the plan, leading to a 75% increase in distribution 14 costs for these customers over the term of the plan. What specific activities did Hydro 15 One undertake to understand the priorities and preferences of these customer classes, and 16 how were those views factored into Hydro One's plans? If no changes were made, how 17 was that decision communicated to customers and how was it received? 18

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20 **<u>Response</u>**

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The rate impacts for individual rate classes, such as the UGe and general service demandbilled classes, will depend on the allocation of costs to that particular rate class, as determined using the Board's cost allocation model, and by adjustments to the revenueto-cost ratio for a particular class to align with Board approved ranges.

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Hydro One includes these customer classes in ongoing customer research. In addition,
these customers classes are represented at the Customer Advisory Board where plans and
policies are reviewed and adjusted as appropriate based on feedback and needs.

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The views of these customers were factored into Hydro One's plans through a prioritized, targeted and balanced approach to investment planning. Costs and Rates are a concern for these customers as are reliability and power quality. (Exhibit A-5-1 / Page 5 / Figure 1 for UGe <50kW and Attachment 2/Page 3 for General Service Demand). Maintaining a fourth quartile reliability spend level while targeting investments to address problem areas and mitigate tree and pole-related reliability risk reflects this balanced, cost sensitive approach.

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Communications regarding rate decisions will be developed and implemented based on
 the outcome of the rate application process.

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1	<u>(</u>	Ontario Energy Board (Board Staff) INTERROGATORY #6
2 3 4 5 6 7	Issue 2.1	Does Hydro One Distribution's Custom Application adequately consider customer feedback and preferences? Have customer feedback and preferences been adequately reflected in the OM&A and capital spending plans?
8	Interrogatory	
9 10 11 12 13 14 15	At this reference results and the the customers	A/Tab5/Schedule 1/p. 9 ace, Hydro One indicates that combining all of the customer survey research e other customer engagement activity input Hydro One has determined that currently want Hydro One, in priority order, to maintain or reduce the total in managing the customer's bill.
16 17 18	bills and incre	seem generally satisfied with the service of Hydro One in all terms except easing bills, (Table 2) why is there not more of a focus on reducing costs, iciency and minimizing rate increases over the term of the 5 year plan?
19 20 21	<u>Response</u>	
22 23 24 25 26	customers' prothrough increased reliability, me	proposed 2015-2019 investment plan reflects an appropriate balancing of efferences, including the expectations for reducing costs and rate impacts ased efficiency with a prudent level of investment to maintain 4 th quartile et regulatory requirements and maintain an appropriate level of service that rall customer satisfaction.
 27 28 29 30 31 32 33 34 	increases in efficiency init proposal is de	s focusing on reducing costs, increasing efficiency and minimizing rate its efforts to deliver on customer expectations. Our productivity and iatives are described in Exhibit A, Tab 19, Schedule 1. Our rate smoothing scribed in Exhibit G1, Tab 5, Schedule 1. Hydro One's effort to ensure an of the customer preferences and concerns is discussed in Exhibit A, Tab 5,
35 36 37 38 39	illustrated in t year over yea	of Hydro One's strong commitment to productivity and efficiency is he Table below. The percentage of OM&A savings generated is increasing r. If it were not for these savings, Hydro One would be requesting more ver these expenditures.
40 41 42 43 44		

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	2013 Actual	2014 Bridge	2015 Test	2016 Test	2017 Test	2018 Test	2019 Test
OM&A per application	610,622,850	581,316,339	564,304,626	610,181,582	613,969,206	603,863,604	600,001,194
YoY growth		-5%	-3%	8%	1%	-2%	-1%
Add: Productivity Savings	50,378,620	69,418,195	95,332,361	102,698,023	106,293,228	106,581,261	106,632,090
Percentage of total OM&A per application	8%	12%	17%	17%	17%	18%	18%
OM&A without Productivity	661,001,470	650,734,534	659,636,986	712,879,605	720,262,434	710,444,865	706,633,284
YoY growth		-2%	1%	8%	1%	-1%	-1%

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Another example of Hydro One's commitment to reducing the bill impact to the customer is demonstrated in Exhibit G2, Tab 5, Schedule 1. The Miscellaneous charges and rates have been revised to reflect the actual costs of performing those services to ensure only the customers using those services are paying for them and no cross-subsidization with the total customer base occurs.

8 9

The second priority of Hydro One Distribution Customers is reliability and power 10 quality, particularly for Large Distribution and Commercial customers. The levels of 11 funding requested to support Hydro One's OM&A and Capital programs is based on 12 maintaining the overall level of service expected by the customer. An increasing 13 percentage of the system is approaching or has reached its end of service life and requires 14 or will soon require replacement. Addressing aging assets will improve local reliability 15 and in some cases reduce maintenance costs of that unit. However, the investment plan 16 will not improve the overall demographics profile or overall reliability of the system. 17 Reducing the funding level of these investments will likely affect customer satisfaction in 18 regards to their current levels of service reliability and power quality. 19

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	Ontario Energy Board (Board Staff) INTERROGATORY #7
Iss	ue 2.1 Does Hydro One Distribution's Custom Application adequately consider customer feedback and preferences? Have customer feedback and preferences been adequately reflected in the OM&A and capital spending plans?
Int	errogatory
On	f: Exhibit A/Tab5/Schedule 1 page 13 of this exhibit, Hydro One states that it recognizes that a principal driver of tomer dissatisfaction is the size of the bill and rate increases.
Co	nsidering that customers have shown a primary concern with the size of bills:
	 a) Did Hydro One consider a planning scenario that would show no increase in distribution rates over the 2015 to 2019 period? b) Please provide an investment and operating cost scenario that would achieve a zero increase in distribution rates over the 2015 to 2019 period. c) Please outline the programs and initiatives that would be curtailed under this zero increase scenario. d) Please outline the anticipated consequences to service levels, provide detail on reliability outlooks and describe expected changes in customer satisfaction of implementing a zero increase scenario and the measures to mitigate risks in each of these areas.
<u>Re</u>	sponse
a)	Hydro One Distribution has experienced more than \$630 million in Rate Base growth from the last Cost of Service Application in 2011 (EB-2009-0096) to 2014, not including the impact of Regulatory Assets moving into core Rate Base (see Interrogatory response 6.01-AMPCO-36). Hydro One Distribution is therefore seeking approval to re-base from the 2011 OEB-approved amounts, as well as request approval for the 2015 to 2019 work program. The result of re-basing alone causes significant rate increases in the test years, even with a flat work program from 2015 to 2019. Therefore, a zero rate increase scenario was not considered by Hydro One.
b)	In order to achieve a zero rate increase from 2015-19, the following work program reductions would have to be achieved (all figures in \$ millions).

Planned Work Program	2015	2016	2017	2018	2019
Capital Expenditures	648.9	654.7	661.4	655.1	669.1
In-Service Additions	656.6	621.8	696.0	681.4	660.9
OM&A	564.3	610.2	614.0	603.9	600.0

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Reductions	2015	2016	2017	2018	2019
Capital Expenditures	(200)	(200)	(200)	(200)	(200)
In-Service Additions	(200)	(200)	(200)	(200)	(200)
OM&A	(120)	(200)	(220)	(240)	(260)

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Reduced Work Program	2015	2016	2017	2018	2019
Capital Expenditures	448.9	454.7	461.4	455.1	469.1
In-Service Additions	456.6	421.8	496.0	481.4	460.9
OM&A	444.3	410.2	394.0	363.9	340.0

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4 c) and d)

Numerous OM&A and Capital work programs would have to be reduced. These work 5 programs would impact work on the assets, IT systems and direct customer support. 6 These reductions represent approximately a 33% reduction in Capital each year and 7 over the 5 test years OM&A reduction goes from about 20% to 40%. This level of 8 reductions will debilitate Hydro One's ability to respond to storm damages, to 9 maintain the current levels of system reliability, customer satisfaction and 10 shareholder's expectations, and to meet regulatory and environmental obligations. A 11 large number of both regular and contracted workforce will also have to be 12 terminated which will lead to serious collective agreement repercussions and union 13 relationship issues. 14

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Under this scenario, focus would be on demand work only with minimal work on vegetation management and assets replacement / maintenance, during this 5 year period. This will consequently lead to a significant reduction in reliability followed by a reduction in customer satisfaction. Hydro One's credit ratings will also deteriorate, affecting the Company's ability to borrow in the debt market to support its work program in the future.

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Hydro One did not consider a zero increase scenario because it is not a viable option
 for the reasons listed above.

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	<u>Ontario Energy Board (Board Staff) INTERROGATORY #8</u>
Issue 2.1	Does Hydro One Distribution's Custom Application adequately consider customer feedback and preferences? Have customer feedback and preferences been adequately reflected in the OM&A and capital spending plans?
<u>Interroga</u>	<u>tory</u>
	Exhibit A/Tab4/Schedule 4/p.13 Technical Conference #2, TR p. 127
Technical years, con Company	g Customer Experience, at this evidence reference, and later discussed in the Conference, Hydro One indicates that while it will spend \$21 million over 5 apared to \$6 million over the previous 5 year period, "to continue to shape the rs vision for the ideal customer experience allowing Hydro One to more respond to evolving customer needs and expectations."
(to shape	Hydro One chosen to increase customer experience spending to such a degree a vision of ideal customer experience) rather than addressing customer concerns bills by: lowering spending, reducing bills and increasing efficiency in ?
<u>Response</u>	
RRFE so customer 2013. A c	he's spending on Customer Experience is intended to align with the OEB's that Hydro One can better tailor its services to respond to identified, evolving preferences. Hydro One began investing in Customer Experience activities in comparison to the previous 5 years (2010-2014) is not appropriate as this is a tment area where full year costs will not be reflected until 2014.
spending Schedule	reasing investment in Customer Experience initiatives, Hydro One has lowered in areas such as Customer Service. As shown in Table 1, Exhibit C1, Tab 2, 5, page 2 of 20, the Customer Service costs are reduced from $$133.7M$ in the er to $$115.4M$ over the 5 year period to 2010 (reducing spending by $$18M$
annually). due to the	ar, to \$115.4M over the 5 year period to 2019 (reducing spending by \$18M The Test Years reflect declining costs. The 2013 and 2014 levels are higher costs associated with the conversion to a new Customer Information System.
activities	cts productivity and efficiency gains as Hydro One is planning to increase centred on our customers' preferences, improve self-service capabilities to he agent-handled calls at the Hydro One Call Centre and maintain costs levels

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- that were experienced previously. Exhibit A-19-1 outlines Hydro One cost efficiencies
- ² and productivity.

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Issue 2.1	Does Hydro One Distribution's Custom Application adequately consider customer feedback and preferences? Have customer feedback and preferences been adequately reflected in the OM&A and capital spending plans?
Interrogator	<u>v</u>
Reference:	Exhibit A, Tab 5, Schedule 1, Page 5 of 21
likely related interpret this	that "The increase in the 2013 survey regarding 'reliability mentions' is most d to a major storm occurrence at the time of the survey." Does HONI is as an indicator that mitigation of and response to major outages (as ith more ongoing "reliability issues") is a particularly important concern of
<u>Response</u>	
Yes, for the	20% of the customers who responded that they were neutral or dissatisfied.

Yes, for the 20% of the customers who responded that they were neutral or dissatisfied, as figure 1 page 5 shows the "Reliability" concern increased by 9% (25% vs 16%) when

21 compared to the previous year's survey results and even to the results in the two prior 22

year's survey results and even to the results in the two prior years. 23

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<u>Sustainable Infrastructure Alliance of Ontario (SIA) INTERROGATORY #5</u> 2.1 Does Hydro One Distribution's Custom Application adequately consider customer feedback and preferences? Have customer feedback and preferences been adequately reflected in the OM&A and capital spending plans?</u>

8 Interrogatory

Issue 2.1

10 Reference: Exhibit A-5-1, Attachment 2

In developing its investment plan, how has HONI addressed the conflicting preferences of different customer groups, specifically the primary concern of commercial and industrial (customers for reliability and power quality (with price a secondary consideration) with the primary concern of residential customers for lower rates (who reported reliability as a secondary consideration).

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<u>Response</u>

Hydro One uses a risk based approach for developing its investment plan. The investment planning, prioritization and approval process is described in Exhibit A, Tab 17, Schedules 1 to 6. This process is completed for all capital and maintenance programs to ensure that assets are managed prudently while meeting customer, operational and regulatory needs, with the understanding that different types of customers have different needs and specific investments can target those needs.

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Additionally, large industrial and commercial customers are typically connected to M 27 class feeders. These feeders generally have better reliability as they are built to a higher 28 standard and are maintained on an 8 year vegetation cycle. In cases where there are 29 specific concerns regarding reliability for a large commercial or industrial customer, 30 Hydro One will work closely with the customers to address their concerns and may 31 undertake certain projects that will improve the local reliability. Any such proposed 32 projects to meet the needs of these customers go through the investment planning and 33 approval process. These projects would be localized and do not improve overall system 34 reliability, which Hydro One seeks to maintain so as to manage costs at a system level in 35 line with the needs of residential customers. 36

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Canadian Manufacturers & Exporters (CME) INTERROGATORY #10 Issue 2.1 Does Hydro One Distribution's Custom Application adequately consider customer feedback and preferences? Have customer feedback and preferences been adequately reflected in the OM&A and capital spending plans? *Interrogatory* What assistance is available from Hydro One to individual manufacturers who wish to determine the estimated customer-specific year-over-year impacts of the distribution rates Hydro One is proposing in this Application under which a particular customer takes service? Do manufacturers have access to account executives? Will Hydro One provide such estimates in response to written requests from individual customers? If so, then to whom should such requests be directed? Response Hydro One has provided details on Bill Impacts for all rate classes based on three levels of consumption (Low; Typical; High) as a means of assisting all customers with determining estimated customer-specific year over year impacts of the proposed distribution rates (Reference Exhibit G1/Tab7/Schedule1 and Exhibit G2/Tab 4/Schedule 1/Attachments 1 through 5). Manufacturers do not have Account Executives assigned. Distribution connected customers who have an average monthly peak demand of more than 2 MW, ST Rate Class, do have access to senior field staff as an interface for outage and planning purposes. Many of these customers are manufacturers. The Hydro One Complex Call Centre would be the appropriate contact point for all questions related to billing or rate impacts for all distribution connected customers with an average monthly peak demand of more than 200 kW. Hydro One's expectation is that the information provided in our rate application as noted above will be sufficient for Manufacturing customers to estimate the bill impact based on their rate class. However, customers can direct requests to the appropriate contact referenced on the Hydro One website under the "contact us" link or by calling the customer service contact number printed on their Hydro One bill.

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Canadian Manufacturers & Exporters (CME) INTERROGATORY #11 1 2 Issue 2.1 Does Hydro One Distribution's Custom Application adequately 3 consider customer feedback and preferences? Have customer 4 feedback and preferences been adequately reflected in the OM&A 5 and capital spending plans? 6 7 *Interrogatory* 8 9 How many customers referenced in Exhibit G1, Tab 4, Schedule 1, page 2, Table 2 and in 10 Exhibit G1, Tab 7, Schedule 1 will experience total bill increases in any year in excess of 11 10%? Has Hydro One individually contacted every customer whose bill will be increased 12 by more than 10% to inform those customers of that potential outcome and to apprise 13 them of the mitigation relief which Hydro One is proposed? If not, then why not? 14 15 Response 16 17 As shown in Exhibit G1, Tab 4, Schedule 1, Table 2 at typical consumption levels all rate 18 classes, except the DGen class, meet the Board requirements of total bill impacts of less 19 than 10%. 20 21 As shown in Exhibit G1, Tab 7, Schedule 1 even at low consumption amounts, customers 22 in most rate classes will not experience total bill impacts in excess of 10% across all 23 years covered by this application. In 2015, some customers in the sentinel light, 24 streetlight, USL and DGen rate classes may experience bill impacts in excess of 10%. 25 26 The numbers of customers affected based on 2012 consumption levels and customer data 27 are provided below. 28 29

Rate Class	Number of customers with total monthly bill impacts >10%								
SEN	17,629								
STR	2,265								
USL	968								
DGen	270								

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Hydro One has not contacted any individual customers about potential rate impacts. A communications plan will be developed based on the outcome of the application process, and reflecting the Board's Decision in this matter. In past Rate Applications communications programs have provided customers with average impacts based on rate class and consumption and but did not communicate these on an individual customer Filed: 2014-07-04 EB-2013-0416 Exhibit I Tab 2.01 Schedule 5 CME 11 Page 2 of 2

- ¹ basis. Effectiveness, cost and complexity are factors that have been and will continue to
- ² be taken into account for these communications plans.

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1	<u>Cana</u>	dian Manufacturers & Exporters (CME) INTERROGATORY #7
2		
3	Issue 2.1	Does Hydro One Distribution's Custom Application adequately
4		consider customer feedback and preferences? Have customer
5		feedback and preferences been adequately reflected in the OM&A
6		and capital spending plans?
7		
8	Interrogatory	
9		
10	Does Hydro C	One's presentation of the extent to which the total bills of consumers will
11	increase if its	proposed distribution rates are approved described in paragraph 3 of the
12	Application as	sume that all elements of the existing bill other than the distribution rate
13		preof remain constant?
14	1	
15	Response	
16		
17	Yes, as per S	Section 2.11.11 of Chapter 2 of the Board's Filing Requirements for
18	Electricity Dis	tribution Rate Applications all elements of the existing bill other than the

Bistribution Rate Applications all edistribution rate components are held constant.

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<u>Canadian Manufacturers & Exporters (CME) INTERROGATORY #8</u>
 Issue 2.1 Does Hydro One Distribution's Custom Application adequately consider customer feedback and preferences? Have customer feedback and preferences been adequately reflected in the OM&A and capital spending plans?</u>
 <u>Interrogatory</u>
 Please provide an exhibit which alters the total bill impact presentation to show the total bill increase consumers are likely facing in each of the years 2015 to 2019 inclusive having regard to the currently anticipated changes in each of the elements of the total bill, including the distribution and transmission components, the global adjustment, Ontario

including the distribution and transmission components, the global adjustment, Ontario
 Power Generation Inc. ("OPG") costs, and the costs of all other bill components. When
 developing this presentation, please utilize information pertaining to increases in the
 components of the total bill (other than the distribution rate component of the total bill)
 which Hydro One considers to be reasonably reliable.

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19 **Response**

20

Hydro One does not have information on the anticipated changes to all elements of the total bill other than the distribution component and Hydro One's impact on the transmission component.

24

The table below provides an updated version of Table 2 from Exhibit G1, Tab 4, Schedule 1 that includes the impacts of forecast Hydro One transmission rate increases on distribution and total bill.

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1

Rate Class	Monthly	on Peak	2015			2016			2017			2018				2019						
	Monthly Consumption (kWh)		Change in DX Bill (\$)	Change in DX Bill (%)	Change in Total Bill (\$)	Change in Total Bill (%)	Change in DX Bill (\$)		Change in Total Bill (\$)	Change in Total Bill (%)	Change in DX Bill (\$)	Change in DX Bill (%)		Change in Total Bill (%)	Change in DX Bill (\$)	Change in DX Bill (%)		Change in Total Bill (%)	Change in DX Bill (\$)	Change in DX Bill (%)		Change in Total Bill (%)
UR	800		(\$4.22)	-11.2%	(\$5.88)	-4.2%	\$0.76	2.3%	\$1.12	0.8%	\$0.49	1.4%	\$1.10	0.8%	\$0.39	1.1%	\$1.00	0.7%	\$0.59	1.7%	\$0.86	0.6%
R1	800		(\$0.75)	-1.4%	(\$2.16)	-1.4%	\$1.95	3.8%	\$2.33	1.5%	\$1.20	2.3%	\$1.66	1.1%	\$0.63	1.2%	\$1.17	0.7%	\$1.42	2.6%	\$1.71	1.1%
R2	800		\$6.23	9.7%	\$7.12	4.2%	\$7.19	10.2%	\$7.67	4.3%	\$7.55	9.7%	\$8.13	4.4%	\$9.00	10.5%	\$9.60	5.0%	\$9.01	9.5%	\$9.43	4.7%
Seasonal	400		\$2.72	4.7%	\$2.71	2.4%	\$4.05	6.7%	\$4.25	3.7%	\$4.96	7.6%	\$5.27	4.4%	\$4.69	6.7%	\$4.99	4.0%	\$5.35	7.2%	\$5.53	4.3%
GSe	2,000		\$10.20	8.3%	\$13.32	3.5%	\$8.27	6.2%	\$9.08	2.3%	\$8.97	6.4%	\$10.24	2.6%	\$9.57	6.4%	\$10.85	2.6%	\$10.38	6.5%	\$11.23	2.7%
UGe	2,000		\$21.24	44.9%	\$18.93	6.3%	\$3.74	5.5%	\$4.45	1.4%	\$7.18	9.9%	\$8.39	2.6%	\$7.01	8.8%	\$8.21	2.5%	\$7.56	8.7%	\$8.34	2.4%
GSd	35,000	120	\$226.79	15.8%	\$227.83	3.7%	\$155.93	9.4%	\$188.75	3.0%	\$221.85	12.2%	\$269.47	4.1%	\$235.06	11.5%	\$285.38	4.2%	\$240.54	10.6%	\$281.58	4.0%
UGd	35,000	120	\$130.56	15.3%	\$145.44	2.6%	\$89.39	9.1%	\$116.40	2.1%	\$130.83	12.2%	\$170.85	3.0%	\$137.73	11.4%	\$179.87	3.0%	\$141.17	10.5%	\$171.50	2.8%
St Lgt	500		\$9.14	23.7%	\$9.24	9.4%	\$3.83	8.0%	\$4.01	3.7%	\$4.41	8.6%	\$4.71	4.2%	\$4.54	8.1%	\$4.84	4.2%	\$4.52	7.5%	\$4.71	3.9%
Sen Lgt	50		\$1.26	18.9%	\$1.27	9.9%	\$0.99	12.5%	\$1.02	7.2%	\$1.09	12.2%	\$1.13	7.5%	\$1.08	10.8%	\$1.12	6.9%	\$0.79	7.1%	\$0.81	4.6%
USL	500		\$2.61	5.2%	\$2.12	1.9%	(\$0.54)	-1.0%	(\$0.38)	-0.3%	\$1.34	2.6%	\$1.58	1.4%	\$0.26	0.5%	\$0.49	0.4%	\$1.11	2.1%	\$1.24	1.1%
DGen	2,000	20	\$61.57	37.4%	\$76.40	17.5%	\$65.91	29.1%	\$75.17	14.7%	\$69.72	23.9%	\$79.82	13.6%	\$71.80	19.8%	\$82.23	12.3%	\$61.37	14.2%	\$69.89	9.3%
ST	500,000	1,000	\$603.07	34.2%	\$1,466.93	2.2%	\$196.00	8.3%	\$461.72	0.7%	\$172.54	6.7%	\$554.31	0.8%	\$223.02	8.2%	\$630.22	0.9%	\$220.25	7.4%	\$435.67	0.6%

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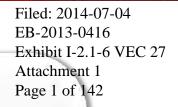
1	Canadian Manufacturers & Exporters (CME) INTERROGATORY #9
2 3 4 5 6	Issue 2.1 Does Hydro One Distribution's Custom Application adequately consider customer feedback and preferences? Have customer feedback and preferences been adequately reflected in the OM&A and capital spending plans?
7 8	Interrogatory
9 10 11 12 13	Affordability is one of Hydro One's value propositions. What inquiries did Hydro One make of its customers to determine their definition of "affordability" and their satisfaction with the "affordability" of the total bills which they receive from Hydro One?
14	<u>Response</u>
15 16 17	In its 2013 Residential & Small Business Customer Satisfaction survey, Hydro One asked its customers to rate the statement "Their bills are affordable".
18 19	Specifically, the customer is asked the following:
 20 21 22 23 24 25 	Please rate the bills on each of the following statements, by using a one to ten scale A rating of "10" means you completely agree with the statement and "1" means you completely disagree . You may use a 10, a 1, or any number in between. Let's start with (RANDOMIZE INSERT FIRST QUESTION). IF RESPONDENT CLAIMS TO BE ON THE MONTHLY PAYMENT PLAN OR EPP (EQUAL PAYMENT PLAN)
26 27	OR BUDGET BILLING), ASK QUESTIONS REGARDLESS.

WRITE IN RATING (1 TO 10)

28

Filed: 2014-07-04 EB-2013-0416 Exhibit I Tab 2.01 Schedule 6 VECC 27 Page 1 of 1

1	Vulner	able Energy Consumers Coalition (VECC) INTERROGATORY #27
2 3 4 5 6 7	Issue 2.1	Does Hydro One Distribution's Custom Application adequately consider customer feedback and preferences? Have customer feedback and preferences been adequately reflected in the OM&A and capital spending plans?
8	Interrogatory	
9		
10	Reference:	A/T5/S1/pg. 3 & 6, A-5-1 Attachment 1
11		
12	· •	vide the summary results (i.e. the report presented to Hydro One Senior
13	Managem	ent) of the Transactional Survey for the years 2009 through 2013.
14	D	
15 16	<u>Response</u>	
10	a) Please fin	d Call Transaction Survey presentations for year end 2009 through 2013
18	attached a	
10	utueneu u	
20	Attachmer	nt 1: HONI Call Centre Transaction Satisfaction Tracking 2009
21		nt 2: HONI Call Centre Transaction Satisfaction Tracking 2010
22		nt 3: HONI Call Centre Transaction Satisfaction Tracking 2011
23		nt 4: HONI Call Centre Transaction Satisfaction Tracking 2012
24		nt 5: HONI Call Centre Transaction Satisfaction Tracking 2013





Executive

Presentation

Call Centre Transaction Satisfaction Tracking

Ending Quarter 4, 2009

Prepared by: Forum Research Inc.



January, 2010

For Hydro One use only, not for further distribution.



Objectives & Methodology

For Hydro One use only, not for further distribution.



Ongoing Objectives

- Measure customer satisfaction with the call experience period over period;
- Determine if caller satisfaction differs by purpose of call;
- Determine whether caller expectations are being satisfied;
- Assess specific elements of the caller experience;
- Identify improvement opportunities;
- Identify factors driving caller satisfaction (annually)

To allow Hydro One to...

- Determine which Hydro One activities vis-à-vis its call centre have a positive impact on customer satisfaction;
- Isolate critical areas of improvement;
- Assess the effectiveness of any process interventions;
- Monitor performance versus KPIs/targets



- Telephone interviews completed with customers who contacted Hydro One's call centre within 2 – 5 days after their call;
- Daily sample provided online by Hydro One for the previous day's callers
- Daily interviewing (excluding Sunday) typically completed during the first 10-12 days of each month
- Each quarter, the following number of interviews were completed:

	Q4/08	Q1/09	Q2/09	Q3/09	Q4/09	
Agent Handled Callers	300	300	300	300	300	+/- 4.5*
IVR Self Serve Callers	301	300	300	300	300	
IVR Outage Callers	301	301	302	301	301	
Agent Virtual Hold	212	210	n/a**	n/a**	n/a**	

- No advance permission was sought from customers for a follow up call;
- Interviews averaged between 6 and 9 minutes;

* If observed per cent is 80, the sampling error range is +/- 4.5% at the 95% confidence level.

If observed per cent is 85, the sampling error range is +/- 4.0%

** Virtual Hold tracking terminated at end of Q1/09



Agent Handled Callers

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Reasons for Call to Hydro One

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Reasons for calling remain essentially the same across the Quarters.

Q2/09 Q3/09 Q4/08 Q1/09 Q4/09 % % % % % Payment / Bills (NET NET) (payment issues NET, bill question / problem NET) 64 72 62 68 61 Bill Question / Problem (NET) (ask question about bill, resolve bill problem, investigate 58 64 55 58 53 major bill increase, fluctuating bills, request annual statement, change banking info, had not received/wanted copy of bill) 8 8 10 9 Payment Issues (NET) (report making a payment, payment notification/follow up, discuss / 6 negotiate payment, disconnection notice follow-up, power cut off) Outage report / Update (NET NET) (outage restoration update NET, outage 15 7 15 13 8 reporting NET) Outage Reporting (NET) (report outage, investigate / report outage, report fire / transformer 13 14 7 14 8 problem / blown breaker, emergency / outage affected medical equipment) Outage Restoration Update (NET) (find out when power would be restored) 1 0 1 0 0 Moving / New Service (NET) (moving / providing updated information, change acct name, 8 5 7 7 5 cancel service due to move, service request for installation/disconnection) Meter Issues (NET) (input meter reading, report meter reading, change a meter, report 6 11 4 6 7 meter error, meter moving, smart meter/new meter) Other (NET) (tree maintenance, address a disconnection issues, request to locate HON lines 10 10 10 8 9 before digging, to inquire about HON services, other)

Customer Stated Reason for Call %

2. Now please think about the call you made to Hydro One in the past few days. What was the reason for this call? N (Q4/Q1/Q2/Q3/Q4) = Total Agent Handled (300/300/300/300/300)



Satisfaction with Call

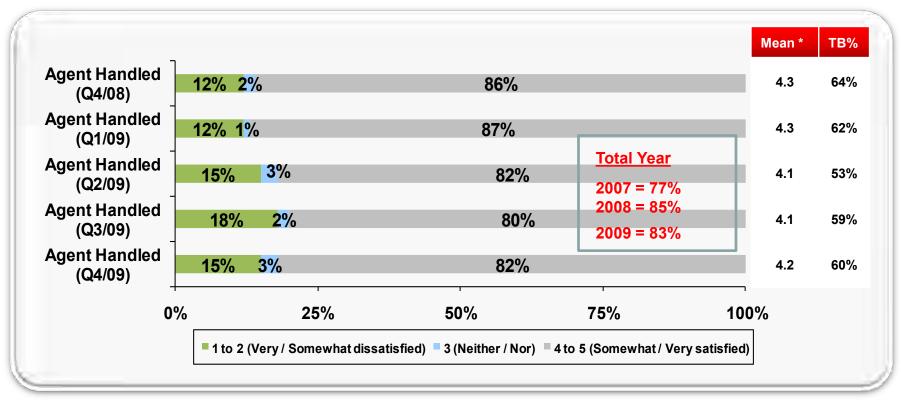


9

Satisfaction with Call to Hydro One (Q4/08, Q1/09, Q2/09, Q3/09, Q4/09)



Since the high point at the beginning of 2009, overall satisfaction with the call has decreased. Levels for the Quarter and for the full year are below target.



*Mean: Very Satisfied (5) to Very Dissatisfied (1)

- 3. How satisfied were you overall with the call to Hydro One?
- N (Q4/Q1/Q2/Q3/Q4) = Total Agent Handled (293/294/300/297/295)

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In Q4/09, relative to other call reasons, overall satisfaction is poorer for payment/bill related calls.

	Q4/08 (n=293)	Q1/09 (n=294)	Q2/09 (n=298)	Q3/09 (n=297)	Q4/09 (n=295)
	% satisfied	% satisfied	% satisfied	% satisfied	% satisfied
Caller Satisfaction Score	86	87	82	80	82
Payment / Bills (NET NET) (payment issues NET, bill question / problem NET) (n ~ 180)*	85	87	75	78	76
Payment Issues (NET) (n ~ 20)* **	100	96	86	96	85
Bill Question / Problem (NET) (n ~ 160)*	83	86	74	76	75
Outage Reporting / Update (NET NET) (outage report NET, outage restoration NET) (n ~ 50)* **	89	81	93	91	90
Outage Reporting (NET) (n ~ 45)* **	90	80	95	91	90
Outage Restoration (NET) (n ~ 5)* **	75	100	50	100	100
Meter Issues (NET) (n ~ 15)* **	64	94	100	70	100
Moving / New Service (NET) (n ~ 30)* **	96	93	100	100	100
Other (NET) (n ~ 27)* **	92	83	87	78	80

*Top 2 box (Very / Somewhat Satisfied)

3. How satisfied were you overall with the call to Hydro One?

*Represents approximate average sample size in each Quarter_-10-

10 ** Caution very small base size



Overall Satisfaction with Call by Reason for Call (All

Call Types) ***(Past 15 Months Q4'08 →Q4'09)***



Call dissatisfaction is greatest when dealing with a bill increase or discrepancy. Less complicated issues are yielding better satisfaction.

	Mean Value (5 point scale)*
Payment notification / Follow-up (n=62)	4.5
Moving / To provide account information update (n=64)	4.7
To provide a new account name / change account name (n=40)	4.5
Discuss / Negotiate a payment schedule / plan (n=131)	4.6
To get an account balance (n=447)	4.5
To input a meter reading (n=531)	4.5
To report making a payment (n=310)	4.4
To address a disconnection issue (n=49)	4.3
To report a power outage (n=1460)	4.2
Report a meter reading (n=80)	4.4
To ask a question about a bill (n=531)	4.2
To find out when power would be restored (n=191)	4.2
To resolve a problem with bill (n=443)	4.0
Investigate a major bill increase / bill discrepancy (n=140)	3.5

3. How satisfied were you overall with this call with Hydro One? / 2. Please think about the most recent call you made to Hydro One, what was the reason for this call?

* Very Satisfied (5) to Very dissatisfied (1)





Dissatisfaction is tied to CSR performance in terms of the information they provide or in their inability to resolve a billing/payment issue to the caller's satisfaction.

Q4'08	Q1'09	Q2'09	Q3'09	Q4'09
44	46	60	59	53
12	13	21	15	19
17	15	21	14	17
10	15	6	3	8
7	10	2	2	6
2	13	4	2	2
	12 17 10 7	12 13 17 15 10 15 7 10	12 13 21 17 15 21 10 15 6 7 10 2	12 13 21 15 12 13 21 15 17 15 21 14 10 15 6 3 7 10 2 2

4. Why were you not satisfied overall with the call?

* Caution, small base sizes

N = Total Dissatisfied Agent Handled (41/39/53/59/53)

Continued, Next Slide

-12-





Cont'd

	Q4'08	Q1'09	Q2'09	Q3'09	Q4'09
Access (NET NET) (number of calls required)	-	-	4	-	6
Number of calls required (NET) (had to make too many calls to resolve, made multiple calls and given different info)	-	-	4	-	6
Commitments Not Met (NET) (promised a return call & haven't yet received a call, left message requesting call back and no reply, service appt not met by HON)	-	10	-	5	4
Disconnection Threats (NET) (dissatisfied with collection process / threats, threat made to cut off my power)	-	5	-	2	4
Wait / Hold Time (NET) (put on hold too long)	5	-	-	-	-
Other (NET) (unhappy with time it took to resolve, other, getting too many outages, had to find my account number and call HON back)	24	13	8	14	11

4. Why were you not satisfied overall with the call?

* Caution, small base sizes

N = Total Dissatisfied Agent Handled (41/39/53/59/53)





Relative to last Quarter, satisfaction is unchanged for 'ease of getting through to a rep'. There is an improvement this Quarter for 'length of time on hold'.

			Pro	cess Issue	es		Mean *	TB%
a. The ease of	Agent (Q4/08)	12% 2%	_	85%			4.2	54%
getting	Agent (Q1/09)	- 12% 2%		86%			4.2	51%
through to a rep to discuss	Agent (Q2/09)	- 14% 4%		82%			4.1	47%
your question	Agent (Q3/09)	- 13% 3%		84%			4.1	49%
or problem	Agent (Q4/09)	- 12% 2%		86%			4.2	50%
	Agent (Q4/08)	- 10% 2%		88%		_	4.1	47%
b. The length of time you had to	Agent(Q1/09)	<mark>7%2%</mark>		91%			4.3	54%
be on hold	Agent (Q2/09)	12% 5%		84%			4.3	53%
before you actually spoke	Agent (Q3/09)	14% 4%		83%			4.1	50%
with a representative	Agent (Q4/09)	<mark>9%1</mark> %	1	90%	>		4.3	50%
	0	%	25%	50%	75%	100%		
		Bottom 2 (Som	newhat/Vervdis	satisfied) [■] Neither No	r Top 2 (Verv / Som	ewhat satisfied)		

5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with...

N = Total Agent Handled (278 - 304) *Mean: Very Satisfied (5) to Very Dissatisfied (1)





Downward trend vs. Q4/08 in satisfaction with 'question getting answered correctly first time' and no change vs. last Quarter for 'rep's understanding of what wanted'.

				Proce	ess Issue	S		Mean *	TB%
	Agent (Q4/08	8) <mark>8%2%</mark>		90%				4.4	67%
. Your question	Agent (Q1/09) 11% 2	%	87%				4.4	71%
etting answere r the action	d Agent (Q2/09) 16%	2%	82%					
etting taken	Agent (Q3/09		3%	81%				4.2	60%
orrectly, first	Agent (Q4/09	· -	3%	80%	6			4.2	65%
ime A A I. The	J - (′ -				V		4.2	61%
	Agent (Q4/08	- 3) <mark>6%</mark>		93%			High bill cal		• 1 / 0
		· -							
	Agent (Q1/09	· -		95%				4.6	79%
epresentative	Agent (Q2/09	· -		92%				4.7	81%
Inderstanding	Agent (Q3/09		0	89%				4.6	73%
vhat you wante or needed	^d Agent (Q4/09) <mark>7%1</mark> %		92%					
n needed		0%	25%	50%	75%	100%		4.5	73%
		U /0	25 /0	50 /0	15/0	100 /0		4.5	73%
		Pottom 2 (Somowhat / Vory	dissatisfied)	Noithar Nor T	op 2 (Very / Som	what satisfied)		

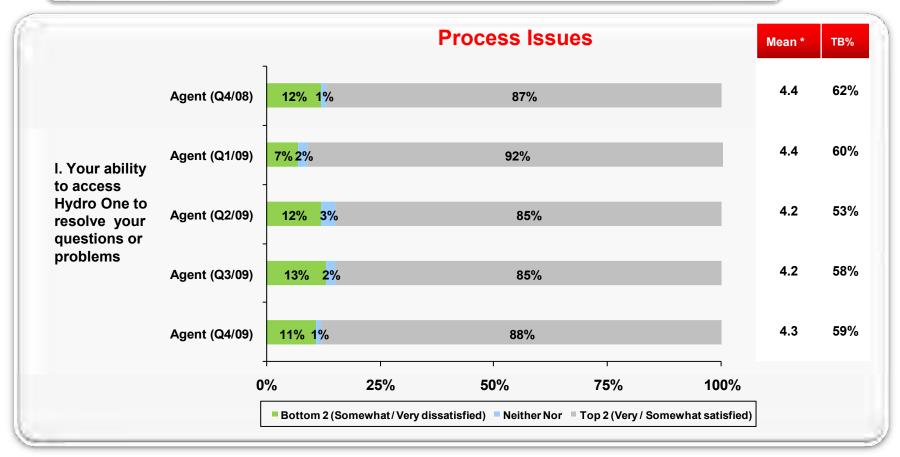
somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with...

N = Total Agent Handled (278 -304) *Mean: Very Satisfied (5) to Very Dissatisfied (1)





Satisfaction with 'ability to access Hydro One to resolve your question or problem' is unchanged vs. last Quarter.



5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with...

N = Total Agent Handled (278 -304) *Mean: Very Satisfied (5) to Very Dissatisfied (1)





Satisfaction with 'the representative understanding what wanted' and the 'rep's courtesy' is unchanged this Quarter.

		_	C	SR Issues			Mean *	ТВ%
	Agent (Q4/08)	6%		93%			4.6	79%
j. The representative understanding what you wanted or needed	Agent (Q1/09)	<mark>4%</mark> 1%		95%			4.7	81%
	Agent (Q2/09)	7% 2%		92%			4.6	73%
	Agent (Q3/09)	10% 1%		89%			4.5	73%
	Agent (Q4/09)			92%			4.5	73%
	Agent (Q4/08)	- <mark>3%</mark> 0%		97%			4.8	89%
h. The courtesy of the	Agent (Q1/09)	5%		95%			4.7	87%
representative	Agent (Q2/09)	5%		93%			4.6	77%
you spoke with	Agent (Q3/09)	<mark>4%</mark> 2%		94%			4.7	81%
	Agent (Q4/09)	<mark>5%</mark> 0%		95%	1		4.7	82%
)%	25%	50%	75%	100%		
	Bottom 2 (S	omewhat / Ve	ery dissatisfied)	Neither Nor T	<u>op 2 (Very / Somev</u>	vhat satisfied)		

5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with...

N = Total Agent Handled (271 - 304) *Mean: Very Satisfied (5) to Very Dissatisfied (1)





Satisfaction with 'the representative showing a genuine commitment to help' and 'answering questions promptly' is unchanged this Quarter.

			CS	R Issues			Mean *	TB%
i. The	Agent (Q4/08)	<mark>4%</mark> 2%		94%			4.7	81%
representative	Agent (Q1/09)	7% 1%		93%			4.6	79%
showing a	Agent (Q2/09)	10% 2%		88%			4.5	72%
genuine commitment to	Agent (Q3/09)	9% 2%		89%			4.5	75%
help	Agent (Q4/09)	<mark>7%</mark> 1%		92%			4.6	75%
	Agent (Q4/08)	- <mark>4% 2</mark> %		94%			4.6	77%
e. The representative	Agent (Q1/09)	<mark>6%</mark> 1%		94%			4.6	77%
answering all	Agent (Q2/09)	<mark>9%</mark> 1%		90%			4.5	72%
your questions	Agent (Q3/09)	8% 3%		90%			4.5	71%
promptly	Agent (Q4/09)	<mark>9% 1</mark> %		90%			4.6	76%
	(0%	25%	50%	75%	100%	, D	
	Bottom 2 (S	Somewhat / Ve	ry dissatisfied)	Neither Nor	Top 2 (Very / Somewill	hat satisfied)	

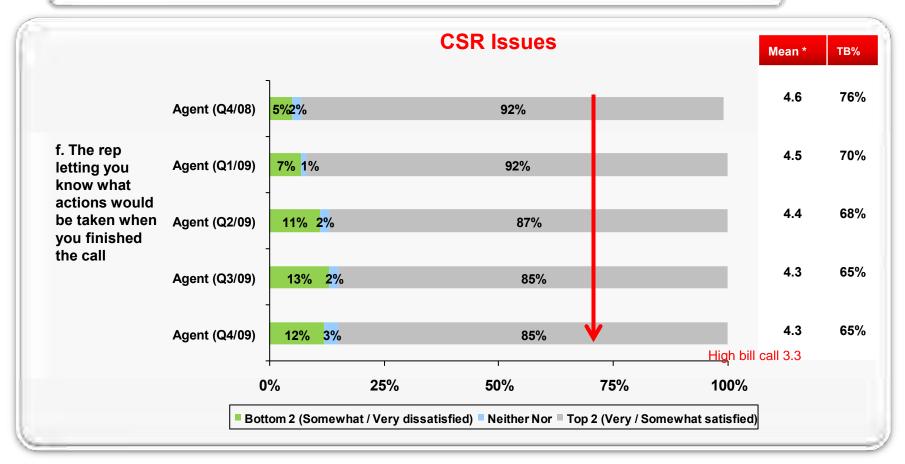
5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with...

N = Total Agent Handled (271 - 304) *Mean: Very Satisfied (5) to Very Dissatisfied (1)





Satisfaction with the 'rep letting know what actions would be taken' is significantly poorer than at this time last year.



5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with...

N = Total Agent Handled (271 - 304) *Mean: Very Satisfied (5) to Very Dissatisfied (1)





Satisfaction is unchanged this Quarter for the 'rep providing accurate info' and remains low relative to this time last year for 'offering a solution for reason called'.

			Int	formation Issu	Jes	Mean *	тв%
	Agent (Q4/08)	<mark>5%2%</mark>		93%		4.6	73%
providing you Agent (Agent (Q1/09)	<mark>6%2</mark> %		93%		4.6	73%
	Agent (Q2/09)	10% 3%		87%		4.4	66%
	Agent (Q3/09)	<mark>9% 2%</mark>		89%		4.5	72%
mormation	Agent (Q4/09)	<mark>9%</mark> 1%		89%		4.5	69%
d. The	Agent (Q4/08)	_ 		87%	-	4.4	68%
representative	Agent (Q1/09)	<mark>11% 1</mark> %		88%		4.3	63%
offering a solution for the	Agent (Q2/09)	15% 3%		82%		4.2	62%
reason you called	Agent (Q3/09)	15% 2%		83%		4.2	64%
	Agent (Q4/09)	17% 2%	1	81%	V	4.2	64%
		1	I	I	I	High bill call 3.8	
	()%	25%	50%	75%	100%	
	Bo	ottom 2 (Somewha	t / Very dissati	sfied) 📃 Neither Nor	Top 2 (Very /	Somewhat satisfied)	

5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with...

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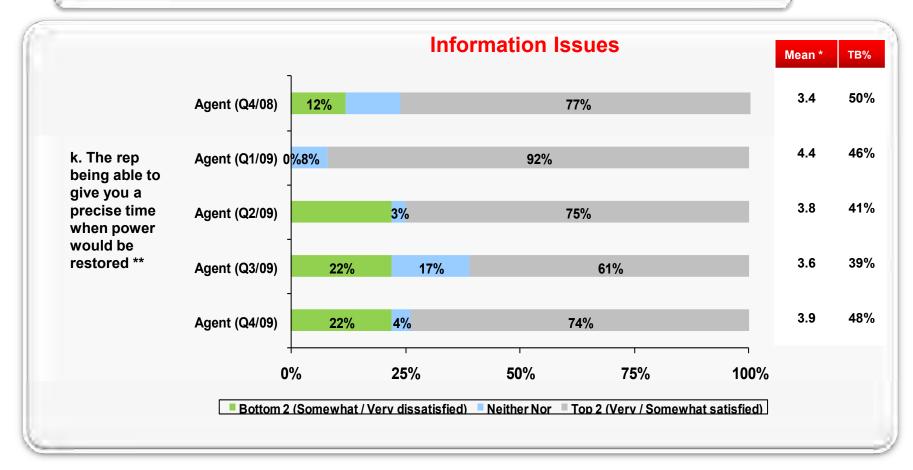
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*Mean: Very Satisfied (5) to Very Dissatisfied (1)





No change vs. last Quarter in satisfaction for 'rep giving a precise time for power restoration'.

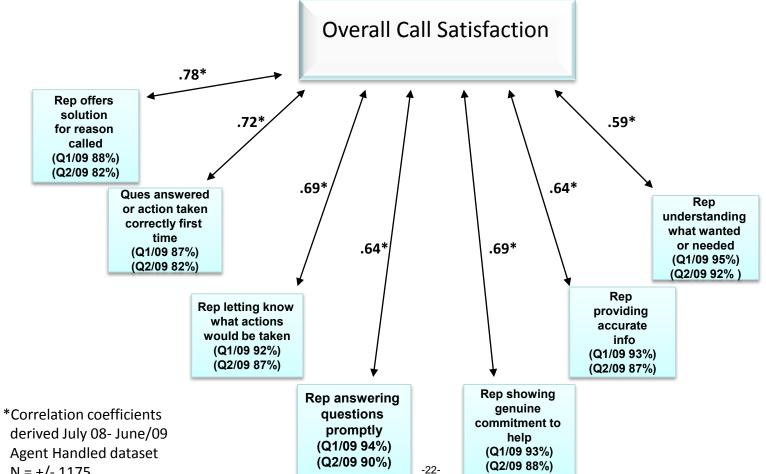


5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with...

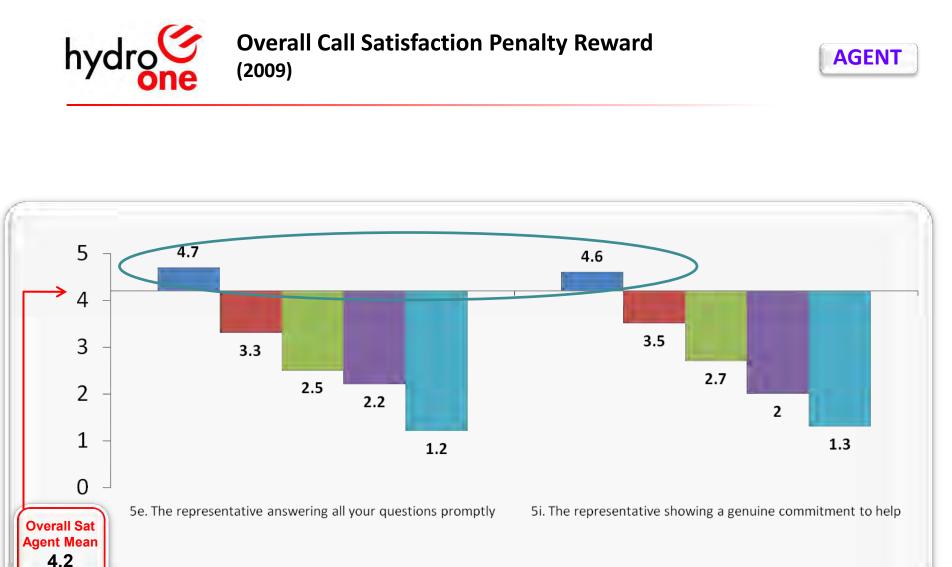
*Mean: Very Satisfied (5) to Very Dissatisfied (1) ** Caution: Small base size (N=27 in Q4/09)







22 N = +/- 1175



Very satisfied
Somewhat satisfied

■ Neither satisfied nor dissatisfied ■ Some

Somewhat dissatisfied

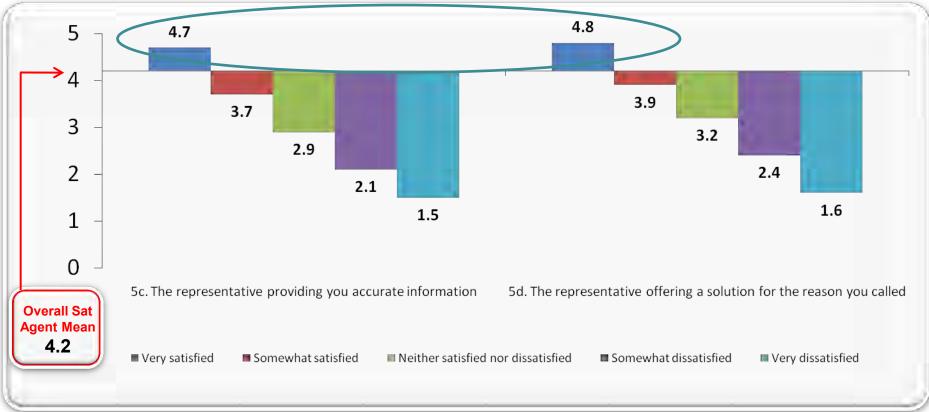
N (2009) = Total Agent Handled (1184/1184)

Mean Scores Shown (5 point satisfaction scale)

- 3. Overall satisfaction with call
- 5e. The representative answering all your questions progaptly
- 5i. The representative showing a genuine commitment to help







N (2009) = Total Agent Handled (1184/1184)

Mean Scores Shown (5 point satisfaction scale)

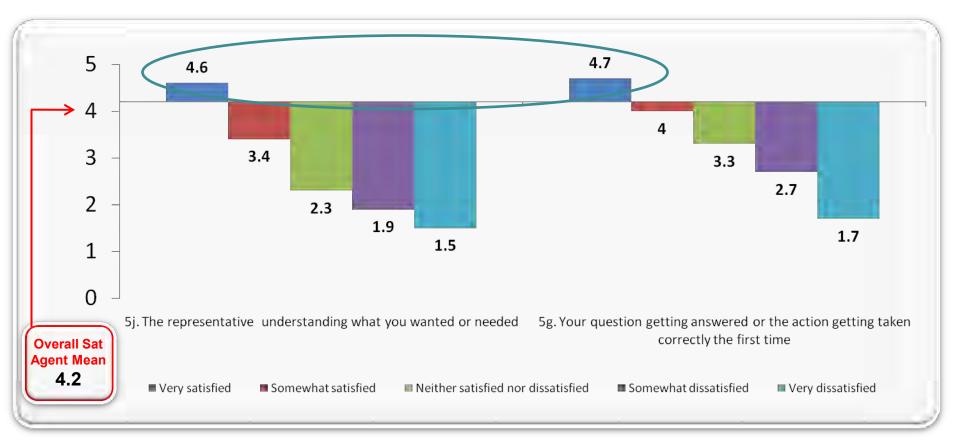
3. Overall satisfaction with call

5c. The representative providing you accurate information

5d. The representative offering a solution for the reason $\frac{1}{2}$ you

called





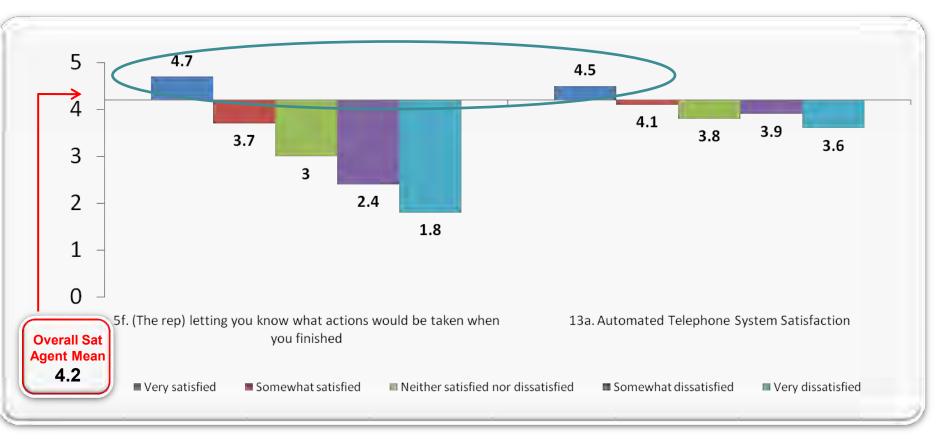
N (2009) = Total Agent Handled (1184/1184)

Mean Scores Shown (5 point satisfaction scale)

- 3. Overall satisfaction with call
- 5j. The representative/system understanding what you wanted or needed
- 5g. Your question getting answered or the action getting taken correctly, first time







N (2009) = Total Agent Handled (1184/1184)

3. Overall satisfaction with call

Mean Scores Shown (5 point satisfaction scale)

5f. (The rep) letting you know what actions would be taken when you finished

13a. When you made your most recent call to Hydro One, you were initially connected to an automated telephone system. Overall, how satisfied were you with Hydro One's automated telephone answering system? Would you say you were...



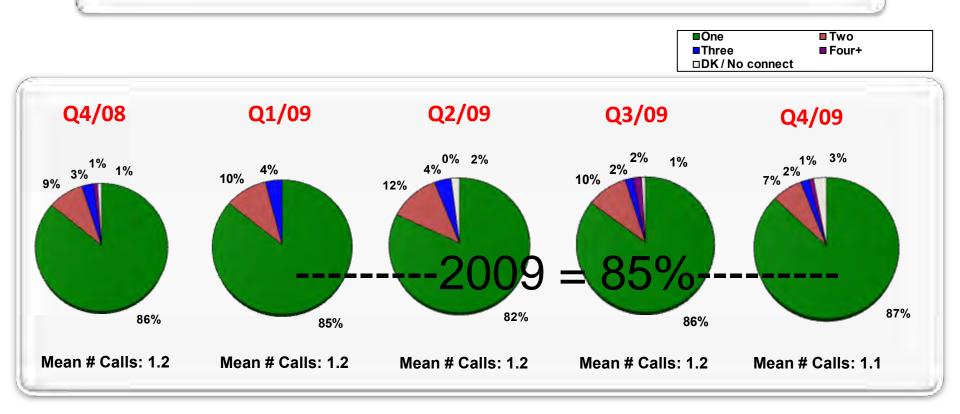
Connection & Call Resolution Issues



Number of Calls Made Before Connection to Hydro One's Automated System Menu (Q4/08, Q1/09, Q2/09, Q3/09, Q4/09)



The per cent of customers only needing to call once to connect with the automated phone system is essentially unchanged vs. last Quarter and vs. this time last year.



8. For this most recent call, how many times did you have to try Hydro One's telephone number before you were connected to the menu in the automated voice system?

N (Q4/Q1/Q2/Q3/Q4)= Agent Handled callers (300/300/300/300/300)



Reasons Had to Make More than One Call to Connect with Automated System Menu* (Q4/08, Q1/09, Q2/09, Q3/09, Q4/09)



It is taking more than one call to get connected to the IVR due to IVR difficulties and 'access' difficulties- mostly due to the lines being busy. Access difficulties represent 3% of Total Agent Handled calls (same as last Quarter).

	Reasons % *					
	Q4/08	Q1/09	Q2/09	Q3/09	Q4/09	
IVR Difficulty (NET) (phone system did not connect properly, was disconnected by HON during the call, system wouldn't let me leave extension number, problems with menu)	36	43	23	33	39	
Inconvenient (NET) (hung up while on hold, wanted to immediately speak to live rep)	13	17	8	15	13	
Access Busy / IVR Busy (NET NET) (lines busy NET, IVR busy NET)	26	26	45	23	26	
Lines Busy (NET) (e.g., couldn't get through, recorded message stating all lines busy) IVR Busy (NET) (message 'due to heavy call volumes we are unable to take your call at this time')	26 -	24 2	41 4	20 3	26	
Difficulty at customer end (NET) (dialed wrong number, had phone/cell problems, got distracted had to call back)	3	-	4	8	3	
Other (NET) (had to call back to give HON more info, business office was closed, promised call back not received, other)	5	5	2	8	0	

9. Why did it take you more than one call to be connected to the menu in the automated voice system

N (Q4/Q1/Q2/Q3/Q4) = Total Agent Handled (39/42/49/40/31)

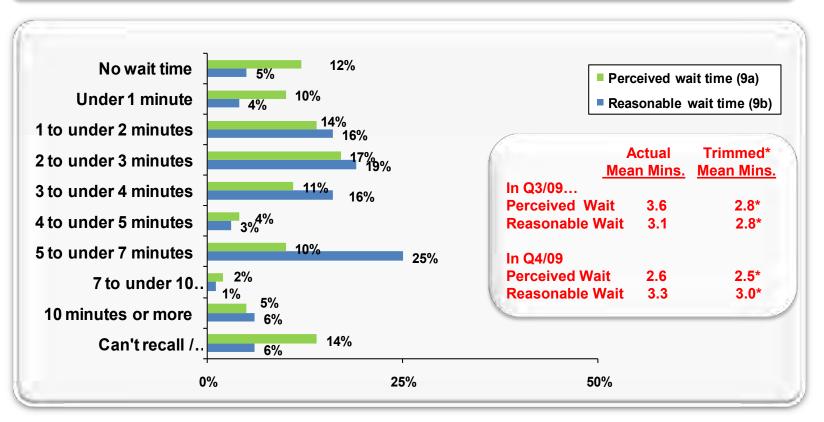
* Caution: small base sizes

3% of Total calls





12% had no wait time to speak with an Agent while 36% believe they waited 2 minutes or less. This is similar to last Quarter. Average perceived wait time is 2.5 minutes*, less than what they judge to be a reasonable wait time (3.0 minutes*).



9a. How long did you wait in the queue before you reached an agent?

9b. How long do you feel is reasonable when waiting in a queue before reaching an agent?

N (Q4/09) = Total Agent Handled (291)

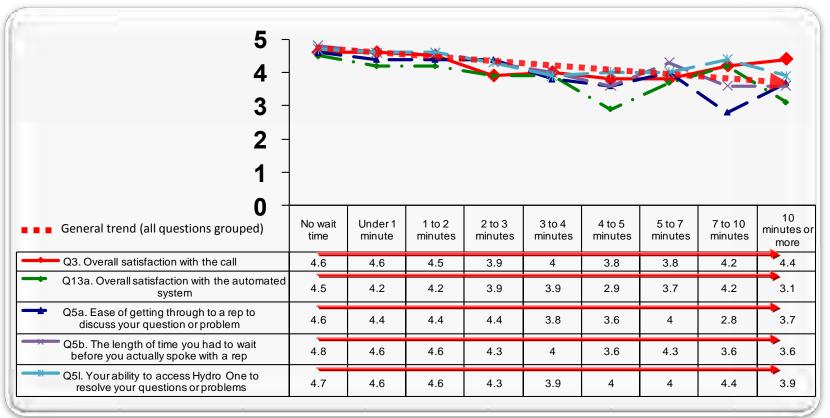
*Mean-scores adjusted with removal of bottom and top 5% outliers



Time in Queue. Impact on Call Aspect Satisfaction (Q4/09)



The longer the perceived wait time to connect to an Agent, generally, the lower is satisfaction with the auto system and with 'access ' attributes.



N (Q4/09) = Total Agent Handled (300)

Mean Scores Shown (5 point satisfaction scale)

3. Overall satisfaction with call

13a. Overall satisfaction with automated system

9a. How long did you wait in the queue before you reached an agent?

5a. The ease of getting through to a rep to discuss your question or problem 5b. The length of time you had to wait before you actually spoke with a rep

⁻³¹⁻5I. Your ability to access HON to resolve your questions or problems





The percent receiving first call resolution is unchanged through 2009 and vs. 2008. 24% calling about a high bill do not get first call resolution.

First Call Resolution								
	Q4/08	Q1/09	Q2/09	Q3/09	Q4/09			
Yes	83	83	84	84	81			
No	10	10	10	9	12	1		
Neither	7	7	6	7	7			

10. And once you did get through to a representative, was your issue resolved on the first call, or did you need to call back more than once?

N (Q4/Q1/Q2/Q3/Q4) = Total Agent Handled (300/300/300/300)

Number of Callba	icks
------------------	------

	Q4/08	Q1/09	Q2/09	Q3/09	Q4/09
One	28	41	29	33	35
Тwo	30	18	18	17	14
Three	6	6	14	6	12
Four+	6	4	2	4	7
DK	30	31	37	40	32
Mean #	2.2	1.6	1.9	1.9	2.3

11. And after this initial call, how many times did you need to call back about the same issue?

N (Q4/Q1/Q2/Q3/Q4) = Total Agent Handled (50/51/49/48/57)



Reasons Needed to Call Back More than Once* (Q4/08, Q1/09, Q2/09, Q3/09, Q4/09)

AGENT

The reasons that Agent Handled callers need to call back more than once varies.

	Reasons % *				
	Q4/08*	Q1/09*	Q2/09*	Q3/09*	Q4/09*
Provide / Get information (NET) (needed to give the rep more info, H1 needed time to access info, confirm appointment)		72	35	23	37
Commitments not met (NET) (meter reader didn't show up, didn't receive callback, power not restored when they said it would)	10	-	6	15	11
IVR / Phone system issues (NET) (cut off, on hold too long – hung up, general menu difficulties)		7	6	15	-
Other (NET) (didn't like the first answer, problem not resolved first call, didn't get outage duration estimate, other)		21	47	46	47

12. I am going to read you a list. Please tell me which of these describes the reason you needed to call back more than once?

N (Q4/Q1/Q2/Q3/Q4) = Total Agent Handled (21/14/17/13/19)





10% of all Agent Handled callers say their issue was never resolved. This is similar to last Quarter (9%). 82% of high bill calls say issue was never resolved.

	Final Outcome % *				
	Q4/08	Q1/09	Q2/09	Q3/09	Q4/09
Never resolved	40	47	55	58	54
Resolved after you followed up with Hydro One	16	16	18	10	25
Resolved after it was passed along to someone	12	6	14	4	7
Resolved after Hydro One took some other action	2	4	4	4	2
Other (volunteered)	30	27	8	23	12

13. I am going to read you a list. Please tell me which of the four describes the final outcome of your call?

10% of Total calls

N (Q4/Q1/Q2/Q3/Q4) = Total Agent Handled (50/51/49/48/57)

* Caution, small base sizes



Non First Call Resolution Outcome*

(Past 12 Months Q1'09 →Q4'09)



	Issue Never Resolved	lssue Eventually Resolved
Q2 Customer Stated Reason for Call (N=169)*		
Billing Issues (NET) (e.g. Investigate bill increase., Ask question, Resolve problem, Etc.)	76	61
Outage Reporting / Inquiry (NET)	4	19
Meter Issues (NET) (e.g. Report reading, Request new, Moving, Final reading, Etc)	5	
Payment Issues (NET) (e.g. Notify, Negotiate payment schedule, Etc)	6	3
Outage Restoration Update (NET) (e.g. To investigate a power outage)	0	0
Moving / New Service (NET) (moving / to provide account info update, provide new account names / change name, cancel service, service request for installation / disconnection)	1	5
Other (NET) (e.g. Get acct. balance/Moving/Acct. update/Tree maintenance/Discuss disconnection notice, Etc.)	15	7
Q3 Overall Satisfaction with Call (% Top 2 Box) (N=166)*	25	77
Q5 Satisfaction with Specific Call Attributes (% Top 2 Box)		
a. The ease of getting through to a rep to discuss your question or problem (N=167)*	69	80
b. The length of time you had to be before you actually spoke with a representative (N=162)*	71	88
c. The representative providing you accurate information (N=157)*	44	85
d. The representative offering a solution for the reason you called (N=159)*	31	81
e. The representative answering all your questions promptly (N=161)*	47	88
f. (The rep) letting you know what actions would be taken when you finished the call (N=156)*	42	88
g. Your question getting answered or the action getting taken correctly the first time (N=161)*	19	79

* Base: Total number of customers in the past 12 months who did not have first call resolution



Non First Call Resolution Outcome*

(Past 12 Months Q1'09 →Q4'09)



	Issue Never Resolved	lssue Eventually Resolved	
Q5 Satisfaction with Specific Call Attributes (cont'd) (% Top 2 Box)			
h. The courtesy of the representative you spoke with (N=167)*	72	93	
i. The representative showing a genuine commitment to help (N=167)*	50	89	
j. The representative (system) understanding what you wanted or needed (N=166)*	54	95	
k. The rep/system being able to give you a precise time when power would be restored (N=10)*	100	76	
I. Your ability to access Hydro One to resolve your questions or problems (N=165)*	48	88	
Q11 Number of Times Needed to Call Back on Same Issue (N=169)*			
1	19	58	
2	16	19	
3	12	10	
4+	7	2	
Can't Recall	46	12	
Q14 Automated Telephone System (% Yes) (N=169)*			
a. Did the menu categories include the reason you called?	70	73	
b. Was the system easy to use?	81	88	
c. Was the system quick to use?	80	85	
d. Did the system provide the information you needed?	67	74	
e. Did you feel confident that your needs were understood?	61	89	
f. Did the system give you the option of transferring directly to a representative?	76	67	
g. Did the system get you where you wanted to go?	85	92	

36

* Base: Total number of customers in the past 12 months who did not have first call resolution



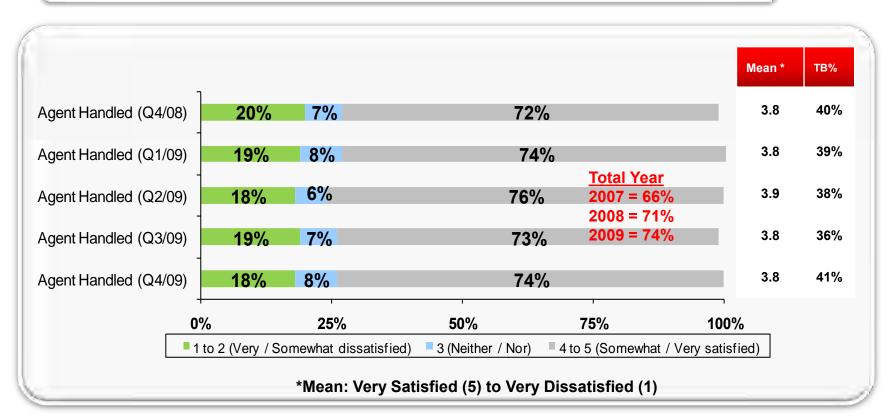
Automated Telephone Answering System



Satisfaction with Hydro One's Automated System (Q4/08, Q1/09, Q2/09, Q3/09, Q4/09)



Satisfaction with Hydro One's automated answering system in Q4/09 remains at levels seen previously.



13a. When you made your most recent call to Hydro One, you were initially connected to an automated telephone system. Overall, how satisfied were you with Hydro One's automated telephone answering system?

N (Q4/Q1/Q2/Q3/Q4) = Total Agent Handled (299/295/298/300/300)



Automated Phone System Attributes (Q4/08, Q1/09, Q2/09, Q3/09, Q4/09)



No change this Quarter in percent stating that the automated system has various features.

	% Stating Yes					
	Q4/08	Q1/09	Q2/09	Q3/09	Q4/09	
Was the system easy to use?	89	88	90	89	91	
Did the system get you where you wanted to go?	91	95	94	93	89	
Was the system quick to use?		82	83	82	85	
Did you feel confident that your needs were understood?		83	83	83	82	
Did the system provide the information you needed?		82	80	82	81	
Did the menu categories include the reason you called?		82	81	81	80	
Did the system give you the option of transferring directly to a representative?*	71	74	68	-	-	

14. Now I have a few questions about the automated telephone system and the menu that you had to use at the beginning of your call. For each question you can just answer yes or no.

N = Total Agent Handled (300/300/300/300/300) *Not asked in Q3/09 & Q4/09



Opinions of Hydro One (Q4/08, Q1/09, Q2/09, Q3/09, Q4/09)



There have been no significant changes in opinions of Hydro One in Q4/09 relative to last Quarter.

				Mean	^ I I
	Q4/08] 13%	20%	68%	7.3	31
C Thoy have a flexible	Q1/09] 13%	20%	67%	7.7	3
C. They have a flexible	Q2/09] 13%	21%	65%	7.3	
attitude towards	Q3/09 15%	19%	66%		30
		19 /6	00 /0	7.3	28 20
customers	Q4/09 _ 18%	19%	63%	7.0	20
	Q4/08 16%	18%	67%	7.2	30
A They are fair	Q1/09 12%	23%	66%	7.5	32
A. They are fair	Q2/09 15%	21%	64%	7.2	32
	Q3/09 17%	17%	66%	7.2	2
	Q4/09 17%	20%	63%	7.0	28
		20 /0	0578		_,
B. They are concerned	Q4/08 15%	19%	65%	7.1	3
-	Q1/09 13%	20%	67%	7.6	3:
about their customers	Q2/09 _ 19%	17%	64%	7.2	30
	Q3/09 18%	16%	66%	7.3	2
	Q4/09 19%	18%	62%	6.9	2
D. They stay in touch		1070	~		_
when you are having	Q4/08 _ 19%	13%	68%	6.9	3
	Q1/09 16%	22%	62%	6.8	3
problems	Q2/09 21%	18%	60%	7.1	3
•	Q3/09 17%	22%	61%	7.0	20
	Q4/09 24%	12%	64%	6.9	3
	0%	25%	<u> </u>	00%	
	Disagree		ottom 4 - Mid Top 4 Agr	00	
	Disagree		ottom 4 – Mid – Top 4 Agr	66	

*Mean: Completely agree (10) to Completely disagree **TB=Top Box %

1. As I read some statements about HYDRO ONE , please rate how much you agree or disagree by giving me a number between 1 and 10..

N (Q4/Q1/Q2/Q3/Q4) = Total Agent Handled (305/200/287/295/300)



IVR Outage Callers

For Hydro One use only, not for further distribution.

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Reasons for Call to Hydro One



Customer Stated Reason for Call to Hydro One (Q4/08, Q1/09, Q2/09, Q3/09, Q4/09)



The categorizations of reasons for calling by call type have remained consistent Quarter to Quarter.

	Q4/08 %	Q1/09 %	Q2/09 %	Q3/09 %	Q4/09 %
Outage Report / Update (NET NET) (outage reporting NET, outage restoration update NET)	99	99	100	100	99
Outage Reporting (NET) (report outage, report fire / transformer problem / blown breaker)	91	87	88	86	85
Outage Restoration Update (NET) (find out when power would be restored)	8	13	12	14	14
Other (NET) (inquire about HON services, other)	0	1	0	0	1

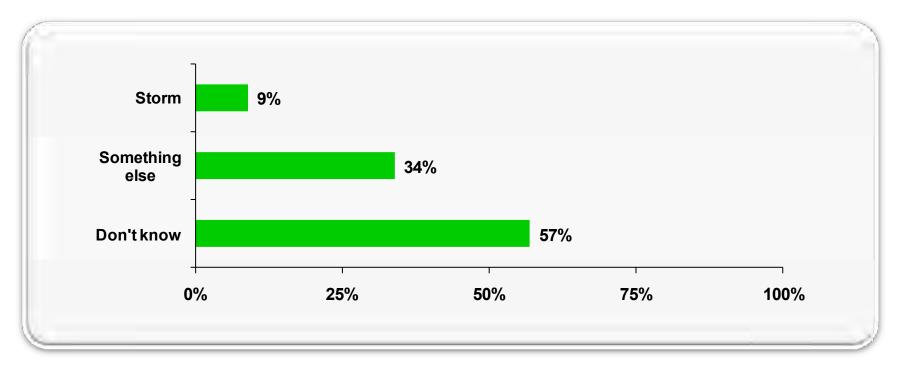
2. Now please think about the call you made to Hydro One in the past few days. What was the reason for this call?

N (Q4/Q1/Q2/Q3/Q4) = Total IVR Outage (301/301/302/301/301)





In Q4/09, more than half (57%) who have called to report an outage did not know what caused the outage. This is a notable increase vs. Q3/09 (34%).



2a. Was the outage you were calling about caused by a storm or something else?

N (Q4) = Total IVR Outage (298)

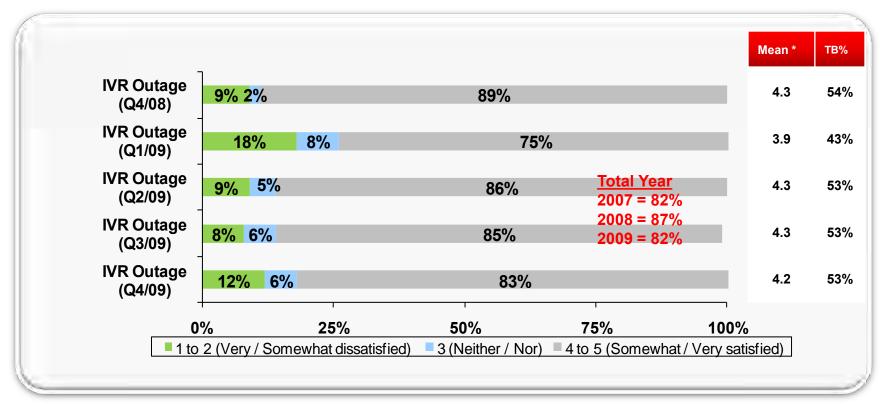


Satisfaction with Call





Following the significant drop in Q1/09, overall satisfaction with the call improved significantly during the balance of the year. Largely due to the poor Q1/09 score, overall satisfaction with the call is significantly poorer in 2009 vs. 2008.



*Mean: Very Satisfied (5) to Very Dissatisfied (1)

- 3. How satisfied were you overall with the call to Hydro One?
- N (Q4/Q1/Q2/Q3/Q4) = Total IVR Outage (297/293/300/296/297)



Overall Satisfaction by Reason for Call to Hydro One (Q4/08, Q1/09, Q2/09, Q3/09, Q4/09)



Caller satisfaction is essentially the same regardless of whether a call is placed to 'report an outage' or 'to inquire about power restoration'.

	Q4/08 (n=297)	Q1/09 (n=298)	Q2/09 (n=300)	Q3/09 (n=296)	Q4/09 (n=296)
	% satisfied	% satisfied	% satisfied	% satisfied	% satisfied
Caller Satisfaction Score	89	75	86	85	83
Outage Report / Update (NET NET) (outage report NET, outage restoration NET)	89	74	86	85	82
Outage Report NET (n~260)*	88	74	86	87	80
Outage Restoration NET (n~40)**	100	74	85	76	95

3. How satisfied were you overall with the call to Hydro One? Would you say you were....

*Represents approximate average sample size in each Quarter

** Caution very small base size



Reasons Not Satisfied with Call to Hydro One* (Q4/08, Q1/09, Q2/09, Q3/09, Q4/09)



Dissatisfaction is mainly tied to general customer problems with automated systems and the information received about the outage status.

	Q4'08*	Q1'09*	Q2'09*	Q3'09*	Q4'09*
Total Automated System Mentions (NET NET) (automated system dislike NET, automated system resolution issues NET)	64	53	58	30	56
Automated system dislike (NET) (dislike automated system) Automated system resolution issues (NET) (couldn't get through to a live rep, too cumbersome, wanted to be able to talk to live rep more quickly, never did / could speak with a human, automated system couldn't hear / understand my voice / response)	27 39	33 28	30 35	11 23	25 35
Total Outage Mentions (NET NET) (outage response information NET) Outage response information (NET) (no estimated restoration time given, outage lasted too long, getting too many, no notice given, longer than told)	27 27	26 26	49 49	68 68	48 48
Information Issues (NET) (wasn't able to answer my questions)	-	1	-	-	6
Commitments not met (NET) (promised return call – haven't received)	-	-	5	5	4
Wait / Hold Time (NET) (put on hold for too long)	-	-	5	-	-
Number of calls required (NET) (had to make too many call to resolve, made multiple calls and given different info)	3	5	-	-	-
Bill / Payment (NET) (equal billing / estimated bill is (still) high)	-	1	-	-	-
Other (NET)	15	26	7	11	10

- 4. Why were you not satisfied overall with the call?
- N = Total IVR Outage (33/76/43/44/52)

* Caution, small base size





No change in satisfaction this Quarter for 'the system understanding what wanted/needed' and 'question getting answered/action taken correctly, first time'.

			P	rocess Issue	S		Mean *	тв%
j. The system	IVR Outage (Q4/08)	<mark>9% 1</mark> %		89%			4.3	58%
understanding	IVR Outage (Q1/09)	18% 29	6	81%			4.0	49%
what you wanted or needed	IVR Outage (Q2/09)	- <mark>9%</mark> 4%		88%			4.3	56%
	IVR Outage (Q3/09)	- 9% 2%		89%			4.3	59%
	IVR Outage (Q4/09)	<u>12%</u> 2%		86%			4.2	56%
g. Your question	IVR Outage (Q4/08)	- 		83%		_	4.2	56%
getting answered	IVR Outage (Q1/09)	21%	4%	76	%		3.9	46%
or the action	IVR Outage (Q2/09)	11% 5%		84%			4.2	52%
getting taken correctly, first	IVR Outage (Q3/09)	11% 3%		86%			4.2	54%
ime	IVR Outage (Q4/09)	13% 2%	1	85%	1		4.2	56%
)%	25%	50%	75%	100%		
	Bottom 2 (Sc	omewhat / Very di	ssatisfied)	Neither Nor	op 2 (Very / Somewh	at satisfied)		

5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with...

N = Total IVR Outage (279-303) *Mean: Very Satisfied (5) to Very Dissatisfied (1)





Top box percent has declined this Quarter for 'ability to access HON to resolve question/problem'.

			Proc	ess Issues			Mean *	тв
	IVR Outage (Q4/08)	13% <mark>4%</mark>		83%			4.2	55
I. Your ability to access Hydro One to	IVR Outage (Q1/09)	- 18%	<mark>5%</mark>	77%			4.0	52
resolve your questions or problems	IVR Outage (Q2/09)	<mark>13% 2</mark> %		85%			4.2	58
	IVR Outage (Q3/09)	11% <mark>4%</mark>		85%			4.3	59
	IVR Outage (Q4/09)	17% 29	%	82%			4.1	53
		0%	25%	50%	75%	100%	_	
	Bottom 2 (Som	ewhat / Very dis	ssatisfied)	Neither Nor 📃 Top	2 (Very / Somew	/hat satisfied))	

5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with... N = Total IVR Outage (279-303) *Mean: Very Satisfied (5) to Very Dissatisfied (1)





No change in this Quarter for 'the system understanding what wanted' and 'letting know what actions will be taken when call finished'.

			Sj	/stem Issu	ies		Mean *	ТВ%
j. The system	IVR Outage (Q4/08)	<mark>9%1</mark> %		89%			4.3	58%
understanding	IVR Outage (Q1/09)	18% 2	%	81%	0		4.0	49%
what you wanted or	IVR Outage (Q2/09)	<mark>9% 4</mark> %		88%			4.3	56%
needed	IVR Outage (Q3/09)	<mark>9% 2</mark> %		89%			4.3	59%
	IVR Outage (Q4/09)	12% 2%		86%			4.2	56%
f. The system	IVR Outage (Q4/08)	17%	5%	77%	/o		4.0	44%
etting you know what	IVR Outage (Q1/09)	26%	6%		68%		3.7	38%
actions would	IVR Outage (Q2/09)	19%	7%	74	1%		3.9	42%
be taken when you	IVR Outage (Q3/09)	17%	7%	76	%		4.0	46%
finished the call	IVR Outage (Q4/09)	20%	8%	7	/3%		3.8	41%
call	0	%	25%	50%	75%	100%		
	Bottom 2 (Somewha							

5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with...

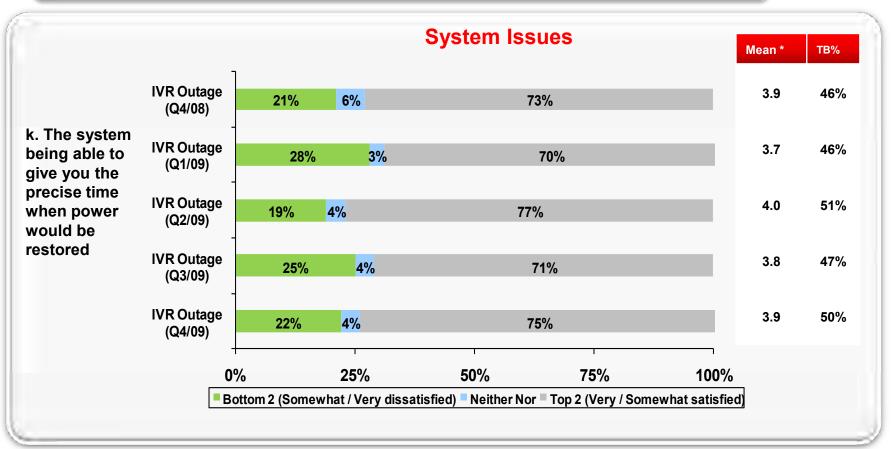
N = Total IVR Outage (270-303)

*Mean: Very Satisfied (5) to Very Dissatisfied (1)





No significant change this Quarter in satisfaction with 'the system giving a precise time for power restoration'.

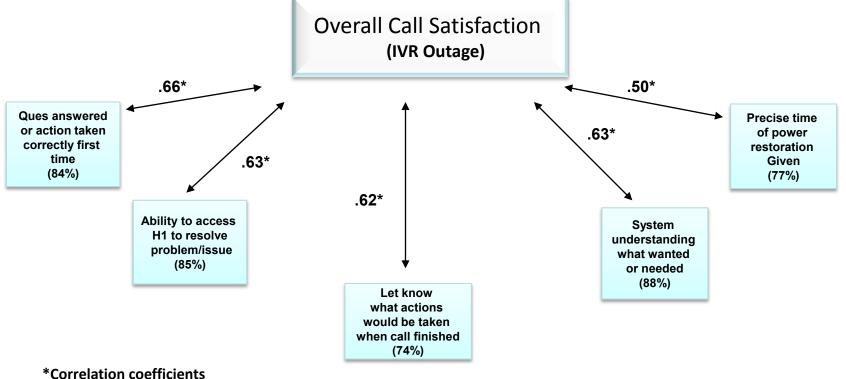


5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with...

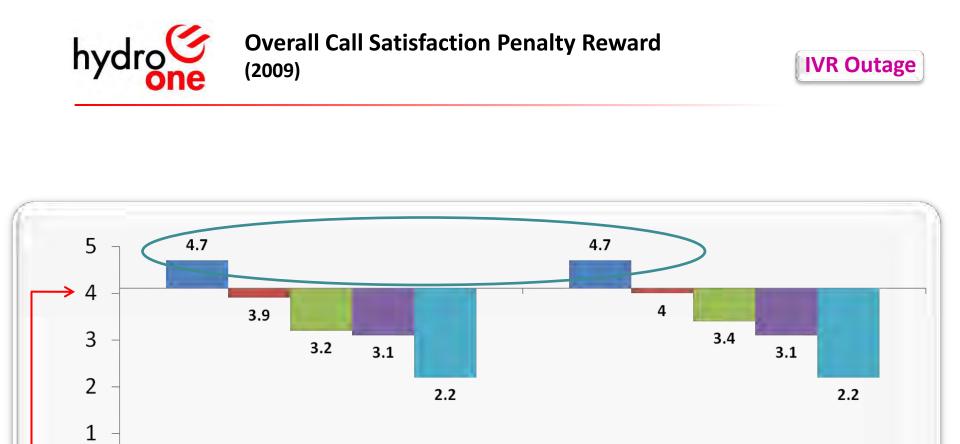
N = Total IVR Outage (270-303) *Mean: Very Satisfied (5) to Very Dissatisfied (1)







derived from July/08 – June/09 IVR Outage dataset N = +/- 1,170



 0
 J

 5j. The system understanding what you wanted or needed
 5g. Your question getting answered or the action getting taken correctly the first time

 VR Outage Mean
 Image: Correctly the first time

 4.1
 Image: Correctly the first time

 Image: Very satisfied
 Image: Correctly the first time

 Image: Very satisfied
 Image: Correctly the first time

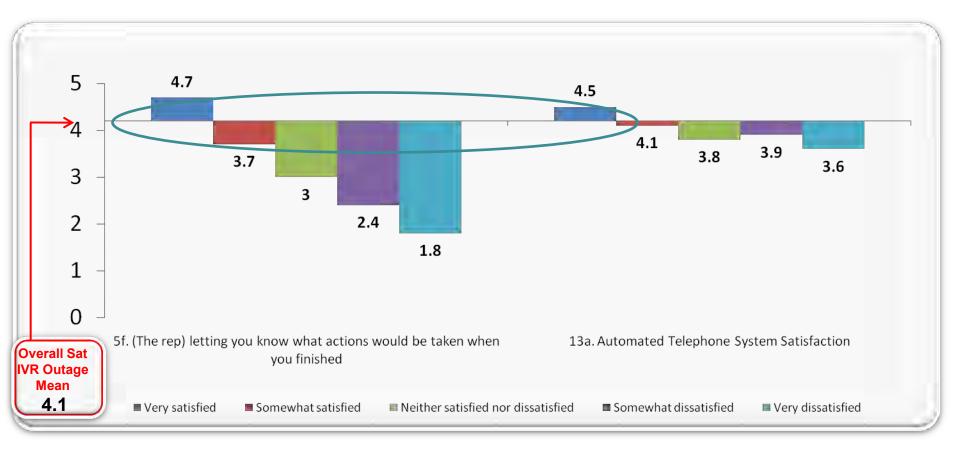
N (2009) = Total IVR Outage (1117/1191)

Mean Scores Shown (5 point satisfaction scale)

- 3. Overall satisfaction with call
- 5j. The representative/system understanding what you wanted or needed
- 5g. Your question getting answered or the action getting taken correctly, first time





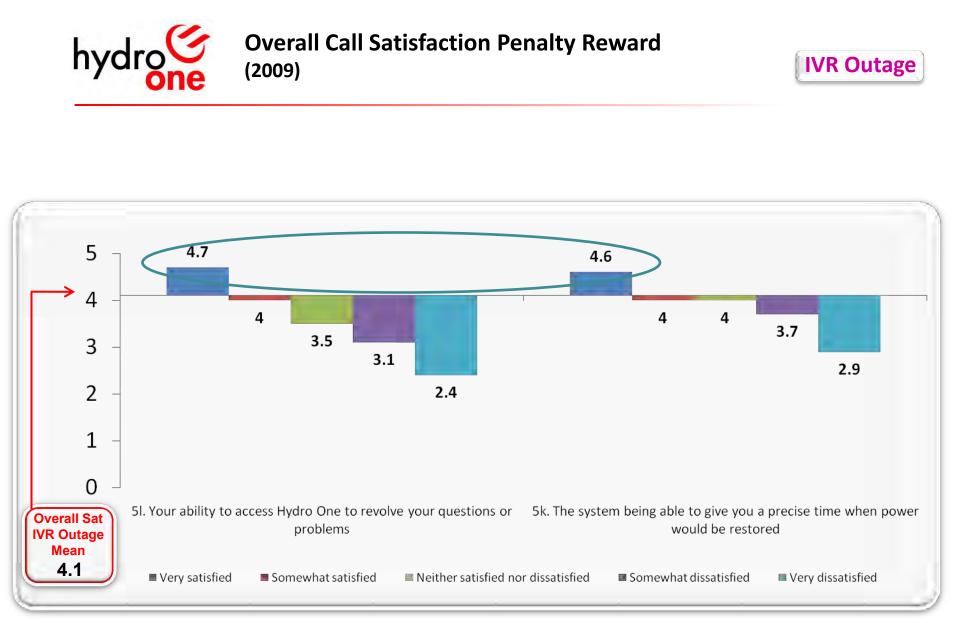


N (2009) = Total IVR Outage (1117/1191)

Mean Scores Shown (5 point satisfaction scale)

- 3. Overall satisfaction with call
- 5f. (The rep) letting you know what actions would be taken when you finished

13a. When you made your most recent call to Hydro One, you were initially connected to an automated telephone system. Overall, how satisfied were you with Hydro One's automated telephone answering system? Would you say you were...



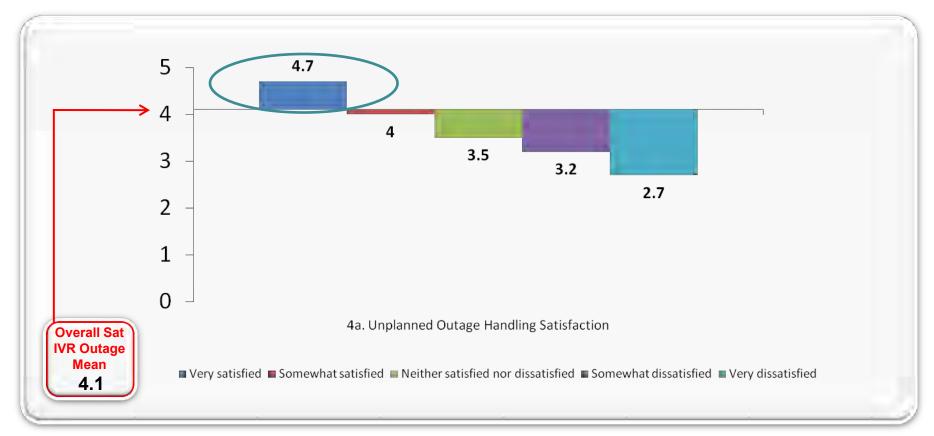
N (2009) = Total IVR Outage (1191/1191)

Mean Scores Shown (5 point satisfaction scale)

- 3. Overall satisfaction with call
- 5I. Your ability to access Hydro One to resolve your questions or problems
- 5k. The rep/system being able to give you a precise time when power would be res







N (2009) = Total IVR Outage (1156)

Mean Scores Shown (5 point satisfaction scale)

3. Overall satisfaction with call

4a. From the time the power went out to the time it was restored, how satisfied are you overall with the way HYDRO ONE handled the unplanned outage?



Connection & Call Resolution Issues



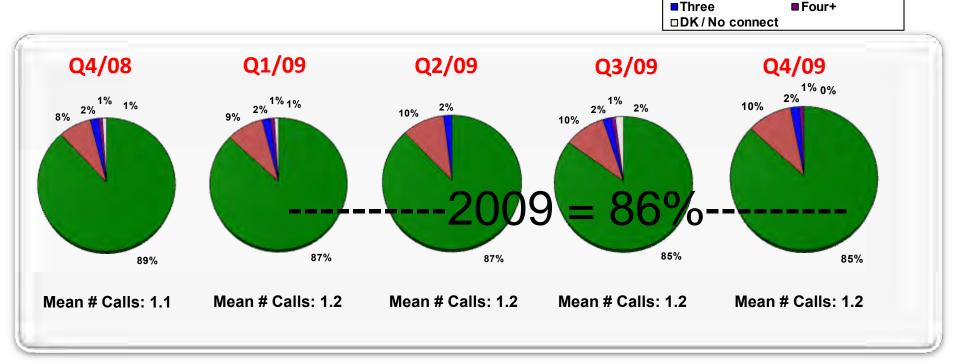
Number of Calls Made Before Connection to Hydro One's Automated System Menu (Q4/08, Q1/09, Q2/09, Q3/09, Q4/09)



■ Two

■One

The number of calls needed to connect with Hydro One's automated system remains as previous.



8. For this most recent call, how many times did you have to try Hydro One's telephone number before you were connected to the menu in the automated voice system?

N (Q4/Q1/Q2/Q3/Q4)= IVR Outage callers (301/301/302/301/301)



Reasons Had to Make More than One Call to Connect with Automated System Menu (Q4/08, Q1/09, Q2/09, Q3/09, Q4/09)



Outage callers had to call more than once primarily due to IVR connection difficulties and getting a busy signal due to call volumes.

			Reasons %		
	Q4/08	Q1/09	Q2/09	Q3/09	Q4/09
IVR Difficulty (NET) (phone system did not connect properly, problems with automated system menu / pressed wrong number / accessed wrong menu)	16	8	32	15	30
Access Busy / IVR Busy (NET NET) (lines busy NET, IVR busy NET)	45	71	29	46	53
Lines Busy (NET) (e.g., couldn't get through, got a busy signal, recorded message stating all lines busy)	39	58	26	41	50
IVR Busy (NET) (message 'due to heavy call volumes we are unable to take your call at this time')	6	13	3	5	3
Inconvenient (NET) (hung up while on hold, wanted to immediately speak to live rep)	10	5	3	-	5
Difficulty at customer end (NET) (dial wrong number, had problems with phone/cell)	-	8	5	15	5
Other (NET) (power not restored after first call / multiple calls to get power restored, other)	19	3	18	5	3

9. Why did it take you more than one call to be connected to the automated voice system?

N (Q4/Q1/Q2/Q3/Q4) = Total IVR Outage (31/38/38/39/40)

60

7% of Total calls



First Call Resolution (Q4/08, Q1/09, Q2/09, Q3/09, Q4/09)



First call resolution improved significantly in Q4/09 relative to Q3/09.

	Fir	st Call	Resolu	tion	
	Q4/08	Q4/08 Q1/09		Q3/09	Q4/09
Yes	83	78	89	82	91
No	16	20	10	16	8
Neither	1	2	1	3	1

10. And once you did get through to a representative, was your issue resolved on the first call, or did you need to call back more than once?

N (Q4/Q1/Q2/Q3/Q4) = Total IVR Outage (301/301/302/301/301)

Number of Callbacks*

	Q4/08	Q1/09	Q2/09	Q3/09	Q4/09
One	41	49	47	31	41
Two	25	19	30	33	30
Three	12	13	12	16	11
Four +	10	12	6	7	4
DK	14	6	6	13	15
Mean #	2.1	1.9	1.8	2.0	1.8

11. And after this initial call, how many times did you need to call back about the same issue?

N (Q4/Q1/Q2/Q3/Q4) = Total IVR Outage (52/67/34/55/27)

* Caution, small base sizes





The majority of call backs are made because IVR/phone system difficulties or because HON has not restored power.

	Reasons % *							
	Q4/08*	Q1/09*	Q2/09*	Q3/09*	Q4/09*			
IVR / Phone system issues (NET) (cut off / disconnected, general menu difficulties)	-	13	-	6	50			
Commitments not met (NET) (power still not restored, power was not restored when they said it would be)	83	73	69	65	42			
Provide / Get information (NET) (needed to give the rep more info)	8	3	13	7	8			
Other (NET) (didn't like the first answer, problem not resolved on first call, no duration estimate, other)	8	10	19	23	-			

12. I am going to read you a list. Please tell me which of the these describes the reason you needed to call back more than once?

N (Q4/Q1/Q2/Q3/Q4) = Total IVR Outage (24/30/16/31/12)

* Caution, very small base sizes



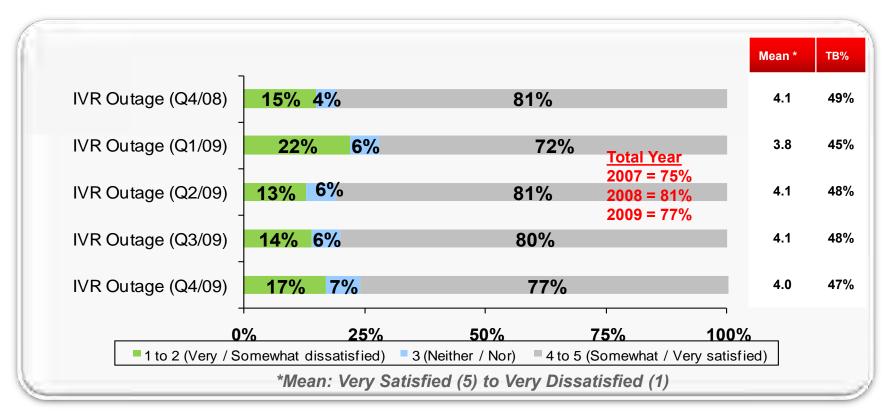
Automated Telephone Answering System



Satisfaction with Hydro One's Automated Telephone Answering System (Q4/08, Q1/09, Q2/09, Q3/09, Q4/09)



After a pronounced decline in Q1/09, satisfaction with the automated system improved through the balance of the year. 2009 levels are statistically the same as in 2008.



13a. When you made your most recent call to Hydro One, you were initially connected to an automated telephone system. Overall, how satisfied were you with Hydro One's automated telephone answering system?

N (Q4/Q1/Q2/Q3/Q4) = Total IVR Outage (301/300/300/301/301)



Reasons Dissatisfied with Automated Phone System* (Q4/08, Q1/09, Q2/09, Q3/09, Q4/09)



Across all quarters, dissatisfaction is primarily tied to a general dislike of automated phone systems, or a desire to speak with a live rep.

			Reasons % *		
	Q4/08	Q1/09	Q2/09	Q3/09	Q4/09
Wanted to speak to a live rep	-	15	28	21	44
Don't like automated phone systems	25	33	38	30	36
Could not get through	11	8	8	7	18
Options didn't match my needs	30	36	18	37	10
Too many options / menu too complex / complicated	-	9	8	9	6
Specify (Other, IVR does not work, doesn't understand me, takes too long to get through, estimated restore time incorrect, didn't give reason for outage)	16	15	38	35	34

13b. Why were you not satisfied?

N (Q4/Q1/Q2/Q3/Q4) = Total dissatisfied with automated phone system (IVR Outage = 44/67/40/43/50)

* Caution, very small base sizes





The incidence of customers stating that the automated system has various attributes is similar through the year.

	% Stating Yes							
	Q4/08	Q1/09	Q2/09	Q3/09	Q4/09			
Was the system easy to use?	94	95	95	97	94			
Did the menu categories include the reason you called?	88	87	94	92	93			
Was the system quick to use?	92	90	91	94	92			
Did the system get you where you wanted to go?	89	81	91	93	89			
Did you feel confident that your needs were understood?	85	80	87	86	82			
Did the system provide the information you needed?	81	71	82	84	79			
Did the system give you the option of transferring directly to a representative?*	42	31	39	-	-			

14. Now I have a few questions about the automated telephone system and the menu that you had to use at the beginning of your call. For each question you can just answer yes or no.

N = Total IVR Outage (301/301/302/301/301) *Not asked in Q3'09/Q4'09





No change in Q4/09 vs. last Quarter.

C. The system was familiar with your	-	8% 9% 83% 83%			_	8.6 8.5
location once you	-	-				8. 3 8.7
told them where you lived	Q4/09	<mark>/ 8%</mark>		86%		8.7
	Q4/08	23%	13%	64%	_	7.0
A. The system provided accurate information	Q1/09	26%	16%	58%		6.6
	Q2/09	18%	16%	67%		7.4
mormation	Q3/09	18%	14%	68%		7.4
	Q4/09	22%	14%	64%		7.0

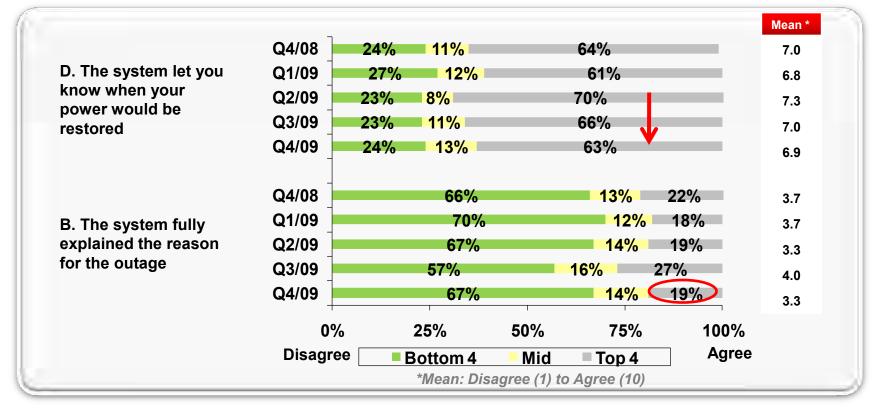
14a. Using a 1 to 10 scale, where 1 means you disagree completely and 10 means you agree completely, please rate each of the following statements regarding the outage reporting system. You may use a 1 or a 10, or any number in between to rate each statement.

67 Total IVR Outage (300/301/302/301/301)





Downward trend since the high in Q2/09 for 'the system letting know when power would be restored'. Decrease in Q4/09 for 'system explaining reason for the outage'.



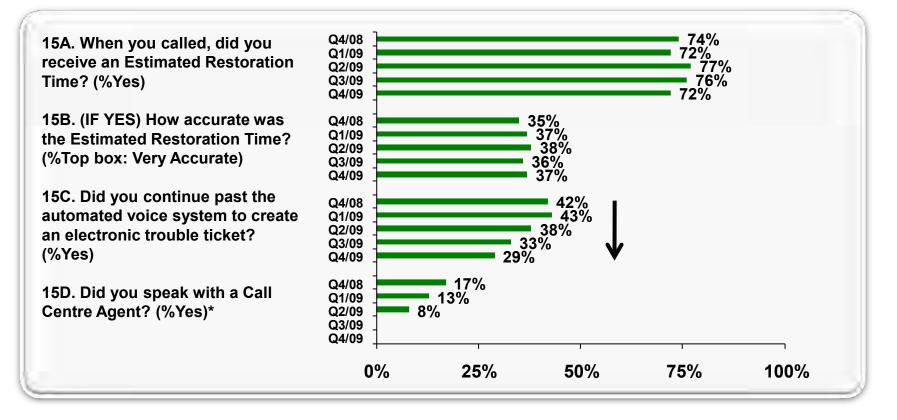
14a. Using a 1 to 10 scale, where 1 means you disagree completely and 10 means you agree completely, please rate each of the following statements regarding the outage reporting system. You may use a 1 or a 10, or any number in between to rate each statement.

Total IVR Outage (300/301/302/301/301)





About three quarters of outage callers are receiving an ETR. Of these, more than a third are given a very accurate ETR. Over time, fewer are creating an electronic trouble ticket.



Total IVR Outage for Q15acd (301/301/302/301/301) *Not asked in Q3'09 / Q4'09 Total IVR Outage for Q15b (223/218/233/228/218)



IVR Self Serve Callers



Reasons for Call to Hydro One



Generally, the categorizations of reasons for calling have remained consistent Quarter to Quarter.

	Q4/08 %	Q1/09 %	Q2/09 %	Q3/09 %	Q4/09 %
Meter Issues (NET) (input meter reading, report meter error, smart meter/new meter, reading error, broken meter)	37	36	38	34	39
To get account balance (NET)	32	31	24	30	32
Payment / Bills (NET NET) (bill question / problem NET, payment issues NET)	25	29	34	32	25
Payment Issues (NET) (report making a payment, payment notification, discuss / negotiate payment, disconnection notice follow-up, power disconnected)	24	27	29	30	20
Bill Question / Problem (NET) (investigate major bill increase, change banking info, not received bill/wanted copy)	2	1	5	3	5
Outage Report / Update (NET NET)	1	-	-	-	1
Outage Reporting (NET) (investigate / report outage)	1	-	-	-	1
Moving / New Service (NET) (moving / providing updated information, to provide new account name / change account name)	1	1	-	1	-
Other (NET) (to remove a light / pole / HON equipment on my property, to inquire about HON services, other)	3	3	2	2	3

Customer Stated Reason for Call %

2. Now please think about the call you made to Hydro One in the past few days. What was the reason for this call?

N (Q4/Q1/Q2/Q3/Q4) = Total IVR Self Serve (301/300/300/300)



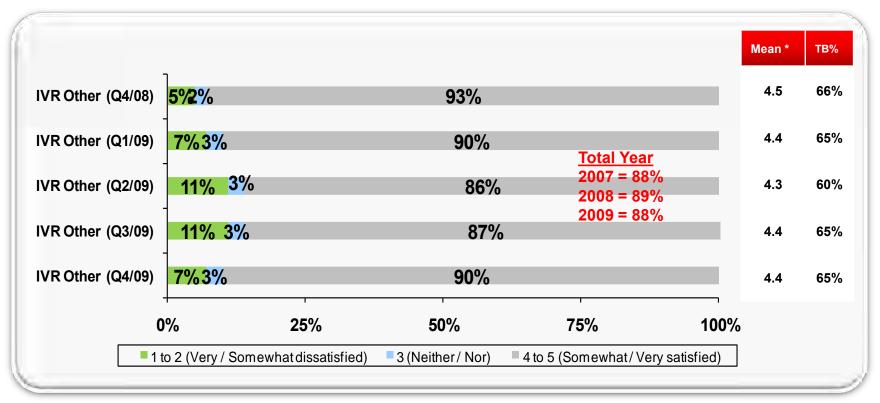
Satisfaction with Call



Satisfaction with Call to Hydro One (Q4/08, Q1/09, Q2/09, Q3/09, Q4/09)



Overall satisfaction with the call is unchanged this Quarter. 2009 scores are the same as previous year overall satisfaction scores.



*Mean: Very Satisfied (5) to Very Dissatisfied (1)

- 3. How satisfied were you overall with the call to Hydro One?
- 74 N (Q4/Q1/Q2/Q3/Q4) = Total IVR Self Serve (295/296/297/296/296)



Overall Satisfaction by Reason for Call to Hydro One (Q4/08, Q1/09, Q2/09, Q3/09, Q4/09)



Satisfaction levels by reason for the call (as stated by callers) remain unchanged Quarter to Quarter.

	*Top 2 box (Very / Somewhat Satisfied)							
	Q4/08 (n=295)	Q1/09 (n=296)	Q2/09 (n=297)	Q3/09 (n=296)	Q4/09 (n=296)			
	% satisfied	% satisfied	% satisfied	% satisfied	% satisfied			
Caller Satisfaction Score	93	90	86	87	90			
Payment / Bills (NET NET) (payment issues NET, bill question / problem NET) (n ~ 90)*	88	91	80	87	85			
Payment Issues (NET) (n ~ 80)*	91	91	86	86	88			
Bill Question / Problem (NET) (n ~ 10)*	40	75	50	100	73			
Outage Reporting / Update (NET NET) (outage report NET) (n ~ 5)*	100	-	-	100	50			
Outage Reporting (NET) (n ~ 5)*	100	-	-	100	50			
Meter Issues (NET) (n ~ 100)*	94	92	92	88	93			
Account Balance (NET) (n ~ 90)*	94	91	86	89	95			
Other (NET) (n ~ 10)*	100	60	79	55	63			

3. How satisfied were you overall with this call to Hydro One? Would you say you were...

*Represents approximate average sample size in each Quarter



Reasons Not Satisfied with Call to Hydro One* (Q4/08, Q1/09, Q2/09, Q3/09, Q4/09)



Dissatisfaction is mainly tied to general customer dislike or resolution challenges with the automated systems. These results are typical of every Quarter.

	Q4'08	Q1'09	Q2'09	Q3'09	Q4'09
Total Automated System Mentions (NET NET)	62	57	42	64	59
(automated system dislike NET, automated system resolution issues NET)					
Automated System Dislike (NET) (dislike automated system)	29	37	27	31	24
Automated System Resolution Issues (NET) (couldn't get through to a live rep, too cumbersome, want to be able to quickly speak to live rep, never did / couldn't speak with a human, automate system couldn't hear me / understand my voice / response)	38	30	20	54	41
Information Issues (NET) (did not say when action would be taken, did not get answers needed, would not arrange meter reading, wouldn't discuss account / not my name, was unable to resolve why bill was so high)	10	13	26	10	21
Bill/Payment (NET) (equal billing too high, no flexibility in payment terms, won't accept cc payment, other billing mentions, other payment mentions)		13	7	8	7
Performance Issues (NET) (general poor service, rude / unprofessional, not a good listener)	5	3	5	10	3
Commitments not met (NET) (promised a return call / haven't received, left message requesting call back and no reply)		3	5	-	3
Disconnection Threats (NET) (dissatisfied with collection process / threats, threats made to cut power)		7	-	3	3
Wait / Hold time (NET) (put on hold too long)	5	-	2	-	-
Access (NET NET) (number of calls required)	-	-	2	3	-
Number of Calls Required (NET) (had to make too many calls to resolve issue)	-	-	2	3	-
Other (NET) (e.g. too many IVR menu items, meter read, but not in system, incorrect call hrs. on my bill, too many personal details requested, told me what I already knew, etc.)	14	7	24	13	21

4. Why were you not satisfied overall with the call? N = Total IVR Self Serve (21/30/41/39/29)

* Caution, small base sizes





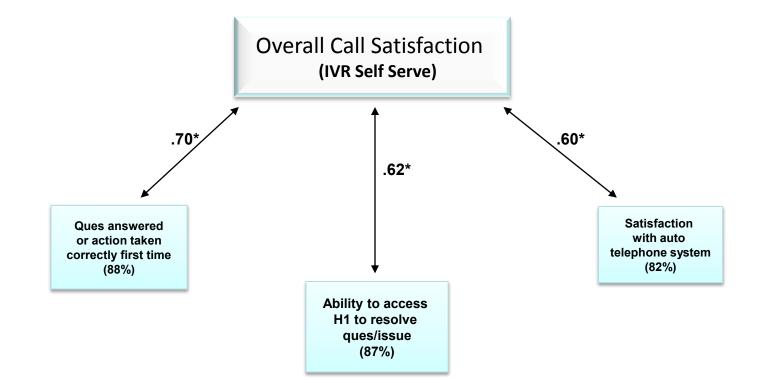
Satisfaction with 'process' issues is unchanged this Quarter.

			F	Process Iss	ues		Mean *	TB%
g. Your question getting answered or the action getting taken	IVR Self Serve (Q4/08)	<mark>5%</mark> 2%		93%			4.6	72%
	IVR Self Serve (Q1/09)	- 7%1%		92%			4.5	69%
	IVR Self Serve (Q2/09)	11% 1%		88%			4.3	65%
correctly, first time	IVR Self Serve (Q3/09)	- 9% 2%		90%			4.4	67%
	IVR Self Serve (Q4/09)	<mark>6%</mark> 2%		92%			4.6	74%
I. Your ability to access Hydro One to resolve your questions or problems	IVR Self Serve (Q4/08)	- 8%2%		90%			4.4	67%
	IVR Self Serve (Q1/09)	<mark>8%2</mark> %		90%			4.4	63%
	IVR Self Serve (Q2/09)	12% 1%		87%			4.3	60%
	IVR Self Serve (Q3/09)	11% 2%		87%			4.3	63%
	IVR Self Serve (Q4/09)	<mark>7%2</mark> %		91%			4.5	66%
	()%	25%	50%	75%	100%		
	Bottom 2 (So	mewhat / Very	/ dissatisfied)	Neither Nor T	op 2 (Very / Som	ewhat satisfie	ed)	

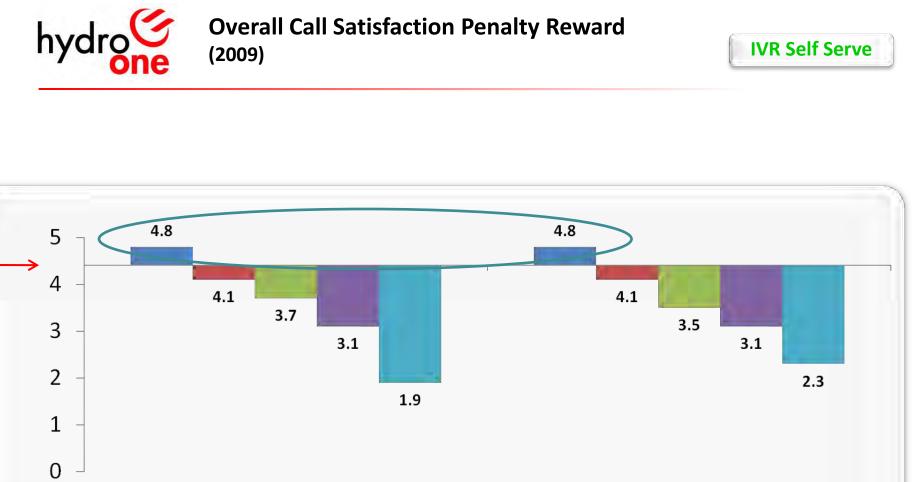
5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with... N = Total IVR Self Serve (172-299)







*Correlation coefficients derived from July/08– June /09 IVR Self Serve dataset N = +/- 1,180



 Overall Sat IVR Self
 5g. Your question getting answered or the action getting taken correcity the first time
 5l. Your ability to access Hydro One to resolve your questions or problems

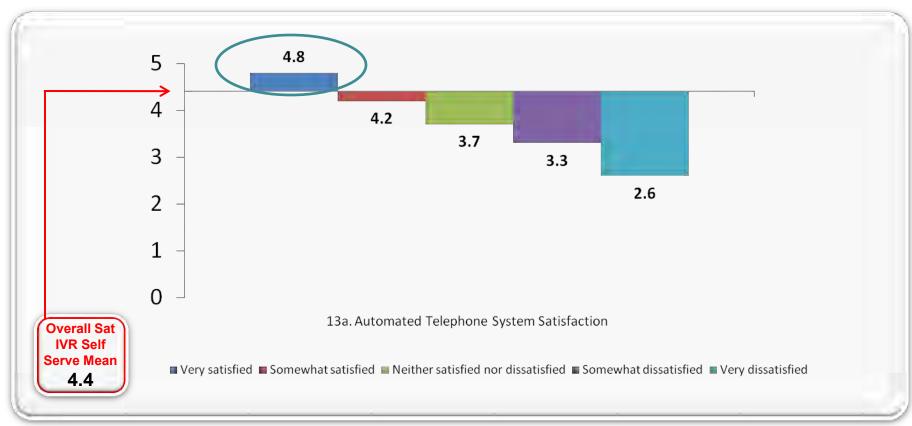
 4.4
 Very satisfied
 Somewhat satisfied
 Neither satisfied nor dissatisfied
 Somewhat dissatisfied
 Very dissatisfied

N (2009) = Total IVR Self Serve (1185/1185)

Mean Scores Shown (5 point satisfaction scale)

- 3. Overall satisfaction with call
- 5g. Your question getting answered or the action getting taken correctly, first time
- 5l. Your ability to access Hydro One to resolve your questions or problems





N (2009) = Total IVR Self Serve (1185)

Mean Scores Shown (5 point satisfaction scale)

IVR Self Serve

3. Overall satisfaction with call

13a. When you made your most recent call to Hydro One, you were initially connected to an automated telephone system. Overall, how satisfied were you with Hydro One's automated telephone answering system? Would you say you were...



Connection & Call Resolution Issues

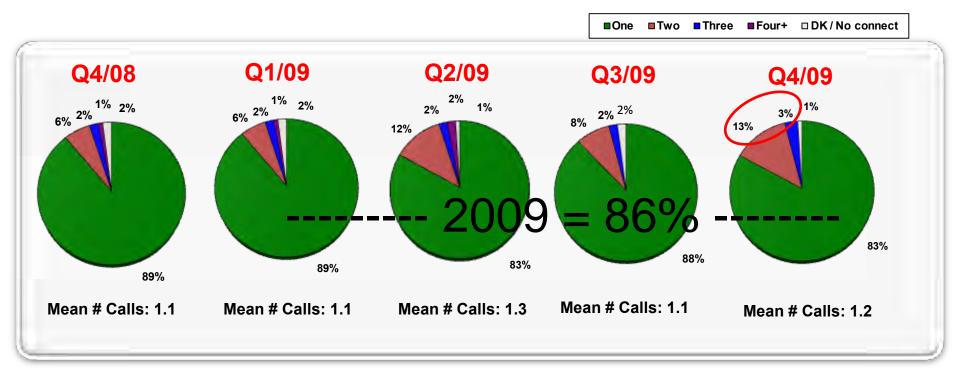
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Number of Calls Made Before Connection to Hydro One's Automated System Menu (Q4/08, Q1/09, Q2/09, Q3/09, Q4/09)



In Q4/09, more callers have had to call more than once before connecting with the automated system menu than in Q3/09.



8. For this most recent call, how many times did you have to try Hydro One's telephone number before you were connected to the menu in the automated voice system?

N (Q4/Q1/Q2/Q3/Q4)= IVR Self Serve callers (301/300/300/300/300)



Reasons Had to Make More than One Call to Connect with Automated System Menu* (Q4/08, Q1/09, Q2/09, Q3/09, Q4/09)



Among all IVR Self Serve callers in Q4/09, 3% encountered busy lines. This is unchanged vs. last Quarter.

	Reasons %*					
	Q4/08*	Q1/09*	Q2/09*	Q3/09*	Q4/09*	
IVR Difficulty (NET) (phone system did not connect properly, general problems with automated system menu / pressed wrong number / accessed wrong menu)	22	26	33	37	41	
Inconvenient (NET) (hung up while on hole, wanted to immediately speak to live rep)	15	7	12	13	22	
Access Busy / IVR Busy (NET NET)	48	33	31	30	<u>(17)</u> €	
(lines busy NET, IVR busy NET)						
IVR Busy (NET) (message 'due to heavy call volumes we are unable to take your call at this time')	-	-	4	3	0	
Lines Busy (NET) (couldn't get through, got a busy signal, recorded message stating all lines busy)	48	33	27	27	17	
Difficulty at customers end (NET) (had problems with my phone)	-	-	2	7	-	
Other (NET) (had to call back to give HON more info, business office was closed, other)	4	15	2	7	11	

9. Why did it take you more than one call to be connected to the menu in the automated voice system?

N (Q4/Q1/Q2/Q3/Q4) = Total IVR Self Serve (27/27/49/30/46)

* Caution: Small base sizes



First Call Resolution (Q4/08, Q1/09, Q2/09, Q3/09, Q4/09)



First call resolution is unchanged vs. last Quarter.

First Call Resolution									
Q4/08	Q1/09	Q2/09	Q3/09	Q4/09					
93	88	87	89	92					
6	9	11	10	6	1				
1	3	3	1	2					
	Q4/08 93	Q4/08 Q1/09 93 88 6 9	Q4/08 Q1/09 Q2/09 93 88 87 6 9 11	Q4/08Q1/09Q2/09Q3/0993888789691110	Q4/08Q1/09Q2/09Q3/09Q4/0993888789926911106				

10. And once you did connect with the automated voice system, was your issue resolved on the first call, or did you need to call back more than once?

N (Q4/Q1/Q2/Q3/Q4) = Total IVR Self Serve (301/301/300/300/300)

	N	umber o	r Caliba	CKS^	
	Q4/08	Q1/09	Q2/09	Q3/09	Q4/09
One	57	42	38	27	44
Тwo	14	22	23	33	26
Three	10	-	13	18	4
Four+	5	6	13	6	4
DK	14	31	15	15	22
Mean #	1.6	1.7	2.1	2.1	1.9

Jumber of Collbooks

11. And after this initial call, how many times did you need to call back about the same issue?

N (Q4/Q1/Q2/Q3/Q4) = Total IVR Self Serve (21/36/40/33/23)

* Caution, small base sizes



Final Outcome of Call for Those Who Called 2+ Times (Q4/08, Q1/09, Q2/09, Q3/09, Q4/09)



A very small per cent (2%) of customers are stating that their issue (or the reason for their call) was 'never resolved' - even after calling 2+ times.

	Q4/08	Q1/09	Q2/09	Q3/09	Q4/09
Resolved after you followed up with Hydro One	38	36	43	52	35
Never resolved	24	36	28	21	26
Resolved after Hydro One took some other action	5	11	8	15	4
Resolved after it was passed along to someone	-	-	-	-	-
Other (volunteered)	33	17	23	12	35

13. I am going to read you a list. Please tell me which of the four describes the final outcome of your call?

2% of Total calls

N (Q4/Q1/Q2/Q3/Q4) = Total IVR Self Serve (21/36/40/33/23)

* Caution, very small base sizes



Automated Telephone Answering System

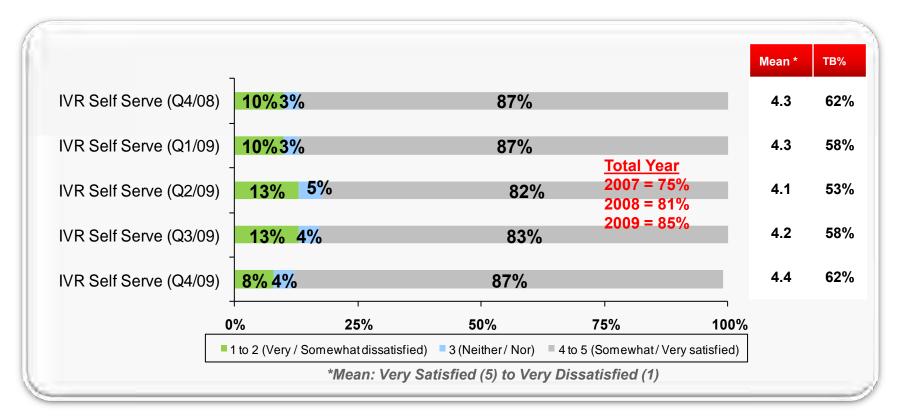
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Satisfaction with Hydro One's Automated Telephone System (Q4/08, Q1/09, Q2/09, Q3/09, Q4/09)



Satisfaction with Hydro One's automated telephone answering system is unchanged vs. last Quarter. 2009 scores are statistically the same as those in 2008.



13a. When you made your most recent call to Hydro One, you were initially connected to an automated telephone system. Overall, how satisfied were you with Hydro One's automated telephone answering system? N (Q4/Q1/Q2/Q3/Q4) = Total IVR Self Serve (301/299/298/299/299)

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Reasons Dissatisfied with Automated Phone System* (Q4/08, Q1/09, Q2/09, Q3/09, Q4/09)



Dissatisfaction is primarily tied to a general dislike of automated phone systems, a desire to speak with a representative or because calls don't get through.

	Reasons % *							
	Q4/08	Q1/09	Q2/09	Q3/09	Q4/09			
Don't like automated phone systems	30	57	55	33	36			
Wanted to speak to a live rep	27	43	20	26	36			
Could not get through	13	3	15	23	28			
Options didn't match my needs	10	10	13	13	12			
Other (e.g. too complex, IVR doesn't recognize my voice / doesn't work, takes too long to get through, didn't give reason for outage, other.)	13	7	28	15	52			
Don't know / Refused	-	-	-	-	-			

13b. Why were you not satisfied?

N = Total dissatisfied with automated phone system (IVR Self Serve = 30/30/40/39/25)

* Caution, very small base sizes



Automated Phone System Attributes (Q4/08, Q1/09, Q2/09, Q3/09, Q4/09)

No significant changes are evident in Q4/09 for the percent stating that the automated system has various features.

	% Stating Yes							
	Q4/08	Q1/09	Q2/09	Q3/09	Q4/09			
Was the system easy to use?	95	93	92	94	94			
Did the system get you where you wanted to go?	96	94	93	93	94			
Did the menu categories include the reason you called?	91	90	90	90	92			
Did the system provide the information you needed?	90	89	88	92	91			
Did you feel confident that your needs were understood?	92	91	89	89	90			
Was the system quick to use?	90	89	86	86	88			
Did the system give you the option of transferring directly to a representative?*	59	64	71	-	-			

14. Now I have a few questions about the automated telephone system and the menu that you had to use at the beginning of your call. For each question you can just answer yes or no. N = Total IVR Self Serve (301/301/300/300) *Not asked in Q3'09 or Q4'09



Conclusions & Recommendations

For Hydro One use only, not for further distribution.



Agent Handled Callers

- Overall satisfaction with the call remains unchanged vs.Q2 & Q3/09;
- For the full year, overall satisfaction with the call (83%) is **significantly below target (87%)**;
- Overall satisfaction with the call is poorer for 'payment or bill related' calls;
- Since the same period last year, there is a **downward trend** in 2009 in satisfaction for the call attributes...
 - getting question answered correctly,
 - rep offering a solution for the reason called,
 - rep letting know what actions will be taken at call conclusion;
- In Q4/09 there has been an improvement in satisfaction with the 'length of time on hold before speaking with a rep';



Agent Handled Callers

- On an unaided basis, dissatisfaction with the call is tied to CSR performance in terms of the information they provide and/or their inability to resolve a billing/payment issue to the caller's satisfaction;
- On key call attributes, performance must be at the 'very satisfied' level, otherwise overall satisfaction with the call is negatively impacted;
- As has been the case since tracking began, in 2009 more than 8 in 10 (85%) are connecting with the automated system on the first attempt;
- When more than one attempt has been necessary it is primarily due to IVR difficulties and to Bell lines being busy. 3% of all callers encountered this in Q4/09, unchanged vs. Q3/09;
- On average (after removal of bottom and top 5% outliers), callers perceive they are waiting about 2.5 minutes to be connected with an Agent. This is better than what they deem a reasonable wait time (3.0 minutes);



Agent Handled Callers

- The longer the perceived wait, the lower is satisfaction with the automated system and with call access attributes;
- First call resolution (81%) remains as previous and is unchanged through 2009;
- 10% of all Agent callers say their issue was never resolved. This is similar to last Quarter (9%);
- If a customer's reason for the call has never been resolved, scores are significantly lower on virtually all key measures;
- Satisfaction with Hydro One's automated telephone answering system in 2009 (74%) remains essentially as it was in 2008 (71%);



IVR Outage Callers

- Overall, many scores for Outage callers, as they were in Q3/09, remain significantly better this Quarter vs. the notable declines in Q1/09;
- Overall satisfaction with the call (82%) in 2009 is significantly poorer than in 2008 (87%), primarily due to notably poorer satisfaction scores in Q1/09 (75%);
- On an unaided basis, dissatisfaction with the call is mainly tied to automated systems dislikes or resolution problems and/or having no, or an inaccurate estimated restoration time;
- On key call attributes, performance must be at the 'very satisfied' level, otherwise overall satisfaction with the call is negatively impacted;



IVR Outage Callers

- As previously, the vast majority (85%) are connecting with the automated system on the first call. If more than one call is needed, it is typically due to an inability to connect due to busy Bell lines – 7% of all Outage callers encountered this is Q4/09 – similar to levels throughout 2009;
- First call resolution improved to 91% in Q4/09 from 82% in Q3/09;
- Satisfaction with the automated system in 2009 stands at 77%, statistically unchanged vs. last year (81%);
- Fewer agree in Q4/09 vs. Q3/09 that the outage reporting system fully explained the reason for the outage (19% vs. 27%) and since Q2/09 there is a downward trend in agreement with the 'system letting you know when power will be restored';
- Of those who received an ETR (72% in Q4/09), 37% indicated it was very accurate;
- Through 2009, there is a downward trend in customers creating an electronic trouble ticket.



IVR Self Serve Callers

- Overall satisfaction with the call among IVR Self Serve callers (88%) in 2009 is as it was last year (89%). Regardless of reason for the call, satisfaction is similar;
- Dissatisfaction with the call is primarily tied to automated system dislikes or system resolution issues and/or shortcomings in the information provided by CSRs;
- On key call attributes, performance must be at the 'very satisfied' level, otherwise overall satisfaction with the call is negatively impacted;
- Relative to Q3/09, fewer callers are connecting to the automated system on their first attempt (83% vs. 88% in Q3/09). Those who are not, are encountering busy Bell lines with about 3% of all IVR Self Serve callers encountering this in Q4/09 similar to the balance of the year;



IVR Self Serve Callers

- First call resolution in Q4/09 (92%) is as it has been through the year;
- Among all Self Serve callers in Q4/09, 2% did not get the reason for their call resolved – a level similar to previous Quarters;
- Satisfaction (85%) with the automated system in 2009 is essentailly as it was in 2008 (81%).



Recommendations for Consideration

Caller Satisfaction

- Implement or continue efforts to ensure that once a CSR is connected with a customer...
 - they have immediate access to current and complete information regarding customer accounts, outages status, HON services, etc.;
 - they can easily navigate from one customer file/info source (e.g. billing) to another (e.g. new connections, field service schedule)
 - they achieve first call resolution when possible and for those customers not getting first call resolution, focus on ensuring that their issue/problem is eventually resolved. Consider follow up calls as appropriate. Assign accountability to follow issue to completion;
 - they have as much empowerment as economically sensible (e.g. to resolve billing issues);



Recommendations for Consideration (cont'd)

In terms of broader call handling...

- Customer 'delight' must be the goal. For key CSR and process elements, strive to achieve 'very satisfied' scores. Even when a caller is just 'somewhat satisfied' with an element, their overall satisfaction with the call is negatively impacted.
- Review customer care protocols and call quality management are they focused on the right things?

For example, from the analysis of the past year's dataset, we know that there is notable correlation between overall caller satisfaction and...

- questions getting answered or actions getting taken correctly the first time;
- representatives offering a solution for the reason called;
- representatives letting you know what action will be taken when call is finished;
- representative providing accurate information;
- representatives understanding what wanted/needed;
- ability to access Hydro One to resolve question/problem;
- representatives answering questions promptly, and
- representatives showing a genuine commitment to help.

...Are these factors considered in resource planning, actions being taken and CSR training?



Recommendations for Consideration (cont'd)

Caller Access to the Call Centre/to an Agent

- Investigate solutions to improve ease and speed of initial access to the automated voice system menu and/or to an Agent – what can Hydro One impact directly vs. what is solely in control of the phone service provider?
- Is menu navigation as intuitive, efficient and precise as it can be? Over the coming months, review key measures to see if the new menu format introduced in November/09 is improving customer perceptions/experiences;
- Callers generally prefer to deal directly with an (knowledgeable and competent) Agent. If cost beneficial, implement solutions to make it easier for customers to have this availability;



Recommendations for Consideration (cont'd)

Outage Reporting System

 Consider cost effective approaches to provide better explanations re why there is an outage and to better estimate power restoration times;

Share the News

- Where there is positive movement in scores, Kudos should be shared with all involved. Acknowledge that which has been effective;
- Convene a CSR round-table discussion to identify root cause(s) for not meeting overall satisfaction targets in 2009 for Agent Handled calls;

Determine

• What has been learned about the notable decline in Outage callers scores in Q1/09 and the notable rebound seen in the balance of the year?



Appendix

- Open end reasons for dissatisfaction with call specifics (Agent)
- Monthly data charts

For Hydro One use only, not for further distribution.



Open End Reasons for Dissatisfaction With Call Specifics (Agent)

For Hydro One use only, not for further distribution.



Reasons Dissatisfied with *'ease of getting through to a rep to discuss your question or problem'* (Q4/08, Q1/09, Q2/09, Q3/09, Q4/09)



	Reasons Dissatisfied %*							
	Q4/08	Q1/09	Q2/09	Q3/09	Q4/09			
IVR Issues (NET) (problem with menu system, dislike the IVR)	56	71	57	62	39			
Access to person (NET) (never spoke to / got in touch with anyone, haven't received callback, long wait times on hold)	34	39	40	47	39			
Agent knowledge / Skill (NET) (CSR had no knowledge, no solution offered)	6	-	6	9	18			
CSR Rude / Uncaring / Unprofessional (NET) (CSR rude, uncaring, unprofessional, unhelpful)	9	-	3	-	4			
Hydro One Policy Issue (NET) (disconnection still going to be done)	-	-	-	9	4			
Other	3	_	9	_	7			

6. You said you weren't satisfied with the ease of getting through to a representative to discuss your question or problem. Why is that?

N (Q4/Q1/Q2/Q3/Q4)= Total dissatisfied Agent handled callers (32/31/35/34/28)

* Caution, small base sizes



Reasons Dissatisfied with 'length of time you had to be on hold before you actually spoke with a representative' (Q4/08, Q1/09, Q2/09, Q3/09, Q4/09)



	Reasons Dissatisfied %*							
	Q4/08	Q1/09	Q2/09	Q3/09	Q4/09			
Access to person (NET) (never spoke to / got in touch with anyone, long wait times on hold)	88	65	83	87	84			
IVR Issues (NET) (problem with menu system, dislike the IVR)	12	29	14	19	21			
Agent knowledge / Skill (NET) (no explanation for billing policy change / why bill is so high, no solution offered for my billing problem)	-	6	3	6	5			
CSR Rude / Uncaring / Unprofessional (NET) (CSR rude, uncaring / unprofessional / unhelpful)	-	-	-	-	-			
Other	-	6	10	3	16			

6. You said you weren't satisfied with the length of time you had to be on hold before you actually spoke with a representative. Why is that?

N (Q4/Q1/Q2/Q3/Q4)= Total dissatisfied Agent handled callers (17/17/29/31/19)

* Caution, small base sizes



Reasons Dissatisfied with 'the representative offering a solution for the reason you called' (Q4/08, Q1/09, Q2/09, Q3/09, Q4/09)



	Reasons Dissatisfied %*								
	Q4/08	Q1/09	Q2/09	Q3/09	Q4/09				
Agent knowledge / Skill (NET) (CSR had no knowledge, no solution offered, told I had to wait until I get my bill to see if problem is resolved)	68	78	95	88	83				
Information Issues (NET) (no time frame for restoration)	9	-	-	-	4				
Access to person (NET) (haven't received callback)	-	-	-	4	4				
CSR Rude / Uncaring / Unprofessional (NET) (CSR rude, uncaring, unprofessional, unhelpful)	9	13	6	8	-				
Hydro One Policy Issue (NET) (disconnection still going to be done)	5	13	-	-	-				
Other	9	4	_	-	13				

6. You said you weren't satisfied with the representative offering a solution for the reason you called. Why is that?

N (Q4/Q1/Q2/Q3/Q4)= Total dissatisfied Agent handled callers (22/23/18/25/23)

* Caution, small base size



Reasons Dissatisfied with 'your question getting answered or the action getting taken correctly, the first time'* (Q4/08, Q1/09, Q2/09, Q3/09, Q4/09)



	Reasons Dissatisfied %*							
	Q4/08*	Q1/09*	Q2/09*	Q3/09*	Q4/09*			
Agent knowledge / Skill (NET) (CSR had no knowledge, no solution offered, no explanation for billing policy change / why bill is so high, told I had to wait until I get my bill to see if problem is solved)	50	61	52	52	47			
Access to person (NET) (never spoke to / got in touch with anyone, haven't received callback, long wait times on hold)	17	13	-	10	13			
CSR Rude / Uncaring / Unprofessional (NET) (CSR rude, uncaring, unprofessional, unhelpful)	17	9	4	14	13			
IVR Issues (NET) (problem with menu system, dislike the IVR)	-	-	4	-	13			
Information Issues (NET) (no time frame for restoration)	-	-	4	5	-			
Hydro One Policy Issue (NET) (disconnection still going to be done, won't read / check my meter)	8	22	8	5	-			
Other	-	9	28	24	20			

6. You said you weren't satisfied with your question getting answered or the action getting taken correctly, the first time. Why is that?

N (Q4/Q1/Q2/Q3/Q4)= Total dissatisfied Agent handled callers (12/23/25/21/30)

* Caution, small base size



Reasons Dissatisfied with 'ability to access Hydro One to resolve your questions or problems'* (Q4/08, Q1/09, Q2/09, Q3/09, Q4/09)



	Reasons Dissatisfied %*							
	Q4/08	Q1/09	Q2/09	Q3/09	Q4/09			
IVR Issues (NET) (problem with menu system, dislike the IVR)	36	56	39	46	59			
Access to person (NET) (never spoke to / got in touch with anyone, haven't received callback, long wait times on hold)	32	17	36	42	41			
Agent knowledge / Skill (NET) (CSR had no knowledge, no solution offered)	29	28	23	17	12			
CSR Rude / Uncaring / Unprofessional (NET) (CSR rude, uncaring, unprofessional, unhelpful)	4	-	3	-	6			
Information Issues (NET) (no time frame for restoration)	4	-	-	-	-			
Hydro One Policy Issue (NET) (won't read / check my meter)	4	-	-	-	-			
Other	11	11	13	8	18			

6. You said you weren't satisfied with your ability to access Hydro One to resolve your questions or problems. Why is that?

N (Q4/Q1/Q2/Q3/Q4)= Total dissatisfied Agent handled callers (28/18/31/24/17)

* Caution, small base size





The reasons that Agent Handled callers need to call back more than once varies.

	Reasons % *							
	Q4/08*	Q1/09*	Q2/09*	Q3/09*	Q4/09*			
Provide / Get information (NET) (needed to give the rep more info, HON needed time to access info, confirm appointment)	19	72	35	23	37			
Commitments not met (NET) (meter reader didn't show up, didn't receive callback, power not restored when they said it would)	10	-	6	15	11			
IVR / Phone system issues (NET) (cut off, on hold too long – hung up, general menu difficulties)	10	7	6	15	-			
Other (NET) (didn't like the first answer, problem not resolved first call, other)	62	21	47	46	47			

12. I am going to read you a list. Please tell me which of the these describes the reason you needed to call back more than once?

N (Q4/Q1/Q2/Q3/Q4) = Total Agent Handled (21/14/17/13/19)

* Caution, small base sizes



Monthly Data Charts

Call Centre Transaction Satisfaction Tracking

Ending Quarter 4, 2009

Prepared by: Forum Research Inc.

January, 2010

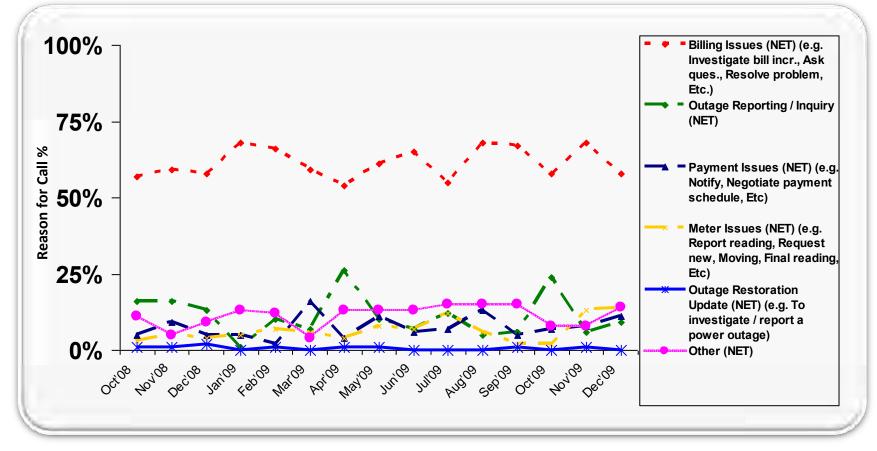


Monthly Data Charts Oct/08 – Dec/09 Agent Handled

For Hydro One use only, not for further distribution.



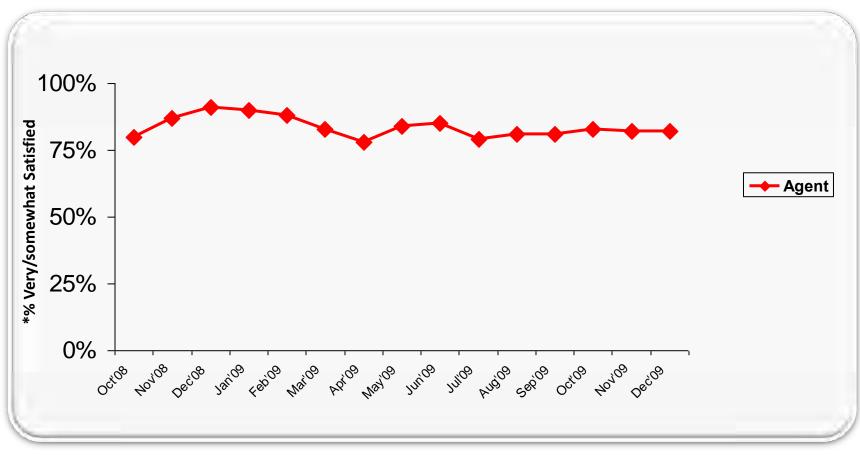




2. Now please think about the call you made to Hydro One in the past few days. What was the reason for this call?

N = Total Agent Handled (99-125)





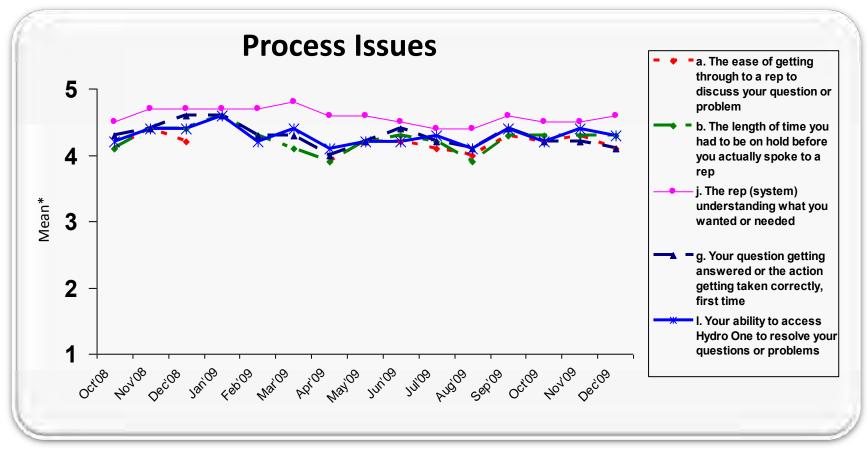
3. How satisfied were you overall with the call to Hydro One? Monthly N = Agent Handled (~100)



Satisfaction With Call Specifics

AGENT

(by Mean Satisfaction Value)

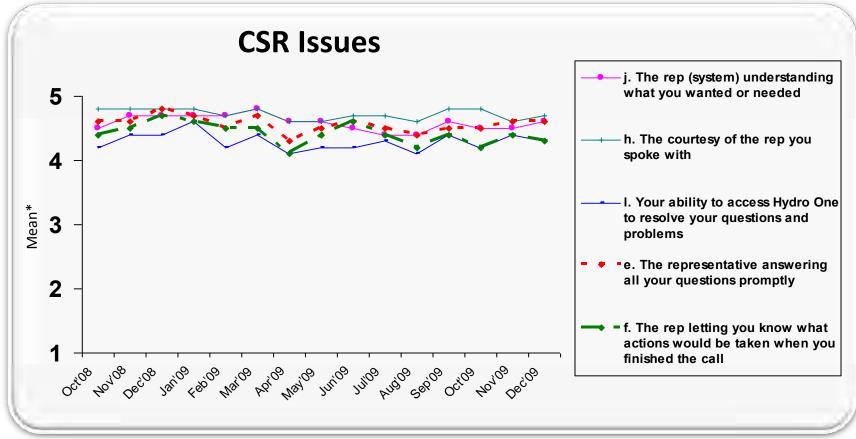


5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with...

N = Total Agent Handled (89-103) *Mean: Very Satisfied (5) to Very Dissatisfied (1)

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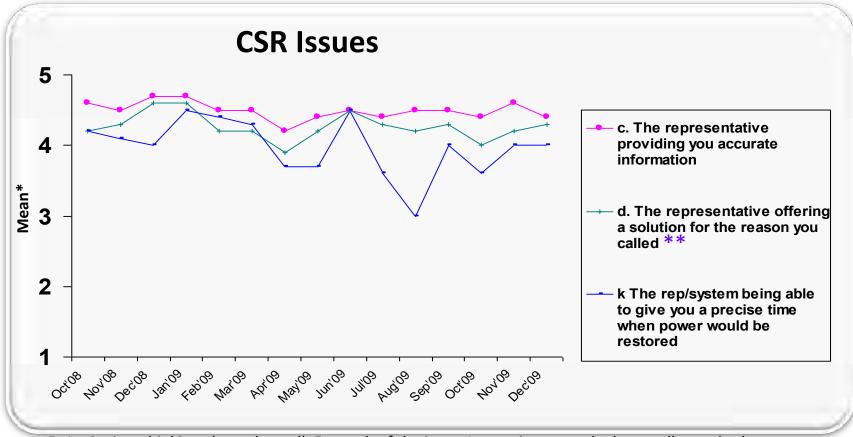




5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with...

N = Total Agent Handled (93-122) *Mean: Very Satisfied (5) to Very Dissatisfied (1)





5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with...

*Mean: Very Satisfied (5) to Very Dissatisfied (1)

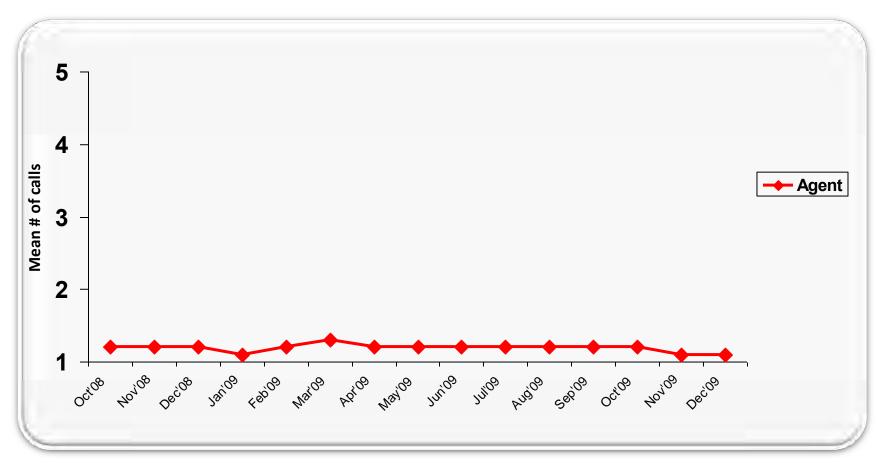
N = Total Agent Handled (93-122)

**Note very low sample for attribute K on a monthly basis, interpret results with caution



Number of Calls Made Before Connections to Hydro One's Automated System Menu



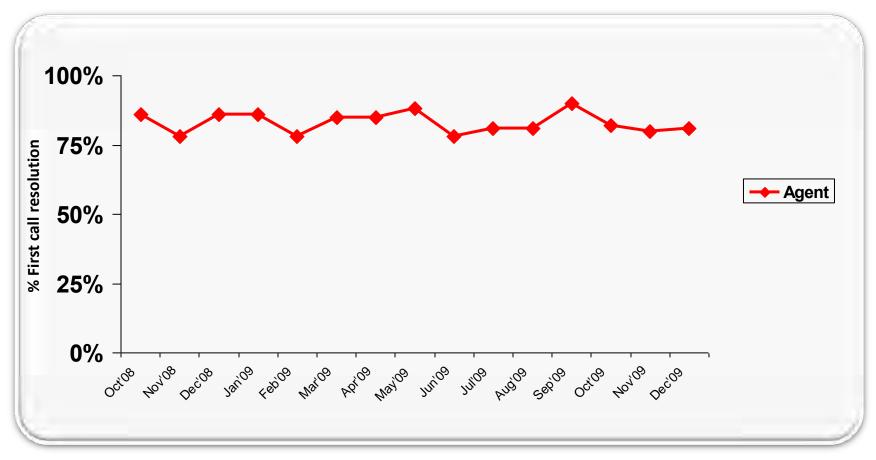


8. For this most recent call, how many times did you have to try Hydro One's telephone number before you were connected to the menu in the automated voice system?

N = Total Agent Handled (100-105)







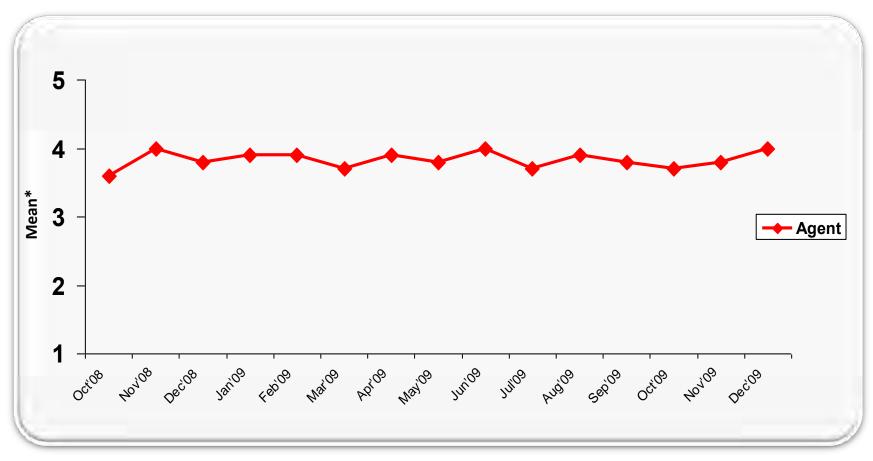
10. And once you did get through to a representative, was your issue resolved on the first call, or did you need to call back more than once?

N = Total Agent Handled (99-105)



Satisfaction with Hydro One's Automated Telephone Answering System





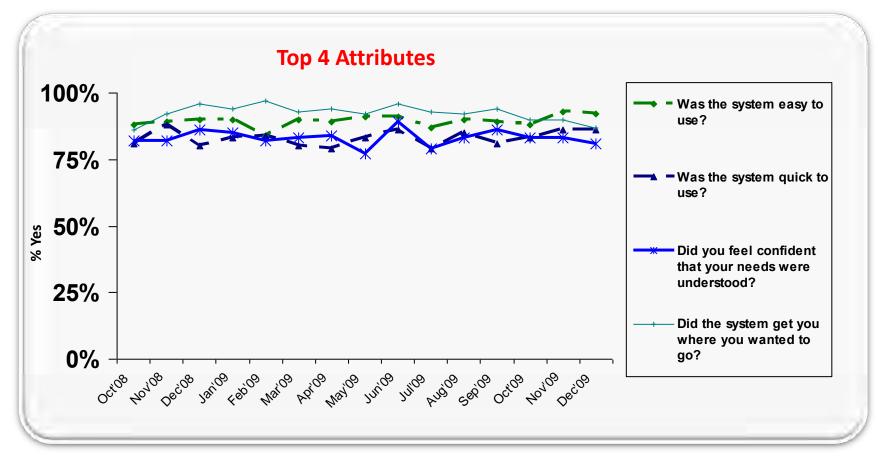
13a. When you made your most recent call to Hydro One, you were initially connected to an automated telephone system. Overall, how satisfied were you with Hydro One's automated telephone answering system?N = Total Agent Handled (98-105)

* Mean: Very Satisfied (5) to Very Dissatisfied (1)



Automated Phone System Attributes





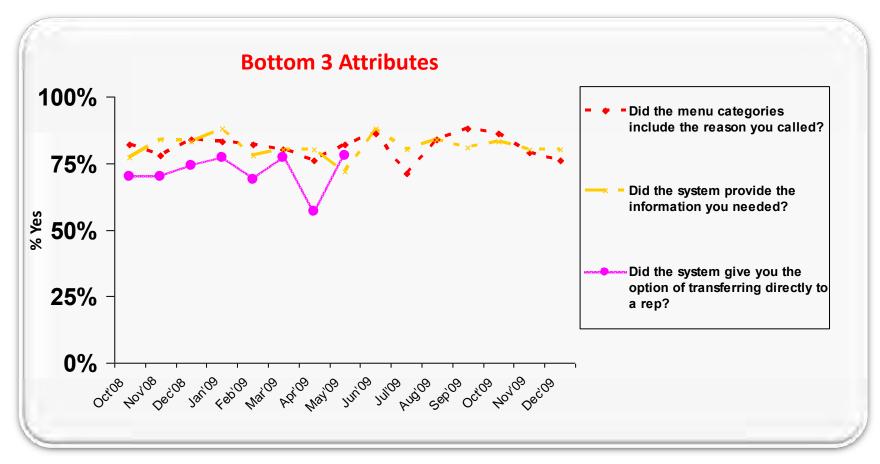
14. Now I have a few questions about the automated telephone system and the menu that you had to use at the beginning of your call. For each question you can just answer yes or no.

N = Total Agent Handled (98-105)



Automated Phone System Attributes

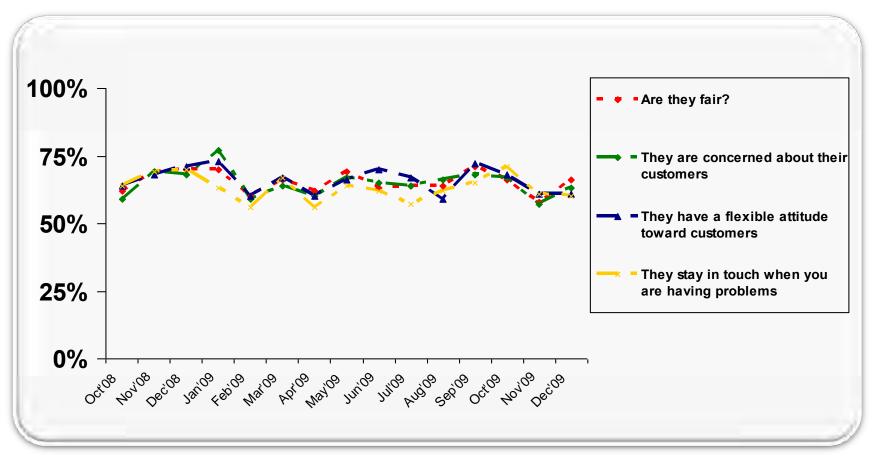
AGENT



14. Now I have a few questions about the automated telephone system and the menu that you had to use at the beginning of your call. For each question you can just answer yes or no.

N = Total Agent Handled (100-105)





AGENT

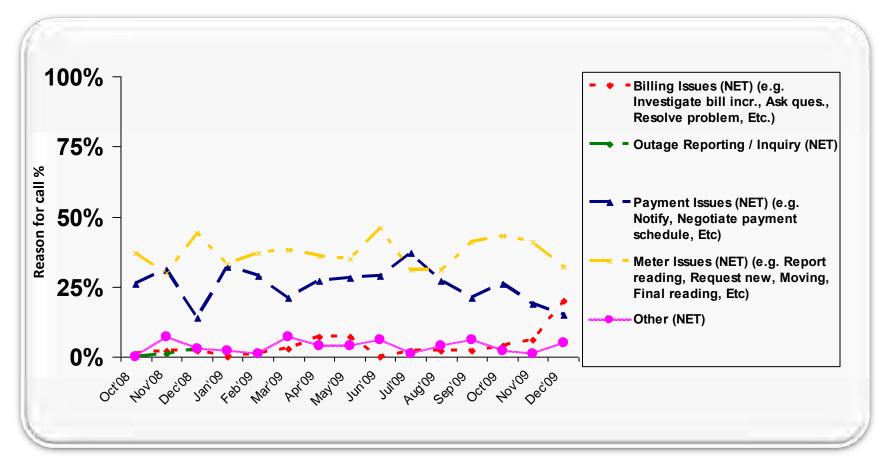
1. First of all, as I read some statements about HYDRO ONE , please rate how much you agree or disagree by giving me a number between 1 and 10.

N = Total Agent Handled callers having an opinion (84-105) *Mean: Completely agree (10) to Completely disagree



Monthly Data Charts Oct/08 – Dec/09 IVR Self Serve

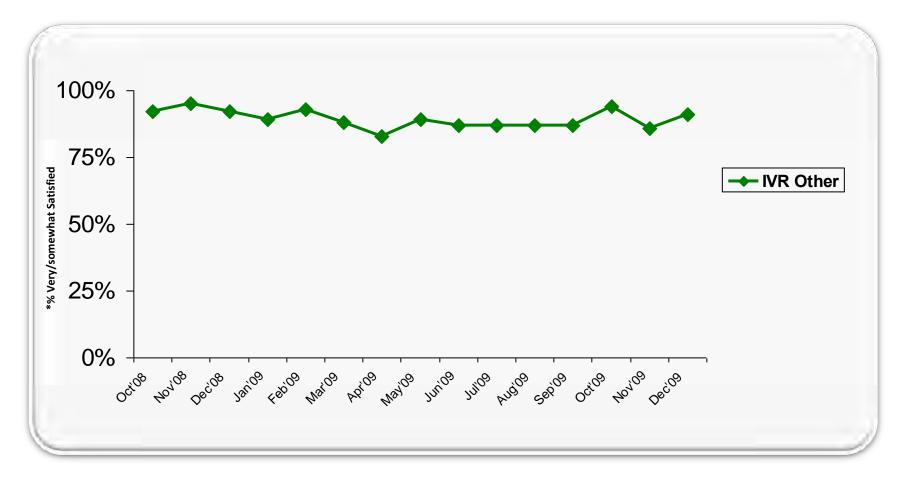




2. Now please think about the call you made to Hydro One in the past few days. What was the reason for this call?

N = Total IVR Self Serve (67-103)

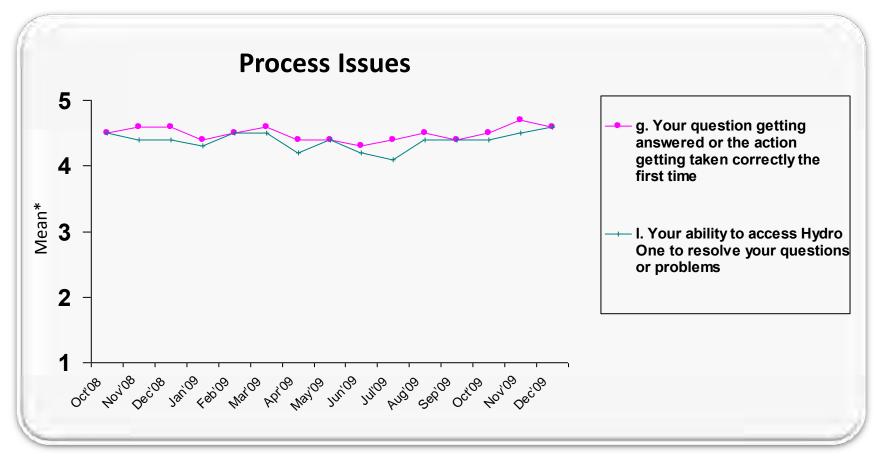




3. How satisfied were you overall with the call to Hydro One?

Monthly N = IVR Self Serve (~100)





5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with...

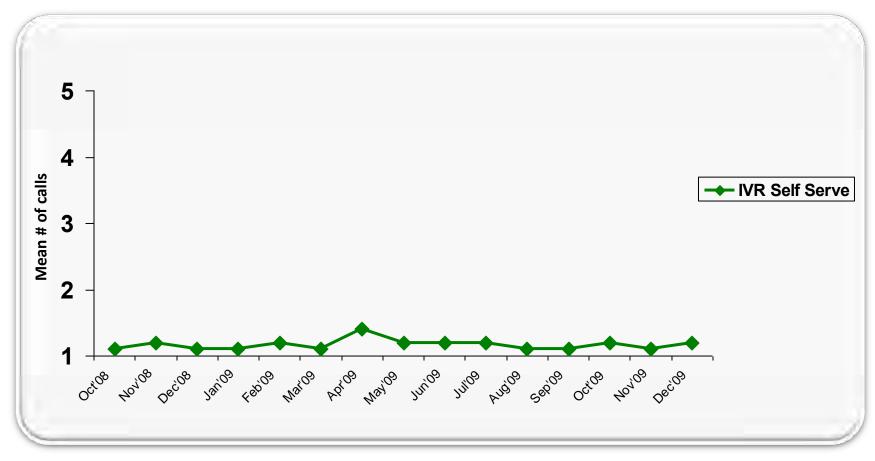
N = Total IVR Self Serve (65-99) *Mean: Very Satisfied (5) to Very Dissatisfied (1)



Number of Calls Made Before Connection

to Hydro One's Automated System Menu

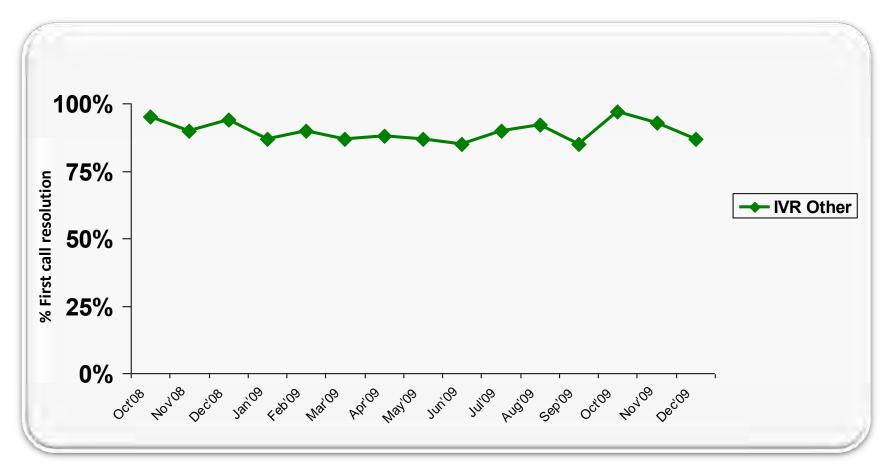




8. For this most recent call, how many times did you have to try Hydro One's telephone number before you were connected to the menu in the automated voice system?

N = Total IVR Self Serve (65-103)





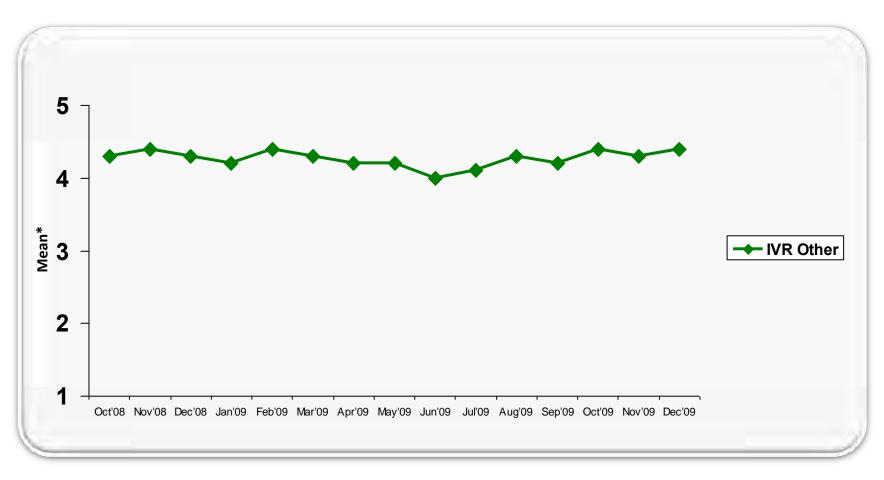
10. And once you did get through to a representative, was your issue resolved on the first call, or did you need to call back more than once?

N = Total IVR Self Serve (67-103)



129

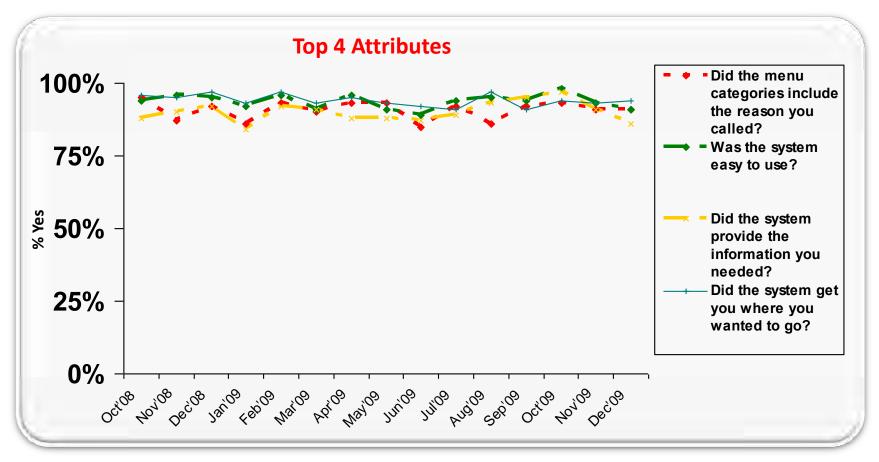
IVR Self Serve



13a. When you made your most recent call to Hydro One, you were initially connected to an automated telephone system. Overall, how satisfied were you with Hydro One's automated telephone answering system? N = Total IVR Self Serve (67-101)

* Mean: Very Satisfied (5) to Very Dissatisfied (1)





14. Now I have a few questions about the automated telephone system and the menu that you had to use at the beginning of your call. For each question you can just answer yes or no.

N = Total IVR Self Serve (67-103)



Bottom 3 Attributes Was the system 100% quick to use? Did you feel 75% confident that your needs were understood? ^୬ % 50% Did the system give you the option of transferring directly to a rep?* 25% 0% OC HON OR IS SAT LED WAT DO WAY DUTO THE PAGE OF OR TO DECO

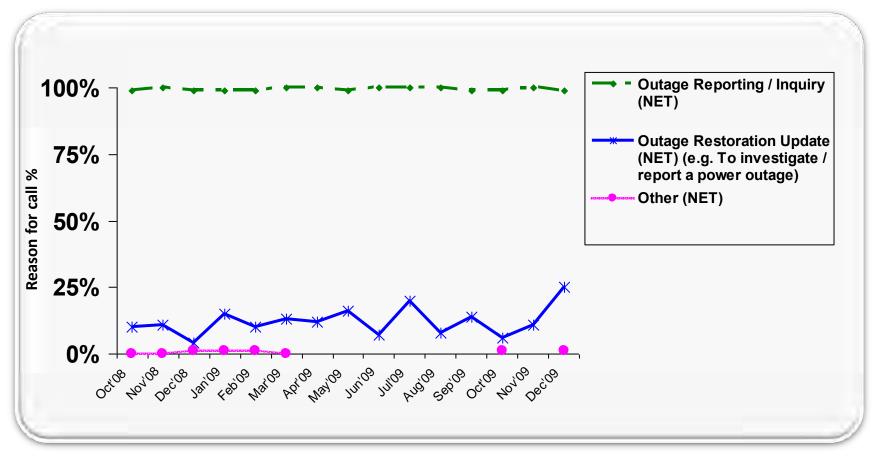
14. Now I have a few questions about the automated telephone system and the menu that you had to use at the beginning of your call. For each question you can just answer yes or no.

N = Total IVR Self Serve (67-101) *Not asked in Q3'09 / Q4'09



Monthly Data Charts Oct/08 – Dec/09 IVR Outage





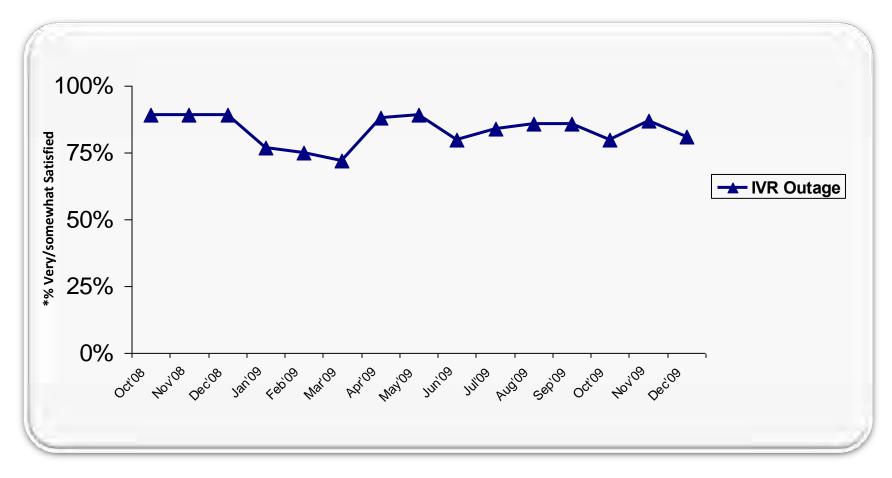
IVR Outage

2. Now please think about the call you made to Hydro One in the past few days. What was the reason for this call?

N = Total IVR Outage (100-105)







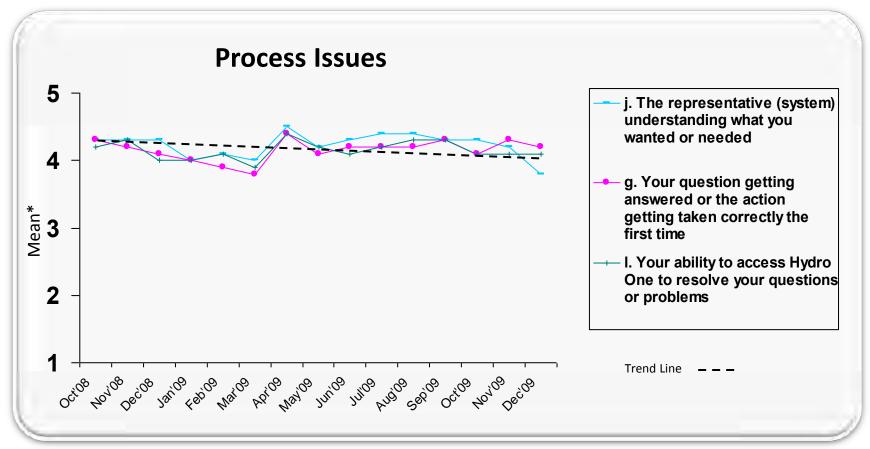
3. How satisfied were you overall with the call to Hydro One?

Monthly N = IVR Outage (~100)



Satisfaction with Call Specifics

IVR Outage



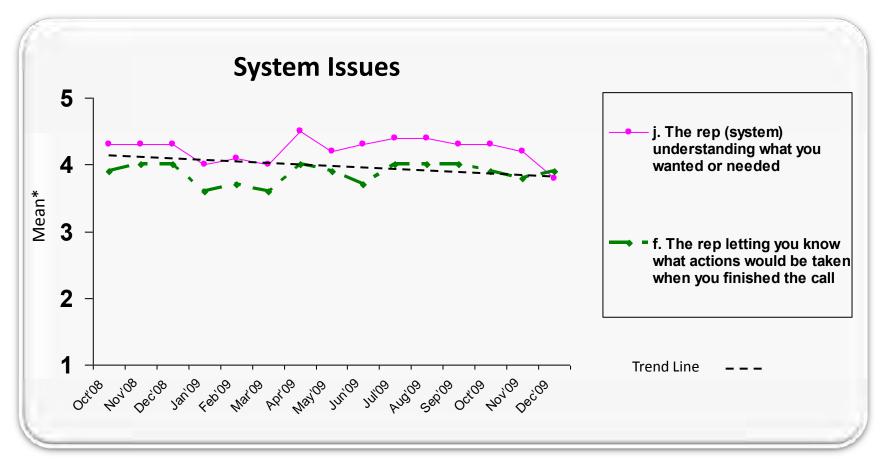
5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with...

N = Total IVR Outage (90-102) *Mean: Very Satisfied (5) to Very Dissatisfied (1)



Satisfaction with Call Specifics

IVR Outage



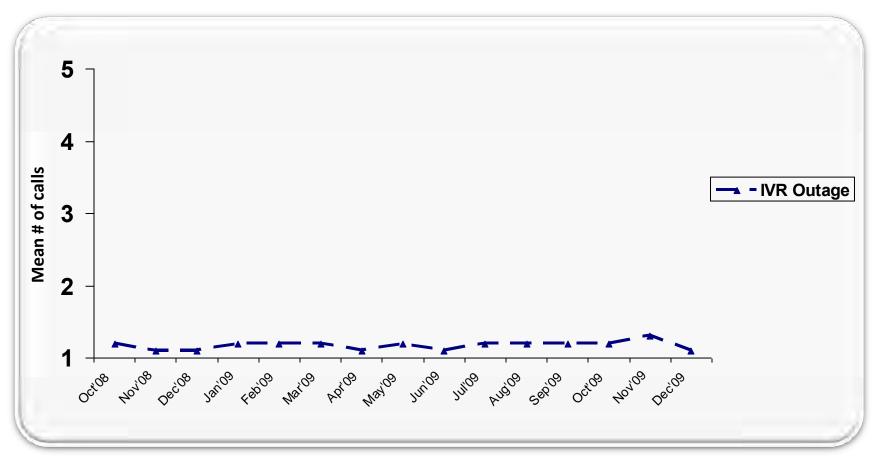
5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with...

N = Total IVR Outage (83-100) *Mean: Very Satisfied (5) to Very Dissatisfied (1)



Number of Call Made Before Connection to Hydro One's Automated System



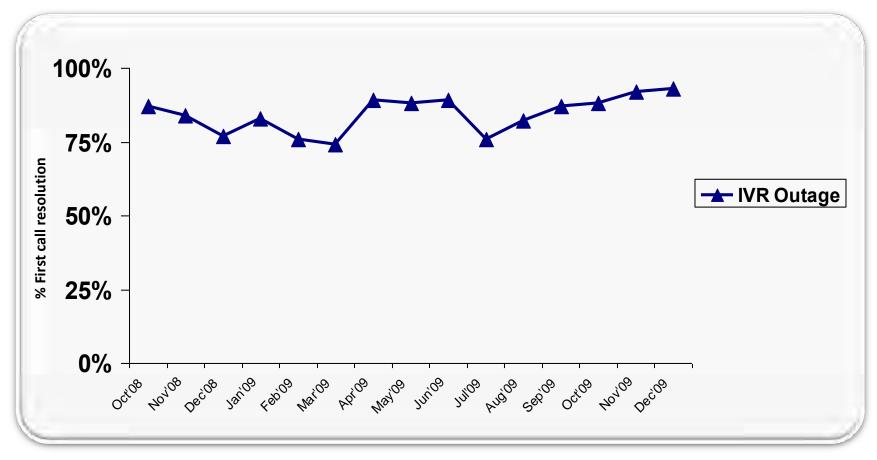


8. For this most recent call, how many times did you have to try Hydro One's telephone number before you were connected to the menu in the automated voice system?

N = Total IVR Outage (100-105)







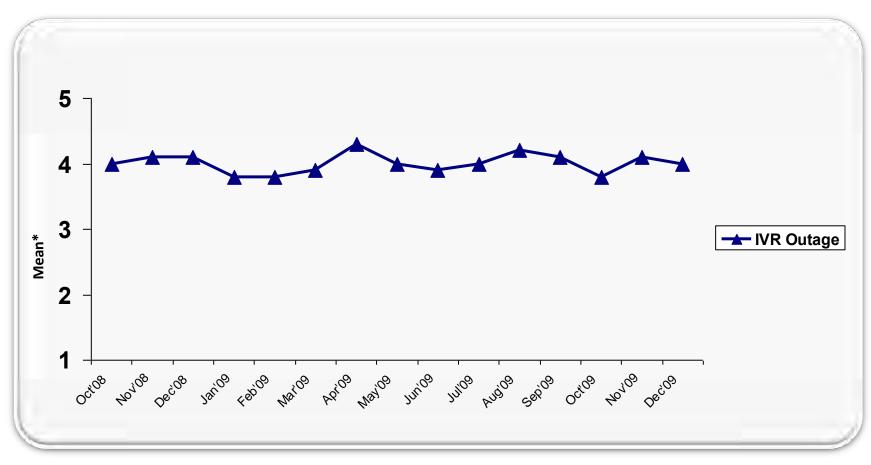
10. And once you did get through to a representative, was your issue resolved on the first call, or did you need to call back more than once?

N = Total IVR Outage (100-105)



Satisfaction with Hydro One's Automated Telephone Answering System

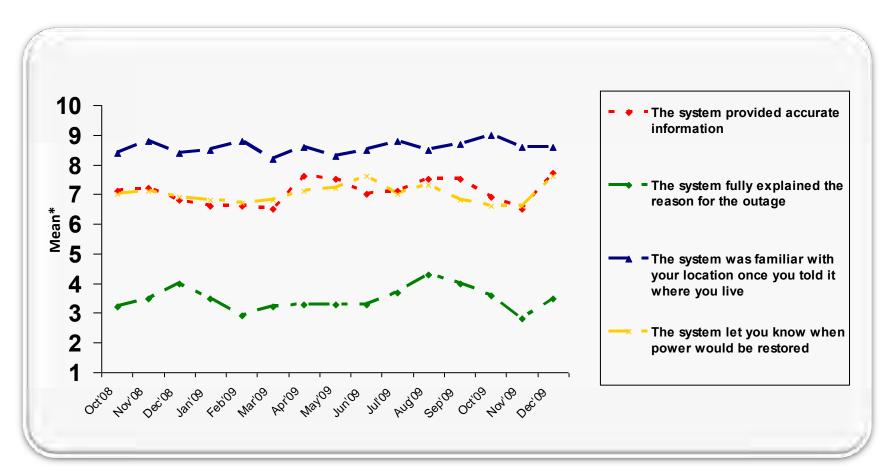




13a. When you made your most recent call to Hydro One, you were initially connected to an automated telephone system. Overall, how satisfied were you with Hydro One's automated telephone answering system?

N = Total IVR Outage (99-105) * Mean: Very Satisfied (5) to Very Dissatisfied (1)





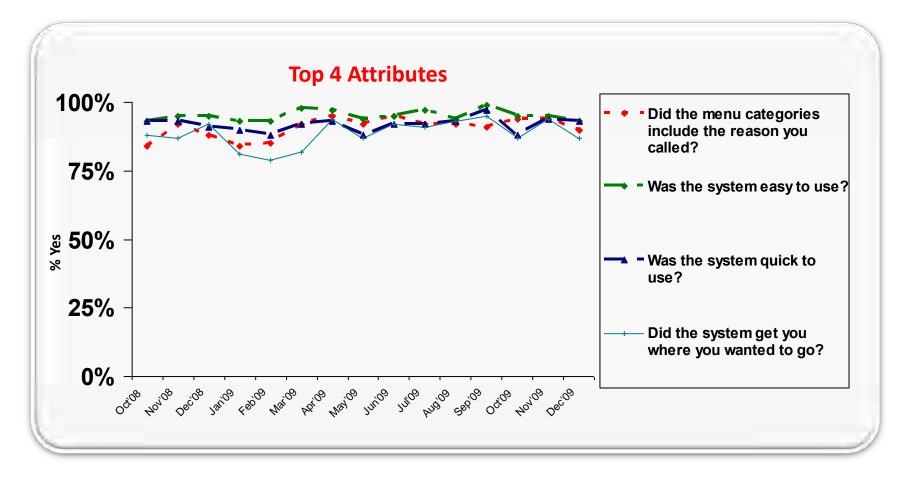
14a. Using a 1 to 10 scale, where 1 means you disagree completely and 10 means you agree completely, please rate each of the following statements regarding the outage reporting system. You may use a 1 or a 10, or any number in between to rate each statement

*Mean: Agree (10) to Disagree (1)

N = Total IVR Outage (99-104)





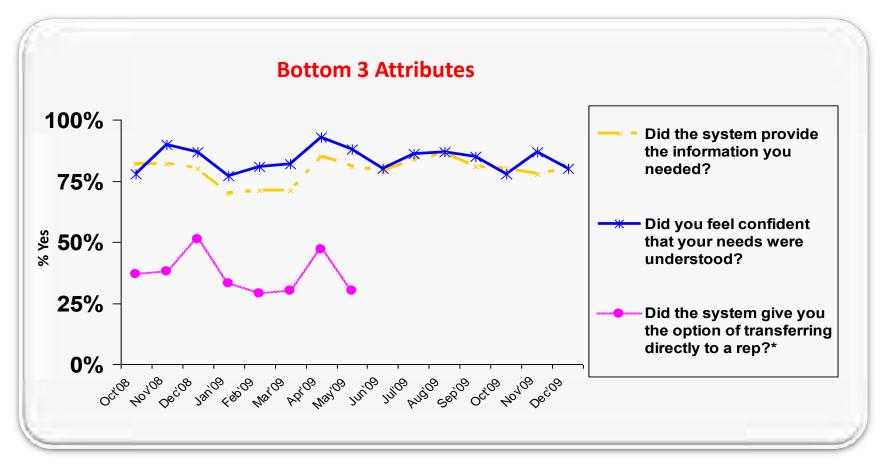


14. Now I have a few questions about the automated telephone system and the menu that you had to use at the beginning of your call. For each question you can just answer yes or no.

N = Total IVR Outage (100-105)







14. Now I have a few questions about the automated telephone system and the menu that you had to use at the beginning of your call. For each question you can just answer yes or no.

N = Total IVR Outage (100-104) *Not asked in Q3'09 / Q4'09



Page Executive Presentation

Call Centre Transaction Satisfaction Tracking

Ending Quarter 4, 2010 Prepared by: Forum Research Inc.

> FORUM RESEARCH INC.

January, 2011

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Filed: 2014-07-04 EB-2013-0416 Exhibit I-2.1-6 VEC 27 Attachment 2 Page 1 of 130



Objectives & Methodology



Ongoing Objectives

- Measure customer satisfaction with the call experience period over period;
- Determine if caller satisfaction differs by purpose of call;
- Determine whether caller expectations are being satisfied;
- Assess specific elements of the caller experience;
- Identify improvement opportunities;
- Identify factors driving caller satisfaction (annually)

To allow Hydro One to...

- Determine which Hydro One activities vis-à-vis its call centre have a positive impact on customer satisfaction;
- Isolate critical areas of improvement;
- Assess the effectiveness of any process interventions;
- Monitor performance versus KPIs/targets



- Telephone interviews completed with customers who contacted Hydro One's call centre within 2 – 5 days after their call;
- Daily sample provided online by Hydro One for the previous day's callers
- Daily interviewing (excluding Sunday) typically completed during the first 10-12 days
 of each month
- Each quarter, the following number of interviews were completed:

	Q2/09	Q3/09	Q4/09	Q1/10	Q2/10	Q3/10	Q4/10
Agent Handled Callers	300	300	300	302	301	300	303
IVR Self Serve Callers	300	300	300	301	300	301	301
IVR Outage Callers	302	301	301	301	300	300	304

- No advance permission was sought from customers for a follow up call;
- Interviews averaged between 6 and 9 minutes;

* If observed per cent is 80, the sampling error range is +/-4.5% at the 95% confidence level. If observed per cent is 85, the sampling error range is +/-4.0%





Overall Call Satisfaction vs. HON Targets (Total 2010, Q1/10,Q2/10, Q3/10, Q4/10)

For calendar 2010, when all CCC call types are combined, overall satisfaction with the call is significantly above target. Consistent satisfaction across all Quarters.

	2010 Target (% V/SW Satisfied)	2010* (% V/SW Satisfied)	Q1/10 Actual (% V/SW Satisfied)	Q2/10 Actual (% V/SW Satisfied)	Q3/10 Actual (% V/SW Satisfied)	Q4/10 Actual (% V/SW Satisfied)
Total CCC	84	88	88	88	88	88
Agent	84	85	86	85	87	84
Outage	86	89	89	88	87	91
Self Serve	86	91	90	92	91	90

3. How satisfied were you overall with the call to Hydro One?

*Total CCC YTD/Agent/Outage/Self Serve (N =3568/1195/1187/1186)



Agent Handled Callers



Comparison vs. Benchmarks





	Agent Q4/10 (n=302)	Elec. Providers	Nat. Gas Providers	Home/Cell Providers	Cable TV Providers	Bank/CUs/ Caisse	Cred. Card Providers	Composite Benchmark
Overall sat. with auto system*	81%							
One call resolution	87%							
Overall sat. with call*	84%							
Ease of getting thru*	89%							
Rep offered solution for call*	85%							
Rep had genuine commitment to help*	93%							
Rep understood what wanted*	94%							

* % V/SW Satisfied

= H1 better than benchmark

= H1 at par with benchmark

From a random national sample of Canadians who contacted the (benchmark) company's call centre in the past 2 weeks N = 1,700 (Elec/250, Gas/50, Phone/800, Cable/100, Bank/350, Credit card/150)



Reasons for Call to Hydro One





No significant change in reasons for calls relative to last Quarter.

		Custom	er Stateu	Reason	Q2/10 Q3/10 C				
	2010	Q4/09 %	Q1/10 %	Q2/10 %	Q3/10 %	Q4/10 %			
Payment / Bills (NET NET) (payment issues NET, bill question / problem NET)	59	61	62	53	56	55			
Bill Question / Problem (NET) (ask question about bill, resolve bill problem, investigate major bill increase, fluctuating bills, request annual statement, change banking info, had not received/wanted copy of bill)	41	53	43	33	42	44			
Payment Issues (NET) (report making a payment, payment notification/follow up, discuss / negotiate payment, disconnection notice follow-up, power cut off)	18	9	18	20	14	11			
Outage report / Update (NET NET) (outage restoration update NET, outage reporting NET)	13	13	6	19	15	13			
Outage Reporting (NET) (report outage, investigate / report outage, report fire / transformer problem / blown breaker, emergency / outage affected medical equipment)	12	13	5	18	14	12			
Outage Restoration Update (NET) (find out when power would be restored)	1	0	1	1	1	1			
Moving / New Service (NET) (moving / providing updated information, change acct name, cancel service due to move, service request for installation/disconnection)	8	5	8	7	7	9			
Meter Issues (NET) (input meter reading, report meter reading, change a meter, report meter error, meter moving, smart meter/new meter)	8	11	12	4	5	9			
Time of Use (NET) (ask/ complain about time of use prices, issue / question about time of us policy, issue / question about time of use process)	3	-	-	2	4	4			
Other (NET) (tree maintenance, request to locate HON lines before digging, to inquire about HON services, energy retailer, rates, other)	8	10	13	14	11	9			

Customer Stated Reason for Call %

2. Now please think about the call you made to Hydro One in the past few days. What was the reason for this call?

N (2010/Q4/Q1/Q2/Q3/Q4) = Total Agent Handled (1206/300/302/301/300/303)



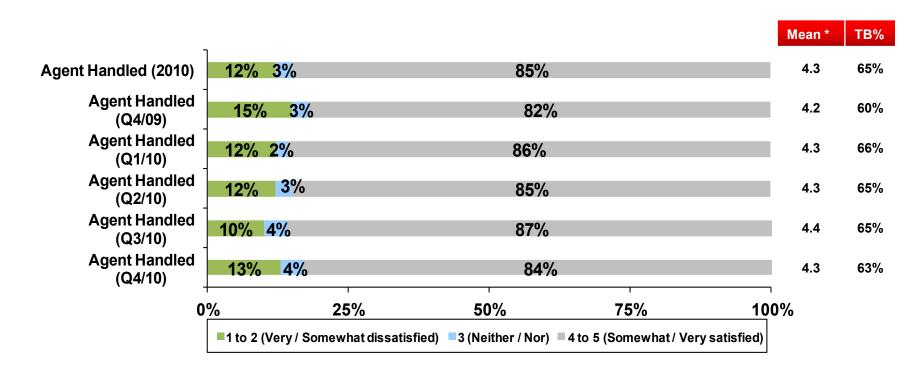
Satisfaction with Call



Satisfaction with Call to Hydro One (2010 Total, Q4/09, Q1/10, Q2/10, Q3/10, Q4/10)



No change in overall satisfaction with the call vs. the last 4 Quarters.



*Mean: Very Satisfied (5) to Very Dissatisfied (1)

- 3. How satisfied were you overall with the call to Hydro One?
- N (2010/Q4/Q1/Q2/Q3/Q4) = Total Agent Handled (11<u>95/295/299/298/295/303)</u>



Overall Satisfaction by Reason for Call to Hydro One (2010 Total, Q4/09, Q1/10, Q2/10, Q3/10, Q4/10)



Overall satisfaction with the call is the same regardless of the reason called.

	Q4/09 (n=295)	Q1/10 (n=299)	Q2/10 (n=298)	Q3/10 (n=295)	Q4/10 (n=303)
	% satisfied	% satisfied	% satisfied	% satisfied	% satisfied
Caller Satisfaction Score	82	86	85	87	84
Payment / Bills (NET NET) (payment issues NET, bill question / problem NET) (n = 165)*	76	83	82	86	85
Payment Issues (NET) (n = 40)* **	85	94	85	100	91
Bill Question / Problem (NET) $(n = 125)^*$	75	78	80	82	83
Outage Reporting / Update (NET NET) (outage report NET, outage restoration NET) (n = 44)* **	90	89	89	93	85
Outage Reporting (NET) (n = 42)* **	90	87	91	93	87
Outage Restoration (NET) (n = 2)* **	100	100	50	100	50
Meter Issues (NET) (n = 16)* **	100	94	85	88	85
Moving / New Service (NET) (n = 21)* **	100	91	95	86	86
Other (NET) (n = 32)* **	80	87	85	88	73

*Top 2 box (Very / Somewhat Satisfied)

3. How satisfied were you overall with the call to Hydro One?

*Represents sample size in latest Quarter

14 ** Caution very small base size

-14-



Overall Satisfaction with Call by Reason for Call (All Call Types) ***(Past 15 Months Q4'09 →Q4'10)***



Call dissatisfaction is greatest when dealing with a bill problem, increase or discrepancy. For these calls, dissatisfaction is unchanged relative to each of the previous 4 measurement periods.

	Mean Value (5 point scale)*
Smart Meter / New Meter (n=19)	4.7
To address a disconnection issue (n=44)	4.7
Moving / To provide account information update (n=55)	4.6
To get an account balance (n=625)	4.6
Discuss / Negotiate a payment schedule / plan (n=211)	4.6
Report a meter reading (n=85)	4.5
To report making a payment (n=211)	4.5
Payment notification / Follow-up (n=64)	4.4
To input a meter reading (n=433)	4.4
To find out when power would be restored (n=192)	4.4
To ask a question about a bill (n=246)	4.3
To report a power outage (n=1487)	4.3
Time of Use (n=42)**	4.2
To resolve a problem with bill (n=281)	4.0
Investigate a major bill increase / bill discrepancy (n=120)	3.7

3. How satisfied were you overall with this call with Hydro One? / 2. Please think about the most recent

call you made to Hydro One, what was the reason for this call?

*Very Satisfied (5) to Very dissatisfied (1) **Introduced in Q2'10



16



Dissatisfaction with the call is tied to CSR's inability to answer questions or address issues to the caller's satisfaction. This is lessening over time.

	2010	Q4'09	Q1'10	Q2'10	Q3'10	Q4'10
CSR Information Issues (NET) (rep / agent / CSR not well informed, did not say what action would be taken, did not get answers needed, CSR wasn't able to answer my questions, CSR wouldn't discuss account – not my name, CSR would not arrange a meter reading, CSR was unable to resolve why bill was so high)	52	53	52	48	46	54
Bill / Payment (NET) (equal billing, no flexibility in payment terms, won't accept cc payment, other billing, other payment)	18	17	12	16	21	14
Commitments Not Met (NET) (promised a return call & haven't received a call)	3	-	2	5	5	-
CSR Performance Issues (NET) (general poor service, rude / unprofessional / terse, not a good listener, unaccommodating, wanted to speak with supervisor but CSR refused)	9	19	10	9	8	10
Total automated system mentions (NET NET) (automated system resolution issues NET, automated system dislike NET)	7	8	5	7	8	8
Automated System Resolution Issues (NET) (couldn't get through to speak with a live rep, too cumbersome, want to be able to speak to live rep quickly / easily, automated system couldn't hear / understand my voice / response)	3	6	2	2	5	4
Automated System Dislike (NET) (dislike automated system)	4	2	2	7	3	4
Outage Response Information (NET) (outage lasted too long / longer than I was told, getting too many power outages, no reason given for outage, no notice given for outage)	4	-	-	7	5	4
Wait / Hold Time (NET) (put on hold for too long)	2	-	-	2	3	2
Access (NET NET) (Number of calls required NET, long call back time NET)	1	5	-	-	-	-
Number of Calls Required (NET) (made multiple calls and given different info) Long Call Back Time (NET)	1 -	5 -	-	-	-	-
Other (Net) (Verbatim for Q2/10, Q3/10 & Q4/10 in Appendix)	20	14	14	21	23	22

4. Why were you not satisfied overall with the call? N = Total Dissatisfied Agent Handled (175/53/42/44/39/50)

* Caution, small base sizes

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Decline this Quarter in satisfaction with ease of getting through to a rep, although the per cent being 'very satisfied' is unchanged.

			Pro	cess Issue	S		Mean *	TB%
	Agent (2010)	8%2%		90%			4.4	60%
a. The ease of getting	Agent (Q4/09)	12% 2%		86%			4.2	50%
through to a	Agent (Q1/10)	- 9%1%		90%			4.4	63%
rep to discuss	Agent (Q2/10)	- 10%2%		88%			4.3	62%
your question or problem	Agent (Q3/10)	- <mark>4%3</mark> %		93%			4.4	58%
	Agent (Q4/10)	10%2%		89%			4.3	58%
· <u> </u>	Agent (2010)	<mark>7%2%</mark>		91%			4.4	60%
b. The length of time you had to	Agent (Q4/09)	<mark>9%1</mark> %		90%			4.3	50%
be on hold	Agent (Q1/10)	<mark>9%1%</mark>		90%			4.4	62%
before you actually spoke	Agent (Q2/10)	<mark>9%1</mark> %		90%			4.4	58%
with a	Agent (Q3/10)	<mark>6%2%</mark>		92%			4.5	62%
representative	Agent (Q4/10)	<mark>7%2%</mark>		91%			4.4	59%
	C	9%	25%	50%	75%	100%	, D	
	Botton	n 2 (Somewhat	/ Very dissatisfi	ed) = Neither Nor = To	p 2 (Very / Somew	hat satisfied)		

5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied or very dissatisfied with...

17 N = Total Agent (2010=1175-1199) (Q4'09→Q4'10=278-304)

-17-

*Mean: Very Satisfied (5) to Very Dissatisfied (1)





No change relative to last Quarter.

			P	rocess Issue	S	Ν	lean *	TB%
g. Your	Agent (2010)	13% 2%		86%			4.3	69%
question	Agent (Q4/09)	18%	3%	80%			4.2	61%
getting answered or	Agent (Q1/10)	13% 2%		85%			4.3	69%
the action	Agent (Q2/10)	13% 0%		87%			4.4	72%
getting taken	Agent (Q3/10)	10% 2%		88%			4.4	69%
correctly, first time	Agent (Q4/10)	14% 2%		84%			4.3	65%
j. The	Agent (2010)	- 6%1%		93%			4.6	79%
representative	Agent (Q4/09)	<mark>7%1</mark> %		92%			4.5	73%
understanding what you	Agent (Q1/10)	<mark>7% 2%</mark>		92%			4.6	78%
wanted or	Agent (Q2/10)	<mark>6%</mark> 1%		93%			4.6	78%
needed	Agent (Q3/10)	<mark>5%1</mark> %		94%			4.7	82%
	Agent (Q4/10)	<mark>6%1</mark> %		94%			4.6	78%
	C)%	25%	50%	75%	100%		
	B	ottom 2 (Somev	vhat / Very dissa	tisfied) 🗖 Neither Nor 🛽	Top 2 (Very / Som	ewhat satisfied	d)	

5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with...

N = Total Agent (2010=1160-1194) (Q4'09→Q4'10=271-304)

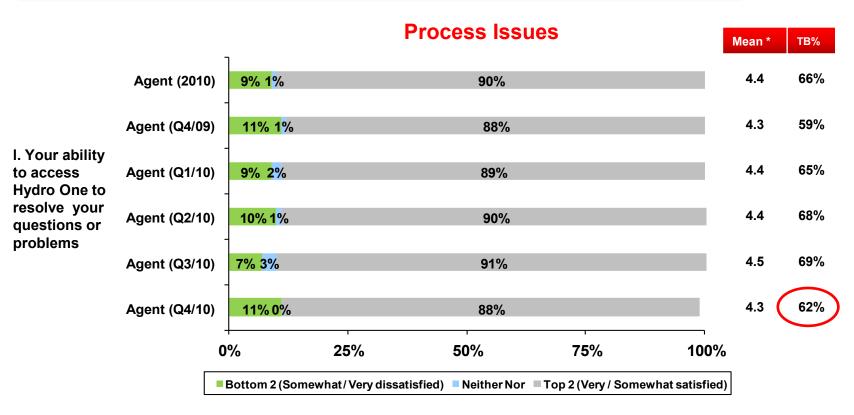
) -18-

*Mean: Very Satisfied (5) to Very Dissatisfied (1)





Per cent 'very satisfied' has declined relative to last Quarter.



5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with...

N = Total Agent (2010=1196) (Q4'09→Q4'10=271-304)

*Mean: Very Satisfied (5) to Very Dissatisfied (1)





No change relative to last Quarter.

			С	SR Issues			Mean *	TB%
	Agent (2010)	<mark>6%1</mark> %		93%			4.6	79%
j. The	Agent (Q4/09)	- 7%1%		92%			4.5	73%
representative	Agent (Q1/10)	7%2%		92%			4.6	78%
understanding what you wanted	Agent (Q2/10)	6% 1%		93%			4.6	78%
or needed	Agent (Q3/10)	5% 1%		94%			4.7	82%
	Agent (Q4/10)	6% 1%		94%			4.6	78%
	Agent (Q4/09)	4%%		96%			4.8	87%
h. The courtesy	Agent (Q4/09)	<mark>5%0</mark> %		95%			4.7	82%
of the representative	Agent (Q1/10)	<mark>5%</mark> 1%		94%			4.7	82%
you spoke with	Agent (Q2/10)	<mark>3%</mark> 0%		96%			4.8	90%
•	Agent (Q3/10)	<mark>3%</mark> 1%		96%			4.8	89%
	Agent (Q4/10)	<mark>3%</mark> 1%		96%			4.8	85%
)%	25%	50%	75%	100%	_	
	Bottor	n 2 (Somewha	at / Very dissatisfi	ed) 🗧 Neither Nor 💻 1	op 2 (Very / Some	what satisfied		

5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with...

N = Total Agent (2010=1194-1196) (Q4'09→Q4'10=271-304)

-20-

*Mean: Very Satisfied (5) to Very Dissatisfied (1)





No change vs. last Quarter.

			С	SR Issues			Mean *	
	Agent (2010)	<mark>6%1</mark> %		93%			4.6	
. The	Agent (Q4/09)	7%1%		92%			4.6	
epresentative	Agent (Q1/10)	<mark>7%1</mark> %		91%			4.6	
howing a enuine	Agent (Q2/10)	7% 1%		92%			4.6	
ommitment to	Agent (Q3/10)	<mark>4% 2</mark> %		95%			4.7	
help	Agent (Q4/10)	6%1 %		93%			4.6	
	Agent (2010)	<mark>-6%1</mark> %		93%			4.6	
. The	Agent (Q4/09)	<mark>9%</mark> 1%		90%			4.6	
epresentative nswering all	Agent (Q1/10)	<mark>6%</mark> 1%		93%			4.6	1
our	Agent (Q2/10)	<mark>9%</mark> 1%		91%			4.6	;
uestions romptly	Agent (Q3/10)	<mark>5%</mark> 1%		95%			4.7	
	Agent (Q4/10)	<mark>6%</mark> 0%		94%			4.6	
)%	25%	50%	75%	100%		

5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with...

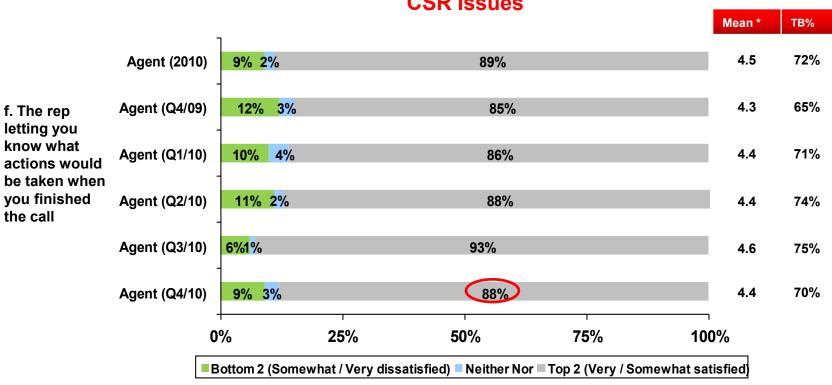
N = Total Agent (2010=1183-1193) (Q4'09→Q4'10=269-304) -21-

*Mean: Very Satisfied (5) to Very Dissatisfied (1)





Decline vs. last Quarter for the rep letting know what actions will be taken at call conclusion.



CSR Issues

5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with...

N = Total Agent (2010=1099) (Q4'09→Q4'10=269-304)

*Mean: Very Satisfied (5) to Very Dissatisfied (1)





Decline vs. last Quarter for the rep providing accurate information.

			Informatior	n Issues	Mean *	ТВ%
	Agent (2010)	<mark>8%2%</mark>	90%		4.5	74%
c. The representative	Agent (Q4/09)	<mark>9%1</mark> %	89%		4.5	69%
providing you	Agent (Q1/10)	10% 2%	88%		4.5	75%
accurate	Agent (Q2/10)	7%3%	90%		4.5	73%
information	Agent (Q3/10)	<mark>5%2</mark> %	94%		4.7	78%
	Agent (Q4/10)	10%1%	89%		4.5	71%
d. The	Agent (2010)	<mark>11% 3</mark> %	86%		4.4	68%
representative	Agent (Q4/09)	17% 2%	819	%	4.2	64%
offering a	Agent (Q1/10)	12% 5%	84%	6	4.3	69%
solution for the reason you	Agent (Q2/10)	13% 1%	86%		4.3	69%
called	Agent (Q3/10)	<mark>9% 4%</mark>	88%		4.4	66%
	Agent (Q4/10)	12% 3%	85%		4.4	68%
		∽2 0m 2 (Somewhat / \	5%50% Very dissatisfied) ■ Neither N		100% mewhat satisfied)]

5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with...

N = Total Agent (2010=1124-1163) (Q4'09→Q4'10=272-295) ⁻²Piean: Very Satisfied (5) to Very Dissatisfied (1)





• As a reminder, based on analysis of 2009 results...

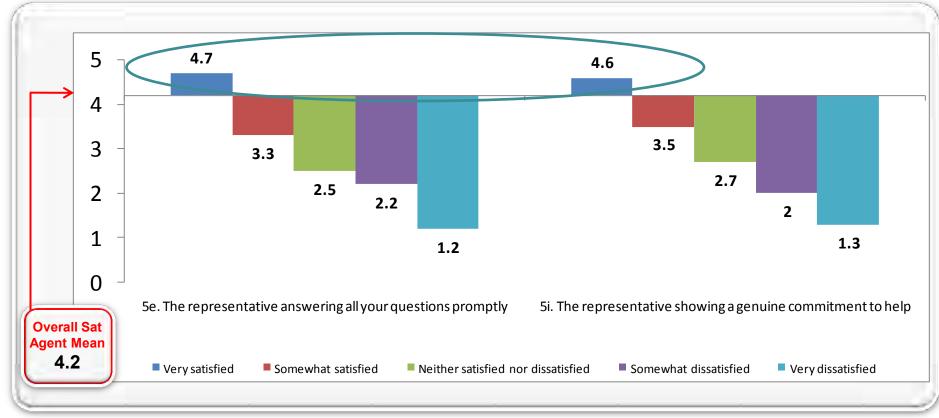
with the key call handling elements that relate to overall call satisfaction, anything short of ensuring callers are 'very satisfied' is not good enough

... as evidenced by the following example.



AGENT

The same relationship as below is evident for all key call handling elements.



N (2009) = Total Agent Handled (1184/1184)

Mean Scores Shown (5 point satisfaction scale)

- 3. Overall satisfaction with call
- 5e. The representative answering all your questions promptly
- 5i. The representative showing a genuine commitment to $het{b}^{-\frac{1}{2}}$

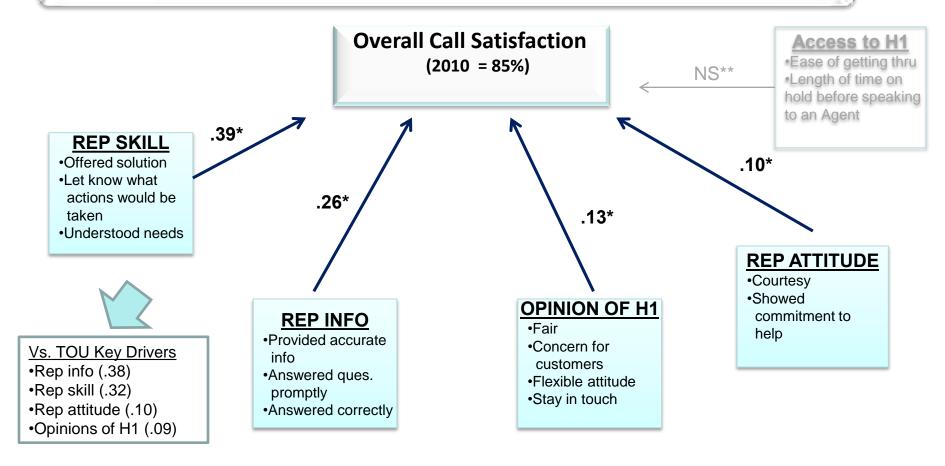


Key Drivers of Overall Satisfaction with Call





The key driver of overall satisfaction with the call is the skill of the rep. This is followed by the (quality of) information provided by the rep. Other key drivers are less influential.



*Betas derived from Jan/10 – Dec/10 Agent Handled dataset N = 1206

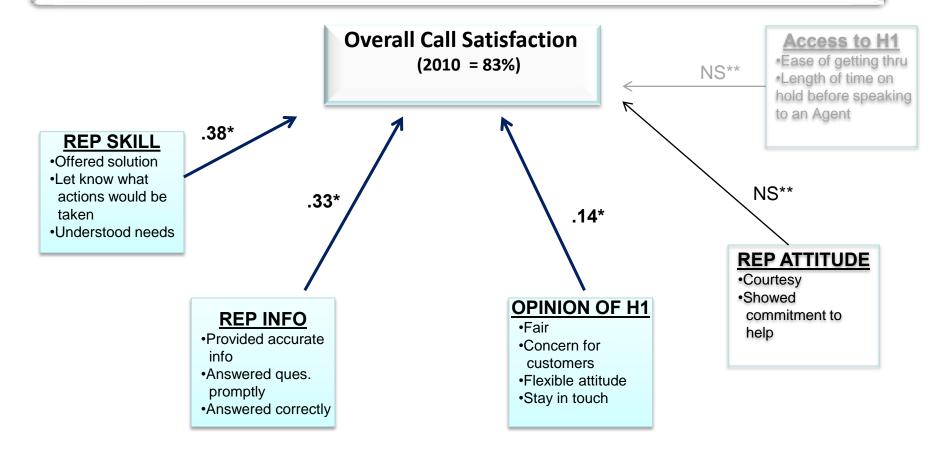
27

-27-

****** NS = Not significant



The key driver of overall satisfaction with the call is the skill of the rep. This is followed by the (quality of) information provided by the rep. For males, the rep's attitude is not a key driver.

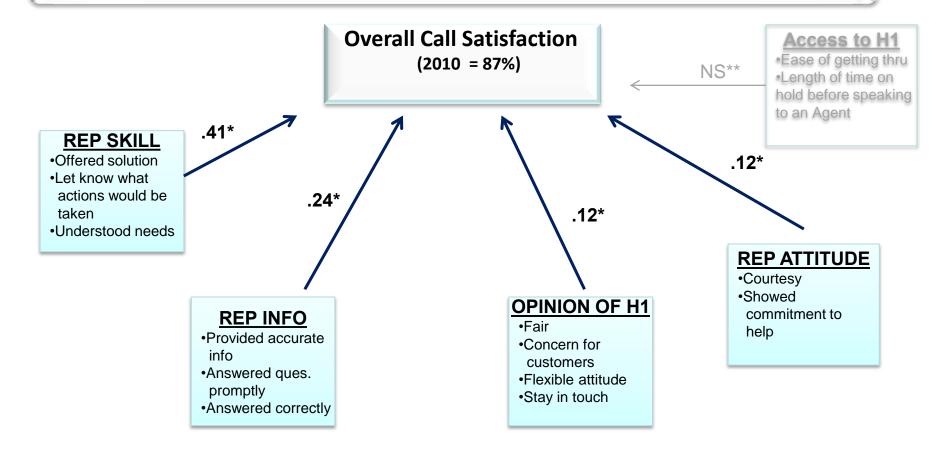


*Betas derived from Jan/10 – Dec/10 Agent Handled dataset N = 1206 **NS = Not significant

-28-



The key driver of overall satisfaction with the call is the skill of the rep. This is followed by the (quality of) information provided by the rep. Females are sensitive to a rep's attitude.

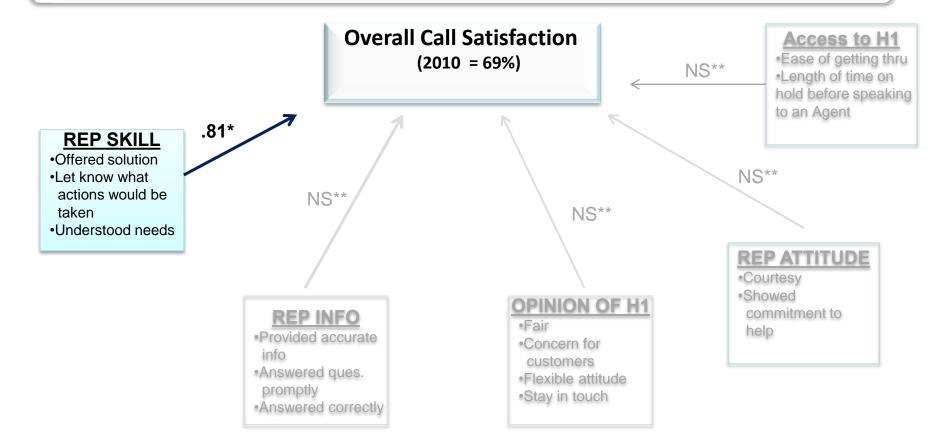


*Betas derived from Jan/10 – Dec/10 Agent Handled dataset N = 1206 ****** NS = Not significant

-29-







*Betas derived from Jan/10 – Dec/10 Agent Handled High Bill calls N = 68

30

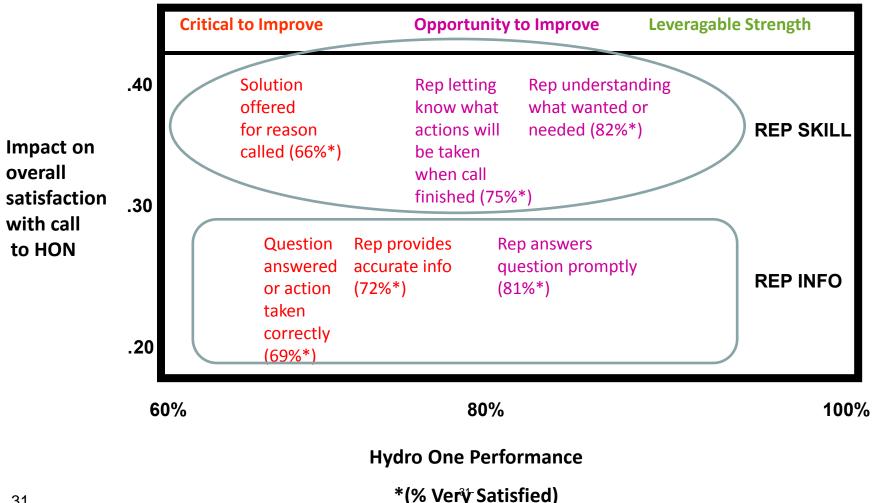
-30-

** NS = Not significant



OVERALL SATISFACTION WITH CALL TACTICAL PRIORITIES FOR KEY DRIVERS

Agent Handled Callers





Reasons Dissatisfied with 'The Representative Offering a Solution for the Reason You Called' * (2010 Total, Q4/09, Q1/10, Q2/10, Q3/10, Q4/10)



	2010	Q4/09	Q1/10	Q2/10	Q3/10	Q4/10
Agent knowledge / Skill (NET) (CSR had no knowledge, no solution offered, told I had to wait until I get my bill to see if problem is resolved)	72	83	72	81	68	69
CSR Rude / Uncaring / Unprofessional (NET) (CSR rude, uncaring, unprofessional, unhelpful)	13	-	7	14	23	9
IVR Issues (NET) (problem with menu system, dislike automated system)	3	-	3	-	-	6
Hydro One Policy Issue (NET) (disconnection still going to be done)	5	-	7	5	5	3
Information Issues (NET) (no time frame for restoration)	-	4	-	-	-	-
Access to person (NET) (haven't received callback)	3	4	-	5	9	-
Other	10	13	14	5	14	6

Reasons Dissatisfied %*

6d. You said you weren't satisfied with the representative offering a solution for the reason you called. Why is that? N (2010/Q4/Q1/Q2/Q3/Q4)= Total dissatisfied Agent handled callers (104/23/29/21/22/32)

* Caution, small base size



- Agent did not give me a result. I'm just not happy with the whole shebang. Frustrating not getting results after two months and I was told I would have to wait six.
- Agent did not understand what I wanted though I was satisfied that he directed me to the answering machine to leave a message.
- Agent just said that was how it was.
- Agent would not compromise and would not look into another solution. I called in response the day after their call and I had made some payments already.
- Because I wanted to make a payment and they wouldn't take the payment.
- Because nothing has happened. A promise was made that they would fax me a plan to get the hydro on my farm and that hasn't happened.
- Didn't get to speak to anyone.
- *He could not change the budget billing so I have to pay this amount.*
- *His solution was to have me call in each month and do a reading and then call to get my actual billing. That was not a solution.*
- I called to get a phone number for our local field office which is not longer published in the phone book and the agent did not have it either, which I found hard to believe. I asked if they communicated with smoke signals.



- *I've got to follow my contract with Direct Energy.*
- *I still have to pay the high amount.*
- *I was not told the reason for the problem.*
- It was a company answer like what you are doing now. Do what they need to say to pacify you.
- Hydro One makes things very complicated unlike others, like Bell Canada. I just wanted to change the account from which money would be withdrawn it seemed like we were borrowing a million.
- Representative just explained to me that it would take a couple of days. She did not offer to get in touch with the mailroom or suggest that she get back to me in a few days, nor offer solutions. Excuse was that Hydro One is very busy, broad area, it's no excuse.
- *Representative never gave any solutions as to why bill was cancelled.*
- *Representative offered a solution which didn't fit the problem.*
- She just wasn't listening. This is all I can do until September and she wasn't listening.
- Solution I wanted was to pay \$1100 as equal billing. When the representative could not do that I was not satisfied.
- The rep told me I read the bill wrong which I don't feel I did.





- The representative did not offer a solution.
- Well she couldn't offer me a solution. She said there was no solution to offer. She didn't have that information. I was the one that insisted the call be escalated.
- Just said that they had not estimated my bill correctly which was not a good answer.
- Position was inflexible on my issue. Bill was double. No explanation was given.
- She did tell me that I was getting a letter in the mail.
- Representative said the letter had been sent but I did not receive it.
- It took too long to get the answer.



Reasons Dissatisfied With 'Representative Letting You Know What Actions Would Be Taken'* (2010 Total, Q4/09, Q1/10, Q2/10, Q3/10, Q4/10)



				-		
	2010	Q4'09 *	Q1'10*	Q2'10*	Q3'10 *	Q4'10 *
Agent Knowledge / Skill (NET) (CSR had no knowledge of the problem, told I had to wait until I get my bill to see if problem is solved, no solution offered for bill problem, no solution offered)	72	84	88	73	63	65
CSR Rude / Uncaring / Unprofessional / Unhelpful (NET) (CSR rude / uncaring / unprofessional / unhelpful)	7	11	6	-	13	9
Access (NET NET)	-	11	-	-	-	-
(Access to Person NET) (haven't received promised callback) (Access to IVR / busy signal / busy message NET)	-	11 -	-	-	-	:
IVR Issues (NET) (dislike the automated system)	-	-	-	-	-	-
Hydro One Policy Issue (NET) (won't read / check my meter)	2	-	-	-	-	4
Information Issue (NET) (no time frame given for power restoration)	3	5	-	18	-	-
Other	17	11	6	25	36	13
Don't know / Refused	5	0	-	-	-	13

Reasons Dissatisfied %*

6f. You said you weren't satisfied with the representative letting you know what actions would be taken when you finished the call. Why is that?

N = Total Dissatisfied Agent Handled (59/19/16/11/8/23)

* Caution: Small base size



- After I asked her for the letter of reference she did not ask me for the fax number. I had to ask her 'would you like to have the fax number'. She said yes. She was polite and everything else.
- Because when my wife called previously and the representative was not polite and not understanding what my wife was saying. Told me to call back at a later date and I was going to call back and put together a payment plan.
- *I did not feel like I was able to get through to what I wanted.*
- No action was to be taken. Nothing the agent could do.
- Nothing but the rep's word that I owe nothing, and that another bill would be sent, but that is all I have and if Hydro One initiates collections I will be displeased.
- Representative never gave any follow-up, not any indication of a follow-up. Obviously there was a reason why they were estimating so high. Rep could have given some information about why they were estimating so high and why info did not correspond to my meter reading.
- Sounds like it will be some weeks before they cut down the trees.
- There was no action to solve this.
- I was told that the freezer had to be a certain size but was not told what other solutions were available if it was not the correct size.
- Why should I have to wait another month for a proper bill with a proper reading?
- The problem is still not fixed / done as of yet.



Reason Dissatisfied With 'Representative Letting You Know What Actions Would Be Taken When You Finished Call' (Verbatim Q4/10)



- They had to come three times before power was restored.
- *I hung up because it was a dead end and nowhere to go.*
- Because it didn't happen the first time the second time and the third time they said that the crew will be out later and I waited until about 9 and there was still no power and they said that they will send an emergency crew to come and hook it up.
- They weren't totally sure if they could turn off the hydro separately in the barn from the house and they couldn't come out on the Saturday without incurring a cost of 800 dollars.



Reasons Dissatisfied with 'Your Question Getting Answered or the Action Getting Taken Correctly, the First Time'* (2010 Total, Q4/09, Q1/10, Q2/10, Q3/10, Q4/10)

Rep Info

Reasons Dissatisfied %*

	2010	Q4/09*	Q1/10*	Q2/10*	Q3/10*	Q4/10*
Agent knowledge / Skill (NET) (CSR had no knowledge, no solution offered, no explanation for billing policy change / why bill is so high, told I had to wait until I get my bill to see if problem is solved)	59	47	58	67	53	61
Access to person (NET) (never spoke to / got in touch with anyone, haven't received callback, long wait times on hold)	12	13	16	17	6	12
CSR Rude / Uncaring / Unprofessional (NET) (CSR rude, uncaring, unprofessional, unhelpful)	15	13	21	17	12	12
Hydro One Policy Issue (NET) (disconnection still going to be done, won't read / check my meter)	4	-	-	-	6	6
Information Issues (NET) (no time frame for restoration)	1	-	-	-	-	3
IVR Issues (NET) (problem with menu system, dislike the IVR)	1	13	5	-	-	-
Other	14	20	16	17	12	12
Don't know / Refused	5	-	5	-	12	3

6g. You said you weren't satisfied with your question getting answered or the action getting taken correctly, the first time. Why is that?

N = Total dissatisfied Agent handled callers (81/30/19/12/17/33)

*Caution, small base size





- Agent left a message and I had to wait for a call back.
- Because Hydro One screwed us. They squandered their money and now we have debt retirement charges and increased line rates and delivery charges. When is it going to stop? It just keeps wasting money.
- Because they didn't make the payment.
- Hydro One charges delivery charges for recreational homes that are not in use. The clerks answering the phone cannot answer. I want to know why we are being charged delivery charges for a home that is shut down. There is no delivery. What are they delivering?
- *I had to call some place else to get the actual answer.*
- I thought they could tell me what was up but she just sent me over to Direct Energy.
- In a perfect world the trees would be cut down in a few days but it sounds like this will actually take a few weeks at least before someone comes to see and plan what can be done.
- It comes down to having my street found. The house number on the street.
- It wasn't done.
- Notice said that hydro would be cut off it I didn't make a payment. I then later got a bill for the other usage. I don't like waiting and it will take around 1 month to sort out the billing.
- The rep didn't understand what I was trying to say.
- She took forever to get the information that I needed. She kept putting me on hold. She didn't really speak proper English so I couldn't really understand her.





- She was really nasty and had a real attitude. Her tone of voice portrayed a real attitude.
- The question did not get answered. I told the rep that we would be sending a letter to Hydro outlining the question so hopefully someone can come up with the answer.
- The work won't be completed until the 30th. We were trying to set up the appointment so it would occur at the same time.
- They were forwarding an email. It wasn't the person. It was the procedure that they had to follow in my opinion.
- Told us Hydro One would be there that day at 9am and we waited until 12:30PM and nothing.
- *Trying to ask her if I could lower the amounts to equal billing.*
- Well because she wouldn't take the information I was trying to give her. I was trying to give her the new name, address, phone numbers and she just said I don't need that. The owner has to call her. The new people.
- Because it wasn't even done the first time, second, or the third time, and on the fourth time they sent the crew out later.
- *I had to call three times for the same reasons as there was no follow-up.*
- I had to call back.
- We had to call the first time to let them know about the change. They didn't offer to rectify the billing change and after we sent in the verification papers they still hadn't made the change on our account. I was a bit annoyed at the fact that after 40 years they needed proof as to what I was saying was true and had to send copies of our drivers licenses.



Reasons Dissatisfied with 'Representative Providing Accurate Information' (2010 Total, Q4/09, Q1/10, Q2/10, Q3/10, Q4/10)*



	2010	Q4'09 *	Q1'10*	Q2'10*	Q3'10 *	Q4'10 *
Agent Knowledge / Skill (NET) (CSR had no knowledge of the problem, no explanation for billing policy change / why bill is so high, told I had to wait until I get my bill to see if problem is solved, no solution offered for bill problem, no solution offered)	72	69	65	79	80	70
CSR Rude / Uncaring / Unprofessional / Unhelpful (NET) (CSR rude / uncaring / unprofessional / unhelpful)	17	15	15	21	27	11
Information Issue (NET) (no time frame given for power restoration)	3	8	-	-	-	7
Hydro One Policy Issue (NET) (won't read / check my meter)	8	-	10	-	13	7
Access (NET NET)	3	-	-	-	7	4
(Access to Person NET) (haven't received promised callback) (Access to IVR / busy signal / busy message NET)	3	-	-	-	7	4 -
IVR Issues (NET) (dislike the automated system)	1	-		-	7	-
Other	12	15	20	7	7	11
Don't know / Refused	1	-	5	-	-	-

Reasons Dissatisfied %*

6c. You said you weren't satisfied with the representative providing you accurate information. Why is that?

N = Total Dissatisfied Agent Handled (76/13/20/14/15/27)

*Caution, small base size

42

-42-



- According to regulations, the rep couldn't provide all the information due to privacy (since my name wasn't on the mailing address).
- Because I don't know if what the rep told me was accurate or not.
- I asked for an explanation of my bill. She could not explain this, nor why my payment was not being deducted automatically.
- I do not know what is accurate. What she told me is you are late 2 times in the 12 months then you are charged a security deposit no matter what. I offered to put them on automatic withdrawal from my account but she said we are still requiring a deposit.
- *I tried to find out about why they would disconnect when they had a deposit in there.*
- I was asking for data regarding usage per month and the agent was getting on the computer. The issue was when he did look back the usage per day is about 36kWh/day but he kept saying the budget billing was right but the budget billing was based on 72kWh.
- She did not give me any information and just said it was a hard summer. They could come out and check my meter.
- Sure didn't seem like they wanted to have anything to do with it.
- The rep could not find a street.





- *I was not being given access to the account as my name was not on the bill. They were telling me I was not on the bill, but my first name was on it, not my full name.*
- Said I should read my own meter reading for a service that I am paying for.
- She could not answer my question, she did not help me out.
- She had the name of the new people. I tried to give her an address and she said she doesn't need an address. She needed her to call. We require her to call us again. The new owner needs to call us back then everything should be sorted out after that.
- The girl told me that is what you used and this is what you have to pay. She said July and August were hot months. I told her my store was not so hot and had my lock box on so we thought we should have way less hydro.
- The rep kept saying the same thing and was not able to answer my concern or problem.
- The rep was not providing me with the right answers from my standpoint.
- Up until now I have still not received my fax with annual summary of my bills. I didn't feel very comfortable with the rep answering my questions. I didn't like the tone of voice.
- Because it wasn't done the first three times.
- I don't think it's the rep's fault. I just think the rep is simply passing along the rules and regulations. They were very courteous and answered everything I needed to know. The rep was doing their job correctly.
- I was given different answers.



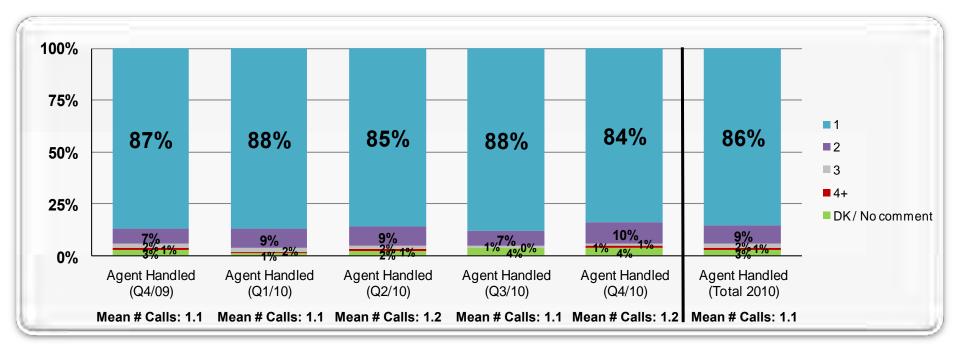
Connection & Call Resolution Issues



Number of Calls Made Before Connection to Hydro One's Automated System Menu (2010 Total, Q4/09, Q1/10, Q2/10, Q3/10, Q4/10)



The per cent of customers only needing to call once to connect with the automated phone system is essentially unchanged through the year.



8. For this most recent call, how many times did you have to try Hydro One's telephone number before you were connected to the menu in the automated voice system?

N (Q4/Q1/Q2/Q3/Q4)= Agent Handled callers (300/302/301/300/303)



Reasons Had to Make More than One Call to Connect with Automated System Menu* (2010 Total, Q4/09, Q1/10, Q2/10, Q3/10, Q4/10)



It is taking more than one call to get connected to the IVR due to IVR difficulties and 'access' difficulties- mostly due to the lines being busy. Access difficulties represent 4% of Total Agent Handled calls (same as last Quarter).

	2010	Q4/09	Q1/10	Q2/10	Q3/10	Q4/10
IVR Difficulty (NET) (phone system did not connect properly, was disconnected by HON during the call, problems with menu)	33	39	36	31	36	30
Inconvenient (NET) (hung up while on hold)	15	13	12	22	8	16
Access Busy / IVR Busy (NET NET) (lines busy NET, IVR busy NET)	30	26	30	28	32	30
Lines Busy (NET) (got a busy signal, couldn't get through)	27	26	30	22	24	30/ 🗲
IVR Busy (NET) (message 'due to heavy call volumes we are unable to take your call at this time')	3	0	0	6	8	0
Difficulty at customer end (NET) (dialed wrong number, had phone/cell problems, got distracted had to call back)	4	3	9	0	0	5
Other (NET) (business office was closed, other)	7	0	3	6	8	11

Reasons % *

9. Why did it take you more than one call to be connected to the menu in the automated voice system

N (2010/Q4/Q1/Q2/Q3/Q4) = Total Agent Handled (131/31/33/36/25/37)

4% of Total calls

* Caution: small base sizes



In Q4/10, 19% had no wait time to speak with an Agent while almost half (48%) believe they waited 2 minutes or less. Average perceived wait time is 2.0 minutes*, less than what they judge to be a reasonable wait time (2.7minutes*).

No wait time	19%			Actual lean Mins.	Trimmed* Mean Mins.
-	6%		In Q4/09		
Under 1 minute	5% 10%		Perceived Wait	2.6	2.5*
1 to under 2 minutes	19%				
2 to under 3 minutes	-16% _{20%}		In Q1/10		
	7%		Perceived Wait	2.2	2.0*
3 to under 4 minutes	12%		Reasonable Wa	it 2.9	2.7*
4 to under 5 minutes	4%		In Q2/10		
5 to under 7 minutes	9% 19%		Perceived Wait	3.1	2.8*
7 to under 10 minutes 1%			Reasonable Wa		2.5*
10 minutes or more	4% 6%		In Q3/10		
Can't recall / Refused	5% 13%		Perceived Wait	2.5	2.0*
	5%	j	Reasonable Wa	it 2.8	2.7*
0%	25%	50%			
	Perceived wait time (9a)		In Q4/10		
			Perceived Wait	2.5	2.0*
	Reasonable wait time (9b)		Reasonable Wa	it 2.8	2.7

9a. (After you went through the automated menu), how long did you wait in the queue before you reached an agent? 9b. (After you get through the automated menu), how long do you feel is reasonable when waiting in a queue before reaching an agent?

N (Q4/10) = Total Agent Handled (290)

48

*Mean scores adjusted with removal of bottom and top 5% outliers



Time in Queue. Impact on Call Aspect Satisfaction (Past 15 Months Q4'09 \rightarrow Q4'10)



When there is 4 minutes + perceived wait time to connect to an Agent, generally, the lower is satisfaction with the auto system and with 'access ' attributes.

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	4 -	* .					₩.+
	General trend (all questions grouped)	No wait time	Under 1 minute	1 to under 2 minutes	2 to under 3 minutes	3 to under 4 minutes	4 minutes or more
	Q3. Overall satisfaction with the call	4.5	4.6	4.4	4.3	4.3	4
-	Q13a. Overall satisfaction with the automated system	4.3	4.4	4.3	4.1	4	3.7
<u> </u>	Q5a. Ease of getting through to a rep to discuss your question or problem	4.7	4.7	4.5	4.4	4.2	3.8
	Q5b. The length of time you had to wait before you actually spoke with a rep	4.8	4.8	4.7	4.5	4.3	3.7
	Q5I. Your ability to access Hydro One to resolve your questions or problems	4.6	4.7	4.5	4.4	4.3	3.9

N (Q3/10) = Total Agent Handled (300)

Mean Scores Shown (5 point satisfaction scale)

3. Overall satisfaction with call

13a. Overall satisfaction with automated system

9a. How long did you wait in the queue before you reached an agent?

5a. The ease of getting through to a rep to discuss your question or problem5b. The length of time you had to wait before you actually spoke with a rep

5I. Your ability to access HON to resolve your questions or problems



First Call Resolution (2010 Total, Q4/09, Q1/10, Q2/10, Q3/10, Q4/10)



The percent receiving first call resolution is the same as last Quarter. Those calling about a high bill issue had similar first call resolution experience (82%).

First Call Resolution

	2010	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	
Yes	88	81	88	88	87	87	
No	8	12	10	7	7	9	1
Neither	5	7	3	5	6	5	

10. And once you did get through to a representative, was your issue resolved on the first call, or did you need to call back more than once?

N (2010/Q4/Q1/Q2/Q3/Q4) =

Total Agent Handled (1206/300/302/301/300/303)

Number of Callbacks

	2010	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10
One	27	35	31	22	23	32
Two	13	14	17	14	13	10
Three	8	12	0	8	8	15
Four+	12	7	20	11	5	12
DK	40	32	31	44	51	32
Mean #	2.3	2.3	2.2	2.7	1.9	2.3

11. And after this initial call, how many times did you need to call back about the same issue?

N (2010/Q4/Q1/Q2/Q3/Q4) = Total Agent Handled (151/57/35/36/39/41)



Reasons Needed to Call Back More than Once* (2010 Total, Q4/09, Q1/10, Q2/10, Q3/10, Q4/10)



The reasons that Agent Handled callers need to call back more than once were largely due to needing more information.

	2010	Q4/09*	Q1/10*	Q2/10*	Q3/10*	Q4/10*
Provide / Get information (NET) (needed to give the rep more info, H1 needed time to access info, confirm appointment)	40	37	46	17	60	40
Didn't like the answer (NET) (you didn't like the answer you got the first time)	20	-	23	17	-	33
Commitments not met (NET) (meter reader didn't show up, didn't receive callback)	6	11	-	-	10	13
IVR / Phone system issues (NET) (cut off, on hold too long – hung up, general menu difficulties)	2	-	8	-	-	-
Other (NET) (Verbatim on next slide)	32	47	23	67	30	13

12. I am going to read you a list. Please tell me which of these describes the reason you needed to call back more than once?

N (2010/Q4/Q1/Q2/Q3/Q4) = Total Agent Handled (50/19/13/12/10/15)

* Caution, small base sizes

Reasons % *





- To find out why I did not receive a bill for the month of April 2010 and November 2009.
- To find out what I would have to pay for my kilowatts.
- For a large company it seems to take a long time to process payments every time.
- I called back, I got a different manager, they would send an email to the manager in *Kingston.*
- The equipment was slow, it wasn't working and it took three departments to tell me that the system wasn't working.
- They returned my call when I was not available.
- They have no answer to improper billing practices. A class action suit might smarten them up.
- Because they would not resolve the problem. They said that the account was past due, so they could not help me.
- She wouldn't take the new information. I had to get the new owner to phone her. I didn't know it was their policy. That was the way it is she said. I don't know. That was back in July.
- Waiting on the mail. It's the billing that we have not received yet.
- They always estimate my reading. I've been calling everything month now for the past 4 months.





7% of all Agent Handled callers say their issue was never resolved. This is significantly greater than last Quarter (4%).

	2010	Q4/09	Q1/10	Q2/10	Q3/10	Q4/10	
Never resolved	41	54	40	42	33	49 <	
Resolved after you followed up with Hydro One	27	25	29	25	39	17	
Resolved after it was passed along to someone	5	7	3	6	-	12	
Resolved after Hydro One took some other action	3	2	9	-	3	-	
Other (volunteered)	24	12	20	28	26	26	

Final Outcome % *

13. I am going to read you a list. Please tell me which of the four describes the final outcome of your call?



N (2010/Q4/Q1/Q2/Q3/Q4) = Total Agent Handled (151/57/35/36/39/41)

* Caution, small base sizes



Non First Call Resolution Outcome*

(Past 15 Months Q4'09 →Q4'10)



	Issue Never Resolved	lssue Eventually Resolved
Q2 Customer Stated Reason for Call (N=165)*		
Billing Issues (NET) (e.g. Investigate bill increase, Ask question, Resolve problem, Etc.)	65	47
Outage Reporting / Inquiry (NET)	5	19
Meter Issues (NET) (e.g. Report reading, Request new, Moving, Final reading, Etc)	3	7
Payment Issues (NET) (e.g. Notify, Negotiate payment schedule, Etc)	5	8
Outage Restoration Update (NET) (e.g. To investigate a power outage)	0	1
Moving / New Service (NET) (moving / to provide account info update, provide new account names / change name, cancel service, service request for installation / disconnection)	2	10
Other (NET) (e.g. Get acct. balance/Moving/Acct. update/Tree maintenance/Discuss disconnection notice, Etc.)	14	6
Q3 Overall Satisfaction with Call (% Top 2 Box) (N=161)*	26	78
Q5 Satisfaction with Specific Call Attributes (% Top 2 Box)		
a. The ease of getting through to a rep to discuss your question or problem (N=165)*	68	83
b. The length of time you had to be on hold before you actually spoke with a representative (N=159)*	76	90
c. The representative providing you accurate information (N=156)*	41	84
d. The representative offering a solution for the reason you called (N=152)*	19	76
e. The representative answering all your questions promptly (N=157)*	55	85
f. (The rep) letting you know what actions would be taken when you finished the call (N=149)*	34	84
g. Your question getting answered or the action getting taken correctly the first time (N=163)*	15	66

* Base: Total number of customers in the past 12 months who did not have first call resolution



Non First Call Resolution Outcome*

(Past 15 Months Q4'09 →Q4'10)



	Issue Never Resolved	lssue Eventually Resolved
Q5 Satisfaction with Specific Call Attributes (cont'd) (% Top 2 Box)		
h. The courtesy of the representative you spoke with (N=162)*	76	89
i. The representative showing a genuine commitment to help (N=161)*	60	92
j. The representative (system) understanding what you wanted or needed (N=161)*	67	91
k. The rep/system being able to give you a precise time when power would be restored (N=12)*	0	67
I. Your ability to access Hydro One to resolve your questions or problems (N=161)*	47	86
Q11 Number of Times Needed to Call Back on Same Issue (N=165)*		
1	16	50
2	11	15
3	10	10
4+ Can't Recall	11 53	11 14
Q14 Automated Telephone System (% Yes) (N=165)*		
a. Did the menu categories include the reason you called?	59	79
b. Was the system easy to use?	85	89
c. Was the system quick to use?	80	82
d. Did the system provide the information you needed?	56	83
e. Did you feel confident that your needs were understood?	62	79
g. Did the system get you where you wanted to go?	77	85

* Base: Total number of customers in the past 12 months who did not have first call resolution



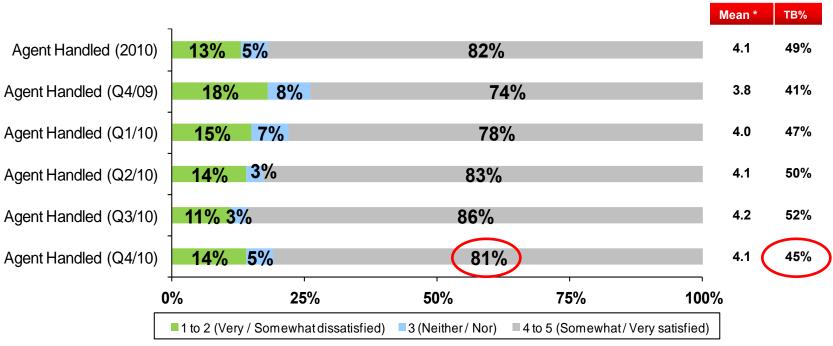
Automated Telephone Answering System



Satisfaction with Hydro One's Automated System (2010 Total, Q4/09, Q1/10, Q2/10, Q3/10, Q4/10)



Beginning in Q1/10 there has been a continuing increase in satisfaction with Hydro One's automated answering system. This increase stopped in Q4/10.



*Mean: Very Satisfied (5) to Very Dissatisfied (1)

13a. When you made your most recent call to Hydro One, you were initially connected to an automated telephone system. Overall, how satisfied were you with Hydro One's automated telephone answering system?

N (2010/Q4/Q1/Q2/Q3/Q4) = Total Agent Handled (1192/300/298/299/297/298)





% Stating Yes

Declines vs. last Quarter for ease of use, quickness to use, giving confidence needs are understood and providing the information needed.

	2010	Q4/09	Q1/10	Q2/10	Q3/10	Q4/10
Did the system get you where you wanted to go?	94	89	93	93	95	93
Was the system easy to use?	94	91	95	93	97	92
Was the system quick to use?	87	85	86	87	90	85
Did you feel confident that your needs were understood?	87	82	86	86	91	84
Did the system provide the information you needed?	85	81	84	84	90	82
Did the menu categories include the reason you called?	79	80	81	82	80	76

14. Now I have a few questions about the automated telephone system and the menu that you had to use at the beginning of your call. For each question you can just answer yes or no.

N = Total Agent Handled (1206/300/302/301/300/303)







There has been no change in opinions of Hydro One relative to last Quarter.

					Me	ean *	TB%
	2010	15%	19%	66%		7.2	29%
C. They have a flexible attitude	Q4/09	18%	19%	63%		7.3	30%
towards	Q1/10	15%	18%	67%		7.3	28%
customers	Q2/10	11%	18%	70%		7.5	31%
	Q3/10	15%	22%	64%		7.2	28%
	Q4/10	19%	18%	63%		6.9	25%
	-						
	2010	18%	17%	65%		7.1	30%
A. They are fair	Q4/09	17%	20%	63%		7.2	32%
	Q1/10	19%	16%	65%		7.2	27%
	Q2/10	14%	16%	70%		7.3	31%
	Q3/10	18%	18%	64%		7.0	28%
	Q4/10	20%	18%	62%		6.8	26%
	+ 09 [% Disagree	25% Bottom	50% 75% 14 - Mid Top 4	100% Agree		

*Mean: Completely agree (10) to Completely disagree **TB=Top Box %

1. As I read some statements about HYDRO ONE , please rate how much you agree or disagree by giving me a number between 1 and 10..

N (2010/Q4/Q1/Q2/Q3/Q4) = Total Agent Handled (1159/300/300/287/300/303)





There has been no change in opinions of Hydro One relative to last Quarter.

	-	- -					Mean *	TB%
	2010	18%	17%		65%		7.0	29%
B. They are concerned	Q4/09	19%	18%		62%		7.2	30%
about their	Q1/10	18%	16%		67%		7.3	25%
customers	Q2/10	14%	18%		69%		7.3	31%
	Q3/10	21%	17%		63%		6.9	27%
	Q4/10	21%	18%		61%		6.8	25%
	-							
D. They stay in	2010	18%	17%		65%		7.1	31%
D. They stay in touch when you	Q4/09	24%	12%		64%		7.1	31%
are having	Q1/10	18%	18%		64%		7.0	26%
problems	Q2/10	17%	15%		69%		7.3	36%
	Q3/10	18%	20%		62%		7.0	28%
	Q4/10	20%	16%		64%		6.9	30%
	0	%	25%	50%	75%	100%	, D	
		Disagree	Bottom 4	- Mid	Top 4	Agree		

*Mean: Completely agree (10) to Completely disagree **TB=Top Box %

1. As I read some statements about HYDRO ONE , please rate how much you agree or disagree by giving me a number between 1 and 10..

N (2010/Q4/Q1/Q2/Q3/Q4) = Total Agent Handled (1180/300/300/287/300/303)



Summary – Performance Movement 2006 to 2010 (Agent)





	2006 Score*	2010 Score*	% Movement**
Q3. How satisfied were you overall with this call to Hydro One? (2006=1218, 2010=1195)	78	85	+7
Q5a. The ease of getting through to a rep to discuss your question or problem (2006=1216, 2010=1199)	71	90	+19
Q5b. The length of time you had to be on hold before you actually spoke with a representative (2006=1201, 2010=1175)	72	91	+19
Q5c. The representative providing you accurate information (2006=1169, 2010=1163)	87	90	+3
Q5d. The representative offering a solution for the reason you called (2006=1141, 2010=1124)	81	86	+5
Q5e. The representative answering all your questions promptly (2006=1182, 2010=1183)	91	93	+2
Q5f. (The rep) letting you know what actions would be taken when you finished (2006=1155, 2010=1099)	85	89	+4
Q5g. Your question getting answered or the action getting taken correctly, first time (2006=1159, 2010=1160)	81	86	+5
Q5h. The courtesy of the representative you spoke with (2006=1199, 2010=1196)	94	96	+2
Q5i. The representative showing a genuine commitment to help (2006=1195, 2010=1193)	89	93	+4
Q5j. The representative/system understanding what you wanted or needed (2006=1196, 2010=1194)	90	93	+3
Q5k. The rep/system being able to give you a precise time when power would be restored (2006=235, 2010=83)	56	72	+16
Q5I. Your ability to access Hydro One to resolve your questions or problems (2006=1212, 2010=1196)	78	90	+12



	2006 Score	2010 Score	% Movement
Q8. For this most recent call, how many times did you have to try Hydro One's telephone number before you were connected to the menu in the automated voice system? (% stating one call) (2006=1230 2010=1206)	78	86	+8
Q10. And once you did connect with the representative, was your issue resolved on the first call, or did you need to call back more than once? (2006=1230 2010=1206) First Call Resolution	74	88	+14
Q13a. When you made your most recent call to Hydro One, you were initially connected to an automated telephone system. Overall, how satisfied were you with Hydro One's automated telephone answering system? (2006=1219 2010=1192)	63	82	+19
Q14a. Did the menu categories include the reason you called? (% Yes) (2006=1230 2010=1206)	74	79	+5
Q14b. Was the system easy to use? (2006=1230 2010=1206)	87	94	+7
Q14c. Was the system quick to use? (2006=1230 2010=1206)	75	87	+12
Q14d. Did the system provide the information you needed? (2006=1230 2010=1206)	75	85	+10
Q14e. Did you feel confident that your needs were understood? (2006=1230 2010=1206)	77	87	+10
Q14g. Did the system get you where you wanted to go? (2006=1230 2010=1206)	90	94	+4



IVR Outage Callers



Reasons for Call to Hydro One



Customer Stated Reason for Call to Hydro One (2010 Total, Q4/09, Q1/10, Q2/10, Q3/10, Q4/10)



More calls this Quarter to get updates on outage restoration.

Customer Stated Reason for Call %

	2010	Q4/09 %	Q1/10 %	Q2/10 %	Q3/10 %	Q4/10 %
Outage Report / Update (NET NET) (outage reporting NET, outage restoration update NET)	99	99	99	98	100	99
Outage Reporting (NET) (report outage, report fire / transformer problem / blown	87	85	89	90	90	79
breaker) Outage Restoration Update (NET) (find out when power would be restored)	12	14	10	8	9	20
Other (NET) (other)	1	1	0	2	0	1

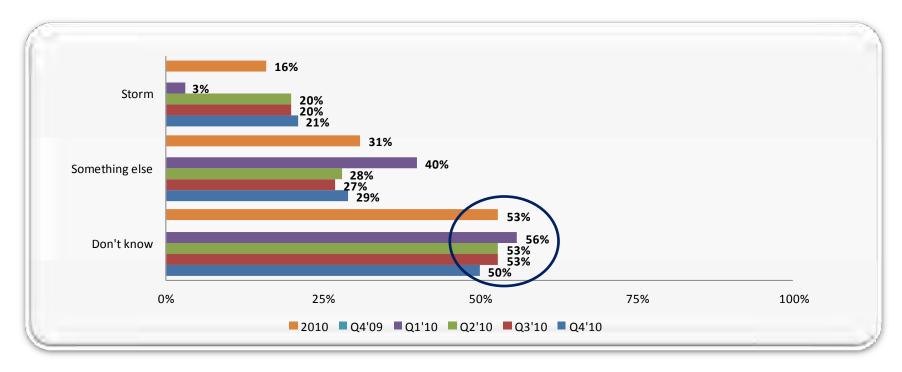
2. Now please think about the call you made to Hydro One in the past few days. What was the reason for this call?

N (2010/Q4/Q1/Q2/Q3/Q4) = Total IVR Outage (1205/301/301/300/300/304)





In Q4/2010, half who have called to report an outage did not know what caused the outage. This is unchanged through the year.



2a. Was the outage you were calling about caused by a storm or something else?

N (2010/Q4/Q1/Q2/Q3/Q4) = Total IVR Outage (1129/287/275/294/273)

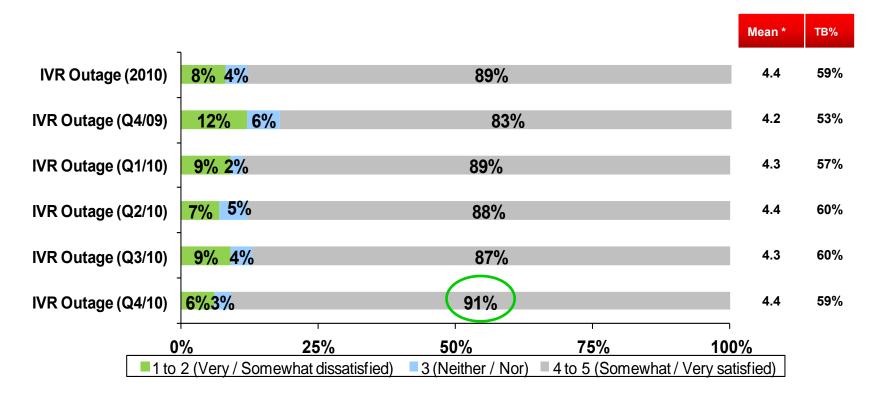


Satisfaction with Call





Overall satisfaction with the call has improved vs. last Quarter.



*Mean: Very Satisfied (5) to Very Dissatisfied (1)

- 3. How satisfied were you overall with the call to Hydro One?
- N (2010/Q4/Q1/Q2/Q3/Q4) = Total IVR Outage (1187/297/292/296/296/303)



Overall Satisfaction by Reason for Call to Hydro One (2010 Total, Q4/09, Q1/10, Q2/10, Q3/10, Q4/10)



Caller satisfaction is essentially the same regardless of whether a call is placed to 'report an outage' or 'to inquire about power restoration'.

	Q4/09 (n=296)	Q1/10 (n=292)	Q2/10 (n=296)	Q3/10 (n=296)	Q4/10 (n=303)
	% satisfied	% satisfied	% satisfied	% satisfied	% satisfied
Caller Satisfaction Score	83	89	88	87	91
Outage Report / Update (NET NET) (outage report NET, outage restoration NET)	82	89	89	87	91
Outage Report NET (n~240)*	80	89	88	87	91
Outage Restoration NET (n~60)**	95	93	96	89	90

3. How satisfied were you overall with the call to Hydro One? Would you say you were....

*Represents approximate average sample size in each Quarter

** Caution very small base size



72



Dissatisfaction is mainly tied to general customer problems with automated systems and the information received about the outage status.

	2010	Q4'09*	Q1'10*	Q2'10*	Q3'10*	Q4'10*
Total Outage Mentions (NET NET) (outage response information NET)	40	48	21	34	49	56
Outage response information (NET) (no estimated restoration time given, outage lasted too long, getting too many, no notice given, longer than told)	40	48	21	34	49	56
Total Automated System Mentions (NET NET) (automated system dislike NET, automated system resolution issues NET)	60	56	67	69	56	48
Automated system dislike (NET) (dislike automated system)	28	25	24	34	28	22
Automated system resolution issues (NET) (couldn't get through to a live rep, too cumbersome, wanted to be able to talk to live rep more quickly, never did / couldn't speak with a human, automated system couldn't hear / understand my voice / response)	39	35	49	46	31	30
Commitments not met (NET) (promised return call – haven't received, left message for callback, didn't reply)	2	4	3	-	-	4
Information Issues (NET) (wasn't able to answer my questions, wouldn't discuss account because it isn't in my name)	1	6	3	-	-	-
Wait / Hold Time (NET) (put on hold for too long)	1	-	-	-	3	-
Number of calls required (NET) (had to make too many call to resolve, made multiple calls and given different info)	-	-	-	-	-	-
Bill / Payment (NET) (equal billing / estimated bill is (still) high)	-	-	-	-	-	-
Other (NET) (Verbatim for Q2/10, Q3/10 & Q4/10 in Appendix)	10	10	15	17	5	4

- 4. Why were you not satisfied overall with the call?
- N = Total IVR Outage (2010/Q4/Q1/Q2/Q3/Q4) (134/52/33/35/39/27)

* Caution, small base size





No change vs. last Quarter.

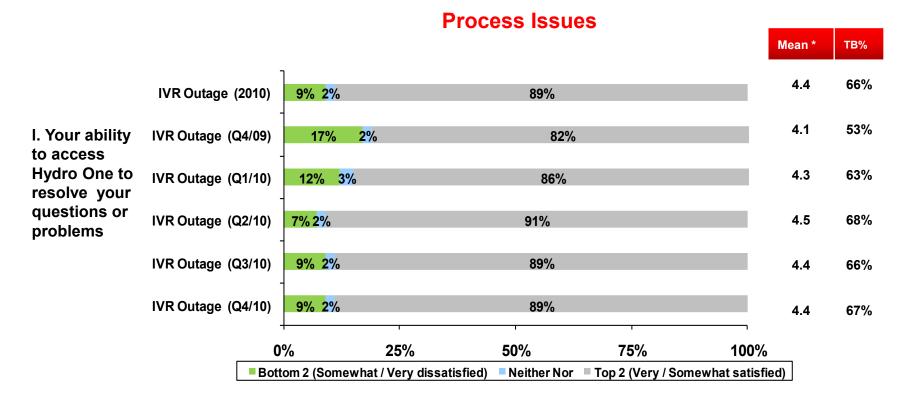
			F	Process Issue	es		Mean *	TB%
	IVR Outage (2010)	10% 2%		88%			4.3	60%
j. The system understanding	IVR Outage (Q4/09)	12% 2%		86%			4.2	56%
what you wanted	IVR Outage (Q1/10)	13% 3%		84%			4.2	52%
or needed	IVR Outage (Q2/10)	10% 2%		88%			4.4	62%
	IVR Outage (Q3/10)	<mark>6% 3%</mark>		91%			4.4	64%
	IVR Outage (Q4/10)	11% 2%		88%			4.3	62%
		-						
g. Your question	IVR Outage (2010)	9% 4%		88%			4.4	63%
getting answered	IVR Outage (Q4/09)	13% 2%		85%			4.2	56%
or the action	IVR Outage (Q1/10)	10% 3%		88%			4.3	61%
getting taken correctly, first	IVR Outage (Q2/10)	7% 5%		89%			4.4	66%
time	IVR Outage (Q3/10)	10% 3%		87%			4.3	62%
	IVR Outage (Q4/10)	7% 4%		89%			4.4	61%
		· /%	25%	50%	75%	100%	,	
	Ŀ	Bottom 2 (Some	what / Very dissa	tisfied) Neither Nor	Top 2 (Very / Somew	hat satisfied)		

5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with... N = Total IVR Outage (2010=470-1121) (Q4'09→Q4'10=93-282) *Mean: Very Satisfied (5) to Very Dissatisfied (1)





No change vs. last Quarter.



5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with... N = Total IVR Outage (2010=1169) (Q4'09 \rightarrow Q4'10=279-298) *Mean: Very Satisfied (5) to Very Dissatisfied (1)





More are 'very satisfied' vs. last Quarter for the system letting know what action would be taken.

			System Issues		Mean *	TB%
k. The system	IVR Outage (2010)	<mark>14% 3</mark> %	83%		4.2	57%
being able to	IVR Outage (Q4/09)	22% 4%	75%		3.9	50%
give you the precise time	IVR Outage (Q1/10)	<mark>16%</mark> 4%	81%		4.2	58%
when power	IVR Outage (Q2/10)	<mark>15% 1</mark> %	84%		4.2	59%
would be	IVR Outage (Q3/10)	<mark>15% 3</mark> %	82%		4.2	57%
restored	IVR Outage (Q4/10)	<mark>11%</mark> 4%	85%		4.2	56%
f. The system letting you know what actions would	IVR Outage (2010) IVR Outage (Q4/09) IVR Outage (Q1/10)	20% 4% 20% 8% 24% 3%	76% 73% 72%		3.9 3.8 3.7 4.0	45% 41% 36% 47%
be taken when you finished	IVR Outage (Q2/10)	20% 3%	77%		4.0 3.9	47% 43%
the call	IVR Outage (Q3/10) IVR Outage (Q4/10)	20% 5%	75%	1	4.0	51%
	0	% 25%	50% 7	75% 100%		
	Bottom 2 (Somewl	nat / Very dissatisfied)	Neither Nor Top 2 (Ver	y / Somewhat satisfied)	

5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with...

N = Total IVR Outage (2010=436-1137) (Q4'09→Q4'10=87-303) **Mean: Very Satisfied (5) to Very Dissatisfied (1)*



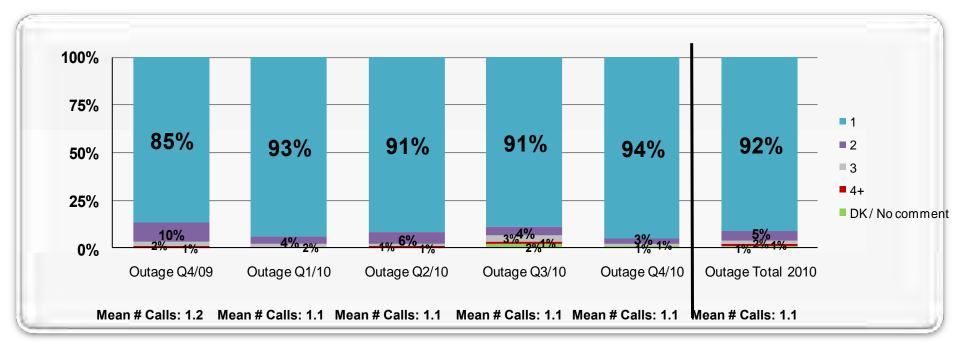
Connection & Call Resolution Issues



Number of Calls Made Before Connection to Hydro One's Automated System Menu (2010 Total, Q4/09, Q1/10, Q2/10, Q3/10, Q4/10)



The per cent of customers only needing to call once to connect with the automated phone system has improved vs. this time last year.



8. For this most recent call, how many times did you have to try Hydro One's telephone number before you were connected to the menu in the automated voice system?

N (Q4/Q1/Q2/Q3/Q4)= IVR Outage callers (301/301/300/300/304)



Reasons Had to Make More than One Call to Connect with Automated System Menu (2010 Total, Q4/09, Q1/10, Q2/10, Q3/10, Q4/10)



Outage callers had to call more than once primarily due to busy lines because of call volumes.

	Reasons %						
	2010	Q4/09	Q1/10	Q2/10	Q3/10	Q4/10	
Access Busy / IVR Busy (NET NET) (lines busy NET, IVR busy NET)	56	53	62	52	52	60 <	
Lines Busy (NET) (e.g., couldn't get through, got a busy signal, recorded message stating all lines busy)	54	50	62	52	48	53	
IVR Busy (NET) (message 'due to heavy call volumes we are unable to take your call at this time')	2	3	-	-	4	7	
IVR Difficulty (NET) (phone system did not connect properly, problems with automated system menu / pressed wrong number / accessed wrong menu)	18	30	14	12	26	20	
Difficulty at customer end (NET) (dialed wrong number, had problems with phone/cell)	10	5	14	4	13	7	
Inconvenient (NET) (hung up while on hold, wanted to immediately speak to live rep)	2	5	-	8	-	-	
Other (NET) (power not restored after first call / multiple calls to get power restored, other)	7	3	10	8	9	-	

9. Why did it take you more than one call to be connected to the automated voice system?

N (2010/Q4/Q1/Q2/Q3/Q4) = Total IVR Outage (84/40/21/25/23/15)

Total calls

3% of

Decesso 0/



First Call Resolution (2010 Total, Q4/09, Q1/10, Q2/10, Q3/10, Q4/10)



First call resolution is unchanged vs. last Quarter.

First Call Resolution											
	2010 Q4 Q1 Q2 (
		09	10	10	10	10					
Yes	90	91	94	87	90	90					
Νο	8	8	5	11	9	9					
Neither	1	1	1	2	1	1					

10. And once you did get through to a representative, was your issue resolved on the first call, or did you need to call back more than once?

N (2010/Q4/Q1/Q2/Q3/Q4) = Total IVR Outage (1205/301/301/300/300/304)

Number of Callbacks*											
		2010	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10				
	One	38	41	44	48	21	39				
	Тwo	27	30	17	20	35	36				
	Three	10	11	11	10	10	10				
	Four +	8	4	6	-	24	3				
	DK	17	15	22	23	10	13				
	Mean #	1.9	1.8	1.7	1.5	2.6	1.8				

11. And after this initial call, how many times did you need to call back about the same issue?

N (2010/Q4/Q1/Q2/Q3/Q4) =

Total IVR Outage (118/27/18/40/29/31)

* Caution, small base sizes



Reasons Needed to Call Back More than Once* (2010 Total, Q4/09, Q1/10, Q2/10, Q3/10, Q4/10)



The majority of call backs are made because HON has not restored power.

	2010	Q4/09*	Q1/10*	Q2/10*	Q3/10*	Q4/10*
Commitments not met (NET) (power still not restored, power was not restored when they said it would be)	68	42	50	50	85	67
Didn't like the answer (NET) (you didn't like the answer you got the first time)	11	-	17	17	5	13
Provide / Get information (NET) (needed to give the rep more info)	9	8	17	33	-	-
IVR / Phone system issues (NET) (cut off / disconnected, general menu difficulties)	-	50	-	-	-	-
Other (NET) (problem not resolved on first call, no duration estimate, other)	11	-	17	-	10	20

Reasons % *

12. I am going to read you a list. Please tell me which of the these describes the reason you needed to call back more than once?

N (2010/Q4/Q1/Q2/Q3/Q4) = Total IVR Outage (53/12/6/12/20/15)

* Caution, very small base sizes



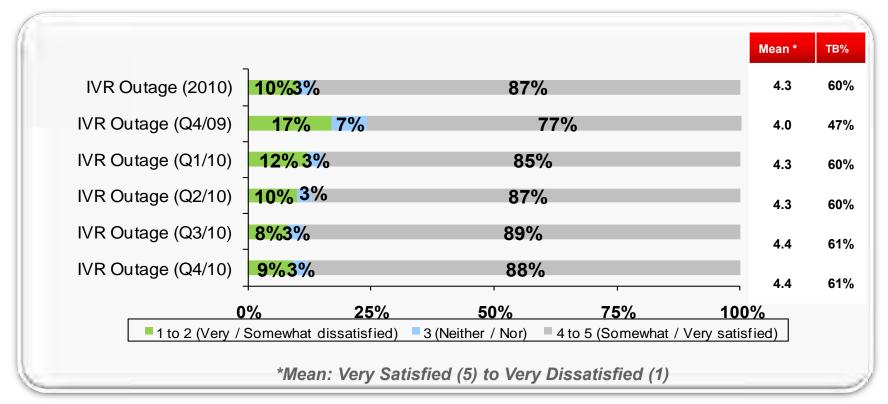
Automated Telephone Answering System



Satisfaction with Hydro One's Automated Telephone Answering System (2010 Total, Q4/09, Q1/10, Q2/10, Q3/10, Q4/10)



Satisfaction with the automated system is unchanged vs. last Quarter. Notable improvements that began in Q1/10 have been sustained.



13a. When you made your most recent call to Hydro One, you were initially connected to an automated telephone system. Overall, how satisfied were you with Hydro One's automated telephone answering system?

N (2010/Q4/Q1/Q2/Q3/Q4) = Total IVR Outage (1195/301/300/296/298/301)



Reasons Dissatisfied with Automated Phone System* (2010 Total, Q4/09, Q1/10, Q2/10, Q3/10, Q4/10)



Across all quarters, dissatisfaction is primarily tied to a general dislike of automated phone systems, or a desire to speak with a live rep.

	2010	Q4/09	Q1/10	Q2/10	Q3/10	Q4/10
Don't like automated phone system	39	36	26	50	29	52
Wanted to speak to a live rep	39	44	37	37	38	44
Could not get through	10	18	6	10	17	11
Too many options / menu too complex / complicated	4	6	-	-	8	11
Options didn't match my needs	10	10	6	17	-	15
Other Specify (Other, IVR does not work / doesn't understand me, takes too long to get through, estimated restore time incorrect, didn't give reason for outage)	37	34	14	30	38	22

Reasons % *

13b. Why were you not satisfied?

N (2010/Q4/Q1/Q2/Q3/Q4) = Total dissatisfied with automated phone system (IVR Outage = 116/50/35/30/24/27)

* Caution, very small base sizes



Automated Phone System Attributes (2010 Total, Q4/09, Q1/10, Q2/10, Q3/10, Q4/10)



No change relative to last Quarter.

	% Stating Yes								
	Total 2010	Q4/09	Q1/10	Q2/10	Q3/10	Q4/10			
Was the system easy to use?	97	94	97	97	95	97			
Nas the system quick to use?	95	92	94	96	95	96			
Did the system get you where you wanted to go?	94	89	92	94	95	94			
Did the menu categories include the reason you called?	92	93	91	90	91	94			
Did you feel confident that your needs were understood?	91	82	91	91	91	91			
Did the system provide the information you needed?	87	79	87	87	86	89			

14. Now I have a few questions about the automated telephone system and the menu that you had to use at the beginning of your call. For each question you can just answer yes or no.

N = Total IVR Outage (2010/Q4/Q1/Q2/Q3/Q4) (1205/301/301/301/300/304) *Not asked



Opinions of the Outage Reporting System (2010 Total, Q4/09, Q1/10, Q2/10, Q3/10, Q4/10)



Significant improvement seen in Q1/2010 has been sustained for agreement with the system provided accurate information.

15% 13% 15% 14% 12% 14% 25% Igree Bottom 4	72% 71% 73% 50% 75% Mid Top 4	7. 7. 7. 100% Agree			
15% 14% 12% 14% 25%	71% 73%	7. 7. 100%			
15% 14%	71%	7.			
15% 13%	72%	7.			
15% 12%	73%	7.			
22% 14%	64%	7.			
14% 13%	73%	7.			
<mark>% 5%</mark>	88%	8.			
<mark>% 5%</mark>	89%				
<mark>% 6%</mark>	88%	8.			
<mark>%4%</mark>	91%	9.			
<mark>% 8%</mark>	86%	8.			
<mark>% 5%</mark>	89%	8.			
	% 8% %4% %6% %5% %5%	% 8% % 8% % 6% % 6% % 5% % 5% 88%			

14a. Using a 1 to 10 scale, where 1 means you disagree completely and 10 means you agree completely, please rate each of the following statements regarding the outage reporting system. You may use a 1 or a 10, or any number in between to rate each statement.

Total IVR Outage (2010/Q4/Q1/Q2/Q3/Q4) (1162/301/301/280/294/290)

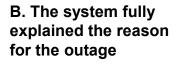


Opinions of the Outage Reporting System (2010 Total, Q4/09, Q1/10, Q2/10, Q3/10, Q4/10)



Significant improvement seen in Q1/2010 has been sustained for agreement with the system letting know when power would be restored.

D. The system let you know when your power would be restored



7						М
2010	18%	10%		73%		
Q4/09	24%	13%		63%		
Q1/10	17%	9%		75%		
Q2/10	18%	11%		71%		
Q3/10	20%	9%		72%		
Q4/10	16%	10%		74%		
_						
2010		62%		14%	25%	0
Q4/09		67%		14%	19	1%
Q1/10		62%		13%	25%	
Q2/10		60%		15%	24%	
Q3/10		63%		15%	22	6
Q4/10		61%		12%	27%	
0%	6	25%	50%	75%		100%
Disa	agree	Bottom 4	Mid –	Top 4		Agree

*Mean: Disagree (1) to Agree (10)

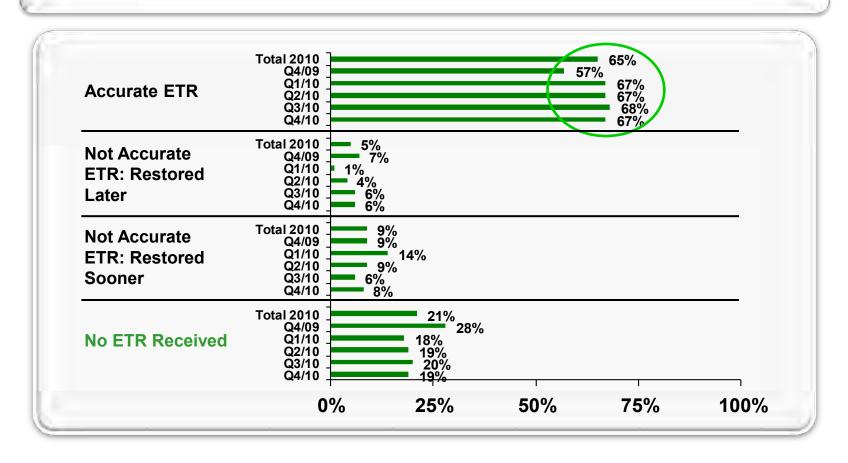
14a. Using a 1 to 10 scale, where 1 means you disagree completely and 10 means you agree completely, please rate each of the following statements regarding the outage reporting system. You may use a 1 or a 10, or any number in between to rate each statement.

Total IVR Outage (2010/Q4/Q1/Q2/Q3/Q4) (1162/301/301/280/294/290)





One in five are not getting an ETR, and almost three quarters had power restored either before or by the ETR.



Total IVR Outage (1437/283/291/284/285/294)



Summary – Performance Movement 2006 to 2010 (IVR Outage)



	2006 Score	2010 Score	% Movement*
Q3. How satisfied were you overall with this call to Hydro One? (2006=1130, 2010=1187)	79	89	+10
Q4a. From the time the power went out to the time it was restored, how satisfied are you overall with the way HYDRO ONE handled the unplanned outage? (2007**=950, 2010=1054)	79**	85	+6
Q5f. (The rep) letting you know what actions would be taken when you finished (2006=1059, 2010=436)	76	76	0
Q5g. Your question getting answered or the action getting taken correctly, first time (2006=1078, 2010=1121)	79	88	+9
Q5j. The representative/system understanding what you wanted or needed (2006=1114, 2010=470)	83	88	+5
Q5k. The rep/system being able to give you a precise time when power would be restored (2006=1064, 2010=1137)	71	83	+12
Q5I. Your ability to access Hydro One to resolve your questions or problems (2006=1120, 2010=1169)	76	89	+13
Q8. For this most recent call, how many times did you have to try Hydro One's telephone number before you were connected to the menu in the automated voice system? (% stating one call) (2006=1140 2010=1205)	80	92	+12
Q10. And once you did connect with the representative, was your issue resolved on the first call, or did you need to call back more than once? (2006=1230 2010=1205)			
First Call Resolution	76	90	+14

*Percentage point increase shown

**Question introduced in 2007, 2007 score is shown for comparison



	2006 Score	2010 Score	% Movement*
Q13a. When you made your most recent call to Hydro One, you were initially connected to an automated telephone system. Overall, how satisfied were you with Hydro One's automated telephone answering system? (2006=1135, 2010=1195)	73	87	+14
Q14a. Did the menu categories include the reason you called? (% yes) (2006=1140 2010=1205)	88	92	+4
Q14b. Was the system easy to use? (2006=1140, 2010=1205)	92	97	+5
Q14c. Was the system quick to use? (2006=1140, 2010=1205)	85	95	+10
Q14d. Did the system provide the information you needed? (2006=1140, 2010=1205)	79	87	+8
Q14e. Did you feel confident that your needs were understood? (2006=1140, 2010=1205)	80	91	+11
Q14g. Did the system get you where you wanted to go? (2006=1140, 2010=1205)	85	94	+9



IVR Self Serve Callers



Reasons for Call to Hydro One



93



Fewer calls in Q2, Q3 & Q4/10 for meter issues relative to previous.

	Customer Stated Reason for Call %								
	Total 2010	Q4/09 %	Q1/10 %	Q2/10 %	Q3/10 %	Q4/10 %			
Meter Issues (NET) (input meter reading, report meter error, smart meter/new meter, reading error, broken meter)	28	39	37	28	25	23			
To get account balance (NET)	44	32	40	45	48	45			
Payment / Bills (NET NET) (bill question / problem NET, payment issues NET)	23	25	22	21	22	26			
Payment Issues (NET) (report making a payment, payment notification, discuss / negotiate payment, disconnection notice follow-up, power disconnected)	19	20	16	18	19	22			
Bill Question / Problem (NET) (investigate major bill increase, change banking info, not received bill/wanted copy)	4	5	6	3	3	4			
Outage Report / Update (NET NET)	1	1	-	2	-	1			
Outage Reporting (NET) (investigate / report outage)	1	1	-	2	-	1			
Moving / New Service (NET) (moving / providing updated information, to provide new account name / change account name)	1	-	-	1	1	-			
Time of Use (NET) (issue / question about time of use policy, issue / question about time of use process)	0	-	-	-	-	1			
Other (NET) (to remove a light / pole / HON equipment on my property, to inquire about HON services, other)	3	3	2	3	3	4			

2. Now please think about the call you made to Hydro One in the past few days. What was the reason for this call?

N (2010/Q4/Q1/Q2/Q3/Q4) = Total IVR Self Serve (1203/300/301/300/301/301)



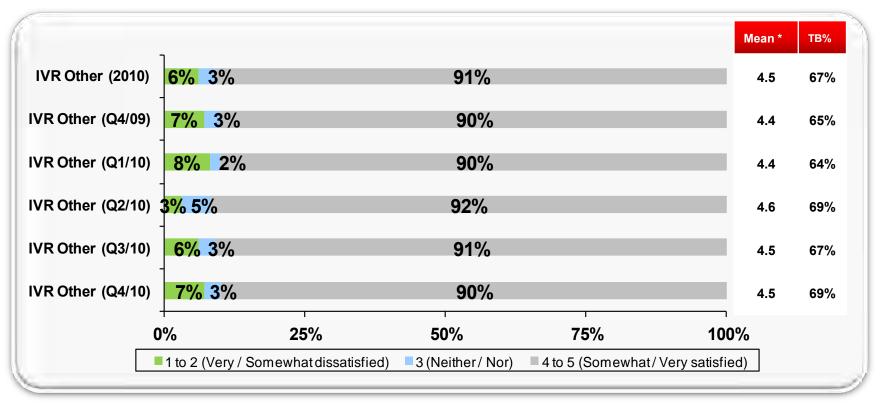
Satisfaction with Call



95



Overall satisfaction with the call is unchanged this Quarter.



*Mean: Very Satisfied (5) to Very Dissatisfied (1)

- 3. How satisfied were you overall with the call to Hydro One?
- N (2010/Q4/Q1/Q2/Q3/Q4) = Total IVR Self Serve (1186/296/294/296/298/298)



Overall Satisfaction by Reason for Call to Hydro One (Q4/09, Q1/10, Q2/10, Q3/10, Q4/10)



Satisfaction levels by reason for the call (as stated by callers) remain unchanged Quarter to Quarter.

	*То	o 2 box (Ve	ry / Somew	hat Satisfie	ed)
	Q4/09 (n=296)	Q1/10 (n=294)	Q2/10 (n=296)	Q3/10 (n=298)	Q4/10 (n=298)
	% satisfied	% satisfied	% satisfied	% satisfied	% satisfied
Caller Satisfaction Score	90	90	92	91	91
Account Balance (NET) (n ~ 130)*	95	92	96	95	94
Payment / Bills (NET NET) (payment issues NET, bill question / problem NET) (n ~ 75)*	85	87	94	91	87
Payment Issues (NET) (n ~ 60)*	88	91	96	91	84
Bill Question / Problem (NET) (n ~ 10)*	73	77	80	89	100
Outage Reporting / Update (NET NET) (outage report NET) (n ~ ^{5)*}	50	-	100	-	100
Outage Reporting (NET) (n ~ 5)*	50	-	100		100
Meter Issues (NET) (n ~ 70)*	93	92	87	87	87
Other (NET) (n ~ 10)*	63	67	88	90	83

3. How satisfied were you overall with this call to Hydro One? Would you say you were...

*Represents approximate average sample size in each Quarter



Reasons Not Satisfied with Call to Hydro One* (2010 Total, Q4/09, Q1/10, Q2/10, Q3/10, Q4/10)



Dissatisfaction is mainly tied to general customer dislike or resolution challenges with the automated systems. These results are typical of every Quarter.

	Total 2010	Q4'09	Q1'10	Q2'10	Q3'10	Q4'10
Total Automated System Mentions (NET NET)	51	59	52	46	46	59
(automated system dislike NET, automated system resolution issues NET)						
Automated System Dislike (NET) (dislike automated system)	32	24	35	25	35	31
Automated System Resolution Issues (NET) (couldn't get through to a live rep, too cumbersome,						
want to be able to quickly speak to live rep, never did / couldn't speak with a human, automate system couldn't hear me / understand my voice / response)	29	41	28	25	31	31
Information Issues (NET) (did not say when action would be taken, did not get answers needed, would not arrange meter reading, wouldn't discuss account / not my name, was unable to resolve why bill was so high)	19	21	14	17	15	28
Bill/Payment (NET) (equal billing too high, no flexibility in payment terms, won't accept cc payment, other billing mentions, other payment mentions)	8	7	10	4	12	7
Performance Issues (NET) (general poor service, rude / unprofessional, not a good listener)	5	3	7	8	4	-
Wait / Hold time (NET) (put on hold too long)	3	-	3	4	4	-
Commitments not met (NET) (promised a return call / haven't received, left message requesting call back and no reply)		3	3	-	4	3
Disconnection Threats (NET) (dissatisfied with collection process / threats, threats made to cut power)	-	3	-	-	-	-
Other (NET) (Verbatim for Q2/10, Q3/10 & Q4/10 in Appendix)	23	21	21	33	31	10

4. Why were you not satisfied overall with the call? N = Total IVR Self Serve (108/29/29/24/26/29)

* Caution, small base sizes





Satisfaction with 'process' issues is unchanged this Quarter.

				F	Process Issu	ies		Mean *	ТВ%
	IVR Sel	f Serve (2010)	7%1%		92%			4.6	74%
g. Your question	IVR Self	Serve (Q4/09)	<mark>6%2%</mark>		92%			4.6	74%
• •	IVR Self	Serve (Q1/10)	<mark>8%2%</mark>		90%			4.5	71%
action getting	IVR Self	Serve (Q2/10)	<mark>4%</mark> 1%		95%			4.7	79%
g. Your question getting answered or the action getting taken correctly, first time IVR Self Serve (Q1/10) 6%2% 92% IVR Self Serve (Q2/10) IVR Self Serve (Q2/10) 8% 2% 90% IVR Self Serve (Q2/10) IVR Self Serve (Q3/10) 8% 1% 91% IVR Self Serve (Q4/10) IVR Self Serve (Q4/10) 7% 3% 91% IVR Self Serve (Q4/10) IVR Self Serve (Q4/09) 7% 2% 91% IVR Self Serve (Q4/10) IVR Self Serve (Q4/09) 7% 2% 91% IVR Self Serve (Q4/10) IVR Self Serve (Q4/09) 7% 2% 91% IVR Self Serve (Q4/10) IVR Self Serve (Q4/09) 7% 2% 91% IVR Self Serve (Q4/10) IVR Self Serve (Q4/09) 7% 3% 89% IVR Self Serve (Q2/10) IVR Self Serve (Q4/09) 7% 3% 89% IVR Self Serve (Q2/10) IVR Self Serve (Q2/10) 8% 3% 89% IVR Self Serve (Q2/10) IVR Self Serve (Q3/10) 9% 3% 89% IVR Self Serve (Q4/10) IVR Self Serve (Q2/10) 9% 3% 91% IVR Self Serve (Q2/10) IVR Self Serve (Q3/10) 9% 3% 91% IVR Self Serve (Q4/10) IVR Self Serve (Q2/10)	4.5	71%							
	IVR Self	Serve (Q4/10)	7% 2%		91%			4.6	75%
L Your ability to	IVR Sel	f Serve (2010)	- 7%3%		91%			4.5	69%
access Hydro	IVR Self	Serve (Q4/09)	7% 2%		91%			4.5	66%
	IVR Self	Serve (Q1/10)	8% 3%		89%			4.5	79% 71% 75% 69%
	IVR Self	Serve (Q2/10)	<mark>4%2</mark> %		94%			4.6	73%
	IVR Self	Serve (Q3/10)	<mark>9% 3</mark> %		89%			4.4	67%
	IVR Self	Serve (Q4/10)	7% 3%	1	91%			4.5	66%
	-	()%	25%	50%	75%	100	%	
		Bottom 2 (So	omewhat/Very	dissatisfied)	Neither Nor To	p 2 (Very / Somewha	at satisfied)		

5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with... N = Total IVR Self Serve (2010=1120-1142) (Q4'09 \rightarrow Q4'10=172-289)



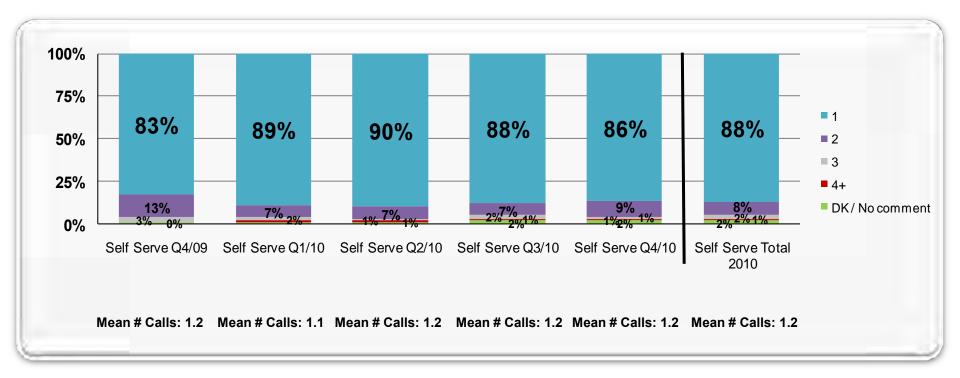
Connection & Call Resolution Issues



Number of Calls Made Before Connection to Hydro One's Automated System Menu (2010 Total, Q4/09, Q1/10, Q2/10, Q3/10, Q4/10)



Connecting with the automated system menu with only one call remains unchanged through 2010.



8. For this most recent call, how many times did you have to try Hydro One's telephone number before you were connected to the menu in the automated voice system?

N (Q3/Q4/Q1/Q2/Q3)= IVR Self Serve callers (300/300/301/300/301)



Reasons Had to Make More than One Call to Connect with Automated System Menu* (2010 Total, Q4/09, Q1/10, Q2/10, Q3/10, Q4/10)



~ / *

Among all IVR Self Serve callers 4% encountered busy lines. This is unchanged vs. last Quarter.

			Re	asons %*		
	Total 2010	Q4/09*	Q1/10*	Q2/10*	Q3/10*	Q4/10*
IVR Difficulty (NET) (phone system did not connect properly, general problems with automated system menu / pressed wrong number / accessed wrong menu)	42	41	57	46	39	29
Inconvenient (NET) (hung up while on hold, wanted to immediately speak to live rep)	8	22	10	11	7	6
Access Busy / IVR Busy (NET NET)	27	17	17	25	32	(32)←
(lines busy NET, IVR busy NET)						
IVR Busy (NET) (message 'due to heavy call volumes we are unable to take your call at this time')	4	0	3	4	7	3
Lines Busy (NET) (couldn't get through, got a busy signal, recorded message stating all lines busy)	23	17	13	21	26	29
Difficulty at customers end (NET) (had problems with my phone)	4	-	3	4	3	6
Other (NET) (had to call back to give HON more info, business office was closed, other)	4	11	3	11	3	-

9. Why did it take you more than one call to be connected to the menu in the automated voice system? N (2010/Q4/Q1/Q2/Q3/Q4) = Total IVR Self Serve (123/46/30/28/31/34)

4% of Total calls

101 * Caution: Small base sizes



First Call Resolution (2010 Total, Q4/09, Q1/10, Q2/10, Q3/10, Q4/10)



First call resolution is unchanged vs. last Quarter.

		First Ca	all Reso	olution			
	Total 2010	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	
Yes	92	92	91	93	91	94]
No	6	6	6	5	8	4	1
Neith er	2	2	3	2	1	1	

10. And once you did connect with the automated voice system, was your issue resolved on the first call, or did you need to call back more than once?

N (2010/Q4/Q1/Q2/Q3/Q4) =

Total IVR Self Serve (1203/300/301/300/301/301)

Number of Callbacks*									
	Total 2010	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10			
One	34	44	36	29	41	29			
Тwo	22	26	21	24	22	18			
Three	10	4	4	14	11	12			
Four+	8	4	4	5	11	12			
DK	27	22	36	29	15	29			
Mean #	2.0	1.9	1.6	1.9	2.0	2.6			

11. And after this initial call, how many times did you need to call back about the same issue?

N (2010/Q4/Q1/Q2/Q3/Q4) =

Total IVR Self Serve (93/23/28/21/27/17)

* Caution, small base sizes



Final Outcome of Call for Those Who Called 2+ Times (2010 Total, Q4/09, Q1/10, Q2/10, Q3/10, Q4/10)



A very small per cent (2%) of customers are stating that their issue (or the reason for their call) was 'never resolved' - even after calling 2+ times.

	Final Outcome % *						
	Total 2010	Q4/09	Q1/10	Q2/10	Q3/10	Q4/10	
Resolved after you followed up with Hydro One	40	35	29	52	44	35	
Never resolved	32	26	39	29	26	35	
Resolved after Hydro One took some other action	3	4	4	5	4	-	
Resolved after it was passed along to someone	-	-	-	-	-	-	
Other (volunteered)	25	35	29	14	26	29	

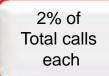
13. I am going to read you a list. Please tell me which of the four describes the final outcome of your call?

N (2010/Q4/Q1/Q2/Q3/Q4) = Total IVR Self Serve (135/23/28/21/27/17)

*Caution, very small base sizes

**Based on 15 months of data (Jul 2009 \rightarrow Sep 2010 – n=132)

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103



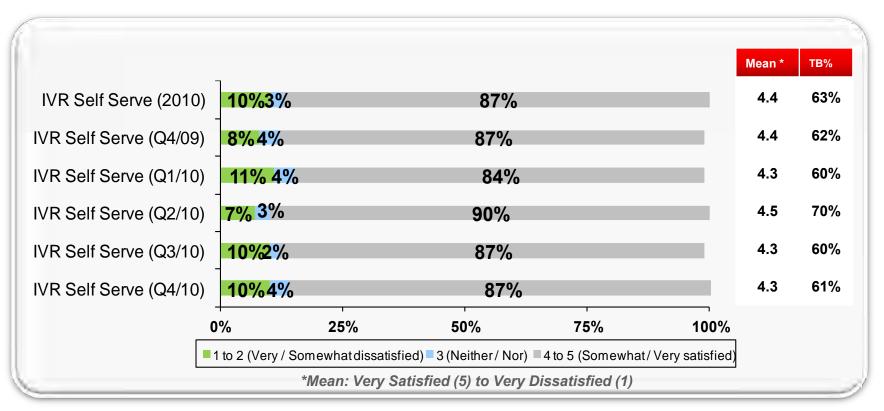
Automated Telephone Answering System



Satisfaction with Hydro One's Automated Telephone System (2010 Total, Q4/09, Q1/10, Q2/10, Q3/10, Q4/10)



No change vs. last Quarter.	
4	



13a. When you made your most recent call to Hydro One, you were initially connected to an automated telephone system. Overall, how satisfied were you with Hydro One's automated telephone answering system?

N (2010/Q4/Q1/Q2/Q3/Q4) = Total IVR Self Serve (1192/299/298/296/297/301)

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105



Reasons Dissatisfied with Automated Phone System* (2010 Total, Q4/09, Q1/10, Q2/10, Q3/10, Q4/10)



Dissatisfaction is primarily tied to a general dislike of automated phone systems and a desire to speak with a representative.

	Reasons % *						
	Total 2010	Q4/09	Q1/10	Q2/10	Q3/10	Q4/10	
Wanted to speak to a live rep	35	36	38	27	29	45	
Don't like automated phone systems	43	36	44	41	55	31	
Too many options/menu to complex	21	20	24	14	23	21	
Could not get through	7	28	6	-	7	14	
Takes too long to get through	9	12	6	14	10	7	
Auto voice recognition does not work/doesn't understand me	9	8	9	5	16	3	
Options didn't match my needs	10	12	12	9	7	10	
Other	9	8	3	9	3	21	

13b. Why were you not satisfied?

N = Total dissatisfied with automated phone system (IVR Self Serve = 116/25/34/22/31/29)

106 * Caution, very small base sizes





In Q4/2010 the percent stating that the automated system provided the information needed and was quick to use has increased.

	% Stating Yes							
	Total 2010	Q4/09	Q1/10	Q2/10	Q3/10	Q4/10		
Did the system get you where you wanted to go?	94	94	93	96	93	95		
Was the system easy to use?	94	94	94	93	95	94		
Did the system provide the information you needed?	91	91	90	94	89	93		
Did the menu categories include the reason you called?	91	92	90	93	90	92		
Did you feel confident that your needs were understood?	91	90	90	93	90	92		
Was the system quick to use?	89	88	90	89	86	90		

14. Now I have a few questions about the automated telephone system and the menu that you had to use at the beginning of your call. For each question you can just answer yes or no. *Not asked

N = Total IVR Self Serve (1203/300/301/300/301/301)



Summary – Performance Movement 2006 to 2010 (IVR Self Serve)



	2006 Score	2010 Score	% Movement*
Q3. How satisfied were you overall with this call to Hydro One? (2006=807, 2010=1186)	83	91	+8
Q5g. Your question getting answered or the action getting taken correctly, first time (2006=777, 2010=1120)	85	92	+7
Q5I. Your ability to access Hydro One to resolve your questions or problems (2006=792, 2010=1142)	81	91	+10
Q8. For this most recent call, how many times did you have to try Hydro One's telephone number before you were connected to the menu in the automated voice system? (% stating one call resolution) (2006=815, 2010=1203)	80	88	+8
Q10. And once you did connect with the representative, was your issue resolved on the first call, or did you need to call back more than once? (2006=815, 2010=1203) First Call Resolution	83	92	+9
Q13a. When you made your most recent call to Hydro One, you were initially connected to an automated telephone system. Overall, how satisfied were you with Hydro One's automated telephone answering system? (2006=812, 2010=1192)	75	87	+12
Q14a. Did the menu categories include the reason you called? (% Yes) (2006=815, 2010=1203)	88	91	+3
Q14b. Was the system easy to use? (2006=815, 2010=1203)	91	94	+3
Q14c. Was the system quick to use? (2006=815 2010=1203)	80	89	+9
Q14d. Did the system provide the information you needed? (2006=815, 2010=1203)	85	91	+6
Q14e. Did you feel confident that your needs were understood? (2006=815, 2010=1203)	83	91	+8
Q14g. Did the system get you where you wanted to go? (2006=815, 2010=1203)	91	94	+3

*Percentage point increase shown



Summary & Recommendations



Summary of Key Findings

Total CCC vs. HON Target

• At the end of Q4/10, overall satisfaction with the call (88%) is significantly above target (84%). Overall satisfaction with the call has been at this level through 2010;

Agent Handled Callers

- There is no significant change in overall satisfaction with the call (84%) vs. last Quarter (87%);
- Overall satisfaction with the call is poorest for calls dealing with bill problems, increases or bill discrepancies. This has not changed over the past 4 measurement periods;
- Satisfaction levels have declined vs. last Quarter for ease of getting through to a rep, ability to access H1, providing accurate information and letting know what actions will be taken at call conclusion;
- The key driver of overall satisfaction with the call is the skill of the rep. This is followed by the (quality of) information provided by the rep;



Agent Handled Callers

- On an unaided basis, dissatisfaction with the call is tied to CSR performance in terms of the information they provide and/or their inability to resolve a billing/payment issue to the caller's satisfaction;
- As has been the case since tracking began, in Q4/10, more than 8 in 10 (84%) are connecting with the automated system on the first attempt;
- When more than one attempt has been necessary it is primarily due to IVR difficulties and to Bell lines being busy. 4% of all callers encountered this in Q4/10, unchanged vs. the two previous Quarters;
- Perceived wait time is the same as it was in Q3/10 (2.0 minutes). Perceived wait time is less than what is deemed a reasonable wait time (2.0 vs. 2.7 minutes);
- When there is a perceived wait time of 4 minutes or more, satisfaction is poorer with the automated system and with call access attributes;



Agent Handled Callers

- First call resolution (87%) is unchanged vs. last Quarter and has been static through 2010 (88%);
- 7% of all Agent callers in Q4/10 say their issue was never resolved significantly more than last Quarter (4%);
- If a customer's reason for the call has never been resolved, scores are significantly lower on virtually all key measures;
- After improvements through Q1- Q3/10, satisfaction with Hydro One's automated telephone answering system has declined in Q4/10 (81%);
- On all key measures, since tracking began in 2006, scores have directionally or significantly improved;



IVR Outage Callers

- Overall satisfaction with the call in Q4/10 (91%) is improved vs. Q3/10 (87%);
- On an unaided basis, dissatisfaction with the call is mainly tied to automated system dislikes or resolution problems and/or having no, or an inaccurate estimated restoration time;
- In Q4/10, 94% connected to the automated system with their first call unchanged vs. last Quarter. If more than one call is needed, it is typically due to an inability to connect due to busy Bell lines – 3% of all Outage callers encountered this is Q4/10 – the same as in Q3/10;
- First call resolution in Q4/10 is the same as it was in Q3/10 (90%);
- Satisfaction with the automated system (88%) is unchanged vs. last Quarter, remaining improved vs. late last year;



IVR Outage Callers

- In Q4/10, one in five did not get an ETR. Of those who did, about three-quarters had power restored when promised or sooner. Similar pattern through all of 2010;
- On all key measures, since tracking began in 2006, scores have directionally or significantly improved;



IVR Self Serve Callers

- Overall satisfaction with the call among IVR Self Serve callers in Q4/10 (90%) is similar to last Quarter (91%);
- Dissatisfaction with the call is primarily tied to automated system dislikes or system resolution issues and/or shortcomings in the information provided by CSRs;
- 86% of callers are connecting to the automated system on their first attempt unchanged vs. last Quarter. Those who are not, are encountering busy Bell lines – with about 4% of all IVR Self Serve callers encountering this in Q4/10 – similar to last Quarter;
- First call resolution in Q4/10 (94%) is as it has been over the past year;
- Among all Self Serve callers in Q4/10, 2% did not get the reason for their call resolved – a level similar to previous Quarters;
- The percent indicating they are satisfied with the automated system (87%) is unchanged vs. last Quarter;
- On all key measures, since tracking began in 2006, scores have directionally or significantly improved.



Recommendations for Consideration

Caller Satisfaction & Call Resolution

- Focus on improving the key drivers of call satisfaction namely, the rep's skills and the (quality) of information they provide. Specifically, focus on improving...
 - providing a solution for the reason called;
 - answering questions or taking actions correctly, the first time;
 - providing accurate information; and
 - letting know what actions will be taken at call conclusion.

Do current training protocols and information resources support this focus? Do all agents recognize the critical nature of fulfilling these expectations?

 Review verbatim of why callers are dissatisfied with the above noted call experience elements, isolate root causes for dissatisfaction and determine if this is tied to people, process or technology issues (or a combination);



Once an agent is connected with a customer...

- is the caller's account information and reason for the call displayed (after transfer from the IVR system)?
- do they have immediate access to current/complete information regarding customer accounts, prior contact history, outages status, H1 services, etc.?
- can they easily navigate from one customer file/info source (e.g. billing) to another (e.g. new connections, field service schedule)?
- can they achieve first call resolution when possible, and for those customers that they are unable to provide first call resolution, are there clear steps they can follow to ensure resolution?
 do they have as much empowerment as economically sensible (e.g. to resolve billing issues)?

- do they clearly tell callers what actions will be taken?

- For difficult calls (e.g. high bill, bill discrepancies) consider assigning these calls to 'super agents'. Consider follow up calls as appropriate with assigned accountability to follow issue to completion;
- For non first call resolution calls, look for common characteristics (e.g. wrong account information, call reason, etc.). Determine root cause and evaluate whether unresolved issues are people, process or technology related (or a combination)



- **Customer 'delight' must be the goal.** For virtually all CSR and process elements, but particularly for key driver attributes, strive to achieve 'very satisfied' scores. Even when a caller is just 'somewhat satisfied' with an element, there is evidence that their overall satisfaction with the call is negatively impacted. Continue with efforts to move 'very satisfied' scores upwards;
- Listen to call recordings/monitor to identify 'response obstacles' (e.g. Agents stating "I don't know", "I can't help you with that", etc.) and identify root causes to isolate potential solutions;
- Amongst all reasons for calls, dissatisfaction is greatest for calls related to bill problems, increases or discrepancies. This has not changed over the past 4 measurement periods. If actions are being taken to mitigate this dissatisfaction, consider revisiting what's being done. Focus on agent scripting after careful review of verbatim for the reasons dissatisfied. Consider assigning these calls to 'super agents';
- The automated system, for which satisfaction levels are high, appears to be effective at meeting caller needs. While there may still be some incremental gain in overall satisfaction with the call by 'tweaking' the automated system, more gain may be likely to come from training CSRs to better address and fulfill those customer needs that are key drivers of call satisfaction. Hydro One may want to consider if **the balance of resource focus between 'technology' and 'people' issues is appropriate?**



Caller Access to the Call Centre/to an Agent

- Callers generally prefer to deal directly with an (knowledgeable and competent) Agent, which is more costly for HON. Over time, monitor distribution of calls to see if the modified automated system menu and (improved) resolution is decreasing the percent, amongst all callers, connecting with an Agent;
- Investigate solutions to improve ease and speed of initial access to the automated voice system menu and/or to an Agent – identify what Hydro One can impact directly vs. what is solely in control of the phone service provider?
- Strive for IVR best practices by reducing IVR abandons, maximizing identification success, maximizing navigational success and maximizing self serve success;
- Recent changes (late November 2009) to the automated system have had a
 positive effect on system satisfaction, navigation and user fulfillment, although there
 is some evidence of a decline in this most recent Quarter. Over the coming
 months, continue monitoring to see if improved customer
 perceptions/experiences with the menu are sustained;



Outage Reporting System

•Strive to improve the accuracy of ETRs and to keep customers more 'in the loop' re reasons for an outage and changes to ETRs;

Share the News

• Where there is positive movement in scores, Kudos should be shared with all involved. Acknowledge that which has been effective;

•Convene round-table discussions with CSRs in an attempt to uncover root cause behind both positive and less positive scores;

•Consider a brief communication in *Staying Connected* re how customer survey feedback has supported HON's continuous improvement of the customers' CCC experience.



Appendix

 Verbatim – 'Other' reasons dissatisfied overall with the call (Q2/10, Q3/10, Q4/10) (Agent, IVR Outage, IVR Self Serve)





Policy

- I got hit with a \$1000 penalty on top of my bill. It makes no sense if you're late and struggling. If I could pay them right off I wouldn't be late.
- They are not responsible to cut down the tree they said.
- I don't like how Hydro One is charging for delivery per day even when I don't use anything that day and we hardly use Hydro at all at the cottage.
- We went away this summer for five weeks and when we came back we got a bill for the same amount as our neighbours who have the same size house and they went nowhere. I am very careful how I use my hydro.
- The arrogance of them. Thirty years I spoke to Bell Canada and you will not have a monopoly. It is the same with Hydro. They have a monopoly but will not in 20 years and they will lose so many customers because of their arrogance. They need to listen to people. One day they will be sorry for being so arrogant just like Bell, who is now groveling for people to come back.
- 25kWh per day is not occasional use and I would like to know how they calculate these things
- *I wasn't happy to be calling. I had to call to give a confirmation but I didn't want to.*
- Not happy with the policies of Hydro One.
- Think there is a problem with smart meters as the bill was so high. I don't like it and think there is something wrong.
- *I was not told that it's automatic and it was already read.*





Responsiveness

- *They could not help me out.*
- Don't make it easy for you to get anything done.
- I haven't seen any action and the brush is still sitting on the parkway. If they don't trim the trees the power outage can happen again.
- I looked at the trees with the men who asked me to call. Since they have not trimmed them for eight years we thought it would be good that someone came out to check them. Yesterday I received a bill and there was a policy statement and it gives the distance the branches should be from the wires. I was dissatisfied with that. Someone should have come out to look at the situation to see if we qualified to have the branches cut. There was no empathy for my problem.





Access

- Had been away, have only dial-up internet which is excruciating slow and I happened to call the day before but could not give my meter reading, then had to call again the day after and had to wait. I found it a bit inconvenient.
- When she said someone from the upper offices would call me we would schedule for Monday. This wasn't her fault. She said she would have someone call me. I guess I missed the call even though we set a time. The call went to my voicemail and then he didn't leave his name or number so I couldn't get back to him. He just left his name and told me that I had to contact some government agency for that information and he gave me that number. I was like duh. I've already been offered that number. I wanted to talk to management about it. That's not what I wanted and because Hydro is charging me that money Hydro can explain to me where it's going and what the balance is. And because it took me forever to get that far I don't have another hour to spend on the phone trying to reinitiate that contact.
- They gave me a call saying I could qualify for assistance with hydro and the numbers they gave me all gave me another number and I got 5 numbers in total and there was no assistance available for me.
- Call was disconnected after 20 seconds. The Agent was pointing out payments and then there was a disconnection.





Other

- My Hydro has always been about \$100 a month but now that the meter is here I get the feeling something is wrong. They cannot make 14 million meters and not have something wrong. You think they would say they would come out to check it but they said it was a hard summer and my air conditioner would run more because of the hot summer. My pool is on a timer so they cannot use that excuse.
- They gave us the wrong products. They didn't want to do underground work because it was private line, it wasn't a Hydro One line.
- The call was fine.
- *I was not available at the time they called.*
- The agent came promptly and after they didn't check to see if anything was working.
- No particular reason, just a functional call.
- It was a typical call, no concerns.
- I don't remember.
- There is nothing satisfying about being broke.





Policy

• There should be one number for power outage as you are in the dark

Responsiveness

- There is no response.
- Power was off. Once I reported the outage it appeared on the website so I think they were slow to update the website.

Access

• It needs to be fine-tuned. I should have been able to put in my address and that was not an option.

<u>Other</u>

- *I was not one way or the other.*
- Couldn't get the answer that I was looking for. I wanted to know the proper procedure to follow in the case of the brown outs where the appliances were not working properly.
- They told me how it was going to be out. That was good.
- *I reported it and they took the information. That's great.*



Policy

- Because of the security deposit.
- Other than the call it's not very nice to sell your house and be on the street. You don't know whether the power is going to be turned off. You think they would call back. Three hours ago they called and said the telephone would be cancelled at 4am. They give me the time and everything. That is on the Friday, the 14th.
- When I finished inputting our meter reading the system said that Hydro One may or may not use this submission in the next billing. It was the may not that frustrated me

Responsiveness

• It could have been shorter.



<u>Access</u>

- Because the person I was talking to transferred me to a wrong department.
- It wasn't my account number and I put it in twice.
- Could not get any information. I got bumped from one person to another so we eventually gave up because no one knew anything about when this system of the smart meter will be starting, when the smart meters will be implemented.
- I could not get my balance when I phoned I was told that the office is now closed and that I must call back the next day. It is now 2010 and I cannot believe that I could not get my balance automatically.
- They give you the option of giving your phone number and account number. I can remember my phone but not the account number. The system was not recognizing my phone.



<u>Other</u>

- *I was asking for meter reading for the old one and not the new one.*
- *I didn't understand the agent.*
- There is a difference between Canadian English and American English and it just makes me think.
- It was nothing memorable, neither good nor bad, just straight down the middle and was acceptable.
- *I really have no feelings about it.*
- It's just fine.
- It wasn't eventful. It was easy to use and easy to understand.
- If I call my meter reading I would like to know my balance at the same time.
- *I had called in a previous meter reading one day before and they did not use the meter reading.*



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Filed: 2014-07-04 EB-2013-0416

Attachment 3

Exhibit I-2.1-6 VEC 27

Call Centre Transaction Satisfaction Tracking

Ending Quarter 4, 2011 Prepared by: Forum Research Inc.

> FORUM RESEARCH INC.

January, 2012



Objectives & Methodology



Ongoing Objectives

- Measure customer satisfaction with the call experience period over period;
- Determine if caller satisfaction differs by purpose of call;
- Determine whether caller expectations are being satisfied;
- Assess specific elements of the caller experience;
- Identify improvement opportunities;
- Identify factors driving caller satisfaction (annually)

To allow Hydro One to...

- Determine which Hydro One activities vis-à-vis its call centre have a positive impact on customer satisfaction;
- Isolate critical areas of improvement;
- Assess the effectiveness of any process interventions;
- Monitor performance versus KPIs/targets



- Telephone interviews completed with customers who contacted Hydro One's call centre within 2 – 5 days after their call;
- Daily sample provided online by Hydro One for the previous day's callers
- Daily interviewing (excluding Sunday) typically completed during the first 10-12 days
 of each month
- Each quarter, the following number of interviews were completed:

	Q1/10	Q2/10	Q3/10	Q4/10	Q1/11	Q2/11	Q3/11	Q4/11	
Agent Handled Callers	302	301	300	303	303	300	300	302	
IVR Self Serve Callers	301	300	301	301	301	302	300	301	+/- 4.5*
IVR Outage Callers	301	300	300	304	304	302	300	300	

- No advance permission was sought from customers for a follow up call;
- Interviews averaged between 6 and 9 minutes**;

* If observed per cent is 80, the sampling error range is +/-4.5% at the 95% confidence level. If observed per cent is 85, the sampling error range is +/-4.0%

** Overall CCC Response Rate (Q3/11) = 16%





Overall Call Satisfaction vs. HON Targets* (Q4/10, Q1/11, Q2/11, Q3/11, Q4'11)

	Q4/10 Actual (% V/SW Satisfied)	Q1/11 Actual (% V/SW Satisfied)	Q2/11 Actual (% V/SW Satisfied)	Q3/11 Actual (% V/SW Satisfied)	Q4/11 Actual (% V/SW Satisfied
Total CCC	88	87	86	89	86
Agent	84	84	84	89	85
Outage	91	87	86	90	82
Self Serve	90	89	88	90	90

3. How satisfied were you overall with the call to Hydro One?

Q4'11 - Total CCC/Agent/Outage/Self Serve (N =895/298/296/301)

* 2011 Target is based on a combination of overall satisfaction, satisfaction with 5 selected call experience elements and some internal metrics



Agent Handled Callers



Comparison vs. Benchmarks



Contact Centre Benchmark

Hydro One vs. Industry Composites

	Hydro One Agent Handled Q4/11 (n=302)	Electricity provider (n=310)	Natural gas provider (n=66)	Home or cell phone service provider (n=1079)	Cable TV service provider Q4/11 (n=203)	Banks, trust or credit unions you deal with (n=598)	Credit card companies you deal with (n=154)
Thinking about the entire call experience, how satisfied overall were you with this most recent call to? (T2B%)	85	NC	Improved vs. 2010	NC	NC	NC	Improved vs. 2010
How satisfied were you with the automated telephone system menu provided? (T2B%)	78		No cl	hange vs.201	10 benchma	rks	
For this most recent call, how satisfied were you with the overall ease of getting through to the representative? (T2B%)	90		No cl	hange vs.201	10 benchma	rks	
For this most recent call, how satisfied were you with the customer service representative for offering a solution to your concern? (T2B%)	85		No cl	nange vs.201	10 benchma	rks	
For this most recent call, how satisfied were you with the customer service representative for showing a genuine commitment to help? (T2B%)	92	NC	Improved vs. 2010	NC	NC	Improved vs. 2010	NC
For this most recent call, how satisfied were you with the customer service representative for understanding what you wanted or needed? (T2B%)	92		No cl	nange vs.201	0 benchma	rks	
Was the issue or question you were calling about resolved with only one call, did you have to make more than one call to resolve your issue, or was your issue not resolved? (% one call)	86	NC	NC	NC	NC	Poorer vs. 2010	Poorer vs. 2010

H1 better than 2011 benchmarks

H1 at par with 2011 benchmarks

From a random national sample of Canadians who contacted the (benchmark) company's contact centre in the past 2 weeks N = 2,410 (Electricity/310, Natural Gas/66, Home or Cell Phone/1079, Cable TV/203, Bank, Trust, Credit/598, Credit Card/154)



Reasons for Call to Hydro One





Fewer outage related calls relative to last Quarter.

	Q4/10 %	Q1/11 %	Q2/11 %	Q3/11 %	Q4/11 %
Payment / Bills (NET NET) (payment issues NET, bill question / problem NET)	55	66	55	56	61
Bill Question / Problem (NET) (ask question about bill, resolve bill problem, investigate major bill increase, fluctuating bills, request annual statement, change banking info, had not received/wanted copy of bill)	44	52	31	38	36
Payment Issues (NET) (report making a payment, payment notification/follow up, discuss / negotiate payment, disconnection notice follow-up, power cut off)	11	15	24	18	25
Outage report / Update (NET NET) (outage restoration update NET, outage reporting NET)	13	7	15	14	4
Outage Reporting (NET) (report outage, investigate / report outage, report fire / transformer problem / blown breaker, emergency / outage affected medical equipment)	12	7	14	12	3
Outage Restoration Update (NET) (find out when power would be restored)	1	1	1	2	1
Moving / New Service (NET) (moving / providing updated information, change acct name, cancel service due to move, service request for installation/disconnection)	9	4	8	8	8
Meter Issues (NET) (input meter reading, report meter reading, change a meter, report meter error, meter moving, smart meter/new meter)	9	5	4	5	8
Time of Use (NET) (ask/ complain about time of use prices, issue / question about time of us policy, issue / question about time of use process)	4	5	5	2	2
Other (NET) (tree maintenance, request to locate HON lines before digging, to inquire about HON services, energy retailer, rates, other)	9	10	13	14	17

2. Now please think about the call you made to Hydro One in the past few days. What was the reason for this call?

N (Q4/Q1/Q2/Q3/Q4) = Total Agent Handled (303/303/300/302)

11

For Hydro One use only, not for further distribution.

Customer Stated Reason for Call %



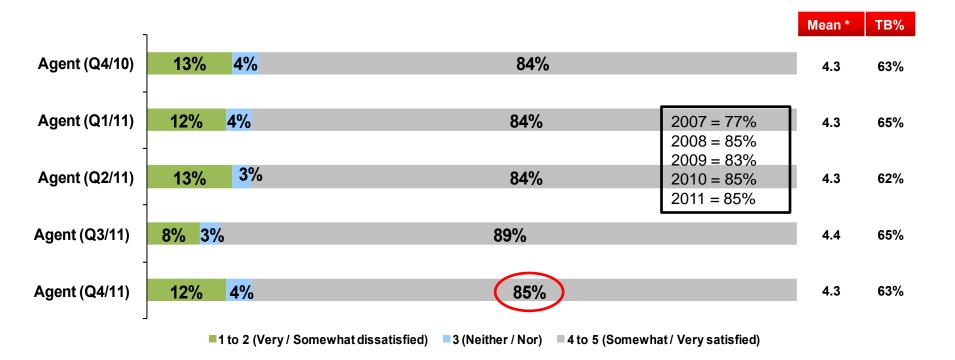
Satisfaction with Call



Satisfaction with Call to Hydro One (Q4/10, Q1/11, Q2/11, Q3/11, Q4/11)



Overall satisfaction with the call has declined significantly this Quarter, returning to levels seen earlier in the year.



*Mean: Very Satisfied (5) to Very Dissatisfied (1)

- 3. How satisfied were you overall with the call to Hydro One?
- N (Q4/Q1/Q2/Q3/Q4) = Total Agent Handled (303/300/299/297/298)

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Overall Satisfaction by Reason for Call to Hydro One (Q4/10, Q1/11, Q2/11, Q3/11, Q4/11)



Overall satisfaction with the call has declined in Q4/11 for calls related to a bill question/problem.

	Q4/10 (n=303)	Q1/11 (n=300)	Q2/11 (n=299)	Q3/11 (n=300)	Q4/11 (n=298)
	% satisfied	% satisfied	% satisfied	% satisfied	% satisfied
Caller Satisfaction Score	84	84	84	89	85
Payment / Bills (NET NET) (payment issues NET, bill question / problem NET) (n = 181)*	85	81	85	87	82
Payment Issues (NET) (n = 75)* **	91	91	89	93	92
Bill Question / Problem (NET) (n = 106)*	83	78	81	84	76
Outage Reporting / Update (NET NET) (outage report NET, outage restoration NET) (n = 12)* **	85	96	87	93	100
Outage Reporting (NET) (n = 10)* **	87	95	85	97	100
Outage Restoration (NET) $(n = 2)^*$ **	50	100	100	67	100
Meter Issues (NET) (n = 22)* **	85	93	92	93	86
Moving / New Service (NET) (n = 25)* **	86	100	83	100	88
Other (NET) (n = 49)* **	73	87	77	88	90

*Top 2 box (Very / Somewhat Satisfied)

3. How satisfied were you overall with the call to Hydro One?

*Represents sample size in latest Quarter

14 ** Caution very small base size

-14-



Overall Satisfaction with Call by Reason for Call (All Call Types) ***(Past 15 Months Q4'10 →Q4'11)***



Call dissatisfaction is greatest when dealing with a bill problem, increase or discrepancy or a TOU question.

	Mean Value (5 point scale)*
Smart Meter / New Meter (n=2***)	5.0
To get an account balance (n=889)	4.7
Discuss / Negotiate a payment schedule / plan (n=209)	4.5
To address a disconnection issue (n=40)	4.5
Moving / To provide account information update (n=71)	4.5
To report making a payment (n=166)	4.4
To report a power outage (n=1201)	4.4
Payment notification / Follow-up (n=76)	4.4
To find out when power would be restored (n=367)	4.3
To input a meter reading (n=234)	4.2
To ask a question about a bill (n=261)	4.2
Report a meter reading (n=60)	4.2
Time of Use (n=60)**	4.0
To resolve a problem with bill (n=244)	4.0
Investigate a major bill increase / bill discrepancy (n=58)	3.9

3. How satisfied were you overall with this call with Hydro One? / 2. Please think about the most recent call you made to Hydro One, what was the reason for this call?

*Very Satisfied (5) to Very dissatisfied (1)

**Introduced in Q2'10

***Caution due to sample size



Reasons Not Satisfied with Call to Hydro One* (Q4/10, Q1/11, Q2/11, Q3/11, Q4/11)



Among the few who are dissatisfied with the call, there has been an increase in comments over the past three Quarters about 'access' issues.

	Q1'11*	Q2'11*	Q3'11*	Q4'11*
Rep Information (NET) (the rep/agent/CSR was not well informed, did not get answers needed, CSR wasn't able to answer my questions)	34	45	21	22
Bill / Payment (NET) (equal billing / estimated bill is (still) high, won't accept credit card payment, other billing mentions, other payment mentions)	15	12	15	17
Access (NET) (couldn't get through to speak to a person, promised a return call & haven't yet received one, wanted to speak with a supervisor but CSR refused, had to make too many calls to resolve issue, made multiple call and given different info)	-	6	15	17
Rep Attitude (NET) (CSR/rep was rude/unprofessional/terse, CSR was unaccommodating/uncaring)	15	6	21	15
Hydro One Policy (NET) (CSR wouldn't discuss account – not in my name, CSR would not arrange a meter reading, no flexibility in payment terms / arrangements, won't accept credit card payment)	19	12	6	13
Rep Skill (NET) (did not say what action would be taken, CSR was unable to resolve why bill was so high, general poor customer service, CSR wasn't a good listener)	21	14	15	11
Outage Response (NET) (getting too many power outages)	-	2	3	-
Other (NET) (dislike automated phone systems, dissatisfied with collection process / threats, Hydro One has not honoured their service appointments, other)	21	33	27	35

4. Why were you not satisfied overall with the call? N = Total Dissatisfied Agent Handled (47/49/34/46)

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* Caution, small base sizes





Decline in satisfaction for ease of getting through to a rep this Quarter vs. last – now at levels seen earlier in the year.

			Process Issues	Mean *	TB%
a. The ease of	Agent (Q4/10)	<mark>10%</mark> 2%	89%	4.3	58%
getting	Agent (Q1/11)	7% 2%	91%	4.4	62%
through to a rep to discuss	Agent (Q2/11)	<mark>7%3%</mark>	90%	4.4	61%
your question or problem	Agent (Q3/11)	<mark>5%</mark> 1%	94%	4.5	66%
	Agent (Q4/11)	8% 2%	90%	4.4	62%
b. The length of time you had to be on hold before you actually spoke	Agent (Q4/10) Agent (Q1/11) Agent (Q2/11)	7% 2% 6%2% 6% 3%	91% 92% 92%	4.4 4.4 4.4	59% 61% 61%
with a representative	Agent (Q3/11)	4%2%	94%	4.5	64%
	Agent (Q4/11)	<mark>7%</mark> 2%	91%	4.5	65%

Bottom 2 (Somewhat / Very dissatisfied) Neither Nor Top 2 (Very / Somewhat satisfied)

5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied or very dissatisfied with...

N = Total Agent (Q3'10→Q3'11=278-304)

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-17-

*Mean: Very Satisfied (5) to Very Dissatisfied (1)





Decline in satisfaction relative to last Quarter for length of time to resolve issue or concern called about.

		Pro	ocess Issues	Mean *	TB%
	Agent (Q4/10)	11%	88%	4.3	62%
I. Your ability to	Agent (Q1/11)	9% 1%	90%	4.4	66%
access Hydro One to resolve	Agent (Q2/11)	9% 3%	89%	4.4	67%
your questions or problems	Agent (Q3/11)	6% 2%	92%	4.5	66%
•	Agent (Q4/11)	10% 2%	89%	4.4	66%
q. The length of	Agent (Q1/11)	11% 2%	87%	4.4	68%
time it took for you to resolve the	Agent (Q2/11)	9% 3%	87%	4.4	68%
issue or concern	Agent (Q3/11)	8% 3%	89%	4.5	71%
you called about**	Agent (Q4/11)	<mark>13% 2</mark> %	85%	4.3	66%
	Botto	m 2 (Somewhat/ Very dissatisfied)	Neither Nor Top 2 (Very	/ Somewhat satisfied)	

5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with...

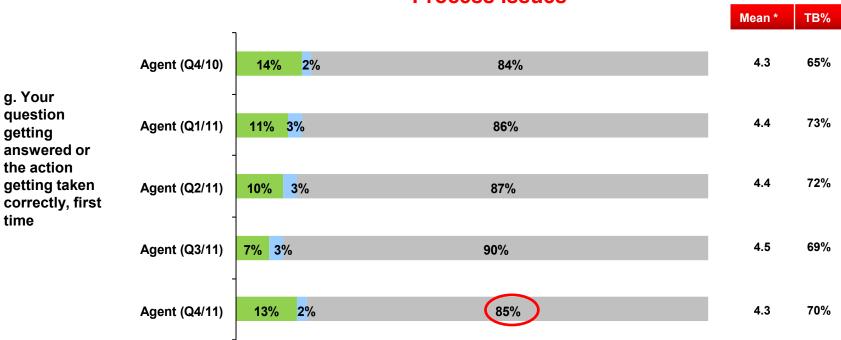
N = Total Agent (Q3'10→Q3'11 = 271-304)

*Mean: Very Satisfied (5) to Very Dissatisfied (1), **Question added in Q1'11





Decline in satisfaction this Quarter to previous levels.



Process Issues

Bottom 2 (Somewhat / Very dissatisfied) Neither Nor Top 2 (Very / Somewhat satisfied)

5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied or very dissatisfied with...

N = Total Agent (Q3'10→Q3'11=271-304)

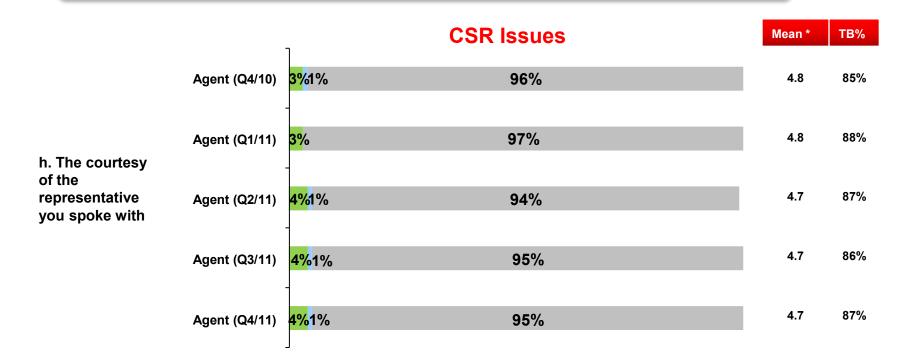
-19-

*Mean: Very Satisfied (5) to Very Dissatisfied (1)





No change relative to last Quarter.



Bottom 2 (Somewhat / Very dissatisfied) Neither Nor Top 2 (Very / Somewhat satisfied)

5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied or very dissatisfied with...

N = Total Agent (Q3'10→Q3'11=271-304)

*Mean: Very Satisfied (5) to Very Dissatisfied (1)



Satisfaction With Call Specifics (Q4/10, Q1/11, Q2/11, Q3/11, Q4/11)

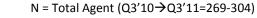


No change vs. last Quarter.

				CSR Issues	Mean *	TB%
	i. The	Agent (Q4/10)	<mark>6%</mark> 1%	93%	4.6	79%
ø	representative	Agent (Q1/11)	<mark>7%</mark> 1%	92%	4.6	82%
	showing a genuine	Agent (Q2/11)	8% 1%	92%	4.6	78%
	commitment to help	Agent (Q3/11)	<mark>5%</mark> 1%	94%	4.7	80%
		Agent (Q4/11)	<mark>7%</mark> 1%	92%	4.6	81%
0	e. The representative	Agent (Q4/10)	6%	94%	4.6	76%
	answering all your questions	Agent (Q1/11)	4%1%	94%	4.7	79%
	promptly	Agent (Q2/11)	4% 2%	94%	4.6	78%
		Agent (Q3/11)	<mark>3%</mark> 1%	95%	4.7	81%
		Agent (Q4/11)	<mark>6%</mark> 2%	92%	4.6	80%

Bottom 2 (Somewhat / Very dissatisfied) Neither Nor Top 2 (Very / Somewhat satisfied)

5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with...



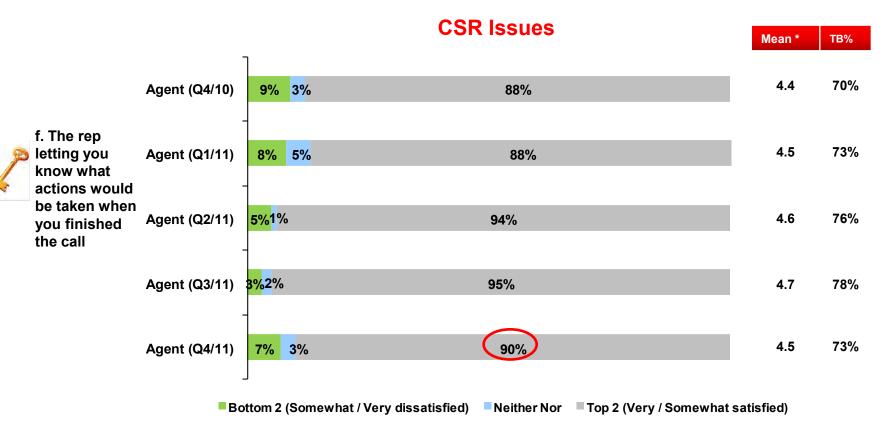
21

*Mean: Very Satisfied (5) to Very Dissatisfied (1)





Satisfaction has declined vs. last Quarter for the rep letting know what actions will be taken at call conclusion.



5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with...

N = Total Agent (Q3'10→Q3'11=253-304)	-22-
---------------------------------------	------

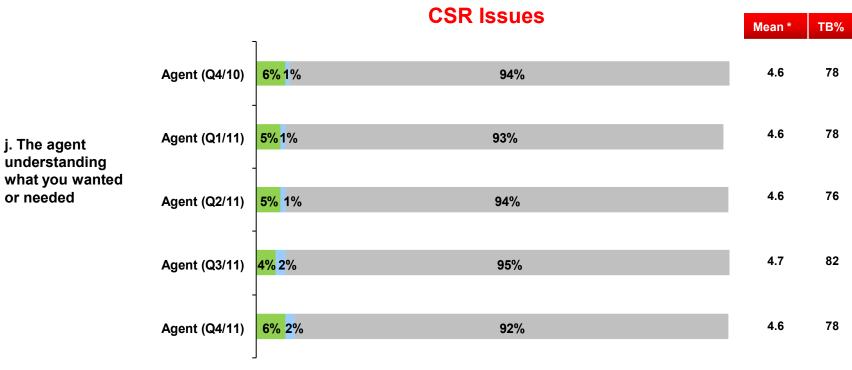
*Mean: Very Satisfied (5) to Very Dissatisfied (1)



Satisfaction With Call Specifics (Q4/10, Q1/11, Q2/11, Q3/11, Q4/11)



No changes this Quarter vs. last.



Bottom 2 (Somewhat / Very dissatisfied) Neither Nor Top 2 (Very / Somewhat satisfied)

*Mean: Very Satisfied (5) to Very Dissatisfied (1)

5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with...

N = Total Agent (Q4'10→Q4'11=271-304)

-23-



Satisfaction With Call Specifics (Q4/10, Q1/11, Q2/11, Q3/11, Q4/11)



No changes this Quarter vs. last.

			CJK 135065		
		~		Mean *	TB%
r. The agent	Agent (Q1/11)	<mark>6%</mark> 1%	93%	4.7	83%
treating you like you were a	Agent (Q2/11)	<mark>7%</mark> 1%	92%	4.6	79%
valued customer**	Agent (Q3/11)	<mark>5%</mark> 1%	94%	4.7	82%
	Agent (Q4/11)	<mark>7%1</mark> %	92%	4.6	79%
s. The agent					
and beyond the level of service	Agent (Q1/11)	8% 3%	89%	4.4	60%
that you expected**	Agent (Q2/11)	<mark>11% 6%</mark>	83%	4.2	54%
	Agent (Q3/11)	7% 7%	86%	4.4	64%
	Agent (Q4/11)	10% 6%	84%	4.2	58%

CSR Issues

Bottom 2 (Somewhat / Very dissatisfied) Neither Nor Top 2 (Very / Somewhat satisfied)

5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied or very dissatisfied with...

N = Total Agent (Q3'10→Q3'11=295-302)

*Mean: Very Satisfied (5) to Very Dissatisfied (1) **Question added in Q1'11



No change this Quarter vs. last.

		-		Mean *	TB%	
a Tha	Agent (Q4/10)	10% 1%	89%	4.5	71%	
c. The presentative	Agent (Q1/11)	<mark>6%</mark> 1%	92%	4.6	76%	
providing you accurate	Agent (Q2/11)	<mark>6%</mark> 5%	89%	4.5	70%	
information	Agent (Q3/11)	<mark>5%</mark> 6%	89%	4.5	72%	
	Agent (Q4/11)	8% 2%	90%	4.5	73%	
]				
d. The	Agent (Q4/10)	12% 3%	85%	4.4	68%	
prepresentative	Agent (Q1/11)	10% 2%	87%	4.4	70%	
offering a solution for the	Agent (Q2/11)	9% 4%	87%	4.5	73%	
reason you called	Agent (Q3/11)	10% 3%	87%	4.4	72%	
Caneu	Agent (Q4/11)	13% 2%	85%	4.3	67%	

Information Issues

Bottom 2 (Somewhat / Very dissatisfied) Neither Nor Top 2 (Very / Somewhat satisfied)

5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with...

N = Total Agent (Q3'10→Q3'11=272-300)

²Mean: Very Satisfied (5) to Very Dissatisfied (1)





• Based on analysis of past year results...

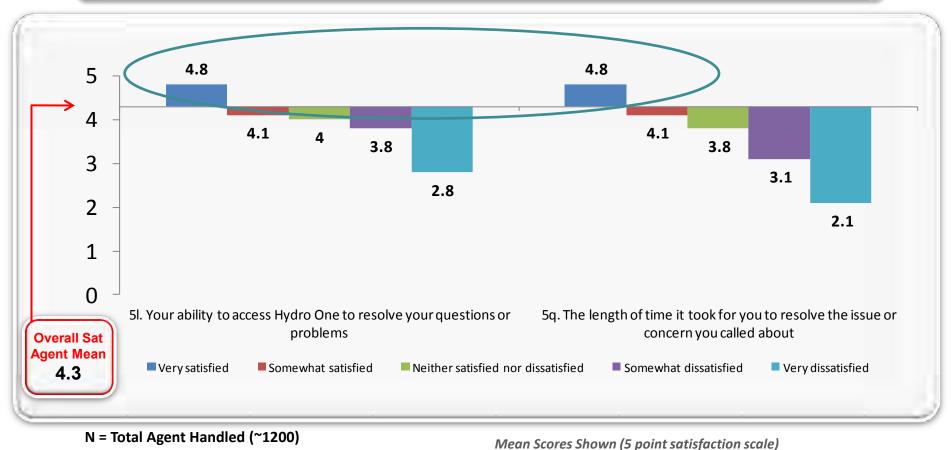
for the key call handling elements that relate to overall call satisfaction, anything short of ensuring callers are 'very satisfied' is not good enough, otherwise overall satisfaction with the call declines

... as evidenced by the following pattern for all call handling elements.





The same relationship as below is evident for all key call handling elements.



- 3. Overall satisfaction with call
- 5l. Your ability to access Hydro One to resolve your questions or problems
- 5q. The length of time it took for you to resolve the issue or concern you called about

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<u>SWOT Analysis</u> (Q4/11)

Agent Handled Callers

Strengths	Weaknesses
 Courtesy of the agent (87%*) Agent showing a genuine commitment to help (81%*) Agent answering questions promptly (80%*) Agent treating like a valued customer (79%*) Agent understanding what was wanted or needed (78%*) First call resolution (86% had FCR*) 	 Agent going above and beyond level of service expected (58%*) Overall ease of getting thru to an agent (62%)
Opportunities	Threats
 Agent providing accurate information (73%*) Agent offering solution for the reason called (67%*) Length of time waiting before speaking to an agent (65%) Ability to access HON to resolve issue (66%) Length of time taken to resolve issue (66%) 	 Question answered/action taken correctly the first time (70%*) Agent letting know what action would be taken when call concluded (73%*)

*Key attributes for the main drivers of overall satisfaction (i.e. skill of the rep & information provided by rep) and/or attributes identified by HON as a key focus.

-28-

() = % stating 'very satisfied'

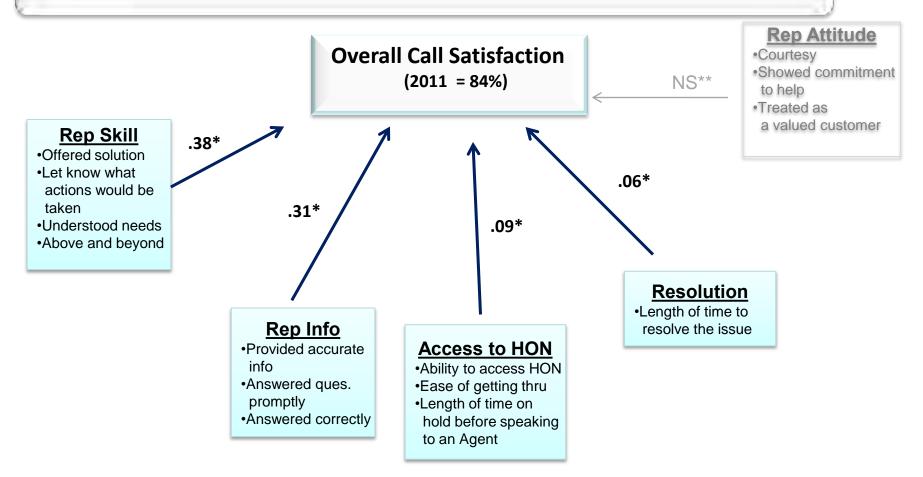


Key Drivers of Overall Satisfaction with Call





The key driver of overall satisfaction with the call is the skill of the rep. This is followed by the (quality of) information provided by the rep. Other key drivers are less influential.

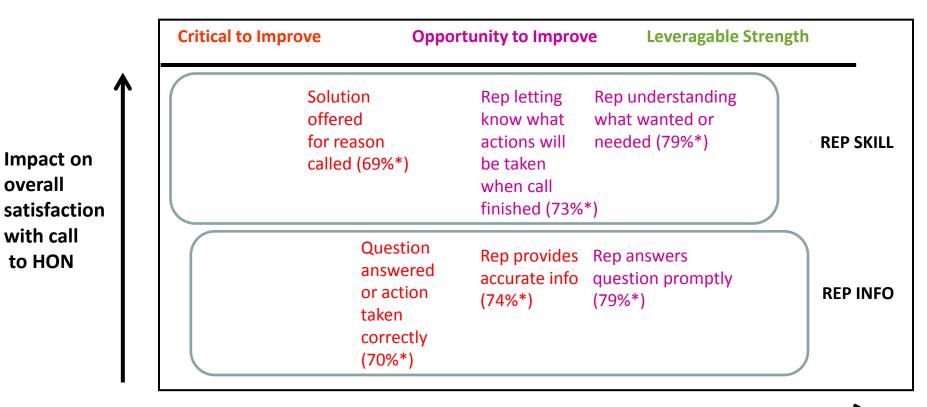


*Betas derived from July/10– June /11. Will be updated after Q2/12. ** NS = Not significant Agent Handled dataset N = 1206 -30-



OVERALL SATISFACTION WITH CALL TACTICAL PRIORITIES FOR KEY DRIVERS

Agent Handled Callers



Hydro One Performance

*(% Very Satisfied)



Reasons Dissatisfied with 'The Representative Offering a Solution for the Reason You Called' * (Q4/10, Q1/11, Q2/11, Q3/11, Q4/11)



Reasons Dissatisfied %*

	Q4/10	Q1/11	Q2/11	Q3/11	Q4/11
Agent knowledge / Skill (NET) (CSR had no knowledge, no solution offered, told I had to wait until I get my bill to see if problem is resolved)	69	83	72	74	85
CSR Rude / Uncaring / Unprofessional (NET) (CSR rude, uncaring, unprofessional, unhelpful)	9	22	-	26	19
Access to person (NET) (haven't received callback)	-	-	-	17	8
Hydro One Policy Issue (NET) (disconnection still going to be done)	3	22	-	9	4
IVR Issues (NET) (problem with menu system, dislike automated system)	6	-	-	-	-
Information Issues (NET) (no time frame for restoration)	-	-	-	-	-
Other	6	13	28	13	27

6d. You said you weren't satisfied with the representative offering a solution for the reason you called. Why is that? N (Q4/Q1/Q2/Q3/Q4)= Total dissatisfied Agent handled callers (32/23/18/23/26)

* Caution, small base size



Reasons Dissatisfied with 'Your Question Getting Answered or the Action Getting Taken Correctly, the First Time'* (Q4/10, Q1/11, Q2/11, Q3/11, Q4/11)



Reasons Dissatisfied %*

	Q4/10*	Q1/11*	Q2/11*	Q3/11*	Q4/11*
Agent knowledge / Skill (NET) (CSR had no knowledge, no solution offered, no explanation for billing policy change / why bill is so high, told I had to wait until I get my bill to see if problem is solved)	61	63	68	71	55
CSR Rude / Uncaring / Unprofessional (NET) (CSR rude, uncaring, unprofessional, unhelpful)	12	42	9	18	19
Access to person (NET) (never spoke to / got in touch with anyone, haven't received callback, long wait times on hold)	12	-	5	12	13
Hydro One Policy Issue (NET) (disconnection still going to be done, won't read / check my meter)	6	4	5	-	10
Information Issues (NET) (no time frame for restoration)	3	-	5	6	-
IVR Issues (NET) (problem with menu system, dislike the IVR)	-	-	-	-	-
Other	12	33	27	24	39
Don't know / Refused	3	4	-	-	-

6g. You said you weren't satisfied with your question getting answered or the action getting taken correctly, the first time. Why is that?

N = Total dissatisfied Agent handled callers (33/24/22/17/31)

*Caution, small base size

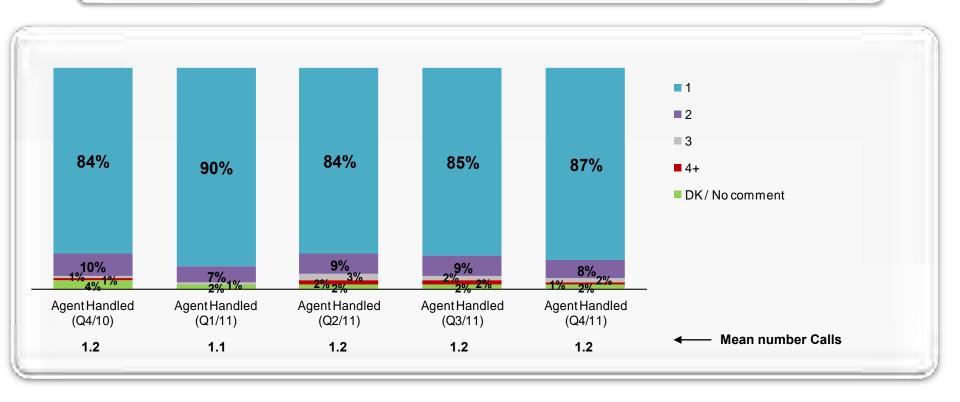


Connection & Call Resolution Issues



Number of Calls Made Before Connection to Hydro One's Automated System Menu (Q4/10, Q1/11, Q2/11, Q3/11, Q4/11)

The percent of customers only needing to call once to connect with the automated phone system is unchanged relative to last Quarter.



8. For this most recent call, how many times did you have to try Hydro One's telephone number before you were connected to the menu in the automated voice system?

N (Q4/Q1/Q2/Q3/Q4)= Agent Handled callers (303/303/300/300/302)



Reasons Had to Make More than One Call to Connect with Automated System Menu* (Q4/10, Q1/11, Q2/11, Q3/11, Q4/11)



It is taking more than one call to get connected to the IVR due to IVR difficulties, inconvenience and access difficulties due to the lines being busy. Access difficulties represent 2% of Total Agent Handled calls – a significant decline vs. last Quarter (when at 4%).

	Q4/10	Q1/11	Q2/11	Q3/11	Q4/11
IVR Difficulty (NET) (phone system did not connect properly, was disconnected by HON during the call, problems with menu)	30	32	49	38	47
Inconvenient (NET) (hung up while on hold)	16	8	15	18	21
Access Busy / IVR Busy (NET NET) (lines busy NET, IVR busy NET)	30	16	20	28	15
Lines Busy (NET) (got a busy signal, couldn't get through)	30	12	20	28	15 🗲
IVR Busy (NET) (message 'due to heavy call volumes we are unable to take your call at this time')	0	4	-	-	
Difficulty at customer end (NET) (dialed wrong number, had phone/cell problems, got distracted had to call back)	5	12	-	-	-
Other (NET) (business office was closed, other)	11	12	2	8	-

Reasons % *

9. Why did it take you more than one call to be connected to the menu in the automated voice system

N (Q4/Q1/Q2/Q3/Q4) = Total Agent Handled (37/25/41/40/34)

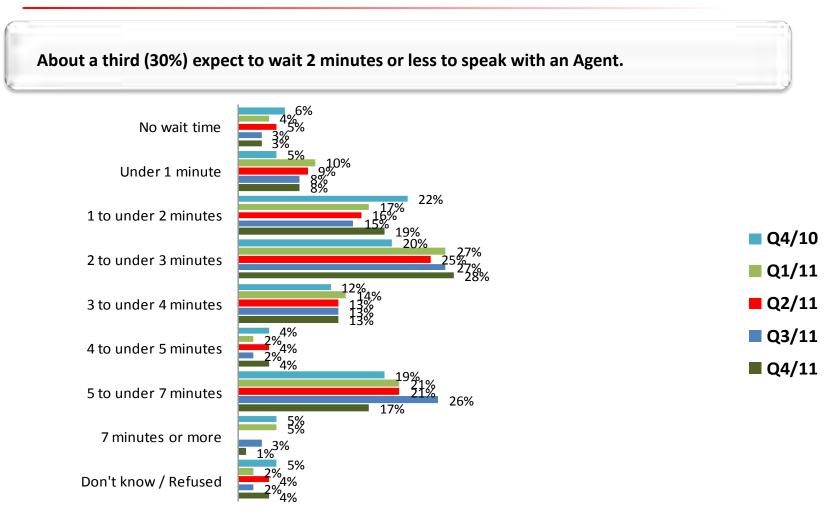


* Caution: small base sizes



Reasonable Time On Hold in Queue (Q4/10, Q1/11, Q2/11, Q3/11, Q4/11)





9b. After going through the automated menu, how long do you feel is reasonable when waiting in a queue ON HOLD before reaching an agent?

N (Q4/11) = Total Agent Handled (302)

37



First Call Resolution (Q4/10, Q1/11, Q2/11, Q3/11, Q4/11)



The percent receiving first call resolution is the same as last Quarter.

First Call Resolution

	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11
Yes	87	86	88	89	86
Νο	9	6	5	6	6
Neither	5	8	8	5	8

10. And once you did get through to a representative, was your issue resolved on the first call, or did you need to call back more than once?

N (Q4/Q1/Q2/Q3/Q4) =

Total Agent Handled (303/200/300/300/302)



	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11
One	32	36	32	25	49
Тwo	10	7	5	16	7
Three	15	0	0	13	5
Four+	12	0	3	-	-
DK	32	57	60	47	39
Mean #	2.3	1.2	1.3	1.8	1.3

Number of Callbacks

10b. And after this initial call, how many times did you need to call back about the same issue?

N (Q4/Q1/Q2/Q3/Q4) =Total Agent Handled (41/28/37/32/41)





5% of all Agent Handled callers say their issue was never resolved. This is unchanged vs. last Quarter.

Final	Outcome	% *	
-------	---------	-----	--

	Q4/10	Q1/11	Q2/11	Q3/11	Q4/11
Never resolved	33	59	51	50	37
Resolved after you followed up with Hydro One	39	9	14	16	10
Resolved after it was passed along to someone	-	13	5	6	2
Resolved after Hydro One took some other action	3	4	3	6	2
Other (volunteered)	26	16	27	22	49

10d. I am going to read you a list. Please tell me which of the four describes the final outcome of your call?



N (Q4/Q1/Q2/Q3/Q4) = Total Agent Handled (56/37/32/32/41)

* Caution, small base sizes



Non First Call Resolution Outcome*

(Past 15 Months Q4'10 →Q4'11)



	Issue Never Resolved	lssue Eventually Resolved
Q2 Customer Stated Reason for Call (N=152)*		
Billing Issues (NET) (e.g. Investigate bill increase, Ask question, Resolve problem, Etc.)	58	20
Outage Reporting / Inquiry (NET)	5	27
Meter Issues (NET) (e.g. Report reading, Request new, Moving, Final reading, Etc)	3	12
Payment Issues (NET) (e.g. Notify, Negotiate payment schedule, Etc)	11	18
Outage Restoration Update (NET) (e.g. To investigate a power outage)	2	-
Moving / New Service (NET) (moving / to provide account info update, provide new account names / change name, cancel service, service request for installation / disconnection)	1	6
Other (NET) (e.g. Get acct. balance/Moving/Acct. update/Tree maintenance/Discuss disconnection notice, Etc.)		
Q3 Overall Satisfaction with Call (% Top 2 Box) (N=148)*	30	78
Q5 Satisfaction with Specific Call Attributes (% Top 2 Box)		
a. The ease of getting through to a rep to discuss your question or problem (N=152)*	75	86
b. The length of time you had to be on hold before you actually spoke with a representative (N=150)*	74	86
c. The representative providing you accurate information (N=143)*	52	79
d. The representative offering a solution for the reason you called (N=141)*	28	71
e. The representative answering all your questions promptly (N=145)*	67	83
f. (The rep) letting you know what actions would be taken when you finished the call (N=132)*	49	87
g. Your question getting answered or the action getting taken correctly the first time (N=144)*	28	72

* Base: Total number of customers in the past 15 months who did not have first call resolution





	lssue Nev Resolved	
Q5 Satisfaction with Specific Call Attributes (cont'd) (% Top 2 Box)		
h. The courtesy of the representative you spoke with (N=150)*	81	88
i. The representative showing a genuine commitment to help (N=150)*	60	88
j. The representative (system) understanding what you wanted or needed (N=151)*	65	86
I. Your ability to access Hydro One to resolve your questions or problems (N=148)*	54	78

* Base: Total number of customers in the past 15 months who did not have first call resolution



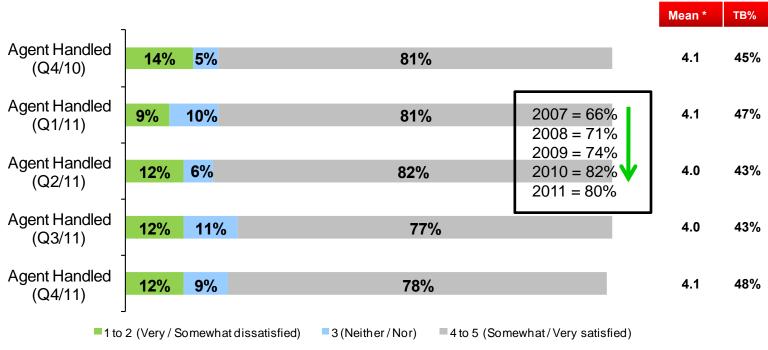
Automated Telephone Answering System



Satisfaction with Hydro One's Automated System (Q4/10, Q1/11, Q2/11, Q3/11, Q4/11)



Satisfaction with the automated system is unchanged relative to last Quarter.



*Mean: Very Satisfied (5) to Very Dissatisfied (1)

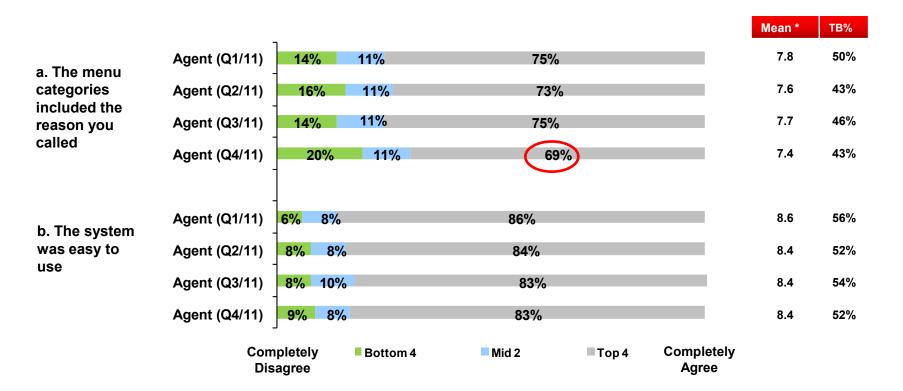
13a. When you made your most recent call to Hydro One, you were initially connected to an automated telephone system. Overall, how satisfied were you with Hydro One's automated telephone answering system?

N (Q4/Q1/Q2/Q3/Q4) = Total Agent Handled (298/299/295/298/300)





Decline in agreement vs. last Quarter for the menu categories including the reason for the call.



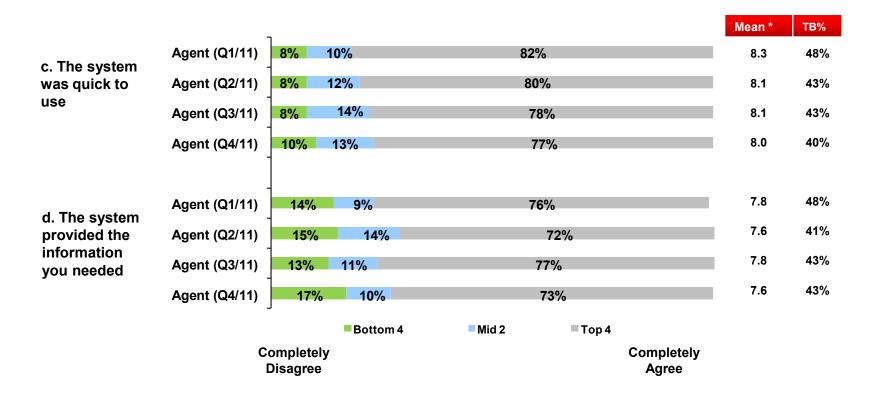
14. Now I have a few questions about the automated telephone system and the menu that you had to use at the beginning of your call.

N = Total Agent Handled (300)





No change vs. last Quarter.



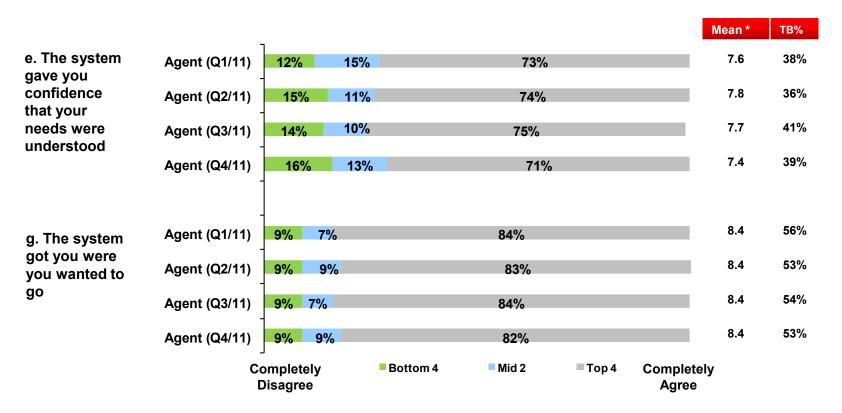
14. Now I have a few questions about the automated telephone system and the menu that you had to use at the beginning of your call. For each question you can just answer yes or no.

N = Total Agent Handled (300)





No change vs. last Quarter.



14. Now I have a few questions about the automated telephone system and the menu that you had to use at the beginning of your call. For each question you can just answer yes or no.

N = Total Agent Handled (300)



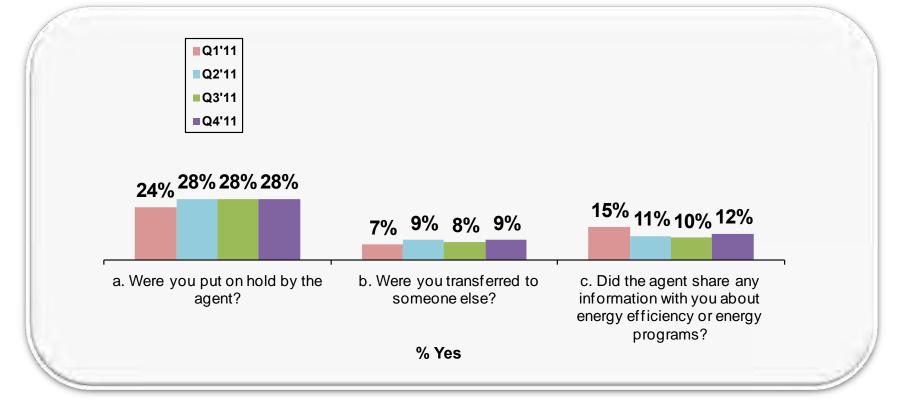
Agent Actions Taken



Agent Interaction** (Q1/11, Q2/11, Q3/11, Q4/11)



More than a quarter (28%) were put on hold by the Agent, 9% were transferred to someone else and 12% received information about energy efficiency. All measures are unchanged vs. previous Quarters in 2011.



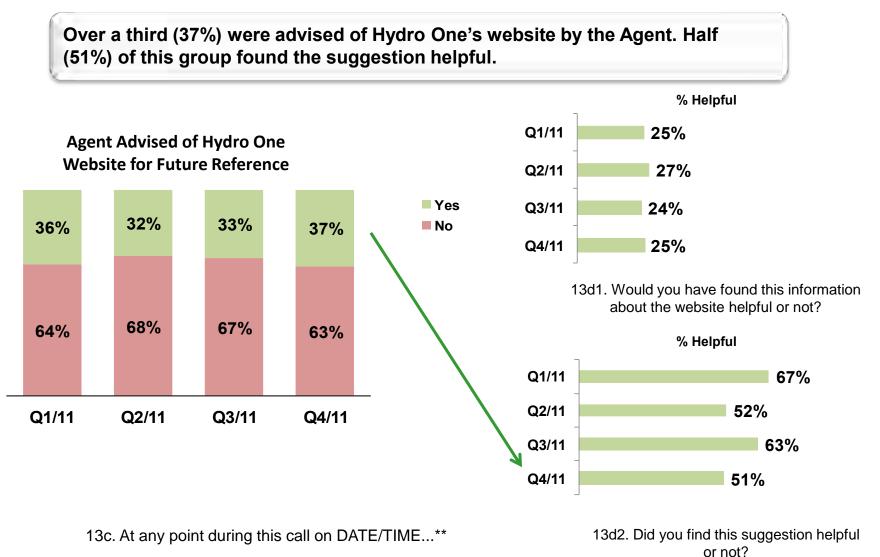
13c. At any point during this call on DATE/TIME...**

N (Q4) = Total Agent Handled (302) ** Questions added in Q1'11



Agent Website Information Provision** (Q1/11, Q2/11, Q3/11, Q4/11)





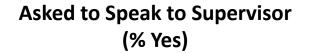
N (Q3) = Total Agent Handled (302) ** Question added in Q1'11



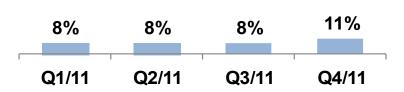
Supervisor Contact** (Q1/11, Q2/11, Q3/11, Q4/11)

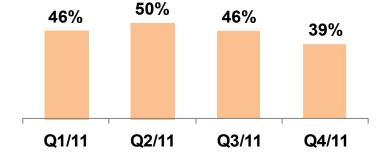


About one in ten (11%) have asked to be put in touch with a supervisor in the past year. For those that did, 39% indicated it was easy to do so.



Ease of Getting in Touch with Supervisor (% Yes)





15i. During the past year, have you ever asked to be put in touch with a Hydro One Supervisor? ** 15i2. Was it easy to be put in touch with a supervisor or not? **

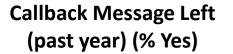
N (Q1'11)(Q2'11) (Q3'11) (Q4'11) = Total Agent Handled (303/24)(302/24)(300/24)(302/33) **Question added in Q1'11



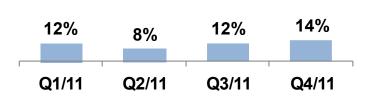
Callback Follow-up** (Q1/11, Q2/11, Q3/11, Q4/11)



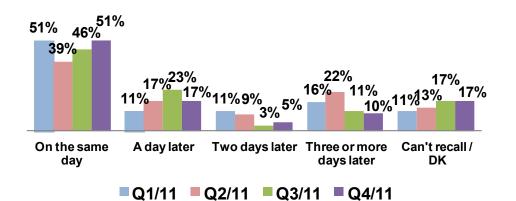
About one in seven (14%) left a message for a callback in the past year. About half (51%) were called back on the same day. One in ten waited three or more days.



Length of Time Waited Before Callback*



15j. During the past year, have you ever left a message with Hydro One requesting that someone call you back? **



15j2. And approximately how long did you have to wait before you actually received a call back from Hydro One? Was it... **

N (Q1'11)(Q2'11) (Q3'11) (Q4'11) = Total Agent Handled (303/37) (300/23) (300/35) (302/41) **Questions added in Q1'11 * Caution: small base size



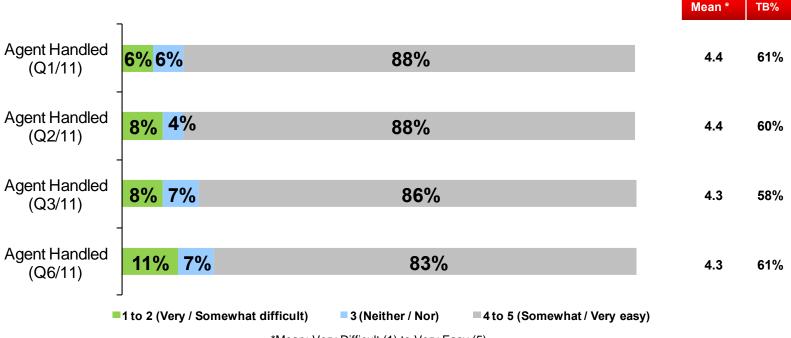
Overall Transaction Assessment



Telephone Transaction Difficulty** (Q1/11, Q2/11, Q3/11, Q4/11)



More than eight in ten (83%) indicated that their entire transaction was easy to do – essentially the same as last Quarter but a decline vs. Q1 & Q2/11.



*Mean: Very Difficult (1) to Very Easy (5)

15g. All things considered, how easy or difficult was it for you to do this entire transaction with Hydro One over the telephone?**

N (Q1'11/Q2'11/Q3'11/Q4'11) = Total Agent Handled (303/300/302) **Question added in Q1'11

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Reasons for Telephone Transaction Difficulty** (Q1/11, Q2/11, Q3/11, Q4/11)

AGENT

For the few who had difficulties with their transaction, they related to automated system issues and an inability of the Agent to address their concern.

	Q1/11	Q2/11	Q3/11	Q4/11
Automated System Difficulties (NET) (automated system is difficult to use, want to speak to an agent immediately / too hard to reach an agent)	47%	52%	57%	50%
Agent Service Difficulties (NET) (agent had no knowledge of problem / couldn't answer questions, agent offered no solutions to my issue / would not help me)	32%	35%	26%	38%
Other	26%	13%	17%	9%
Don't know / Refused	5%	-	-	3%

15g2. Why was it difficult for you? (PROBE) What would have helped make it easier for you?**

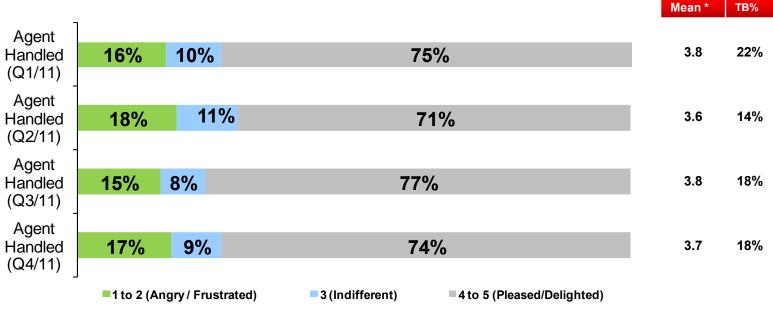
N (Q1'11/Q2'11/Q3'11/Q4'11) = Total Agent Handled (19/23/23/32) **Question added in Q1'11



Feelings After Call Experience** (Q1/11, Q2/11, Q3/11, Q4/11)



About three quarters of callers (74%) felt pleased or delighted at the end of their call.



*Mean: Frustrated (1) to Delighted (5)

15h. How did you feel at the end of this entire call experience with Hydro One? **

N (Q1'11/Q2'11/Q3'11/Q4'11) = Total Agent Handled (303/300/302) **Question added in Q1'11



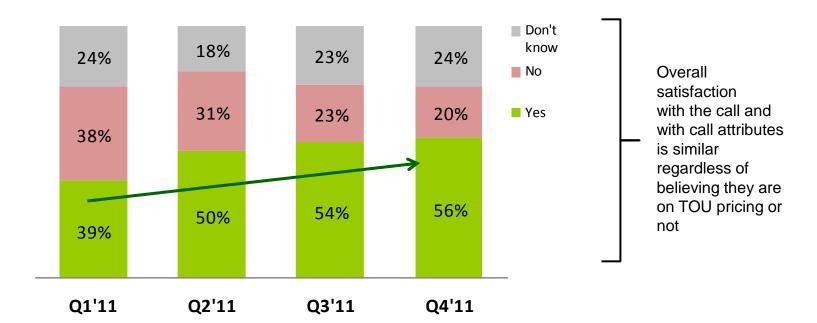


Time of Use Pricing** (Q1/11, Q2/11, Q3/11, Q4/11)



Expectedly, there is an increase in callers being on TOU billing over time.

Bills Moved to TOU Pricing



17. Have your bills been moved to Time of Use pricing yet?

N (Q1'11/Q2'11/Q3'11/Q4'11) = Total Agent Handled (300/303/300/202)

**Question added in Q1'11



IVR Outage Callers



Reasons for Call to Hydro One



Customer Stated Reason for Call to Hydro One (Q4/10, Q1/11, Q2/11, Q3/11, Q4/11)



No change in call reason vs. last Quarter.

Customer Stated Reason for Call %

	Q4/10 %	Q1/11 %	Q2/11 %	Q3/11 %	Q4/11 %
Outage Report / Update (NET NET) (outage reporting NET, outage restoration update NET)	99	99	99	98	99
Outage Reporting (NET) (report outage, report fire / transformer problem / blown breaker)	79	72	81	70	76
Outage Restoration Update (NET) (find out when power would be restored)	20	28	18	28	23
Other (NET) (other)	1	1	1	2	1

2. Now please think about the call you made to Hydro One in the past few days. What was the reason for this call?

N (Q4/Q1/Q2/Q3/Q4) = Total IVR Outage (304/304/302/300/300)



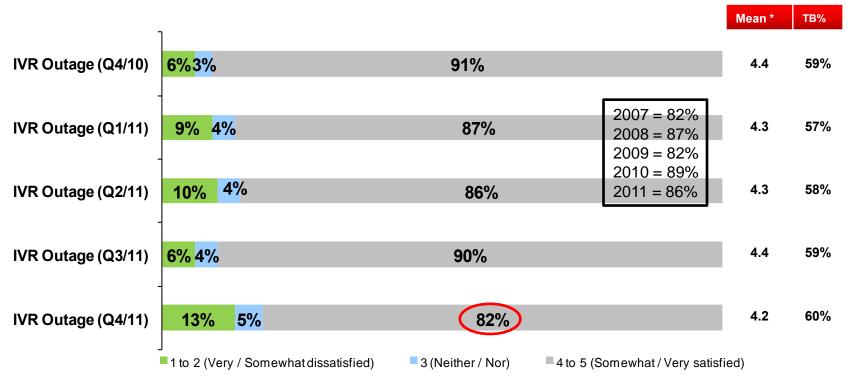
Satisfaction with Call



Satisfaction with Call to Hydro One (Q4/10, Q1/11, Q2/11, Q3/11, Q4/11)



Overall satisfaction with the call has declined vs. last Quarter.



*Mean: Very Satisfied (5) to Very Dissatisfied (1)

- 3. How satisfied were you overall with the call to Hydro One?
- N (Q4/Q1/Q2/Q3/Q4) = Total IVR Outage (303/299/297/298/296)



Overall Satisfaction by Reason for Call to Hydro One (Q4/10, Q1/11, Q2/11, Q3/11, Q4/11)



Decline vs. last Quarter in overall satisfaction levels for calls inquiring about outage restoration.

	Q4/10 (n=303)	Q1/11 (n=299)	Q2/11 (n=297)	Q3/11 (n=297)	Q4/11 (n=296)
	% satisfied	% satisfied	% satisfied	% satisfied	% satisfied
Caller Satisfaction Score	91	87	86	90	82
Outage Report / Update (NET NET) (outage report NET, outage restoration NET)	91	87	86	90	82
Outage Report NET (n~225)*	91	87	89	88	83
Outage Restoration NET (n~70)**	90	87	75	95	79

3. How satisfied were you overall with the call to Hydro One? Would you say you were....

*Represents approximate average sample size in each Quarter

** Caution very small base size



Reasons Not Satisfied with Call to Hydro One* (Q4/10, Q1/11, Q2/11, Q3/11, Q4/11)



Dissatisfaction is mainly tied to general customer problems with the information received about the outage status and with access through the automated system.

	Q1'11*	Q2'11*	Q3'11*	Q4'11*
Outage Response (NET) (no estimated restoration time given, outage lasted too long / longer than I was told, no reason given for outage, outage happened without warning / no outage notice, outage reporting system gave an impossible date, getting too many power outages)	58	44	55	43
Access (NET) (couldn't get through to speak to a person, want to be able to talk to a human more quickly / easily, made multiple calls and given different info)	24	37	42	43
Other (NET) (dislike automated phone systems, other)	40	61	32	43

4. Why were you not satisfied overall with the call?

N = Total IVR Outage (Q1/Q2/Q3/Q4) (38/41/31/53)

* Caution, small base size





Decline vs. last Quarter for question getting answered or action taken correctly the first time.

		Pi	rocess Issues	Mean *	ТВ%
j. The system	IVR Outage (Q4/10)	<mark>11% 2%</mark>	88%	4.4	66%
understanding what you	IVR Outage (Q1/11)	8% 3%	89%	4.4	64%
wanted or needed	IVR Outage (Q2/11)	<mark>8% 1</mark> %	91%	4.4	61%
neeueu	IVR Outage (Q3/11)	9% 2%	89%	4.4	68%
	IVR Outage (Q4/11)	<mark>9%</mark> 2%	89%	4.4	67%
g. Your question	IVR Outage (Q4/10)	7% 4%	89%	4.4	62%
getting answered or the	IVR Outage (Q1/11)	8% 4%	88%	4.4	60%
action getting taken correctly,	IVR Outage (Q2/11)	8% 1%	91%	4.4	68%
first time	IVR Outage (Q3/11)	8% 2%	90%	4.4	61%
	IVR Outage (Q4/11)	<u>15%</u> 3%	82%	4.2	61%
		Bottom 2 (Somewhat / Very dissatisfied)	Neither Nor Top 2 (Very / Somewhat sa	tisfied)	

5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with...

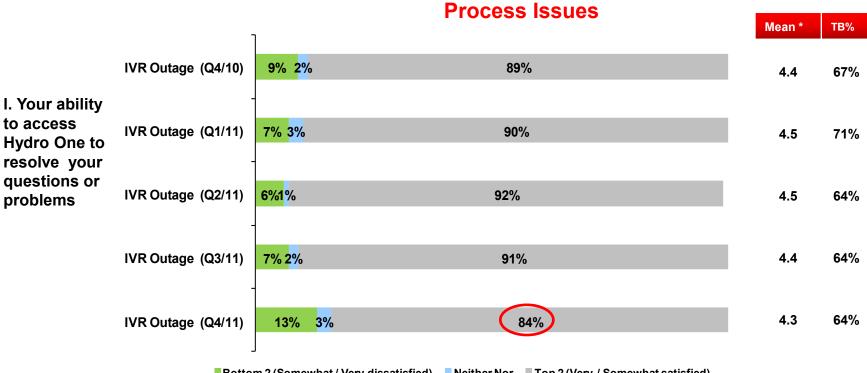
N = Total IVR Outage (Q3'10→Q3'11=93-297)

*Mean: Very Satisfied (5) to Very Dissatisfied (1)









Bottom 2 (Somewhat / Very dissatisfied) Neither Nor Top 2 (Very / Somewhat satisfied)

5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with...

N = Total IVR Outage (Q2'10→Q2'11=279-298)

*Mean: Very Satisfied (5) to Very Dissatisfied (1)



Satisfaction With Call Specifics (Q4/10, Q1/11, Q2/11, Q3/11, Q4/11)



No change vs. last Quarter.

	_	S	system Issues	Mean * TB%	
k. The system	IVR Outage (Q4/10)	<mark>11%</mark> 4%	85%	4.2 56%	6
being able to give you the	IVR Outage (Q1/11)	<mark>13%</mark> 4%	83%	4.2 62%	6
precise time when power	IVR Outage (Q2/11)	<mark>13% 3%</mark>	84%	4.1 53%	6
would be restored	IVR Outage (Q3/11)	<mark>12% 3</mark> %	84%	4.3 61%	6
	IVR Outage (Q4/11)	17% 2%	81%	4.1 57%	6
	-				
f. The system	IVR Outage (Q4/10)	17% 5%	78%	4.0 51%	6
letting you know what	IVR Outage (Q1/11)	<mark>15% 8%</mark>	77%	4.1 52%	6
actions would be taken when	IVR Outage (Q2/11)	11% 4%	85%	4.2 53%	6
you finished the call	IVR Outage (Q3/11)	<mark>14% 3%</mark>	83%	4.2 54%	ó
	IVR Outage (Q4/11)	13% 4%	82%	4.2 59%	, 0
		Bottom 2 (Somewhat / Very dissatisfied)	Neither Nor Top 2 (Very / Sor	newhat satisfied)	

5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with...

N = Total IVR Outage (Q3'10→Q3'11=87-303)

*Mean: Very Satisfied (5) to Very Dissatisfied (1)





• Based on analysis of past year results...

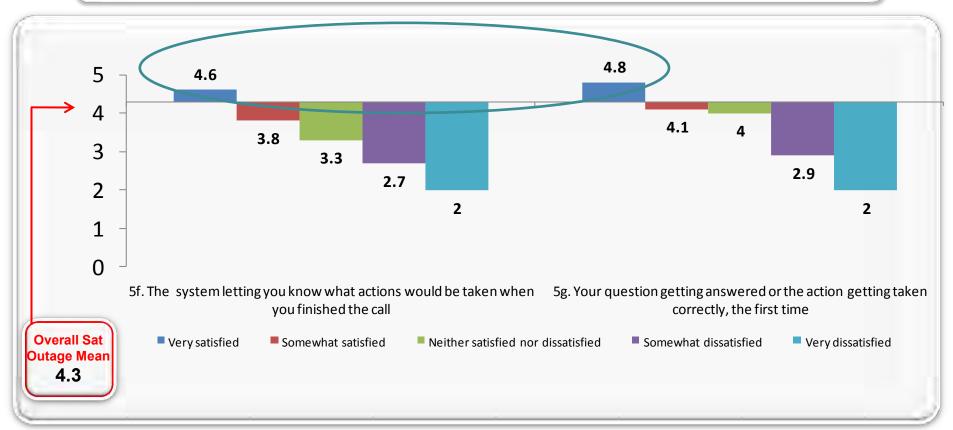
for the key call handling elements that relate to overall call satisfaction, anything short of ensuring callers are 'very satisfied' is not good enough, otherwise overall satisfaction with the call declines

... as evidenced by the following pattern for all call handling elements.



IVR Outage





N = Total IVR Outage (~1200)

Mean Scores Shown (5 point satisfaction scale)

3. Overall satisfaction with call

69

- 5f. The agent / system letting you know what actions would be taken when you finished the call
- 5g. Your question getting answered or the action getting taken correctly, the first time

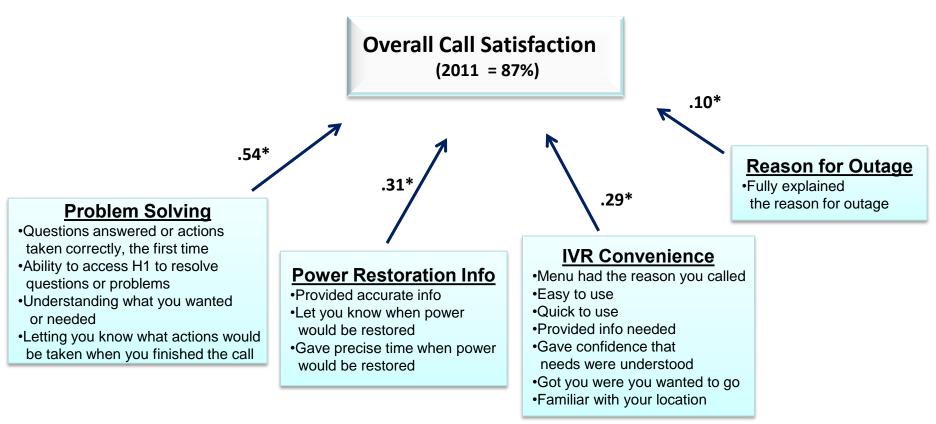


Key Drivers of Overall Satisfaction with Call





The key driver of overall satisfaction with the call is 'Problem Solving'. This is followed by 'Power Restoration Info' and 'IVR Convenience'. Explanation of the reason for outage was less influential.

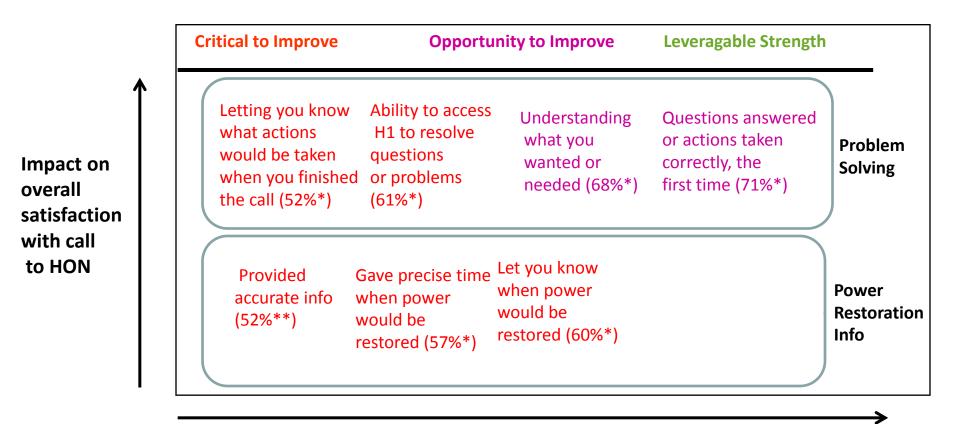


*Betas derived from Jan/11– June /11. Will be updated after Q2/12. IVR Outage, N = 606



OVERALL SATISFACTION WITH CALL TACTICAL PRIORITIES FOR KEY DRIVERS

IVR Outage Callers



Hydro One Performance

*(% Very Satisfied) ** (% Top 2 of 10 Agree)



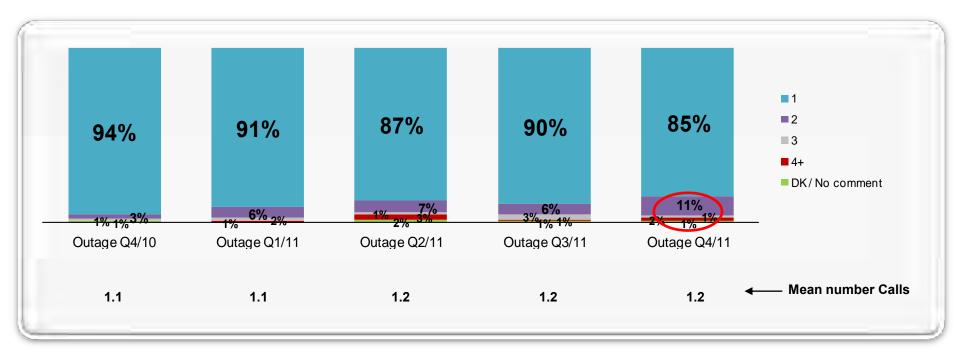
Connection & Call Resolution Issues



Number of Calls Made Before Connection to Hydro One's Automated System Menu (Q4/10, Q1/11, Q2/11, Q3/11, Q4/11)



More customers had to call more than once to connect with the automated phone system vs. last Quarter.



8. For this most recent call, how many times did you have to try Hydro One's telephone number before you were connected to the menu in the automated voice system?

N (Q4/Q1/Q2/Q3/Q4)= IVR Outage callers (304/304/302/300/300)



First call resolution is declining through 2011.

First Call Resolution								
	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11			
Yes	90	95	89	87	82			
Νο	9	3	10	11	16			
Neither	1	3	1	2	2			

10. And once you did get through to a representative, was your issue resolved on the first call, or did you need to call back more than once?

N (Q4/Q1/Q2/Q3/Q4) = Total IVR Outage (304/303/300/298/300)

Number of Callbacks*							
	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11		
One	39	25	41	49	33		
Тwo	36	13	19	13	22		
Three	10	0	13	15	11		
Four+	3	0	22	8	17		
DK	13	63	6	15	17		
Mean #	1.8	1.3	2.7	1.8	2.4		

11. And after this initial call, how many times did you need to call back about the same issue?

N (Q4/Q1/Q2/Q3/Q4) =

Total IVR Outage (31/16/32/39/54)

* Caution, small base sizes



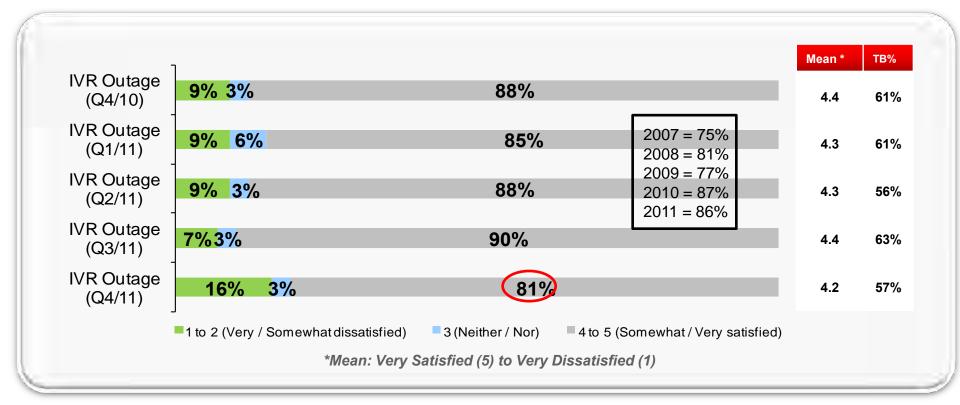
Automated Telephone Answering System



Satisfaction with Hydro One's Automated Telephone Answering System (Q4/10, Q1/11, Q2/11, Q3/11, Q4/11)



Satisfaction with the automated system has declined vs. last Quarter.



13a. When you made your most recent call to Hydro One, you were initially connected to an automated telephone system. Overall, how satisfied were you with Hydro One's automated telephone answering system?

N (Q4/Q1/Q2/Q3/Q4) = Total IVR Outage (301/304/297/297/300)



Reasons Dissatisfied with Automated Phone System* (Q4/10, Q1/11, Q2/11, Q3/11, Q4/11)



Across all quarters, dissatisfaction is primarily tied to a general dislike of automated phone systems, access issues or a desire to speak with a live rep.

	Q4/10	Q1/11	Q2/11	Q3/11	Q4/11
Don't like automated phone system	52	29	32	25	21
Wanted to speak to a live rep	44	14	11	30	25
Too many options / menu too complex / complicated	11	11	4	5	10
Options didn't match my needs	15	11	18	15	8
Could not get through	11	7	14	15	2
Other (Other, IVR does not work / doesn't understand me, takes too long to get through, estimated restore time incorrect, didn't give reason for outage)	22	50	32	10	48

Reasons % *

13b. Why were you not satisfied?

N (Q4/Q1/Q2/Q3/Q4) = Total dissatisfied with automated phone system (IVR Outage = 27/28/28/20/48)

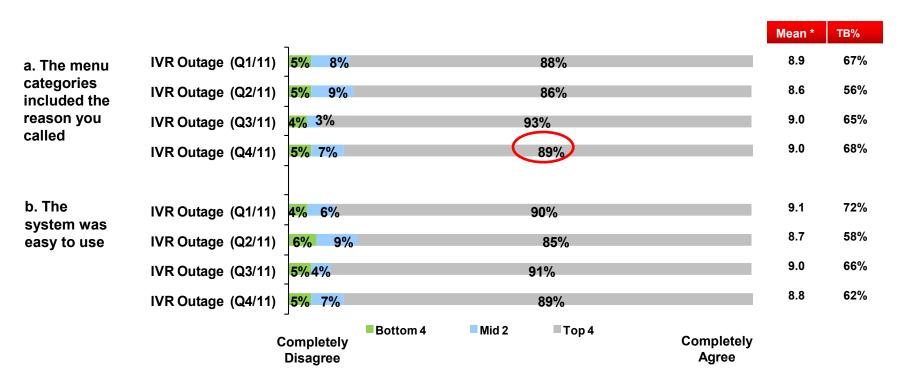
* Caution, very small base sizes



Automated Phone System Attributes (Q1/11, Q2/11, Q3/11, Q4/11)



Decrease vs. last Quarter in agreement for the menu categories included the reason for the call .



14. Now I have a few questions about the automated telephone system and the menu that you had to use at the beginning of your call.

N (Q1'11/Q2'11/Q3'11/Q4'11) = Total IVR Outage (304/302/300/302)



Automated Phone System Attributes (Q1/11, Q2/11, Q3/11, Q4/11)



No change in agreement vs. last Quarter.

		~		Mean *	ТВ%
	IVR Outage (Q1/11)	<mark>4% 6</mark> %	91%	9.0	67%
c. The system was quick to	IVR Outage (Q2/11)	<mark>5%</mark> 11%	84%	8.6	55%
use	IVR Outage (Q3/11)	<mark>4% 5</mark> %	91%	9.0	63%
	IVR Outage (Q4/11)	<mark>5%</mark> 7%	88%	8.7	56%
d. The system provided the	IVR Outage (Q1/11)		82%	8.4	60%
information you needed	IVR Outage (Q2/11)	10% 10%	80%	8.1	49%
jouneeuu	IVR Outage (Q3/11)	8% 7%	85%	8.6	57%
	IVR Outage (Q4/11)	12% 6%	82%	8.3	57%
	Comp Disa	•	Mid 2 Top 4	Completely Agree	

14. Now I have a few questions about the automated telephone system and the menu that you had to use at the beginning of your call. For each question you can just answer yes or no.

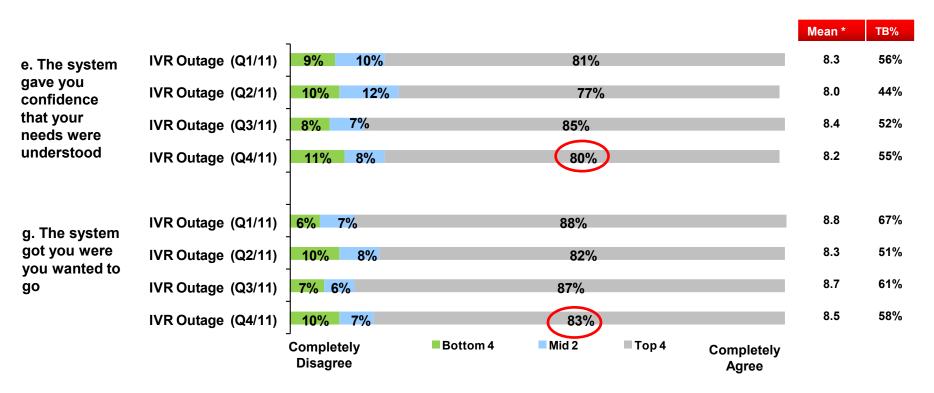
N (Q1'11/Q2'11/Q3'11/Q4'11) = Total IVR Outage (304/302/300/302)



Automated Phone System Attributes (Q1/11, Q2/11, Q3/11, Q4/11)



Decrease in agreement vs. last Quarter that the system gave confidence needs were understood and that the system got callers to where they wanted to go.



14. Now I have a few questions about the automated telephone system and the menu that you had to use at the beginning of your call. For each question you can just answer yes or no.

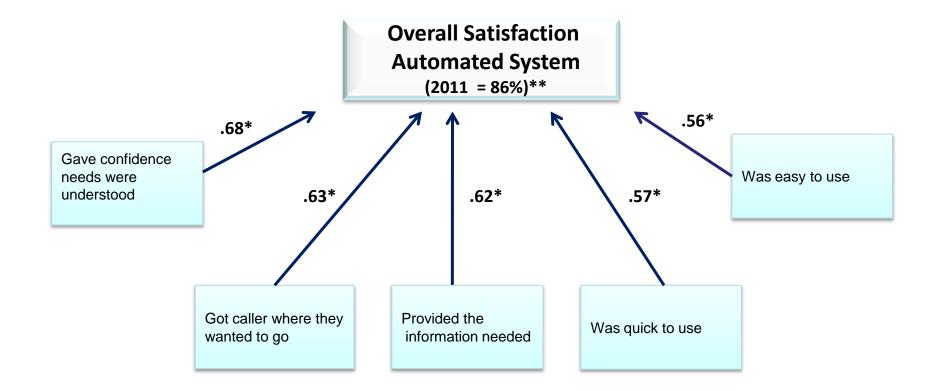
N (Q1'11/Q2'11/Q3'11/Q4'11) = Total IVR Outage (304/302/300/302)



Satisfaction with Automated System (Total IVR Outage Calls)



Many call elements are correlated with overall satisfaction with the automated system.



*Correlation coefficients derived from Jan/11– June /11. Will be updated after Q2/12.

** % Very/Somewhat satisfied

IVR Outage dataset N = ~600



Outage Reporting System & ETR



Opinions of the Outage Reporting System (Q4/10, Q1/11, Q2/11, Q3/11, Q4/11)



No change in agreement vs. last Quarter.

				Mean *
	Q4/10	7% 5%	88%	8.9
C. The system was	Q1/11	<mark>8% 4%</mark>	89%	8.8
familiar with your location once you	Q2/11	10% 5%	86%	8.5
told it where you lived	Q3/11	<mark>5% 5%</mark>	90%	9.0
livea	Q4/11	<mark>5% 5%</mark>	89%	8.9
		-		
	Q4/10	12% 14%	73%	7.8
A. The system	Q1/11	14% 15%	71%	7.7
provided accurate information	Q2/11	17% 11%	72%	7.5
	Q3/11	11% 13%	77%	7.9
	Q4/11	16% 12%	73%	7.7
	Disa	gree Bot	tom 4 <mark>Mid Top 4</mark>	Agree

*Mean: Disagree (1) to Agree (10)

14a. Using a 1 to 10 scale, where 1 means you disagree completely and 10 means you agree completely, please rate each of the following statements regarding the outage reporting system. You may use a 1 or a 10, or any number in between to rate each statement.

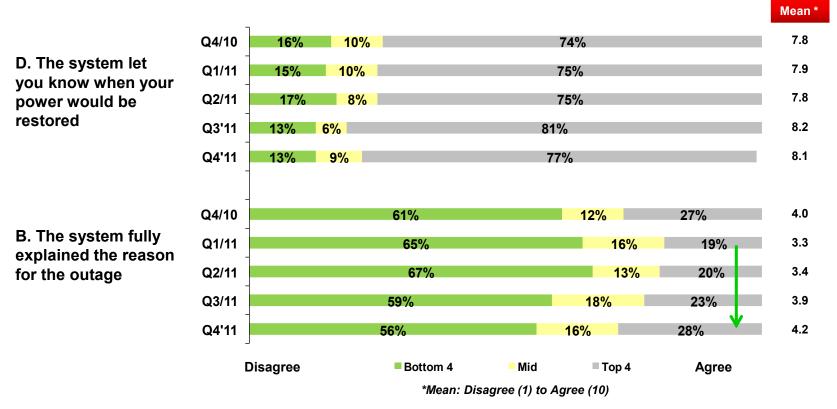
84 Total IVR Outage (Q4/Q1/Q2/Q3/Q4) (290/296/264/299/297)



Opinions of the Outage Reporting System (Q4/10, Q1/11, Q2/11, Q3/11, Q4/11)



No change in agreement vs. last Quarter. Through 2011, more are agreeing that the system fully explained the reason for the outage.



14a. Using a 1 to 10 scale, where 1 means you disagree completely and 10 means you agree completely, please rate each of the following statements regarding the outage reporting system. You may use a 1 or a 10, or any number in between to rate each statement.

Total IVR Outage (Q4/Q1/Q2/Q3/Q4) (294/290/296/299/297)



Got Estimated Restoration Time (Q4/10, Q1/11, Q2/11, Q3/11, Q4/11)







15a. When you called, did you receive an Estimated Restoration Time?

N (Q4/Q1/Q2/Q3/Q4) = Total IVR Outage (301/304/302/300/300)





Better than eight in ten (86%) of those getting an ETR indicated that power was restored by the ETR communicated to them, or before. Improved vs. last Quarter's low.



Total IVR Outage Receiving an ETR (248/259/250/242/237)

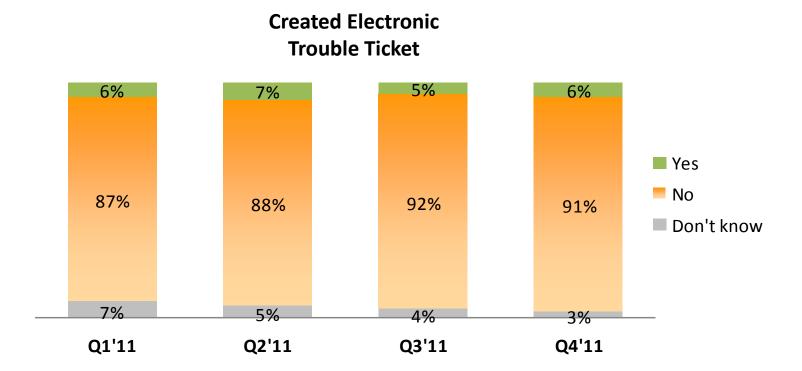
*Derived from q15b and q15bb – includes very/somewhat accurate ETR (from q15b) and percent stating power was restored before promised time (in q15bb).



Electronic Trouble Ticket Creation (Q1/11, Q2/11, Q3/11, Q4/11)



Only a small percent (6%) created an electronic trouble ticket. This has declined since Q1/09 (when it was at 43%).



15c. Did you continue past the automated voice system to create an electronic trouble ticket? **

N (Q1'11/Q2'11/Q3'11/Q4'11) = Total IVR Outage (304/302/300/300)



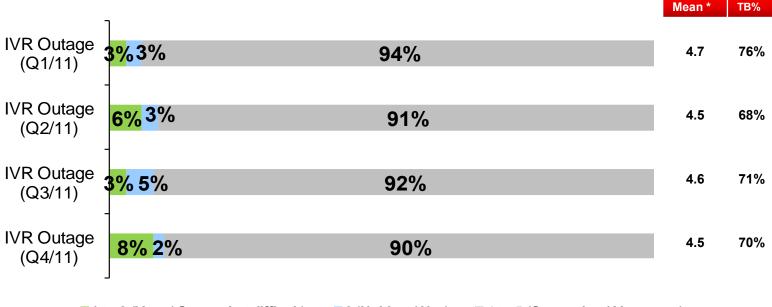
Overall Transaction Assessment



Telephone Transaction Difficulty** (Q1/11, Q2/11, Q3/11, Q4/11)







1 to 2 (Very / Somewhat difficult)
3 (Neither / Nor)
4 to 5 (Somewhat / Very easy)

*Mean: Very Difficult (5) to Very Easy (1)

15g. All things considered, how easy or difficult was it for you to do this entire transaction with Hydro One over the telephone?**

N (Q1'11/Q2'11/Q3'11/Q4'11) = Total IVR Outage (304/302/300/300) **Question added in Q1'11





	Q1/11	Q2/11	Q3/11	Q4/11
Automated System Difficulties (NET) (automated system is difficult to use, want to speak to an agent immediately / too hard to reach an agent)	38%	56%	38%	57%
Agent Service Difficulties (NET) (agent had no knowledge of problem / couldn't answer questions, agent offered no solutions to my issue / would not help me)	-	6%	-	-
Other	63%	39%	63%	44%
Don't know / Refused	-	6%	-	-

15g2. Why was it difficult for you? (PROBE) What would have helped make it easier for you?**

N (Q1'11/Q2'11/Q3'11/Q4'11) = Total IVR Outage (8/18/8/23) **Question added in Q1'11

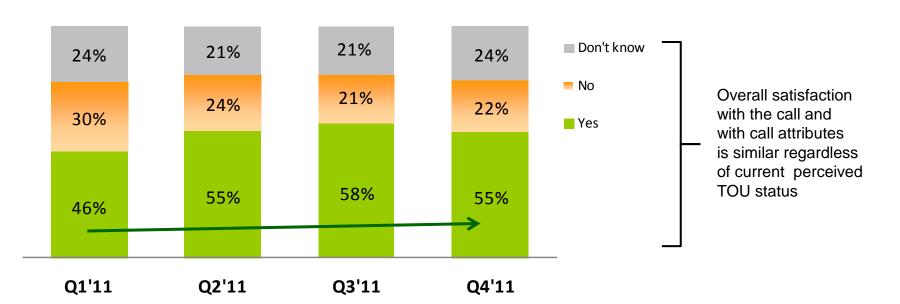




Time of Use Pricing** (Q1/11, Q2/11, Q3/11, Q4/11)



About a quarter (24%) do not know if they are on TOU pricing. More than half (55%) believe they are on TOU.



Bills Moved to TOU Pricing

17. Have your bills been moved to Time of Use pricing yet?

N (Q1'11/Q2'11/Q3'11/Q4'11) = Total IVR Outage (304/302/300/200)

**Question added in Q1'11



IVR Self Serve Callers



Reasons for Call to Hydro One



96

Majority of calls are made to get an account balance.

	Q4/10 %	Q1/11 %	Q2/11 %	Q3/11 %	Q4/11 %
To get account balance (NET)	45	54	64	73	62
Meter Issues (NET) (input meter reading, report meter error, smart meter/new meter, reading error, broken meter)	23	24	14	9	14
Payment / Bills (NET NET) (bill question / problem NET, payment issues NET) Payment Issues (NET) (report making a payment, payment notification, discuss / negotiate payment, disconnection notice follow-up, power disconnected)	26 22	18 14	17 14	15 12	21 18
Bill Question / Problem (NET) (investigate major bill increase, change banking info, not received bill/wanted copy)	4	4	3	3	3
Outage Report / Update (NET NET)	1	1	1	-	1
Outage Reporting (NET) (investigate / report outage)	1	1	1	-	1
Moving / New Service (NET) (moving / providing updated information, to provide new account name / change account name)	-	-	1	1	1
Time of Use (NET) (issue / question about time of use policy, issue / question about time of use process)	1	-	1	-	-
Other (NET) (to remove a light / pole / HON equipment on my property, to inquire about HON services, other)	4	3	3	1	2

Customer Stated Reason for Call %

- 2. Now please think about the call you made to Hydro One in the past few days. What was the reason for this call?
- N (Q4/Q1/Q2/Q3/Q4) = Total IVR Self Serve (301/301/302/300/301)



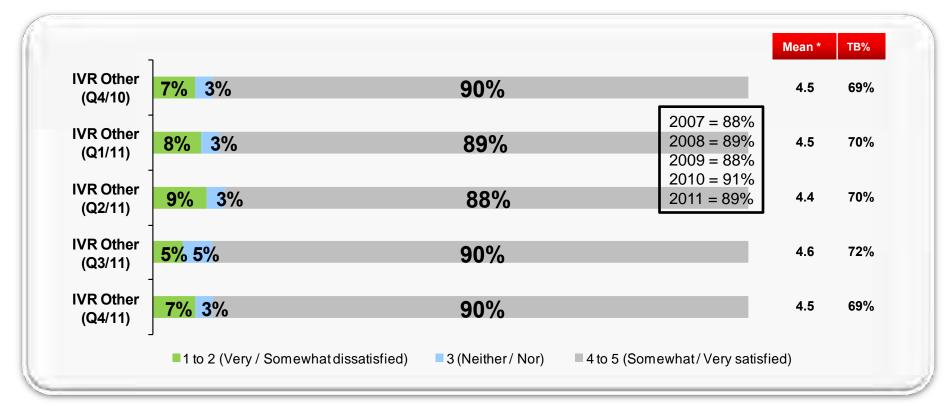
Satisfaction with Call



Satisfaction with Call to Hydro One (Q4/10, Q1/11, Q2/11, Q3/11, Q4/11)



Overall satisfaction with the call is unchanged this Quarter and remains at levels seen over the past year.



*Mean: Very Satisfied (5) to Very Dissatisfied (1)

- 3. How satisfied were you overall with the call to Hydro One?
- N (Q4/Q1/Q2/Q3/Q4) = Total IVR Self Serve (298/299/289/298/301)



Overall Satisfaction by Reason for Call to Hydro One (Q4/10, Q1/11, Q2/11, Q3/11, Q4/11)



Satisfaction levels are similar regardless of the reason for the call.

	*Top 2 box (Very / Somewhat Satisfied)							
	Q4/10 (n=298)	Q1/11 (n=299)	Q2/11 (n=289)	Q3/11 (n=289)	Q4/11 (n=301)			
	% satisfied	% satisfied	% satisfied	% satisfied	% satisfied			
Caller Satisfaction Score	91	89	88	90	90			
Account Balance (NET) (n ~ 190)*	94	94	95	94	96			
Payment / Bills (NET NET) (payment issues NET, bill question / problem NET) (n ~ 60)*	87	72	85	82	84			
Payment Issues (NET) (n ~ 50)*	84	80	81	89	85			
Bill Question / Problem (NET) (n ~ 10)*	100	46	100	56	78			
Outage Reporting / Update (NET NET) (outage report NET) (n ~ 2)*	100	100	67	100	50			
Outage Reporting (NET) (n ~ 2)*	100	100	67	100	50			
Meter Issues (NET) (n ~ 40)*	87	89	76	75	79			
Other (NET) (n ~ 5)*	83	100	13	50	83			

3. How satisfied were you overall with this call to Hydro One? Would you say you were...

*Represents approximate average sample size in each Quarter



Reasons Not Satisfied with Call to Hydro One* (Q4/10, Q1/11, Q2/11, Q3/11, Q4/11)

IVR Self Serve

Dissatisfaction is mainly tied to access challenges through the automated systems.

	Q1'11*	Q2'11*	Q3'11*	Q4'11*
Access (NET) (couldn't get through to speak to a person, put on hold for too long, too cumbersome / difficult to get through to Hydro One)	35	38	32	35
Rep Information (NET) (did not get answers needed)	9	6	13	21
Hydro One Policy (NET) (CSR wouldn't discuss account - not in my name)	-	3	-	7
Rep Attitude (NET) (CSR/rep was rude/unprofessional/terse, CSR was unaccommodating/uncaring)	6	3	3	3
Rep Skill (NET) (did not say what action would be taken, CSR was unable to resolve why bill was so high, CSR wasn't a good listener)	15	9	-	3
Bill / Payment (NET) (equal billing / estimated bill is (still) high, other billing mentions)	18	3	10	-
Outage Response (NET) (outage lasted too long / long than I was told)	-	3	-	-
Other (NET) (dislike automated phone systems, dissatisfied with collection process / threats, other)	47	53	61	59

4. Why were you not satisfied overall with the call? N (Q1/Q2/Q3/Q4) = Total IVR Self Serve (34/34/31/29)

* Caution, small base sizes



Satisfaction with 'process' issues is unchanged this Quarter.

		۰ ۲	Process Issues	Mean *	ТВ%
	IVR Self Serve (Q4/10)	<mark>7%</mark> 2%	91%	4.6	75%
g. Your question getting	IVR Self Serve (Q1/11)	9% 1%	90%	4.5	74%
answered or the action getting	IVR Self Serve (Q2/11)	7% 1%	92%	4.5	75%
taken correctly, first time	IVR Self Serve (Q3/11)	<mark>5%</mark> 1%	94%	4.7	79%
	IVR Self Serve (Q4/11)	<mark>6%</mark> 1%	93%	4.6	77%
I. Your ability to	IVR Self Serve (Q4/10)	<mark>7% 3</mark> %	91%	4.5	66%
access Hydro	IVR Self Serve (Q1/11)	<mark>7%</mark> 2%	91%	4.5	69%
One to resolve your questions	IVR Self Serve (Q2/11)	<mark>6%</mark> 1%	94%	4.6	74%
or problems	IVR Self Serve (Q3/11)	<mark>5%</mark> 1%	94%	4.6	74%
	IVR Self Serve (Q4/11)	7% 2%	91%	4.5	70%

Bottom 2 (Somewhat / Very dissatisfied) Neither Nor Top 2 (Very / Somewhat satisfied)

5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with... N = Total IVR Self Serve (Q4'10 \rightarrow Q4'11=172-298)





• Based on analysis of past year results...

for the key call handling elements that relate to overall call satisfaction, anything short of ensuring callers are 'very satisfied' is not good enough, otherwise overall satisfaction with the call declines

... as evidenced by the following pattern for call handling elements.



IVR Self Serve

The same relationship as below is evident for all key call handling elements.



N = Total IVR Self Serve(~1200)

Mean Scores Shown (5 point satisfaction scale)

3. Overall satisfaction with call

103

5g. Your question getting answered or the action getting taken correctly, the first time

51. Your ability to access Hydro One to resolve your questions or problems

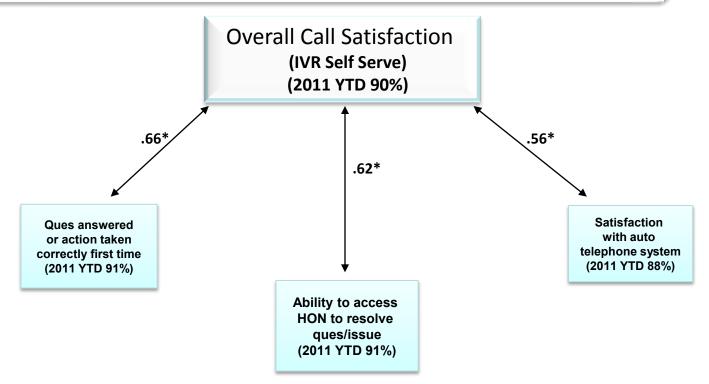


Key Drivers of Overall Satisfaction with Call



Relationship Between Overall Call Satisfaction & Call Specifics

Overall call satisfaction for IVR Self Serve callers is correlated with questions getting answered/action taken correctly the first time, ability to access Hydro One and satisfaction with the automated system.



*Correlation coefficients derived from July/10– June /11. Will be updated end of Q2/12. IVR Self Serve dataset N = +/-1,205



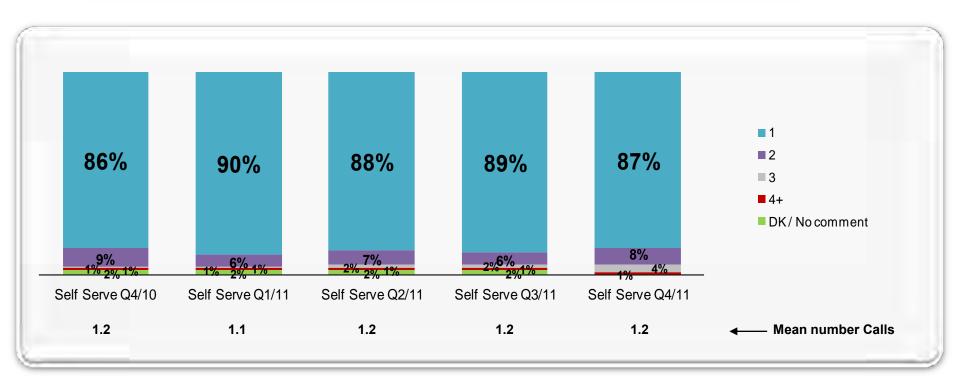
Connection & Call Resolution Issues



Number of Calls Made Before Connection to Hydro One's Automated System Menu (Q4/10, Q1/11, Q2/11, Q3/11, Q4/11)



Connecting with the automated system menu with only one call is similar across the Quarters.



8. For this most recent call, how many times did you have to try Hydro One's telephone number before you were connected to the menu in the automated voice system?

N (Q4/Q1/Q2/Q3/Q4)= IVR Self Serve callers (301/301/302/300/301)



First Call Resolution (Q4/10, Q1/11, Q2/11, Q3/11, Q4/11)



First call resolution is unchanged vs. last Quarter.

	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11
Yes	94	91	93	91	90
Νο	4	5	6	7	7
Neither	1	3	2	1	2

10. And once you did connect with the automated voice system, was your issue resolved on the first call, or did you need to call back more than once? N (Q4/Q1/Q2/Q3/Q4) = Total IVR Self Serve (301/301/300/301)



Final Outcome of Call for Those Who Called 2+ Times (Q4/10, Q1/11, Q2/11, Q3/11, Q4/11)



A very small percent (3%) of customers are stating that their issue (or the reason for their call) was 'never resolved' - even after calling 2+ times.

	Q4/10	Q1/11	Q2/11	Q3/11	Q4/11
Resolved after you followed up with Hydro One	35	58	36	42	38
Never resolved	35	27	46	31	28
Resolved after Hydro One took some other action	-	8	5	-	3
Resolved after it was passed along to someone	-	-	-	-	-
Other (volunteered)	29	8	14	27	31

13. I am going to read you a list. Please tell me which of the four describes the final outcome of your call?

N (Q4/Q1/Q2/Q3/Q4) = Total IVR Self Serve (17/26/22/26/29)

*Caution, very small base sizes

3% of Total calls each



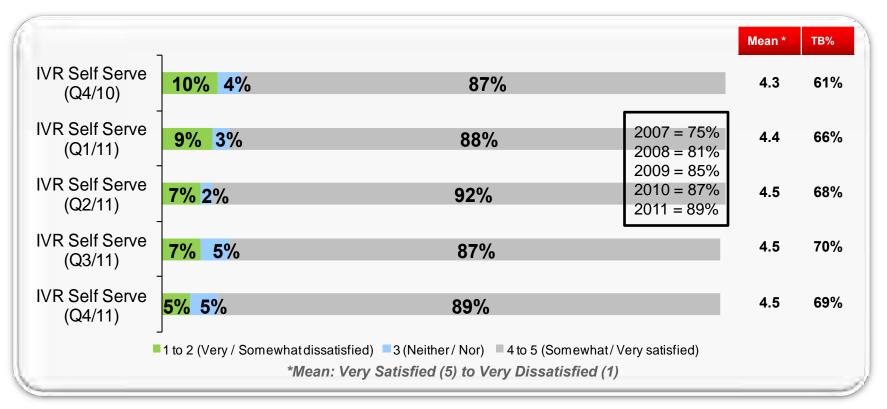
Automated Telephone Answering System



Satisfaction with Hydro One's Automated Telephone System (Q4/10, Q1/11, Q2/11, Q3/11, Q4/11)



Unchanged satisfied with the automated system vs. last Quarter.



13a. When you made your most recent call to Hydro One, you were initially connected to an automated telephone system. Overall, how satisfied were you with Hydro One's automated telephone answering system?

N (Q4/Q1/Q2/Q3/Q4) = Total IVR Self Serve (297/301/300/300/301)

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Reasons Dissatisfied with Automated Phone System* (Q4/10, Q1/11, Q2/11, Q3/11, Q4/11)

IVR Self Serve

Dissatisfaction is primarily tied to a desire to speak with a representative, dislike of automated systems and menu issues.

	Reasons % *					
	Q4/10	Q1/11	Q2/11	Q3/11	Q4/11	
Wanted to speak to a live rep	45	26	21	36	38	
Don't like automated phone systems	31	41	21	9	25	
Options didn't match my needs	10	7	5	32	19	
Too many options/menu to complex	21	30	26	14	19	
Takes too long to get through	7	11	11	9	-	
Could not get through	14	4	11	5	-	
Auto voice recognition does not work/doesn't understand me	3	-	-	5	-	
Other	21	22	26	5	19	

13b. Why were you not satisfied?

N = Total dissatisfied with automated phone system (IVR Self Serve = 29/27/19/22/16)

* Caution, very small base sizes



Automated Phone System Attributes (Q1/11, Q2/11, Q3/11, Q4/11)



Strong majority agreed that the automated system includes the reason for the call and is easy to use. No change vs. previous Quarters.

							Mean *	тв%
a. The menu	IVR Self Serve (Q1/11)	<mark>5%</mark> 4%		90%			9.0	72%
categories included the	IVR Self Serve (Q2/11)	<mark>6% 9%</mark>		86%			8.6	60%
reason you called	IVR Self Serve (Q3/11)	<mark>3% 6%</mark>		91%			9.1	72%
Called	IVR Self Serve (Q4/11)	<mark>3% 7%</mark>		89%			9.0	68%
. .	IVR Self Serve (Q1/11)	<mark>5%</mark> 5%		91%			9.1	70%
b. The system was	IVR Self Serve (Q2/11)	<mark>5% 6%</mark>		89%			8.8	58%
easy to use	IVR Self Serve (Q3/11)	<mark>4%5%</mark>		91%			9.0	67%
	IVR Self Serve (Q4/11)	<mark>6%</mark> 5%		89%			8.9	66%
		Completely Disagree	Bottom 4	Mid 2	🗖 Тор 4	Completely Agree		

14. Now I have a few questions about the automated telephone system and the menu that you had to use at the beginning of your call.

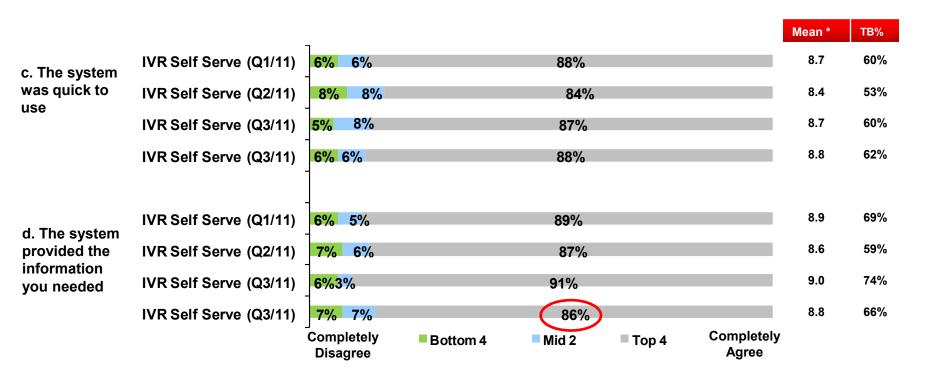
N (Q1'11/Q2'11/Q3'11/Q4'11) = Total IVR Self Serve (301/302/299/301)



Automated Phone System Attributes (Q1/11, Q2/11, Q3/11, Q4/11)

IVR Self Serve

Strong majority agreed that the automated system is quick to use and provides the information needed (where agreement has declined vs. last Quarter).



14. Now I have a few questions about the automated telephone system and the menu that you had to use at the beginning of your call. For each question you can just answer yes or no.

N (Q1'11/Q2'11/Q3'11/Q4'11) = Total IVR Self Serve (301/302/300/301)



Automated Phone System Attributes (Q1/11, Q2/11, Q3/11, Q4/11)



Strong majority agreed that the system gave confidence needs were understood and got them where they wanted to go.

		_					Mean *	TB%
e. The system	IVR Self Serve (Q1/11)	<mark>7% 6</mark> %		86%			8.6	63%
gave you confidence	IVR Self Serve (Q2/11)	10% 5%		85%			8.4	56%
that your needs were	IVR Self Serve (Q3/11)	7% 6%		86%			8.7	66%
understood	IVR Self Serve (Q3/11)	8% 6%		86%			8.6	61%
g. The system	IVR Self Serve (Q1/11)	<mark>6% 4</mark> %		90%			8.9	70%
got you were you wanted to	IVR Self Serve (Q2/11)	8% 6%		86%			8.6	61%
go	IVR Self Serve (Q3/11)	<mark>3%6%</mark>		91%			9.1	74%
	IVR Self Serve (Q3/11)	<mark>5%</mark> 6%		89%			8.9	67%
		Completely Disagree	Bottom 4	Mid 2	🗖 Тор 4	Completely Agree		

14. Now I have a few questions about the automated telephone system and the menu that you had to use at the beginning of your call. For each question you can just answer yes or no.

N (Q1'11/Q2'11/Q3'11/Q4'11) = Total IVR Self Serve (301/302/299/301)



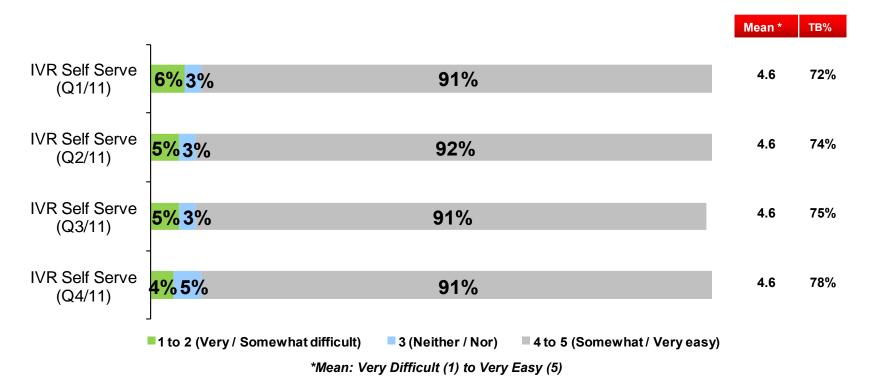
Overall Transaction Assessment



Telephone Transaction Difficulty** (Q1/11, Q2/11, Q3/11, Q4/11)



Vast majority indicated that their transaction was somewhat or very easy to implement.



15g. All things considered, how easy or difficult was it for you to do this entire transaction with Hydro One over the telephone?**

N (Q1'11/Q2'11/Q3'11/Q4'11) = Total IVR Self Serve (301/302/300/301) **Question added in Q1'11



	Q1/11	Q2/11	Q3/11	Q4/11
Automated System Difficulties (NET) (automated system is difficult to use, want to speak to an agent immediately / too hard to reach an agent)	56%	80%	81%	75%
Automated Service Difficulties (NET) (agent offered no solutions to my issue / would not help me)	-	7%	13%	8%
Other	44%	13%	6%	17%

15g2. Why was it difficult for you? (PROBE) What would have helped make it easier for you?**

N (Q1'11/Q2'11/Q3'11/Q4'11) = Total IVR Self Serve (18/15/16/12) **Question added in Q1'11

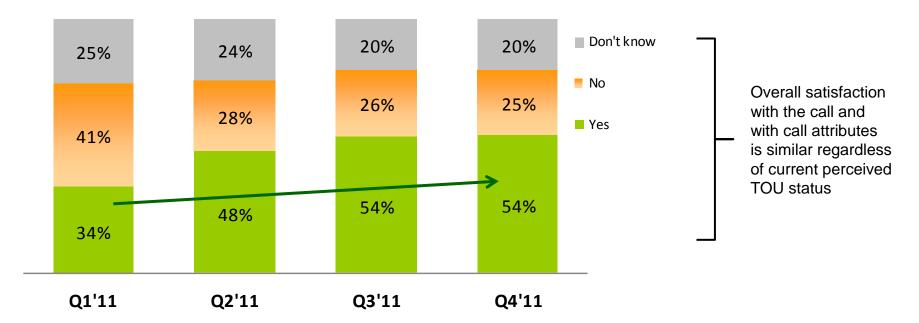




Time of Use Pricing** (Q1/11, Q2/11, Q3/11, Q4/11)



A fifth do not know if they are on TOU pricing. More than half (54%) believe they are on TOU.



Bills Moved to TOU Pricing

17. Have your bills been moved to Time of Use pricing yet?

N (Q1'11/Q2'11/Q3'11/Q4'11) = Total IVR Self Serve (301/302/300/201)

**Question added in Q1'11



Summary & Recommendations



Summary of Key Findings

Agent Handled Callers

- At the end of Q4/11, overall satisfaction with the call (85%) has declined vs. Q3/11 (89%), returning to levels seen earlier in the year;
- Overall satisfaction with the call is poorest for calls dealing with TOU, bill problems, increases or bill discrepancies.
- Decline in Q4/11 vs. last Quarter for satisfaction with ease of getting through to a rep, length of time it took to resolve the issue/concern, question getting answered/action taken correctly the first time and the rep letting know what actions would be taken;
- On all call dimensions, it is essential to achieve 'very satisfied' ratings, otherwise overall satisfaction with the call declines;
- The key driver of overall satisfaction with the call is the skill of the rep. This is closely followed by the (quality of) information provided by the rep;
- In Q4/11, 87% are connecting on their first call same as last Quarter (85%);



Agent Handled Callers

- When more than one attempt has been necessary it is primarily due to IVR difficulties and to Bell lines being busy. 2% of all callers encountered this in Q4/11, a significant decline vs. Q3/11 (4%);
- About a third (30%) expect to wait 2 minutes or less on hold before connecting with an agent;
- First call resolution (86%) is unchanged vs. last Quarter and remains as it was through all of 2011;
- 5% of all Agent callers in Q4/11 say their issue was never resolved same as last Quarter;
- If a customer's reason for the call has never been resolved, scores are significantly lower on virtually all key measures;
- The decline in Q3/11 vs. Q2/11 (to 77% from 82%) in overall satisfaction with the automated system has remained in Q4/11 (78%);



Agent Handled Callers

- Decline in level of agreement in Q4/11 vs. Q3/11 (to 69% from 75%) for the automated menu categories included the reason for the call;
- In Q4/11, a quarter (28%) were put on hold by the Agent, 12% received information about energy efficiency and 9% were transferred to someone else. All are similar to Q3/11 values;
- Similar to Q3/11, in Q4/11, about a third (37%) were advised of Hydro One's website by the Agent in Q3/11. Half of this group found the information helpful;
- One in ten (11%) have asked to be put in touch with a supervisor in the past year. For those that did, 39% indicated it was easy to do so;
- About one in seven (14%) left a message for a callback in the past year. Half (51%) were called back on the same day. One in ten waited 3 days or more;
- In Q4/11, over eight in ten (83%) Agent handled callers indicated that their entire transaction was easy to do. Unchanged vs. Q3/11 (86%).



Agent Handled Callers – SWOT Analysis (Q4/11)

Strengths	Weaknesses
 Courtesy of the agent (87%*) Agent showing a genuine commitment to help (81%*) Agent answering questions promptly (80%*) Agent treating like a valued customer (79%*) Agent understanding what was wanted or needed (78%*) First call resolution (86% had FCR*) 	 Agent going above and beyond level of service expected (58%*) Overall ease of getting thru to an agent (62%)
Opportunities	Threats
 Agent providing accurate information (73%*) Agent offering solution for the reason called (67%*) Length of time waiting before speaking to an agent (65%) Ability to access HON to resolve issue (66%) Length of time taken to resolve issue (66%) 	 Question answered/action taken correctly the first time (70%*) Agent letting know what action would be taken when call concluded (73%*)

*Key attributes for the main drivers of overall satisfaction (i.e. skill of the rep & information provided by rep) and/or attributes identified by HON as a key focus.

() = % stating 'very satisfied'



IVR Outage Callers

- Overall satisfaction with the call in Q4/11 (82%) has declined vs. Q3/11 (90%). This is largely due to poorer satisfaction with calls to find out about restoration (79%);
- On an unaided basis, dissatisfaction with the call is mainly tied to automated system dislikes or resolution problems and/or having no, or an inaccurate estimated restoration time;
- Declines in satisfaction in Q4/11 for question getting answered/action taken correctly the first time and in ability to access Hydro One to resolve question/concern;
- Overall call satisfaction is driven by providing a solution, providing restoration information and offering a convenient means to communicate with Hydro one;
- In Q4/11, more customers had to call more than once to connect to the automated system (15%) than in Q3/11 (10%);
- First call resolution has declined through 2011 (from 95% in Q1/11 to 82% in Q4/11;
 - Satisfaction with the automated system (81%) is poorer vs. last Quarter (90%);



IVR Outage Callers

- There has been a significant decline in Q4/11 vs. Q3/11 in agreement that the automated system had menu categories that include the reason for the call, got callers to where they want to go and gave confidence that needs were understood;
- In Q4/11, more than 4 in 5 received an ETR (87%). 86% had power restored when promised or sooner – an improvement vs. Q/11 (81%);
- Only a small percent (6%) created an electronic trouble ticket. This has declined each Quarter since Q1/09 (when it was at 43%);
- Almost all Outage callers (90%) described the overall transaction as very or somewhat easy to do;



IVR Self Serve Callers

- Overall satisfaction with the call among IVR Self Serve callers in Q4/11 (90%) is the same as last Quarter;
- Dissatisfaction with the call is primarily tied to access issues
- 87% of callers are connecting to the automated system on their first attempt similar to last Quarter (89%);
- First call resolution in Q4/11 (90%) is as it has been over the past year;
- Among all Self Serve callers in Q4/11, 3% did not get the reason for their call resolved –similar to previous Quarters;
- The percent indicating they are satisfied with the automated system (89%) is as it was in Q3/11 (87%);
- Decline in agreement in Q4/11 vs. Q3/11 (to 86% from 91%) for the automated system providing the information needed;
- As previously, a vast majority of Self Serve callers (91%) indicated that their transaction was somewhat or very easy to implement.



Caller Satisfaction & Call Resolution

- Overall satisfaction with the call has declined this Quarter for both Agent handled and Outage callers. Both have also shown satisfaction declines for ease of getting through and for the question/issue/action getting handled correctly, the first time. Determine if anything changed in Q4/11 vs. Q3/11.
- Amongst all call attributes, focus on improving the key drivers of call satisfaction namely, the rep's skills and the (quality) of information they provide. Specifically, focus on improving...
 - providing a solution for the reason called;
 - answering questions or taking actions correctly, the first time;
 - providing accurate information; and
 - letting know what actions will be taken at call conclusion.

Do all agents recognize the critical nature of fulfilling these expectations? Do current training protocols and information resources support this focus?



Recommendations for Consideration (cont'd)

Once an agent is connected with a customer...

- for customers that they are unable to provide first call resolution, are there clear steps they can follow to ensure resolution?
- do they have as much empowerment as economically sensible (e.g. to resolve billing issues)?
- do they clearly tell callers what actions will be taken?
- For difficult calls (e.g. high bill, bill discrepancies) consider assigning these calls to 'super agents'. Consider follow up calls as appropriate with assigned accountability to follow issue to completion;
- For non first call resolution calls, look for common characteristics (e.g. cannot afford bill etc.). Determine root cause and evaluate whether unresolved issues are people, process or technology related (or a combination);



Recommendations for Consideration (cont'd)

- Customer 'delight' must be the goal. For virtually all CSR and process elements, but particularly for key driver attributes, strive to achieve 'very satisfied' scores. Continue with efforts to move satisfaction scores upwards;
- Amongst all reasons for calls, dissatisfaction is greatest for calls related to bill problems, increases or discrepancies. Focus on agent scripting after careful review of verbatim for the reasons dissatisfied. Consider assigning these calls to 'super agents';
- Listen to call recordings/monitor to identify 'response obstacles' (e.g. Agents stating "I don't know", "I can't help you with that", etc.) and identify root causes to isolate potential solutions;
- Consider a 'word cloud' analysis of audio recordings from a subset of Agent handled calls;
- Investigate why there has been a decline in this Quarter in satisfaction with the automated system for Agent handled and Outage callers.



Recommendations for Consideration (cont'd)

Outage Reporting

- Investigate why more Outage callers had to call more than once to connect to the automated system this Quarter vs. last;
- Strive to keep customers informed on what action will be taken after the call is finished, and to provide more precise ETR. Also investigate opportunities to improve accuracy of information provided by IVR.



Recommendations for Consideration (cont'd)

Share the News

- Where there is positive movement in scores, kudos should be shared with all involved. Acknowledge efforts and strategies that have been effective;
- Convene round-table discussions with CSRs in an attempt to uncover root cause behind both positive and less positive scores;
- Consider a brief communication in *Staying Connected* re how customer survey feedback has supported HON's continuous improvement of the customers' CCC experience.

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Appendix

- Verbatim
 - Reasons dissatisfied with attributes identified as tactical priority attributes (Agent Q1/11 to Q4/11)
 - 'Other' reasons dissatisfied overall with the call Q3/10 to Q4/11) (Agent, IVR Outage, IVR Self Serve)





- They could have sent someone to the house as why I am being double charged.
- I have a contract with Just Energy and I never signed a contract with Just Energy. My bill comes from Hydro One, but then I get a Just Energy charge on it. I want to go on time of use meter, and I can't because they said I signed a contract with just energy, which I didn't.
- CSR could only speak to me about certain things because my grandmother had to call in to give permission in order for Hydro One to discuss certain things with me.
- Agent questioned me about whether I could phone in a meter reading.
- Agent said they were right and I am wrong though I take readings daily. Never had to pay a 650\$ before used to average 250\$
- I thought that maybe there is something wrong with the meter.
- I was told I should hire an electrician to figure out the hydro bill. I bought all new appliances to lower my bill and my bill went up. I have never had a bill this high. We are on a fixed income and I have not had grocery molt was probably out of agent's control.
- *ney for the past month.*
- She would not send anyone out to check my meter.





- The solution was basically the customer having to remedy her own situation for the time being because hydro one's meter reader system is down.
- Limited with the information at hand.
- They could have had a more empathic view of the problem and making you feel like a valued customer.
- I think that the agent should have been more sympathetic, the agent could have directed me to someone else, the agent didn't take my name or account number it was just some voice on the line.
- *I just think yesterday's call and the one on the 10th should have been resolved and both calls were just left hanging.*
- The agent told me I should employ an energy detective to find out where the energy went. I was going to ask if they were going to come to my rescue.
- All I was told was that the system would not generate me a disconnect notice. They could have explained why I cannot have a copy of the disconnect notice.
- He did offer a solution but it was to have the home owner call in to give all the information I called in for
- Because of the previous call and that there was no record of that.
- Miscommunication problem, it should have gone to the ninth. When I called on the 15th, the agent said the second.





- They were supposed to take care of the problem within 24 hrs but it took a week called on Monday resolved Friday after the account change and the problem potentially could have caused damage to their equipment so I thought they would have attended to it sooner. think hydro should be more proactive in using management tools available like verifying who the owner of a property is rather than putting that on the customer
- Having to wait 4-6 weeks for a preventative measure that may save Hydro One money if there is another windstorm
- The agent told the customer that the customer had no authority on the account even though the customer's name is on the account. Customer requested to speak with a supervisor and the agent refused to transfer customer to the supervisor, stating the customer had no authority on the account and hung-up on the customer.
- No other method of changing addresses other than phoning in. Could provide another option for changing address other than a call in or call us back
- It was beyond their scope what they are allowed to do. I need someone in higher authority. Hydro should put me straight through to a person who could process the credit i was looking for.
- The agent should have said that they will check it out.



Reason Dissatisfied With 'Representative Offering a Solution For The Reason You Called' (Verbatim Q1/11, Q2/11, Q3/11, Q4/11)



- There is a lack of flexibility in understanding the situation. Hydro one could shorten the length of time I get credited for that 650.00 or they can wave that fee altogether considering we are a sure thing and will pay our bills.
- *I was only told a vague timeline. Offer me an accurate timeline of when my problem will be solved.*
- There is no accountability nothing seem to get done
- Waiting 5 months for a credit we were signed up by a reseller without our knowledge maybe they should make customers aware of this fact





- I did not ask about the consumption use because of his abruptness, it annoyed me, he sounded annoyed, I was not about to ask any more questions. I felt I would call back later.
- The agent could have redirected my call.
- Had to speak with a supervisor
- Boils down to me to having to do all the work.
- Agent did not tell the client what actions should be taken. Client should make own determination about the hydro bill. It is Hydro's job to be doing that. It was not appropriate.
- Got the impression the agent took the information but did not intend to use it.
- No course of action was specified or solution offered.
- The rep told me that it was our anniversary date was in the spring instead of in the fall for equal billing and so I was frustrated because I got a bill for 2x what I had to pay. I did not expect this.
- They said that would not do anything. She said they go by the meter reading, so I think that there is something wrong with the meter. I have never had a bill this high. I wouldn't be so upset if this was a common bill. The bill has approximately tripled. I think they could have sent someone to check these screwy meters. My son in-law has a body shop and his bills are not this high.
- Offering a solution instead of saying this is the rule.
- The agent ended the call with the customer by telling the customer the agent was refusing to let the customer speak with anyone and hung-up on the customer.



Reason Dissatisfied With 'Representative Letting You Know What Actions Would Be Taken When You Finished Call' (Verbatim Q1/11, Q2/11, Q3/11, Q4/11)



- They said I will note that on your file and they did not take any action. They wasted my time. They have a monopoly. They should have given me a solution - I would like to have a printout of a disconnect notice.
- The agent put me through to a supervisor.
- There was no action taken. They could have put someone informed who could tell me why we are using 3 times the hydro and why we are not getting an opening and closing reading. Why is there no consistency with the billing cycle and why we are 1 month beyond in getting a bill?
- When they came to fix the service that was beside them they took 15 minutes and the service was off for four days.
- The agent could have been more courteous.





- *Her attitude with me and right off the bat she was condescending. A little more courtesy would be nice.*
- It was on my end I couldn't stay on the phone long enough.
- There are two apartments on one hydro meter and the landlord won't change it
- Problem is ongoing over two billing periods. I will be satisfied if the correct meter reading is on the next bill. As a matter of curiosity I would like to know what went wrong in the first place.
- Yesterdays call was my third call to hydro the first 2 calls they weren't very nice I just wanted to know where my bill was in case it had gotten lost I didn't receive a bill for 2months
- They don't know when they hook the client up. Blame the person who is drafting the survey. No answer so, still dissatisfied.
- Ontario Hydro does not want people to know the reasons. I do not think an agent could have done anything differently. I will never vote liberal you would need a higher up
- We first call in to get everything switched over in order for me to discuss my grandmother's account with Hydro One. She is 91 yrs old and I don't want to upset her. When she called in October of last year to give me authorization to discuss her account with Hydro One we thought that everything was taken care of. When we called this time we found out that this was not done and so now I have to get my grandmother to call back a second time in order to give me authorization to discuss her account.



Reason Dissatisfied With 'Your Question Getting Answered Or Action Getting Taken Correctly First Time' (Verbatim Q1/11, Q2/11, Q3/11, Q4/11)



- Agent kept talking about the same subject. Did not take action towards the question.
- He did not seem that interested in what i was saying he was just telling me what was what and that was it.
- *He wouldn't discuss my bill with me. They used to treat me like a good customer, now they don't*
- My bill was very strange had a strange credit and date of usage on it and I called in and was informed that there was an error on the bill which went back a year and I was told that I would be re-billed and agent could not tell me the amount or if the re-bill would be to my advantage or disadvantage.
- No one could tell why my payment was thought to be late or why I got a call. Also asked about the possibility that my power was being tapped and the agent did not know how to address such a question.
- She did not answer my question. She did not offer other avenues to pursue. She could have offered some direction I could take like a customer satisfaction centre or direct me to some department who could answer my questions.
- She refused to send someone out to check my meter.
- The agent was not willing to meet me half way.
- They really don't know what they are talking about, it's training. I have been trained by Ontario Hydro myself, so I pretty well know what I am talking about.
- The rep had no sympathy for me at all.



Reason Dissatisfied With 'Your Question Getting Answered Or Action Getting Taken Correctly First Time' (Verbatim Q1/11, Q2/11, Q3/11, Q4/11)



- The agent should have just let me then having the owner to call back
- Because of them not recording the previous call and know saying that it is going to go into collections.
- Because the time wasn't changed the power could have been turned off 9-5 instead
- They called me back because the first person put in on the wrong screen which meant that it was not accessible to everybody and they called me back to go over the same things
- Was an awkward question which could have been address by a letter rather than an emergency phone call.
- How can I prove that I did not consume more energy.
- The smart meters are not working and I am getting estimated. I wanted to know why I was on an estimate and she said the meters are not working. We should have been taken off the meter completely and put back to where we were.
- I guess through a correspondence there is nowhere on the website saying about the lawyer. I guess more use of ease of the website.
- *I wanted t hem to waive a fee and they wouldn't due to the mail strike.*
- I have a tree split on the property and would like hydro to remove it since it has hydro lines entangled which I'm sure will cause a problem on the next storm.





- It takes time to resolve issues when we call in, we would like issues to be resolved. Hydro One having a system in place with dealing with mail that is being returned to them.
- Because they weren't taken correctly the lost my fax and denied receiving it.
- No show from the technician who was to come to my home.
- I had to call back a second time to get my issue resolved because the first agent had a language barrier and did not speak very good English and was not very good at getting the point across. I asked to speak to a supervisor after that and while I was being transferred I was cut off so I had to call back.
- I called in about this specific issue two years ago and my request was not done properly and the notes in my file about this call two years ago are wrong and it should have been done properly the first time so I had to call in again two years later to finally get it resolved. They could have done it properly the first time and made it easier for me to through to have my problem solved and make sure the agent's understand my problems and take proper notes about my issues and take care of my problem properly the first time. Also in some unusual circumstances send the same bills and notices to both parties that are responsible even though those parties have two different addresses due to their own circumstances. (due to separation/divorce etc.).





- This problem has been going on for two years and i have called several times about this same problem and i am still waiting for a resolution from hydro one. Hydro one could have done their job correctly the first time. Hydro one has not done a meter reading since May of 2009. If they are going to charge me for hydro used then it should more accurate than just the estimated bills they have been sending me for the past two years. They need to come and do a correct meter reading, they are supposed to be coming to do this, they have been telling me they are coming to do this since last January and still have not arrived.
- The agent was fine but the people behind the agents were not. It took 6 weeks for them to fix a light bulb.
- I am paying to update my service to put into a 200 amp for am waiting for hydro to come and inspect it and hook it up. Hydro charges me a fortune. Why do we pay so much when Quebec is our neighbor and they pay so much less? If I am not using hydro why are they charging me? Some of these smart meters are defective.
- The first time I called in, I was told I would get a response from the line crew at hydro one within 48 hours. I waited a week to 10 days for the call from hydro one and then I had to call again and go through the process again and this time I got a response within 24 hours the second time and some action getting taken hopefully within 48 hours. The first call hydro one totally failed on this issue, so there needs to be better communication through-out and follow up with their customers when they say they will.
- to call back to resolve my problem.





- Because the agent answers were robotic, showing no interest in the clients concern. The agent's approach could have been more caring, more open to hearing the client's issue.
- No explanation as to why my usage has not gone down since all of the energy efficiency changes I made to my home.
- The first agent I called a couple of days before at hydro one was very rude and did not explain to me why I received a disconnection notice or anything about my bill now being combined with my other bill. The agent never explained that to me. I had no idea that it was combined and I didn't understand why I was getting that notice and the first agent never said I was getting billed monthly and so i had to call back to get it resolved and explained to me properly and nicely. If I had been told from the beginning that this was all combined in one bill that would have been most helpful, I would have budgeted this in and if the first agent would have been friendly and helpful to me then I would not have had to call back to resolve my problem.





- Asked to have someone come out to read meter and agent said no. Agent could have offered customer reassurance that someone could pop by to look at the meter.
- They gave me the wrong number.
- I asked to speak to a supervisor but that wasn't available or a supervisor could have helped him out.
- Agent had not been provided with the necessary information.
- Agent was not allowed to give the information because it was beyond what they were allowed to do.
- She does not have the information. She was not provided with the information. She said you will be notified.
- The agent was either told not to tell the real reason or she did not know. They need someone with power to exert influence on the government.
- The agent didn't tell me that I needed to be home for a repair crew to come out
- Somebody could have listened to my problem and investigated it.
- The information the agent had was not the same as we had we had a letter regarding the issue but the agent had a difference of opinion regarding the balance





- The information that the customer was different than the information the her neighbour was given.
- The agent told me that the problem would be resolved after if faxed them in formation which I did within a half hour but still took them a wk to do anything.
- Asked for copy of my bill because I hadn't received one since November 2011 due to the wrong address being on the account. When i got the bill I owed a large amount and someone was supposed to get back to me in December to rectify that but the didn't so that was why they came to disconnect my service and I wasn't happy with that they could have got in touch with me before they sent someone to turn off my hydro.
- The agent could have told if I was going to be contacted.
- They weren't understanding.
- They told me one time it would take 1 week then was told days later it would take 2 weeks to get actual reading
- I'm not sure why there was so much of a difference between the use of my washing machine as compared to my stove, not sure if the information the agent gave me was accurate
- The agent kept on saying they never received it





- The agent gave me a vague timeline of when my problem would be solved two months or more. The agent could not give me an accurate time of when my problem would be solved. What hydro one should do is test the equipment first and make sure it works properly before they install it, then i would be happy and hydro one would be happy. There would be no confusion and I'm sure I'm not the only one with this problem. They are telling it is my area that is having this problem
- They could find out, once I receive the bills, or they can call Canada Post, they always refer me to Canada Post.



Appendix

- Verbatim
- 'Other' reasons dissatisfied overall with the call Q3/10 to Q4/11) (Agent, IVR Outage, IVR Self Serve)

For Hydro One use only, not for further distribution.



Policy

- I got hit with a \$1000 penalty on top of my bill. It makes no sense if you're late and struggling. If I could pay them right off I wouldn't be late.
- They are not responsible to cut down the tree they said.
- I don't like how Hydro One is charging for delivery per day even when I don't use anything that day and we hardly use Hydro at all at the cottage.
- We went away this summer for five weeks and when we came back we got a bill for the same amount as our neighbours who have the same size house and they went nowhere. I am very careful how I use my hydro.
- The arrogance of them. Thirty years I spoke to Bell Canada and you will not have a monopoly. It is the same with Hydro. They have a monopoly but will not in 20 years and they will lose so many customers because of their arrogance. They need to listen to people. One day they will be sorry for being so arrogant just like Bell, who is now groveling for people to come back.
- 25kWh per day is not occasional use and I would like to know how they calculate these things.
- *I wasn't happy to be calling. I had to call to give a confirmation but I didn't want to.*
- Not happy with the policies of Hydro One.
- Think there is a problem with smart meters as the bill was so high. I don't like it and think there is something wrong.
- I was not told that it's automatic and it was already read.





- The way the billing is charged. It was four months worth of estimates all on one bill and they expect me to pay interest charge on one amount. They charge me the highest rate plus the delivery charge. I am not use to those kinds of charges. I feel its unfair billing charges. I want to make sure that the meter is supposed to be metered. I had four months of un-estimated bills.
- The customer was not satisfied because she was informed that the new smart readers that have been installed in her area are down and she was told by Hydro One if she did not like having an estimated bill then the customer could read her own meter on the outside of the house and Hydro One gave her dates to do this and she has to walk through the snow to get to her meter to get a proper reading until the smart meters are fixed. Otherwise she is worried that if she keeps getting the estimated bills that when the final bill comes she could get a huge bill at the end she did not like being told to do their job to get a proper reading.
- Was not satisfied with the CSR's explanation. CSR wanted me to go out into the backyard to read my meter and then I would have to call this CSR back but I might not get this same CSR back.
- Told that actual readings had been told when I knew they had not. Those were readings I made myself and they had been guesstimating and the agent was unsure if agent could accept the reading I gave. Agent told me that now it would no longer be necessary to call in a reading but I don't trust them now this is the second time this has happened.
- 6 AM in the morning is a ridiculous time to turn off power. Why not turn it off at a different time to give people a chance to get out of the house for the day.



- The fellow gave me options such as welfare and I could not go to another place to get money as I have a job. I wish I could pay so much a month maybe if they could average it out for me.
- Bill three times higher than normal and there was an outage for five days. Did not tell us about the interest charges because of the postal strike. Considered to be our fault.
- Don't agree with the actions taken by Hydro in regards to errors that are made or refusal of unwanted services.
- The agent could not explain the reason of why I have a credit on my bill; they did not know what to say. Also I renovated my home to make it more energy efficient and installed energy efficient appliances as well. Since the renovations and smart meter has been installed I have seen no decrease in my usage and most of my billing has been estimated, not actually read by a meter reader not sure what is going on with my hydro. I would like someone from Hydro One who knows what is happening to let me know as each time I call about this no one can tell me what is going on exactly. I get bits of information when i call but not the whole picture of what's going on.





- Since they installed my smart meter, they cannot get the proper reading from the smart meter they installed. Why did they install it in the first place? They are only estimating my bills until they solve the problem with my smart meter. Hydro One cannot fix my problem and this has been dragging on since they installed my smart meter and Hydro One cannot even give me a date of when it will be solved. In the meantime I am taking my own meter readings but every time I tell Hydro One my meter readings once a month. They put it on file but they tell me they cannot enter this reading because I am on a smart meter but yet Hydro One cannot get the reading from the smart meter for the time of use reading. I am stuck I don't know what to do.
- The billing said we could get rid of fridges but we didn't see the cut off was 15 years or older it could be presented a little clearer ours was 13.



Responsiveness

- *They could not help me out.*
- Don't make it easy for you to get anything done.
- I haven't seen any action and the brush is still sitting on the parkway. If they don't trim the trees the power outage can happen again.
- I looked at the trees with the men who asked me to call. Since they have not trimmed them for eight years we thought it would be good that someone came out to check them. Yesterday I received a bill and there was a policy statement and it gives the distance the branches should be from the wires. I was dissatisfied with that. Someone should have come out to look at the situation to see if we qualified to have the branches cut. There was no empathy for my problem.
- Smart meter had one for at least half a year. Why would they install something like that if they don't intend on using it. Didn't get answer on why there is a delay. Reason why they hadn't been able to hook them up.
- They did not do what they said they were going to do.
- Because it has not concluded yet.
- Because there is no resolution to it. I am expecting to get that call for whatever other reason.





Responsiveness

- The breaker on the road when the lightning storm broke, the agent that I spoke with said it was coming on that night, and I spoke to a couple of different people and they didn't get what I was telling them. Two trucks came with five guys and it took them two minutes. I understand that there was a storm and that there were all kinds of people out of power. If they said that I don't know when the power would be coming on I would have got a generator somewhere. They called me Saturday morning and they said they are coming out here before noon hour. I have a message on the phone and it says Mr. Waters this is Hydro One your service is working. Now I get real mad and the service is still not working and this agent called and told me that my service is working. Then the truck finally came with the guys and they fixed it. I don't understand how it took five guys to do that job when it could have taken a person in a small truck to come and come around here and do this job right away.
- The information I was giving them they were saying it was all incorrect. I've been making numerous calls about this and it seems like nothing it getting done.
- The customer would have liked Hydro to send someone out to the customer's house to shut off the customer's main breaker to see if the customer is using Hydro.
- The individual that spoke with, they didn't have the time of day. From a customer service perspective I wouldn't rate them as a one.
- They are not doing anything about the problem. They claim they are doing something about it but there is no result.
- The process altogether to get your service dealt with.





Access

- Had been away, have only dial-up internet which is excruciating slow and I happened to call the day before but could not give my meter reading, then had to call again the day after and had to wait. I found it a bit inconvenient.
- When she said someone from the upper offices would call me we would schedule for Monday. This wasn't her fault. She said she would have someone call me. I guess I missed the call even though we set a time. The call went to my voicemail and then he didn't leave his name or number so I couldn't get back to him. He just left his name and told me that I had to contact some government agency for that information and he gave me that number. I was like duh. I've already been offered that number. I wanted to talk to management about it. That's not what I wanted and because Hydro is charging me that money Hydro can explain to me where it's going and what the balance is. And because it took me forever to get that far I don't have another hour to spend on the phone trying to reinitiate that contact.
- They gave me a call saying I could qualify for assistance with hydro and the numbers they gave me all gave me another number and I got 5 numbers in total and there was no assistance available for me.
- Call was disconnected after 20 seconds. The Agent was pointing out payments and then there was a disconnection.



<u>Other</u>

- My Hydro has always been about \$100 a month but now that the meter is here I get the feeling something is wrong. They cannot make 14 million meters and not have something wrong. You think they would say they would come out to check it but they said it was a hard summer and my air conditioner would run more because of the hot summer. My pool is on a timer so they cannot use that excuse.
- They gave us the wrong products. They didn't want to do underground work because it was private line, it wasn't a Hydro One line.
- The call was fine.
- I was not available at the time they called.
- The agent came promptly and after they didn't check to see if anything was working.
- No particular reason, just a functional call.
- It was a typical call, no concerns.
- I don't remember.
- There is nothing satisfying about being broke.
- I called the wrong person.
- They didn't take down my information and then made the owner have to call back.
- It's not the call specifically, it's dealing with Hydro One in general.
- Well, like I said the agent gave me a couple of solutions, I just wondered if it could be a faulty meter.





Other

- Nothing that totally impressed me, it was just a call
- Wasn't happy with the information I was given
- Just because I think that Hydro is a crock. Hydro is a company that I don't like.
- I got the same answer I made on September 20th, when I made a call.
- I wasn't calling with any problem it was a simple call to report a payment no problem with the agent the agent was very pleasant.
- Nothing is resolved- we are waiting. Time of use meter is operational but they are not receiving what my meter is saying.
- Hydro agent said the didn't get the requested forms but I had proof from my credit union that they were faxed so we had to re-fax them.
- I need to verify the account they want me to pay is actually ours.
- The meter has not been removed.





Policy

- There should be one number for power outage as you are in the dark
- There should be a way to be on a list of people who should be notified about outages and how long the power will be off.

Responsiveness

- There is no response.
- Power was off. Once I reported the outage it appeared on the website so I think they were slow to update the website.
- They said that there was 85 homes they should have called back.
- Their call backs after the Hydro is back on are way too late.
- They said that it was going to be 2 hours from the time I called and it came on the shorter time then they said I work from home and it meant that I could not plan my day accordingly.





Access

- It needs to be fine-tuned. I should have been able to put in my address and that was not an option.
- You don't get any information.
- Because of the way the machine wouldn't answer me. It just kept saying that you are not on file.
- I phoned in but the automated service did not recognize the telephone number.
- You can dial a number so they know you. My number never works and I have to go get my statement. Time range never accurate when they tell you that.
- Every time they ask for my number and it says it is not listed. We have had the same number for over 40 years.
- They did not recognize my phone number or help me.
- They ask you to give your phone number and I was told that the number was not in the system. I got that message 2 times. I entered the account number and got the update.
- Because I couldn't speak with a real person because my address was not recognized and the system eventually hung up on me.
- They keep telling me they don't have my number on record.



Reason Dissatisfied Overall With The Call ('Other' Mentions) (Q3/10, Q4/10, Q1/11, Q2/11, Q3/11, Q4/11)



<u>Access</u>

- The voice recognition system did not work properly it was hard to get to the right place. I am most dissatisfied with the answers I got because they were not the truth as well with the service to get it back up and running. I called and was told crews were working on it and there were no crews to be seen until the next day on our road. Also the times for restoration kept changing. The power was off for 22 hours and some frozen food had to be thrown out. If they are not going to send a crew then just says so. The power was out only on our road and because they said there were 14 customers affected by this outage and that is how many people are on our road.
- Pole was on fire and I couldn't get through to anyone.
- When I tried to report the outage from my home phone a record message said the number was invalid and we have had the same number since 1968 the other option was to enter my account number so I had to hang up and find it I don't think I should have to go through so many steps to report an outage.
- When you own more than one property and you call in the system does not recognize your phone number and you have to punch in your account number.
- When it asked for my name and they didn't recognize my name or my house number.
- It does not recognize my phone numbers.





Other

- *I was not one way or the other.*
- Couldn't get the answer that I was looking for. I wanted to know the proper procedure to follow in the case of the brown outs where the appliances were not working properly.
- They told me how it was going to be out. That was good.
- I reported it and they took the information. That's great.
- Just got a message saying there was a large volume of calls about this
- The system didn't recognize my area specifically, it just says your area, and the estimation was longer than the actual time it took for the power to come back on.
- Gave the wrong information said power would be off until 12:30pm but instead it came on just as I put down the phone from my call to the automated system.
- They should notify people.
- I am neutral about it -I got the information that I want.
- *I wasn't dissatisfied I said what I had to say and that was it.*
- The power went out at 5 AM and came back on at 10 AM but the automated call said it wouldn't be back on until 8 PM.
- Called on my cell phone and had to listen to 5 minutes of Hydro propaganda. Just tell me the facts not stuff I don't need to know. It seemed more like a marketing tool than a helpful message.
- You are never given anything other than basic facts. The information is not updated by the crew in the field.



Reason Dissatisfied Overall With The Call ('Other' Mentions) (Q3/10, Q4/10, Q1/11, Q2/11, Q3/11, Q4/11)



Other (cont'd)

- *I just reported it and hung up.*
- Basically when I call, they tell to check the circuit breaker, except the fact that my hydro has been going out for the last twenty seven years.
- Because we were having supper and we couldn't cook because of the outage.
- It was for a planned outage.
- I wasn't satisfied with Hydro One.
- I dialled the wrong number.
- Don't like power outages.
- The agent told me to call an electrician, it was back and forth type thing.
- There wasn't much to the call just reported the outage and someone said they would get back to us there was no dialogue.
- The service was poor.
- My husband just had a heart attack and it's very difficult for him to stay in a cold house, it's not life and death but it's very uncomfortable.



Policy

- Because of the security deposit.
- Other than the call it's not very nice to sell your house and be on the street. You don't know whether the power is going to be turned off. You think they would call back. Three hours ago they called and said the telephone would be cancelled at 4am. They give me the time and everything. That is on the Friday, the 14th.
- When I finished inputting our meter reading the system said that Hydro One may or may not use this submission in the next billing. It was the may not that frustrated me
- Not hearing everything that is going on I was told the meter was being read and that everything is working if I do not get a bill march 09 I will know something is still wrong.
- Because my bill asked for me to call in with my meter reading and still Hydro One sends out an agent to come to my home to do a meter reading-just to double check. I think that this is a waste of expenses. Also I would like to add-what steps would Hydro One be taking with the province of Ontario minister of finance to eliminate the tax deductibility of hydro expenses with businesses. If businesses did not have this utility expense as a tax deduction businesses would have to abide by the time of use programs currently the time of use programs are biased against retired persons, children who are at home with their parents who are home who are their care givers.
- Death certificate didn't help and there was a contact number name.
- Don't like the prices were paying





- Only paying 120-140\$ last year per 2 months now more like 170\$
- I'm on a set income so I need to know the amount of my bills and have to depend on online information and have some concerns about the new time of use
- Thought my bill was too high
- They were supposed to take off the overdue charges and they didn't. Just the fact that there was a strike, I never missed payment.
- *Had to call in my reading and the hydro is too expensive.*



Responsiveness

- It could have been shorter.
- I called Hydro One upset and depressed last year because I did not have anything to eat or to pay our mortgage. I call all the time to get back some compensation for those payments last year. I call and keep calling many times. I even call the energy board.
- I called Hydro One twice before May 1st. It was April 26th and they did the same mistake again. I'm not happy with Hydro One. They don't seem to care about anything.
- I did not get my meter reading at the beginning of the cycle and at the end of the cycle. I am being gouged by Hydro One.



<u>Access</u>

- Because the person I was talking to transferred me to a wrong department.
- It wasn't my account number and I put it in twice.
- Could not get any information. I got bumped from one person to another so we eventually gave up because no one knew anything about when this system of the smart meter will be starting, when the smart meters will be implemented.
- I could not get my balance when I phoned I was told that the office is now closed and that I must call back the next day. It is now 2010 and I cannot believe that I could not get my balance automatically.
- They give you the option of giving your phone number and account number. I can remember my phone but not the account number. The system was not recognizing my phone.
- For being two days overdue the automated system was not need. And I hate the automated calls, but I'd like to speak with a live person.
- The menu options are very vague, and I'm a tech person. The vagueness of the menu.
- Because it didn't take me to the payment arrangement area.
- Pushed button for new connection and I was asked for a new account number which was what I was trying to establish this looped three times before got back to the main menu and pressed button "for new account" finally routed to a representative.



Reason Dissatisfied Overall With The Call ('Other' Mentions) (Q3/10, Q4/10, Q1/11, Q2/11, Q3/11, Q4/11)



<u>Access</u>

- It was confusing. I gave my meter reading and then it went back to the main menu again. Overall I got through and that was a plus.
- The information that I wanted was not available at that time



<u>Other</u>

- *I was asking for meter reading for the old one and not the new one.*
- I didn't understand the agent.
- There is a difference between Canadian English and American English and it just makes me think.
- It was nothing memorable, neither good nor bad, just straight down the middle and was acceptable.
- *I really have no feelings about it.*
- It's just fine.
- It wasn't eventful. It was easy to use and easy to understand.
- If I call my meter reading I would like to know my balance at the same time.
- I had called in a previous meter reading one day before and they did not use the meter reading.
- Spoke to a gentleman asking for a reference and the person said one might be sent out. Apparently it is something to do with my pay history.
- *I don't have an opinion.*
- No reason.
- There was nothing to the call nothing to judge
- Neither satisfied nor dissatisfied a neutral call, did not speak to anyone, call for balance regularly.



Other (cont'd)

- Just wanted to know if they had the actual reading on the system.
- *It was a random monthly call that we make.*
- I just need my balance, nothing special.
- Overall I didn't get to do what I had set out to do. What I do like it the ability to view my daily consumption on the website and it was due to this call that I found out I was able to do this.
- You just do what you got to do and get done with it.
- I just called for a meter reading but I have smart meter and I can't because it reads whatever I consume.
- It repeated itself too much.
- *It is an annoyance*
- Don't know if meter reading went through or not due to first time I've used the automated system.
- *I think people need to be employed, people need jobs.*
- You don't hear anything, for some whatever reason the bank is not turning the money over, it's hard to follow the bill.
- It was just to punch in my meter reading I was fine with it. It did its job
- Never really thought about it
- *I just made my call. I got the information I needed.*
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Executive A Pa Highlights Presentation

Call Centre Transaction Satisfaction Tracking

Ending Quarter 4, 2012 Prepared by: Forum Research Inc.

> FORUM RESEARCH INC.

January 2013

Filed: 2014-07-04 EB-2013-0416 Exhibit I-2.1-6 VEC 27 Attachment 4 Page 1 of 181



Objectives & Methodology



Ongoing Objectives

- Measure customer satisfaction with the call experience period over period;
- Determine if caller satisfaction differs by purpose of call;
- Determine whether caller expectations are being satisfied;
- Assess specific elements of the caller experience;
- Identify improvement opportunities;
- Identify factors driving caller satisfaction (annually)

To allow Hydro One to...

- Determine which Hydro One activities vis-à-vis its call centre have a positive impact on customer satisfaction;
- Isolate critical areas of improvement;
- Assess the effectiveness of any process interventions;
- Monitor performance versus KPIs/SLAs/targets



- Telephone interviews completed with customers who contacted Hydro One's call centre within 2 – 5 days after their call;
- Daily sample provided online by Hydro One for the previous day's callers
- Daily interviewing (excluding Sunday) typically completed during the first 10-12 days
 of each month
- Each quarter, the following number of interviews were completed:

	Q3/11	Q4/11	Q1/12	Q2/12	Q3/12	Q4/12	
Agent Handled Callers	300	302	303	300	300	300	+/- 4.5*
IVR Self Serve Callers	300	301	303	300	300	300	
IVR Outage Callers	300	300	300	300	300	300	

- Annually, approximately 1,200 interviews are completed with each segment;
- No advance permission was sought from customers for a follow up call;
- Interviews averaged between 6 and 9 minutes;**

* If observed per cent is 80, the sampling error range is +/-4.5% at the 95% confidence level. If observed per cent is 85, the sampling error range is +/-4.0%

** Overall CCC Response Rate (Q4/12) = 32%



Caller Segment Highlights

Agent Handled

IVR Outage

IVR Self Serve

hydrofe Highlights: Agent Handled Callers



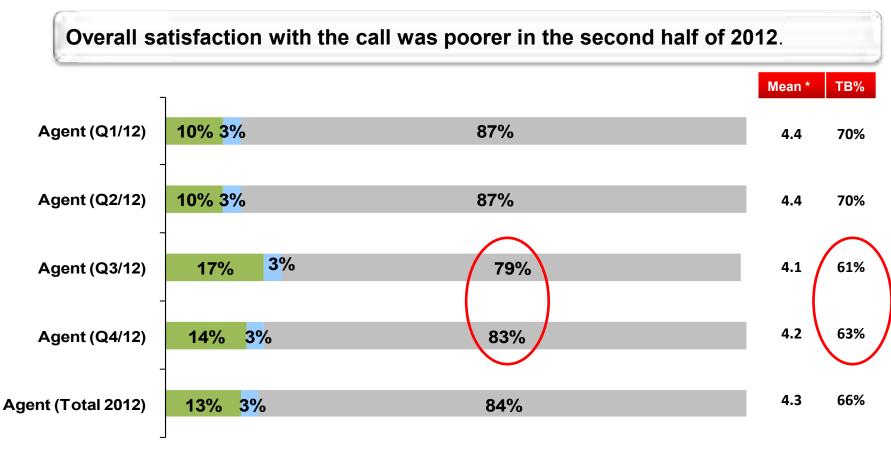
Satisfaction with Call to Hydro One

(Agent Handled)



Satisfaction with Call to Hydro One (Q1/12, Q2/12, Q3/12, Q4/12, Total 2012)





1 to 2 (Very / Somewhat dissatisfied) 3 (Neither / Nor) 4 to 5 (Somewhat / Very satisfied)

*Mean: Very Satisfied (5) to Very Dissatisfied (1)

3. How satisfied were you overall with the call to Hydro One?

N (Q1/Q2/Q3/Q4/Total 2012) = Total Agent Handled (303/295/298/292/1188)



Satisfaction with Call to Hydro One (2006, 2007, 2008, 2009, 2010, 2011, 2012)



Overall satisfaction with the call is unchanged over the past 5 years. Mean * TB% **Agent Handled** 18% 4% 78% 4.0 54% (2006)**Agent Handled** 20% 3% 77% 4.0 55% (2007)**Agent Handled** 62% 4.3 12% 3% 85% (2008)**Agent Handled** 4.2 59% 15% 2% 83% (2009)**Agent Handled** 3% 4.3 65% 12% 85% (2010)**Agent Handled** 4.3 64% 11% 3% 85% (2011)**Agent Handled** 4.3 66% 13% 3% 84% (2012)

1 to 2 (Very / Somewhat dissatisfied)
3 (Neither / Nor)
4 to 5 (Somewhat / Very satisfied)

*Mean: Very Satisfied (5) to Very Dissatisfied (1)

3. How satisfied were you overall with the call to Hydro One?

N (2006/2007/2008/2009/2010/2011/2012) = Total Agent Handled (1218/1197/1200/1184/1195/1194/1188)

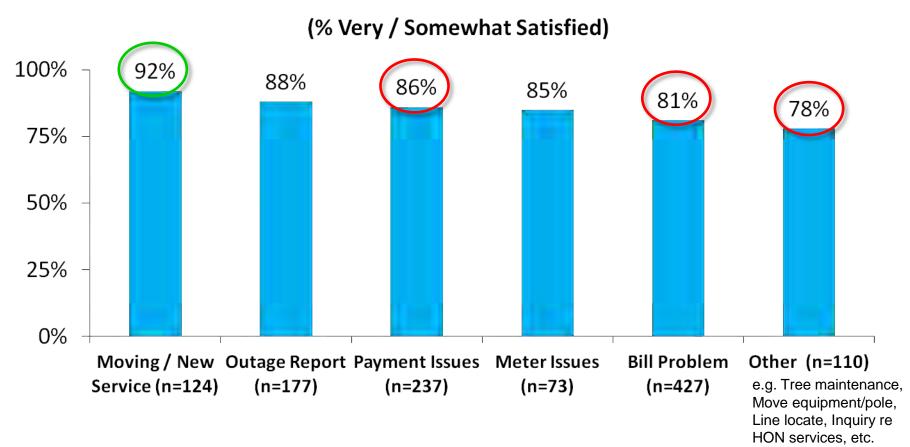
hydro

Satisfaction with Call to Hydro One: Significant Sub-Set Differences

(Agent Handled 2012)



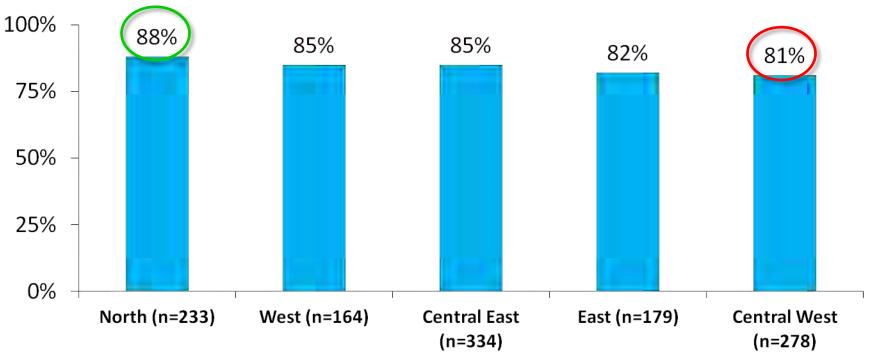
In 2012, those calling to Move/Initiate a New Service were more satisfied overall with the call vs. those calling for reasons related to 'Other' matters, Bill problems, or Payment Issues.







In 2012, those in the North region were significantly more satisfied overall with the call than those from the Central West region.

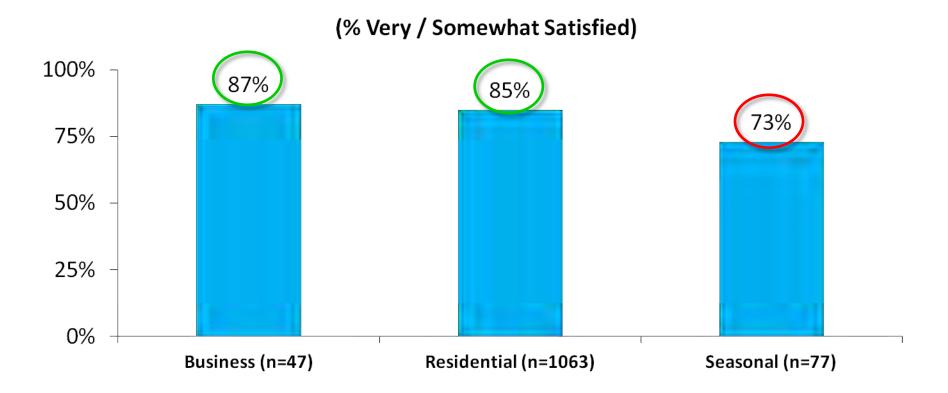


(% Very / Somewhat Satisfied)





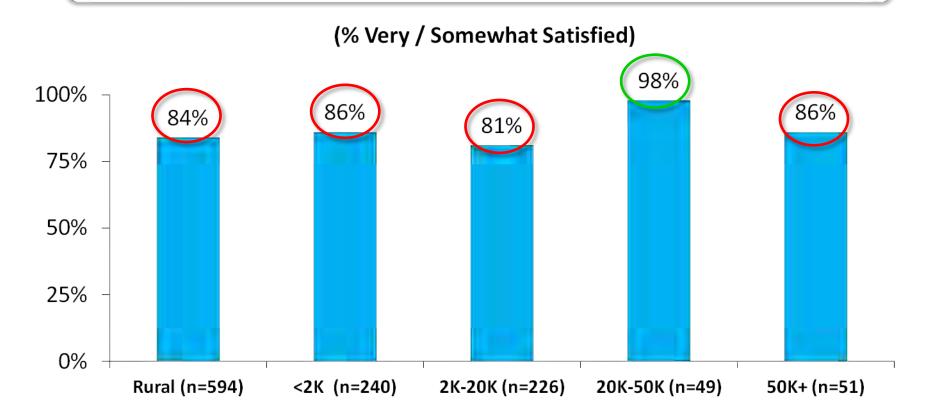
In 2012, Small Business and Residential callers were significantly more satisfied overall with the call than Seasonal property callers.







In 2012, those in communities of 20K-50K were markedly more satisfied overall with the call than those calling from all other community size segments.



hydrofe Summary of Year Over Year Significant Changes

(Agent Handled 2012 vs. 2011)

hydroge Summary of Year Over Year Changes (2012 vs. 2011)



Q5 Agent Attributes (% Very/Somewhat Satisfied)

- The agent offering a solution for the reason you called: Decreased from 87% → 84% from 2011 to 2012 among Agent Callers. The baseline score for this aspect from 2006 is 81%.
- The agent/system letting you know what actions would be taken when you finished the call: Decreased from 92% → 88% from 2011 to 2012 among Agent Callers. The baseline score for this aspect from 2006 is 85%.
- Your question getting answered or the action getting taken correctly, first time: Decreased from 87%
 → 84% from 2011 to 2012 among Agent Callers. The baseline score for this aspect from 2006 is 81%.
- The length of time it took for you to resolve the issue or concern you called about: Decreased from 87% → 84% from 2011 to 2012 among Agent Callers. This question was introduced in 2011.

Q14 Automated System Attributes (%Top 4 Box Agreement)

- The menu categories included the reason you called: Increased from 73% → 76% from 2011 to 2012 among Agent Callers. This question was introduced in 2011.
- The system was quick to use: Increased from 79% → 82% from 2011 to 2012 among Agent Callers. This question was introduced in 2011.



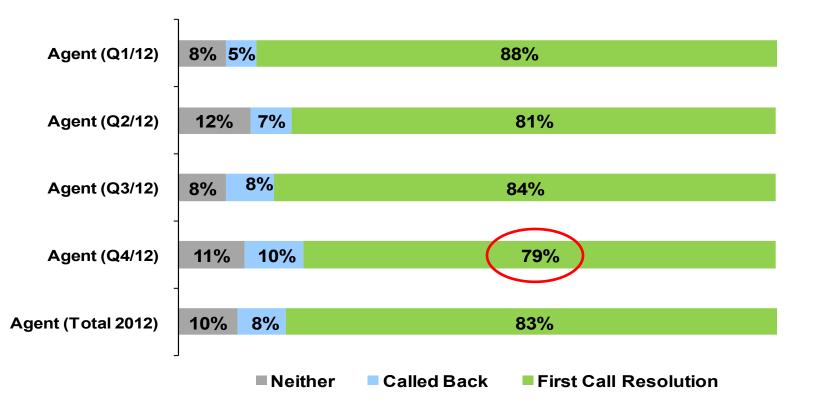
First Call Resolution

(Agent Handled)





First call resolution fluctuated through 2012, but was particularly poorer in Q4/12.



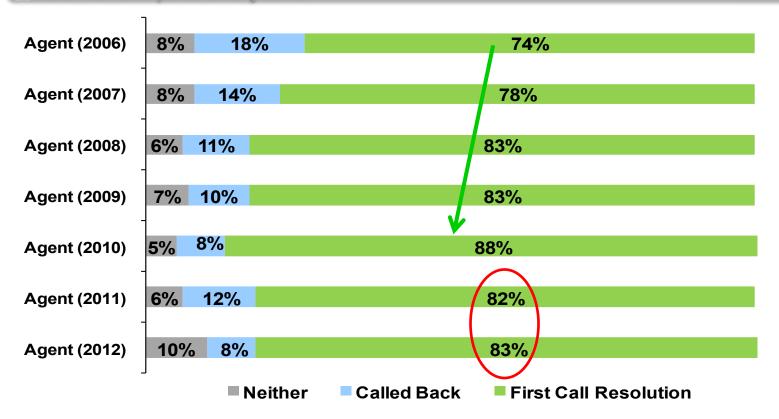
10. And once you did connect with the agent , was your issue resolved on the first call, or did you need to call back more than once?

N (Q1/Q2/Q3/Q4/Total 2012) = Total Agent Handled (303/300/300/300/1203)





First call resolution peaked in 2010, then declined, and has stayed at lower levels for the past two years.



10. And once you did connect with the agent , was your issue resolved on the first call, or did you need to call back more than once?

N (2006/2007/2008/2009/2010/2011/2012) = Total Agent Handled (1230/1210/1212/1200/1206/1205)

hydro

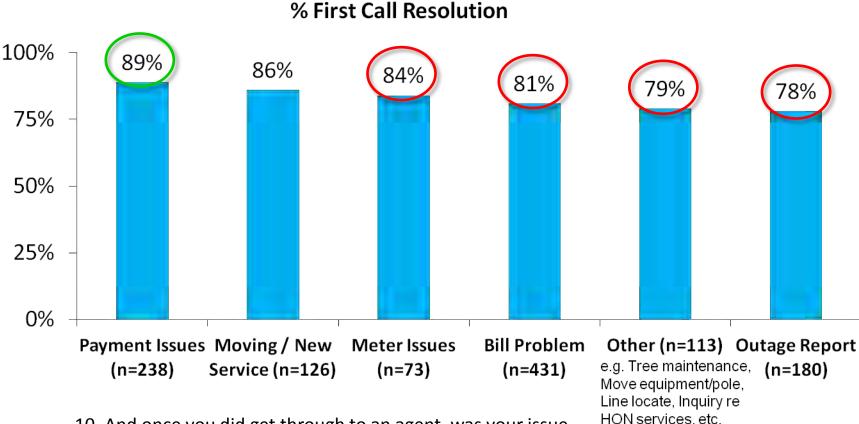
First Call Resolution: Significant Sub-Set Differences

(Agent Handled 2012)





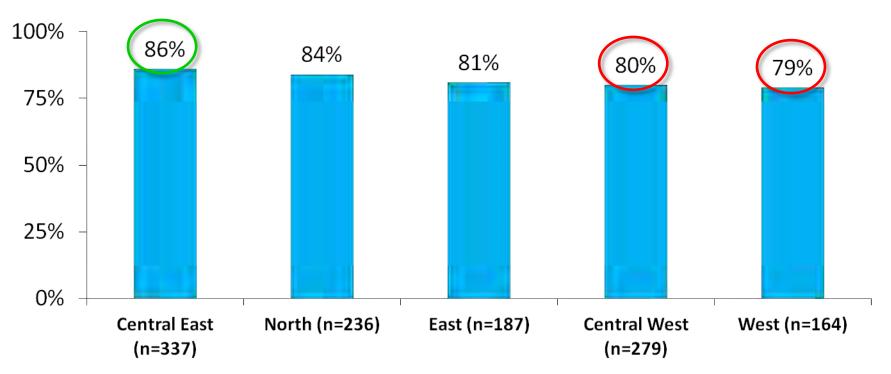
In 2012, calls related to Payment Issues were significantly more likely to have FCR vs. almost all other call reasons.



10. And once you did get through to an agent, was your issue resolved on the first call, or did you need to gall back more than once?



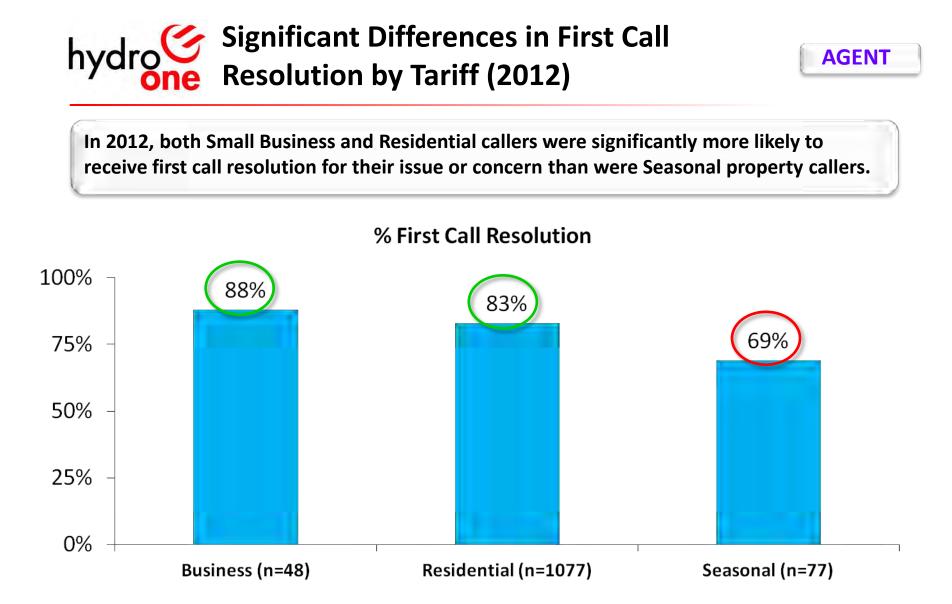
In 2012, those in the Central East region were significantly more likely than those from the Central West and West regions to receive first call resolution for their issue or concern.



% First Call Resolution

10. And once you did get through to an agent, was your issue resolved on the first call, or did you need to call back more than once? _____

AGENT

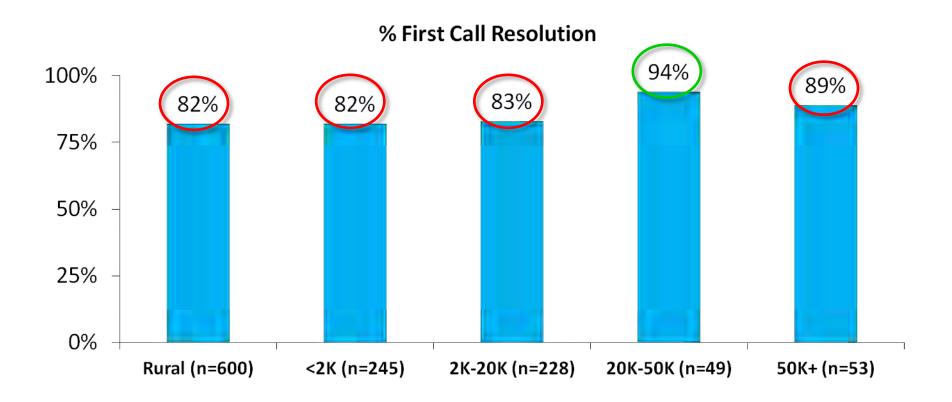


10. And once you did get through to an agent, was your issue resolved on the first call, or did you need to call back more than once? $_{-23}$ -



AGENT

In 2012, those calling from communities of 20K to 50K were significantly more likely than those from almost all other community sizes to experience first call resolution.



10. And once you did get through to an agent, was your issue resolved on the first call, or did you need to call back more than once? _24-

hydro

Summary of Significant Recent Quarter Changes

(Agent Handled Q4'12 vs. Q3'12)

hydroge Summary of Significant Changes (Q4'12 vs. Q3'12)



Q5 Agent Attributes (% Very/Somewhat Satisfied)

- The courtesy of the agent you spoke with: Increased from 89% → 93% from Q3'12 to Q4'12 among Agent Callers.
- Your ability to access Hydro One to resolve your questions or problems: Increased from 83% → 89% from Q3'12 to Q4'12 among Agent Callers.
- The agent going above and beyond the level of service that you expected: Increased from 78% → 87% from Q3'12 to Q4'12 among Agent Callers.

Q14 Automated System Attributes (% Top 4 Box Agreement)

- The system was easy to use: Increased from 80% \rightarrow 86% from Q3'12 to Q4'12 among Agent Callers.
- The system provided the information you needed: Increased from 70% → 77% from Q3'12 to Q4'12 among Agent Callers.
- The system gave you confidence that your needs were understood: Increased from 67% → 75% from Q3'12 to Q4'12 among Agent Callers.





hydroger SWOT Analysis: Agent Handled Calls



Strengths*	Weaknesses**				
 Courtesy of Agent \$ Agent understanding what was wanted or needed Agent showing a genuine commitment to help \$ Agent answering questions promptly \$ 	 Agent going above and beyond service level expected # 				
Opportunities ***	Threats****				
 Overall ease of getting through to an Agent Length of time having to wait before speaking to an Agent 	 First call resolution Satisfaction with automated system Overall satisfaction with the call \$# Agent offering solution for reason called \$# Agent providing accurate information # Agent letting know what actions will be taken # Question answering/taking action correctly first time # 				

* Very Satisfied (Top Box) is 75% or better in 2012

\$ Service Level Agreement (SLA) variable

Key driver of overall satisfaction where less than 75% are very satisfied

- ** Very satisfied (Top Box)is 60% or worse in 2012
- *** Very satisfied (Top Box) % improving over past 3 years
- **** FCR declining over past 3 years or very satisfied in 2012 is lower than 75%



Key Findings: Agent Handled



Summary:



Improvements since 2011: None on any key measures.

Declines vs. 2011:

First call resolution, Offering a solution for reason called, Letting know what actions will be taken at call conclusion, Answering questions correctly the first time, Length of time to resolve issue;

Declines in recent Quarter(s): Overall satisfaction with call poorer in last half of 2012;

Threats:

- Plateauing of key satisfaction measures (overall and for key attributes satisfaction);
- Decline in FCR in past year;

RECOMMENDATIONS

- Evaluate implications of plateauing of satisfaction measures on SLAs and other key targets; Consider shifting focus onto top box scores (i.e. % 'very' satisfied);
- Review/listen to recordings of all non FCR calls to identify any commonalities and/or root causes; Assess if level of agent empowerment to resolve issues can be increased;
- Transfer very difficult calls to 'super agents';
- Continue focus on key drivers: FCR, offering solution, answering questions correctly, providing accurate info and letting know the actions that will be taken;
- Emphasize key satisfaction drivers and exceeding expectations in new agent training; reinforce these among tenured agents.

hydrofe Highlights: IVR Outage Callers



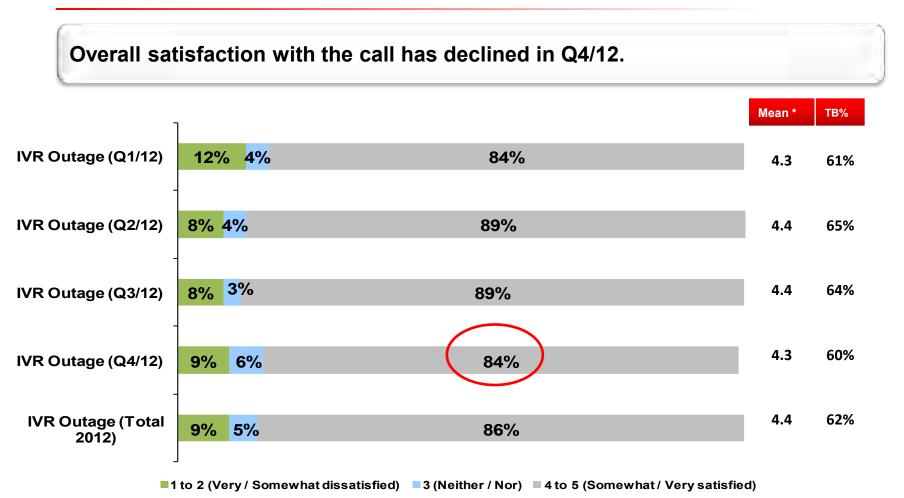
Satisfaction with Call to Hydro One

(IVR Outage)



Satisfaction with Call to Hydro One (Q1/12, Q2/12, Q3/12, Q4/12, Total 2012)





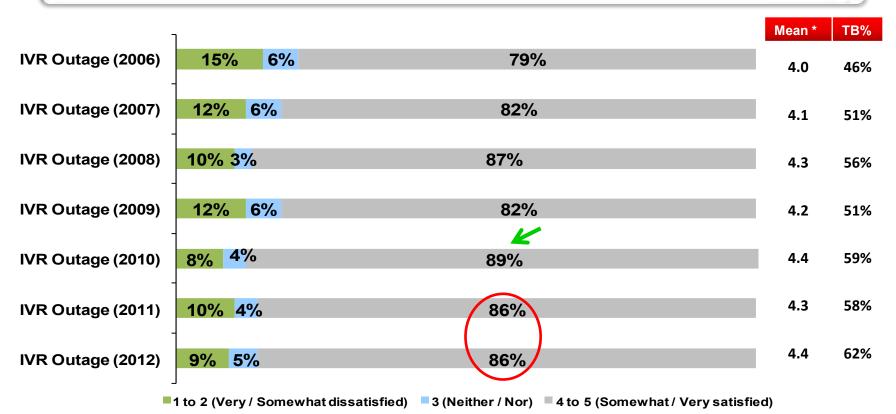
*Mean: Very Satisfied (5) to Very Dissatisfied (1)

- 3. How satisfied were you overall with the call to Hydro One?
- N (Q1/Q2/Q3/Q4/Total 2012) = Total IVR Outage (294/295/297/298/1184)





Overall satisfaction with the call peaked in 2010, declined, and has remained lower since.



3. How satisfied were you overall with the call to Hydro One?

N (2006/2007/2008/2009/2010/2011/2012) = Total IVR Outage (1130/1205/1201/1191/1187/1190/1184)

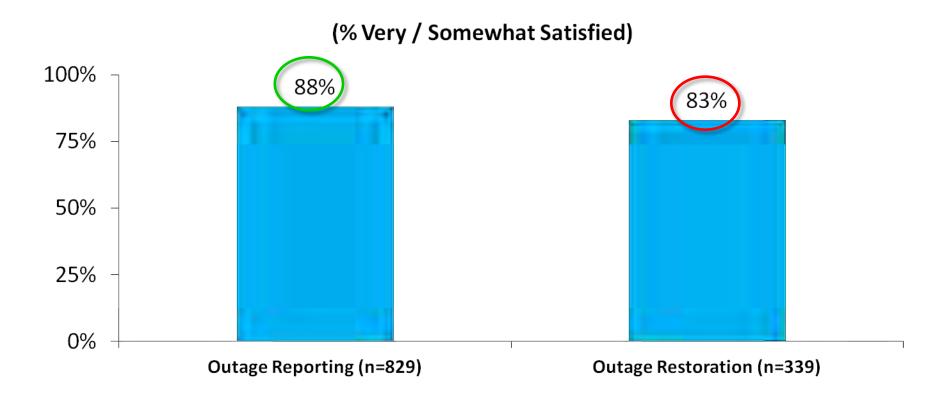
hydro

Satisfaction with Call to Hydro One: Significant Sub-Set Differences

(IVR Outage 2012)



In 2012, those calling to report an outage are significantly more satisfied overall with the call than those phoning to find out about restoration.

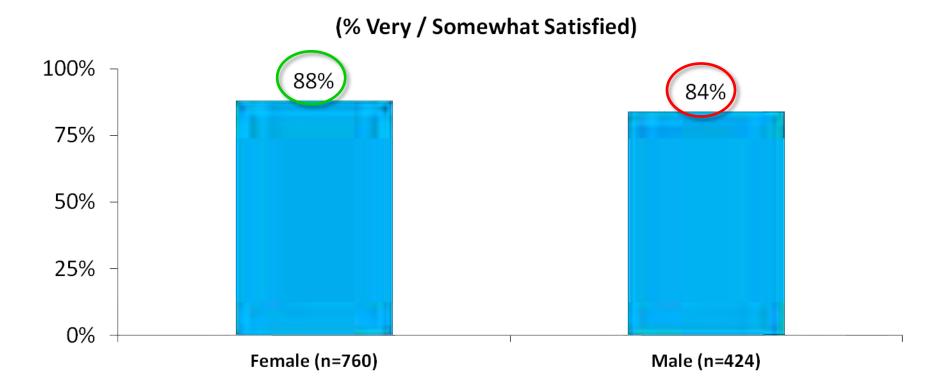


3. How satisfied were you overall with the call to Hydro One?





In 2012, female outage callers were significantly more likely to be satisfied overall with their call to Hydro One than male callers.



3. How satisfied were you overall with the call to Hydro One?

-36-



First Call Resolution

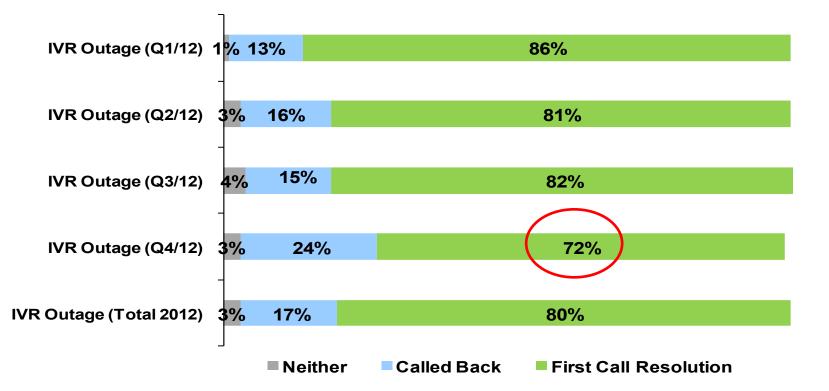
(IVR Outage)



First Call Resolution (Q1/12, Q2/12, Q3/12, Q4/12, Total 2012)



First call resolution declined notably in Q4/12.



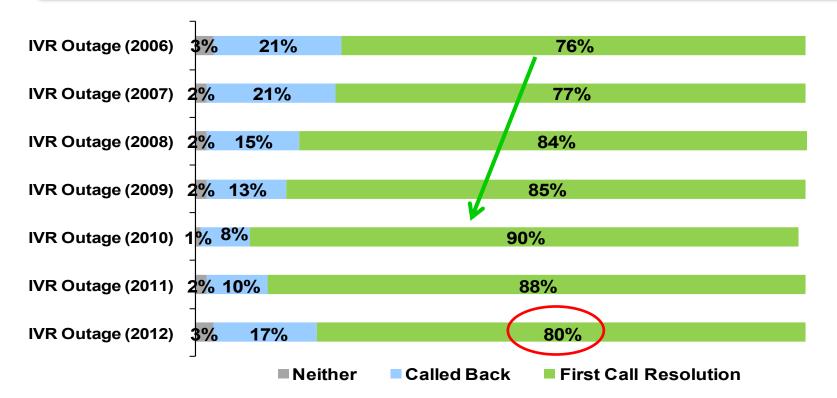
10. And once you did connect with the agent , was your issue resolved on the first call, or did you need to call back more than once?

N (Q1/Q2/Q3/Q4/Total 2012) = Total IVR Outage (300/300/299/300/1199)





Upward movement in FCR until its peak in 2010. Pronounced decline in 2012 vs. last year.



10. And once you did connect with the agent , was your issue resolved on the first call, or did you need to call back more than once?

N (2006/2007/2008/2009/2010/2011/2012) = Total IVR Outage (1140/1216/1211/1205/1205/1201/1199) -39-

hydro

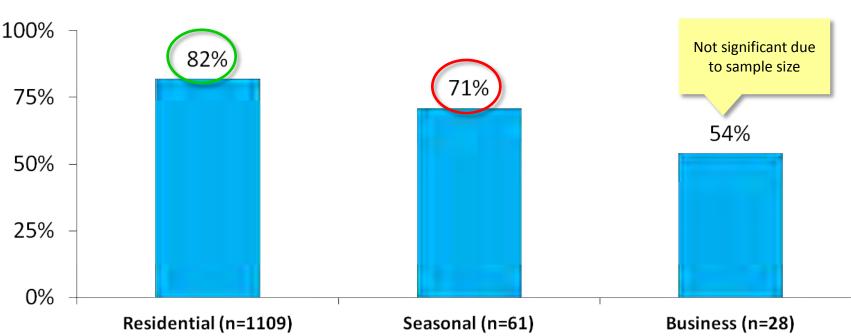
First Call Resolution: Significant Sub-Set Differences

(IVR Outage 2012)





In 2012, Residential callers were significantly more likely to experience first call resolution vs. Seasonal property callers.



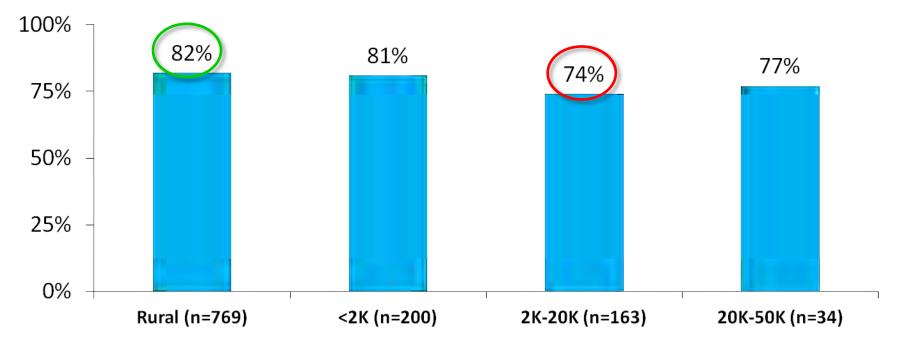
% First Call Resolution

10. And once you did get through to an agent, was your issue resolved on the first call, or did you need to call back more than once? _____





In 2012, callers from Rural areas were significantly more likely to receive first call resolution vs. those calling from communities between 2K and 20K. Predominance of outages are occurring in Rural areas (with 66%) and very small communities (<2k with 17%).



% First Call Resolution

hydrofe Summary of Year Over Year Significant Changes (IVR Outage 2012 vs. 2011)





Q10 First Call Resolution (% First Call Resolution)

First call resolution: Declined from 88% → 80% from 2011 to 2012 among IVR Outage Callers. The baseline score for this aspect from 2006 is 76%.

Q14 Automated System Menu Statement Agreement (% Top 4 Box)

The system gave you confidence that your needs were understood: Increased from 81% → 83% from 2011 to 2012 among Agent Callers. This question was introduced in 2011.

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Summary of Significant Recent Quarter Changes

(IVR Outage Q4'12 vs. Q3'12)

hydrogee Summary of Significant Changes for (Q4'12 vs. Q3'12)



Q3 Overall Satisfaction with the call (% Very/Somewhat Satisfied)

 Overall satisfaction with the call: Declined from 89% → 84% from Q3'12 to Q4'12 among IVR Outage Callers.

Q10 First Call Resolution (% First Call Resolution)

• First call resolution Declined from 82% → 72% from Q3'12 to Q4'12 among IVR Outage Callers.

Q14 Automated System Attributes (% Top 4 Box)

The menu categories included the reason you called: Increased from 88% → 92% from Q3'12 to Q4'12 among IVR Outage Callers.



Key Findings: IVR Outage



Summary:

Improvements since 2011: Automated system menu gave confidence needs understood.

Declines vs. 2011:

Overall satisfaction with the call, First call resolution (more evident for seasonal property owners and for restoration calls);

Declines in recent Quarter(s): Overall satisfaction with the call and FCR declined in Q4/12;

Threats:

- Plateauing of overall satisfaction with the call;
- Decline in FCR in past year;

RECOMMENDATIONS

- Due to evidence of plateauing, consider shifting focus of performance evaluation onto top box scores (i.e. % 'very' satisfied);
- Determine reasons and address why satisfaction with restoration calls is poorer;
- Determine reasons and address why FCR is declined in past two years;
- Investigate why calls from seasonal property owners have poorer FCR;
- Continue to investigate ways to provide a more accurate ETR.





Strengths*	Weaknesses**	
 Menu categories included the reason customer called System was easy to use System was familiar with location once customer told it where he/she lived 	 System letting customer know what actions would be taken when call was finished # System providing accurate information # System fully explaining the reason for the outage System letting customer know when power would be restored # Accuracy of Estimated Restoration Time # 	
Opportunities ***	Threats****	
 System understanding what customer wanted or needed System being able to give customer a precise time when power would be restored # System providing accurate information # System letting customer know when power would be restored # 	 FCR declining past 3 years Overall satisfaction Overall satisfaction with automated telephone answering system System letting customer know what actions would be taken when call was finished Question answered/action taken correctly, first time # System understanding what customer wanted or needed # System being able to give a precise time when power would be restored Ability to access Hydro One to resolve questions or problems # System was quick to use # System providing the information customer needed System providing accurate information # System fully explaining the reason for the outage System letting customer know when power would be restored # Accuracy of Estimated Restoration Time # Ease of entire transaction over the telephone 	

* Very Satisfied (Top Box) is 75% or better in 2012

Key driver of overall satisfaction where less than 75% are very satisfied

- ** Very satisfied (Top Box)is 60% or worse in 2012
- *** Very satisfied (Top Box) % improving over past 3 years
- **** FCR declining over past 3 years or very satisfied in 2012 is lower than 75%

Note: Top Box includes Top 2 where 10-point scales are used .

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hydrofe Highlights: Self Serve Callers



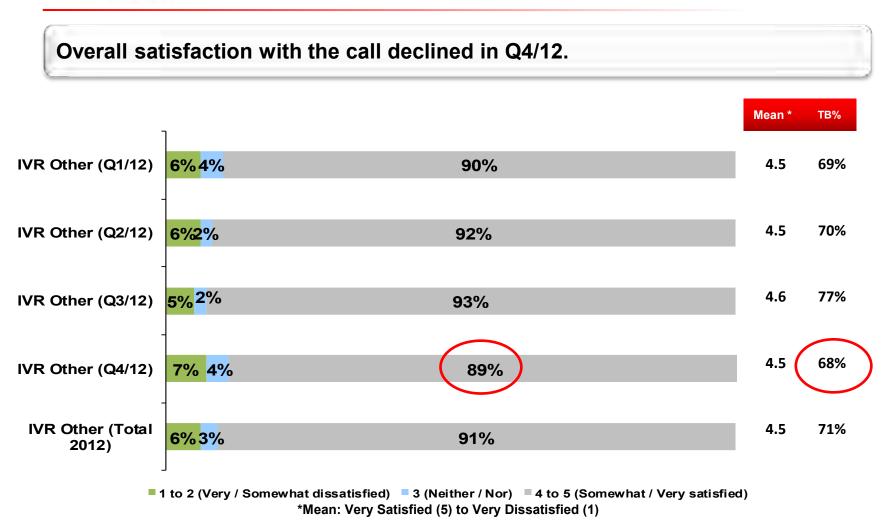
Satisfaction with Call to Hydro One

(IVR Self Serve)



Satisfaction with Call to Hydro One (Q1/12, Q2/12, Q3/12, Q4/12, Total 2012)





- 3. How satisfied were you overall with the call to Hydro One?
- N (Q1/Q2/Q3/Q4/Total 2012) = Total IVR Self Serve (300/296/294/297/1187)



Satisfaction with Call to Hydro One (2006, 2007, 2008, 2009, 2010, 2011, 2012)



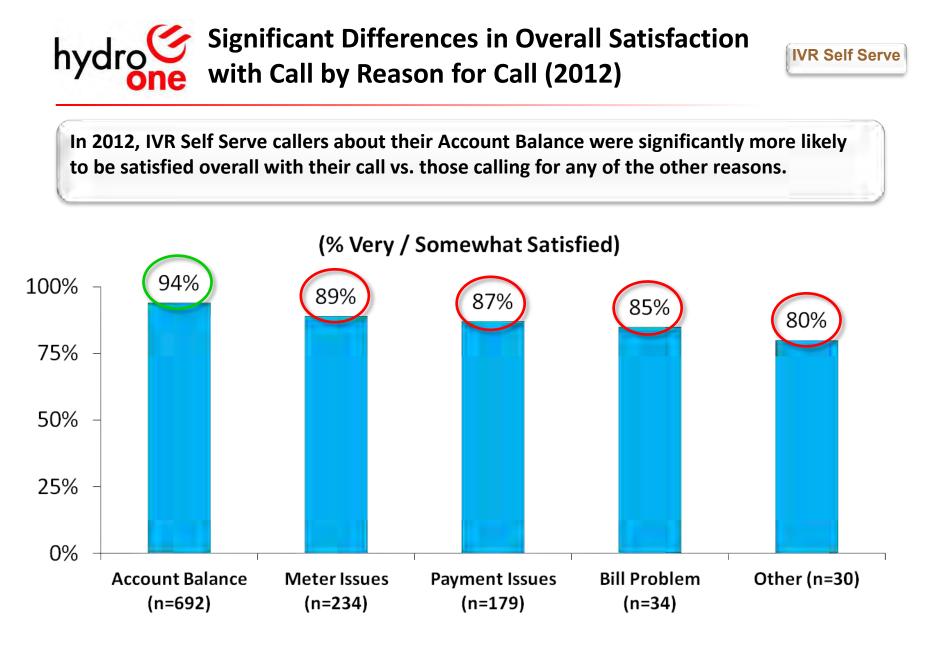
Overall satisfaction with the call has been consistently high for the past 6 years.

	_		Mean *	TB%
IVR Self Serve (2006)	<mark>13% 4%</mark>	83%	4.2	57%
IVR Self Serve (2007)	<mark>9% 3%</mark>	88%	4.4	62%
IVR Self Serve (2008)	<mark>8% 3%</mark>	89%	4.4	66%
IVR Self Serve (2009)	<mark>9% 3%</mark>	88%	4.4	64%
IVR Self Serve (2010)	<mark>6%</mark>	91%	4.5	67%
IVR Self Serve (2011)	<mark>7%</mark> 4%	89%	4.5	70%
IVR Self Serve (2012)	<mark>6%</mark> 3%	91%	4.5	71%
	1 to 2 (Vory / Somowhat diseatis	sfied) 3 (Neither / Ner) 4 to 5 (Semewhat / Very s	sticfied)	

1 to 2 (Very / Somewhat dissatisfied) 3 (Neither / Nor) 4 to 5 (Somewhat / Very satisfied)

3. How satisfied were you overall with the call to Hydro One?

N (2006/2007/2008/2009/2010/2011/2012) = Total IVR Self Serve (807/803/1197/1185/1186/1187/1187)



3. How satisfied were you overall with the call to Hydro One?



First Call Resolution

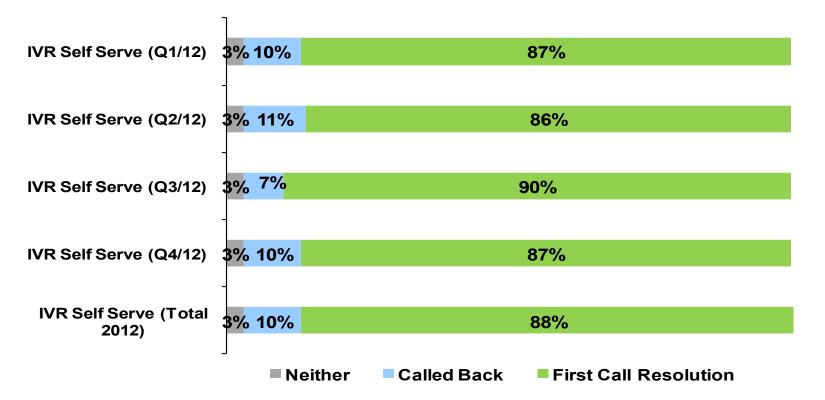
(IVR Self Serve)



First Call Resolution (Q1/12, Q2/12, Q3/12, Q4/12, Total 2012)



First call resolution in 2012 is essentially unchanged through the Quarters.



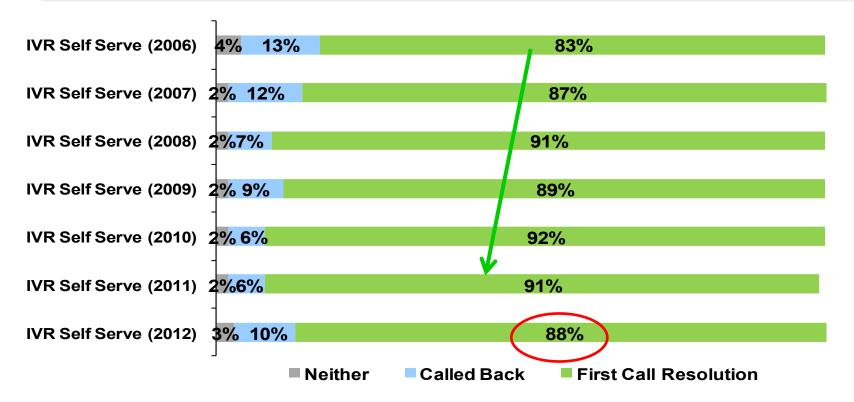
10. And once you did connect with the agent , was your issue resolved on the first call, or did you need to call back more than once?

N (Q1/Q2/Q3/Q4/Total 2012) = Total IVR Self Serve (302/299/300/300/1201)





After trending upward for 5 years, FCR for IVR Self Serve callers has declined in 2012.



10. And once you did connect with the agent , was your issue resolved on the first call, or did you need to call back more than once?

N (2006/2007/2008/2009/2010/2011/2012) = Total IVR Self Serve (815/814/1210/1200/1203/1203/1201)

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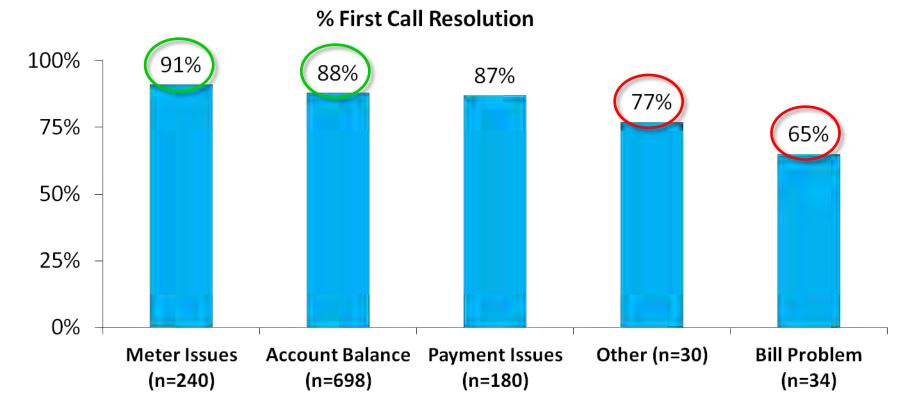
First Call Resolution: Significant Sub-Set Differences

(IVR Self Serve 2012)





In 2012, those calling for Meter Issues or Account Balances were significantly more likely to have FCR.

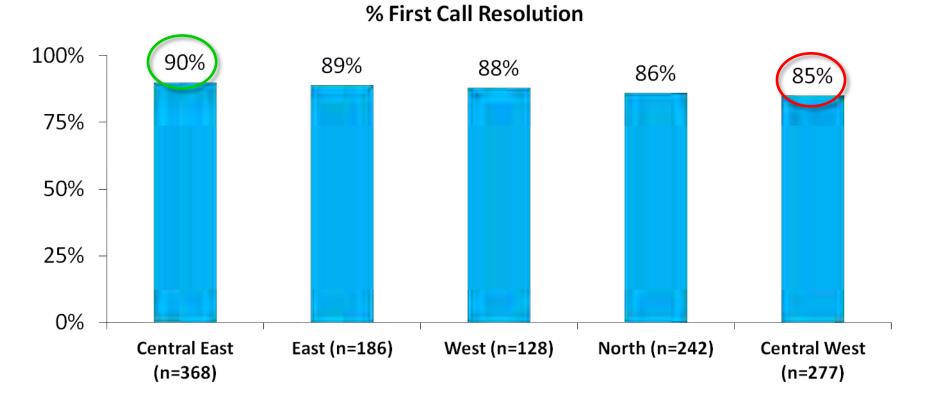


10. And once you did get through to an agent, was your issue resolved on the first call, or did you need to call back more than once?



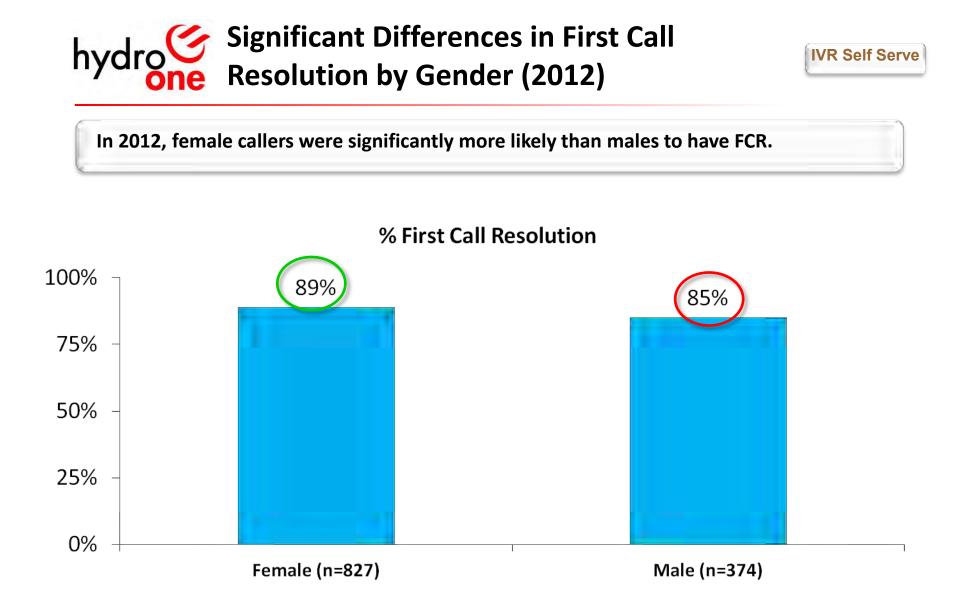


In 2012, callers from the Central East region were significantly more likely than those from the Central West to have FCR.



10. And once you did get through to an agent, was your issue resolved on the first call, or did you need to call back more than once?

For Hydro One use only, not for further distribution.



10. And once you did get through to an agent, was your issue resolved on the first call, or did you need to call back more than once?

For Hydro One use only, not for further distribution.

hydroice Summary of Year Over Year Significant Changes (IVR Self Serve 2012 vs. 2011)

hydroge Summary of Significant Year Over Year Changes (2012 vs. 2011)



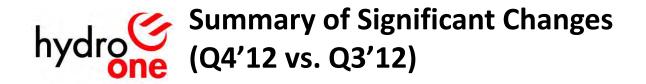
Q10 First Call Resolution (% First Call Resolution)

First call resolution: Declined from 91% → 88% from 2011 to 2012 among IVR Self Serve Callers. The baseline score for this aspect from 2006 is 83%.

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Summary of Significant Recent Quarter Changes

(IVR Self Serve Q4'12 vs. Q3'12)



Q3 Overall Satisfaction with Call (% Very/Somewhat Satisfied)

 Overall Satisfaction with the Call: Decreased from 93% → 89% from Q3'12 to Q4'12 among IVR Self Serve Callers

Q13a Automated System Satisfaction (% Very/Somewhat Satisfied)

Overall Satisfaction with the Automated System: Decreased from 93% → 87% from Q3'12 to Q4'12 among IVR Self Serve Callers.

Q14 Automated System Attributes (% Top 4 Box)

- The menu categories included the reason you called: Decreased from 91% → 86% from Q3'12 to Q4'12 among IVR Self Serve Callers.
- The system was easy to use: Decreased from 92% → 86% from Q3'12 to Q4'12 among IVR Self Serve Callers.
- The system was quick to use: Decreased from 89% → 81% from Q3'12 to Q4'12 among IVR Self Serve Callers.
- The system provided the information you needed: Decreased from 92% → 85% from Q3'12 to Q4'12 among IVR Self Serve Callers.
- The system gave you confidence that your needs were understood: Decreased from 89% → 82% from Q3'12 to Q4'12 among IVR Self Serve Callers.
- The system got you where you wanted to go: Decreased from 92% → 86% from Q3'12 to Q4'12 among IVR Self Serve Callers.



Key Findings: IVR Self Serve



Summary:



Improvements since 2011: No improvements vs. 2011.



Declines vs. 2011:

First call resolution;

Declines in recent Quarter(s): Overall satisfaction with the call, overall satisfaction with the automated system and all its menu attributes;

Threats:

- Plateauing of overall satisfaction with the call;
- Decline in FCR in past year;
- Decline in satisfaction with the automated system and its attributes in Q4/12;

RECOMMENDATIONS

- Due to evidence of plateauing, consider shifting focus of performance evaluation onto top box scores (i.e. % 'very' satisfied);
- Determine reasons and address why FCR is declined in the past year;
- Assess the automated system menu to ensure that it is (still) efficiently fulfilling all self serve caller needs.





Strengths*	Weaknesses**
 Question getting answered or the action getting taken correctly, first time menu categories included the reason you called 	 System being quick to use System giving confidence that needs were understood
Opportunities ***	Threats****
 Overall satisfaction improving 3 years running Ability to access Hydro One to resolve questions or problems Overall satisfaction with automated telephone answering system 	 FCR declining 3 years running Overall satisfaction Ability to access Hydro One to resolve questions or problems # Overall satisfaction with automated telephone answering system# System was easy to use System was quick to use System provided the information needed System gave confidence that y needs were understood System got customer where he/she wanted to go Ease of entire transaction over the telephone

* Very Satisfied (Top Box) is 75% or better in 2012

Key driver of overall satisfaction where less than 75% are very satisfied

- ** Very satisfied (Top Box)is 60% or worse in 2012
- *** Very satisfied (Top Box) % improving over past 3 years
- **** FCR declining over past 3 years or very satisfied in 2012 is lower than 75%

Note: Top Box includes Top 2 where 10-point scales are used .

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Appendix Detailed Data Agent Handled Callers IVR Outage Callers IVR Self Serve Callers



Agent Handled Callers



Reasons for Call to Hydro One





No significant changes relative to last Quarter.

	Q4/11 %	Q1/12 %	Q2/12 %	Q3/12 %	Q4/12 %
Payment / Bills (NET NET) (payment issues NET, bill question / problem NET)	61	58	57	51	56
Bill Question / Problem (NET) (ask question about bill, resolve bill problem, investigate major bill increase, fluctuating bills, request annual statement, change banking info, had not received/wanted copy of bill)	36	33	35	36	38
Payment Issues (NET) (report making a payment, payment notification/follow up, discuss / negotiate payment, disconnection notice follow-up, power cut off)	25	25	22	15	17
Outage report / Update (NET NET) (outage restoration update NET, outage reporting NET)	4	13	13	23	17
Outage Reporting (NET) (report outage, investigate / report outage, report fire / transformer problem / blown breaker, emergency / outage affected medical equipment)	3	12	11	21	16
Outage Restoration Update (NET) (find out when power would be restored)	1	1	1	2	1
Moving / New Service (NET) (moving / providing updated information, change acct name, cancel service due to move, service request for installation/disconnection)	8	10	10	10	12
Meter Issues (NET) (input meter reading, report meter reading, change a meter, report meter error, meter moving, smart meter/new meter)	8	7	6	7	5
Time of Use (NET) (ask/ complain about time of use prices, issue / question about time of us policy, issue / question about time of use process)	2	2	-	-	1
Other (NET) (tree maintenance, request to locate HON lines before digging, to inquire about HON services, energy retailer, rates, other)	17	14	12	7	10

2. Now please think about the call you made to Hydro One in the past few days. What was the reason for this call?

N (Q4/Q1/Q2/Q3/Q4) = Total Agent Handled (302/303/300/300/300)

72

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Customer Stated Reason for Call %



Satisfaction with Call



Satisfaction with Call to Hydro One (Q4/11, Q1/12, Q2/12, Q3/12, Q4/12)



Overall satisfaction with the call remains down relative to the first half of the year.

-				Mean *	TB%
Agent (Q4/11)	<mark>12%</mark> 4%	85%		4.3	63%
Agent (Q1/12)	<mark>10% 3%</mark>		2007 = 77% 2008 = 85%	4.4	70%
Agent (Q2/12)	<mark>10% 3</mark> %	87%	2009 = 83% 2010 = 85% 2011 = 85%	4.4	70%
Agent (Q3/12)	<mark>17% 3%</mark>	79%	2012 = 84%	4.1	61%
Agent (Q4/12)	<mark>14% 3%</mark>	83%		4.2	63%

1 to 2 (Very / Somewhat dissatisfied) 3 (Neither / Nor) 4 to 5 (Somewhat / Very satisfied) *Mean: Very Satisfied (5) to Very Dissatisfied (1)

3. How satisfied were you overall with the call to Hydro One?

N (Q4/Q1/Q2/Q3/Q4) = Total Agent Handled (298/303/295/298/292)



Overall Satisfaction by Reason for Call to Hydro One (Q4/11, Q1/12, Q2/12, Q3/12, Q4/12)



Overall satisfaction with the call is similar regardless of call reason.

Q1/12 Q2/12 Q3/12 Q4/12 Q4/11 (n=292) (n=298) (n=303) (n=295) (n=298) % % % % % satisfied satisfied satisfied satisfied satisfied **Caller Satisfaction Score** 85 87 87 79 83 Payment / Bills (NET NET) (payment issues NET, bill question / problem 82 86 85 74 84 NET) (n = 164)* Payment Issues (NET) (n = 51)* ** 92 92 88 68 88 Bill Question / Problem (NET) (n = 113)* 76 82 84 76 81 Outage Reporting / Update (NET NET) (outage report NET, outage 100 90 97 83 86 restoration NET) (n = 51)* ** Outage Reporting (NET) $(n = 47)^*$ ** 100 89 97 84 85 Outage Restoration (NET) (n =4)* ** 100 100 71 100 100 Meter Issues (NET) $(n = 14)^*$ ** 86 86 94 75 86 Moving / New Service (NET) $(n = 34)^*$ ** 88 93 93 97 85 Other (NET) (n = 27)* ** 90 84 75 86 70

Top 2 box (Very / Somewhat Satisfied)

3. How satisfied were you overall with the call to Hydro One?

*Represents sample size in latest Quarter

75 ** Caution very small base size



Overall Satisfaction with Call by Reason for Call (All Call Types) ***(Past 15 Months Q3'11 →Q4'12)***



Call dissatisfaction is greatest when dealing with a bill problem, increase or discrepancy or a TOU question.

	Mean Value (5 point scale)*
Smart Meter / New Meter (n=4***)	4.8
To get an account balance (n=878)	4.7
Moving / To provide account information update (n=86)	4.5
To report making a payment (n=149)	4.5
Discuss / Negotiate a payment schedule / plan (n=242)	4.4
To address a disconnection issue (n=38)	4.4
Payment notification / Follow-up (n=95)	4.4
To report a power outage (n=1219)	4.4
To input a meter reading (n=262)	4.4
To find out when power would be restored (n=427)	4.3
To ask a question about a bill (n=576)	4.2
Report a meter reading (n=43)	4.2
To resolve a problem with bill (n=216)	4.1
Investigate a major bill increase / bill discrepancy (n=47)	4.0
Time of Use (n=14)**	3.8

3. How satisfied were you overall with this call with Hydro One? / 2. Please think about the most recent call you made to Hydro One, what was the reason for this call?

*Very Satisfied (5) to Very dissatisfied (1)

**Introduced in Q2'10

***Caution due to sample size

76 Red Font indicates strong correlation between reason for call and overall dissatisfaction with the call (mean < or = 4.0)



Reasons Not Satisfied with Call to Hydro One* (Q4/11, Q1/12, Q2/12, Q3/12, Q4/12)



Reasons for being dissatisfied overall with the call are varied.

	Q4'11*	Q1'12*	Q2'12*	Q3'12*	Q4'12*
Rep Information (NET) (the rep/agent/CSR was not well informed, did not get answers needed, CSR wasn't able to answer my questions)	22	13	21	24	31
Bill / Payment (NET) (equal billing / estimated bill is (still) high, won't accept credit card payment, other billing mentions, other payment mentions)	17	13	13	8	2
Access (NET) (couldn't get through to speak to a person, promised a return call & haven't yet received one, wanted to speak with a supervisor but CSR refused, had to make too many calls to resolve issue, made multiple call and given different info)	17	3	16	19	14
Rep Attitude (NET) (CSR/rep was rude/unprofessional/terse, CSR was unaccommodating/uncaring)	15	10	18	19	16
Hydro One Policy (NET) (CSR wouldn't discuss account – not in my name, CSR would not arrange a meter reading, no flexibility in payment terms / arrangements, won't accept credit card payment)	13	23	29	18	16
Rep Skill (NET) (did not say what action would be taken, CSR was unable to resolve why bill was so high, general poor customer service, CSR wasn't a good listener)	11	13	5	11	16
Outage Response (NET) (getting too many power outages)	-	5	-	3	4
Other (NET) (dislike automated phone systems, dissatisfied with collection process / threats, Hydro One has not honoured their service appointments, other)	35	35	24	27	29

4. Why were you not satisfied overall with the call?

* Caution, small base sizes

N = Total Dissatisfied Agent Handled (46/40/38/62/49)





Increase in 'very' satisfied ratings with ease of getting through to a rep this Quarter vs. last.

			Process Issues	Mean *	ТВ%
a. The ease of	Agent (Q4/11)	8% 2%	90%	4.4	62%
getting	Agent (Q1/12)	<mark>5%</mark> 1%	95%	4.6	72%
through to a rep to discuss	Agent (Q2/12)	<mark>5%</mark> 1%	94%	4.5	66%
your question or problem	Agent (Q3/12)	8% 3%	89%	4.4	59%
	Agent (Q4/12)	<mark>6%</mark> 2%	92%	4.5	66%
					\smile
b. The length of	Agent (Q4/11)	7% 2%	91%	4.5	65%
time you had to be on hold	Agent (Q1/12)	<mark>3%</mark> %	96%	4.6	70%
before you	Agent (Q2/12)	<mark>5%</mark> 3%	92%	4.5	65%
actually spoke with a	Agent (Q3/12)	<mark>6%</mark> 3%	91%	4.4	59%
representative	Agent (Q4/12)	7% 2%	91%	4.4	62%
	Bottom 2 (Son	newhat / Very dissatisfied)	Neither Nor Top 2 (Very / Somewha	t satisfied)	

5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied or very dissatisfied with...

N = Total Agent (Q4'11→Q4'12=278-304)





Increase in satisfaction relative to last Quarter for ability to access Hydro One to resolve question/problem, but levels still depressed vs. first half of year. Similarly, 'very' satisfied scores remain down for length of time to resolve.

		1	Process Issues	Mean *	TB%
	Agent (Q4/11)	10% 2%	89%	4.4	66%
I. Your ability to	Agent (Q1/12)	<mark>6%1</mark> %	93%	4.6	74%
access Hydro One to resolve	Agent (Q2/12)	<mark>9%</mark> 2%	89%	4.5	69%
your questions or problems	Agent (Q3/12)	<mark>14% 3%</mark>	83%	4.2	60%
	Agent (Q4/12)	<mark>9%</mark> 3%	89%	4.4	65%
	Agent (Q4/11)		85%	4.3	66%
q. The length of time it took for you	Agent (Q1/12)	<mark>12%</mark> 2%	86%	4.4	72%
to resolve the issue or concern	Agent (Q2/12)	<mark>11% 4%</mark>	86%	4.4	70%
you called about**	Agent (Q3/12)	<mark>18% 1</mark> %	81%	4.1	61%
	Agent (Q4/12)	<mark>15% 2</mark> %	83%	4.2	61%

Bottom 2 (Somewhat / Very dissatisfied) Neither Nor Top 2 (Very / Somewhat satisfied)

5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied or very dissatisfied with...

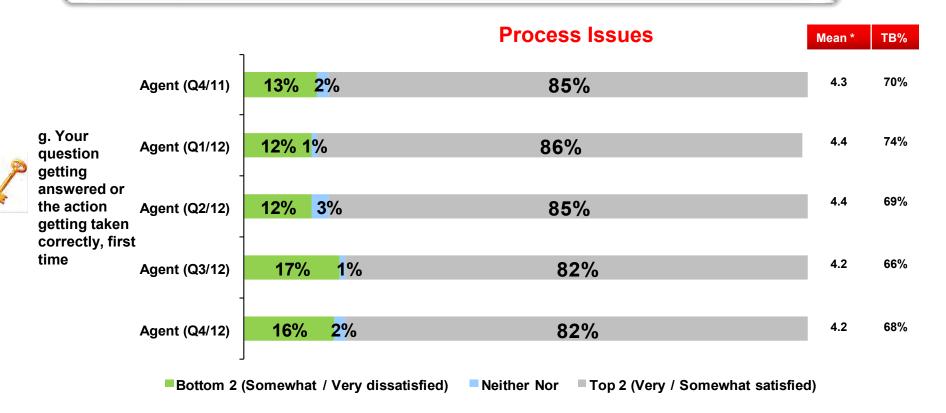
N = Total Agent (Q4'11→Q4'12 = 271-304)

**Question added in Q1'11 *Mean: Very Satisfied (5) to Very Dissatisfied (1)





No change in satisfaction this Quarter.



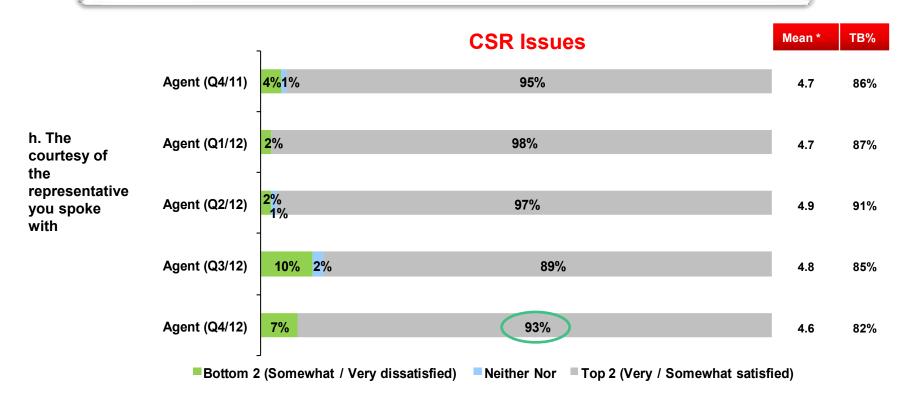
5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied or very dissatisfied with...

N = Total Agent (Q4'11→Q4'12=271-304)





Greater satisfaction for courtesy of the rep relative to last Quarter, but satisfaction still depressed vs. first half of year.



5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with...

N = Total Agent (Q4'11→Q4'12=271-304)

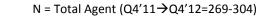




Greater satisfaction ratings vs. last Quarter for the rep showing a genuine commitment to help.

				CSR Issues	Mean	* TB%
	i. The	Agent (Q4/11)	<mark>7%</mark> 1%	92%	4.6	81%
p	representative showing a	Agent (Q1/12)	<mark>5%</mark> 1%	93%	4.7	84%
5	genuine	Agent (Q2/12)	<mark>4%</mark> 2%	94%	4.7	80%
	commitment to help	Agent (Q3/12)	<mark>12%</mark> 2%	86%	4.4	71%
		Agent (Q4/12)	<mark>-9%-</mark> 1%	90%	4.5	75%
	e. The					
p	representative	Agent (Q4/11)	<mark>6%</mark> 2%	92%	4.6	80%
5	answering all your questions	Agent (Q1/12)	<mark>5%</mark> 1%	95%	4.7	80%
	promptly	Agent (Q2/12)	<mark>5%</mark> 1%	94%	4.6	78%
		Agent (Q3/12)	<mark>10%</mark> 2%	89%	4.5	73%
		Agent (Q4/12)	<mark>-7%</mark> 1%	92%	4.6	77%
		Bottom 2 (Somewh	at / Very dissatisfied)	Neither Nor Top 2 (Very / Sc	omewhat satisfied)	

5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with...

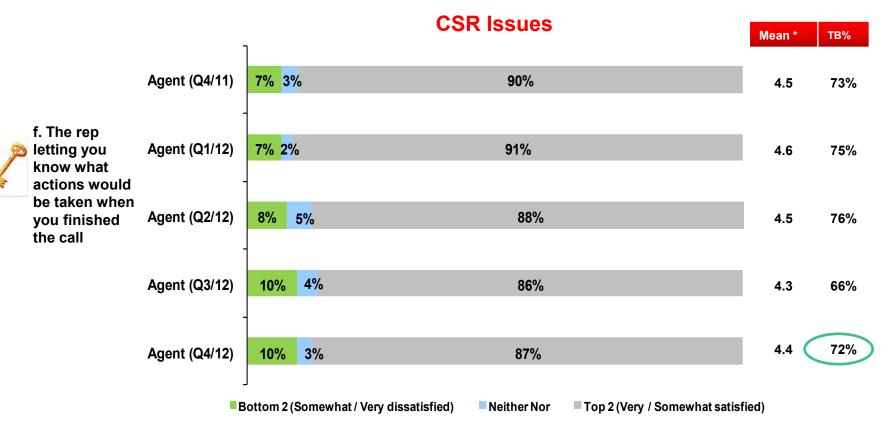




Satisfaction With Call Specifics (Q4/11, Q1/12, Q2/12, Q3/12, Q4/12)



Increase in 'very' satisfied ratings vs. last Quarter.



5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with...

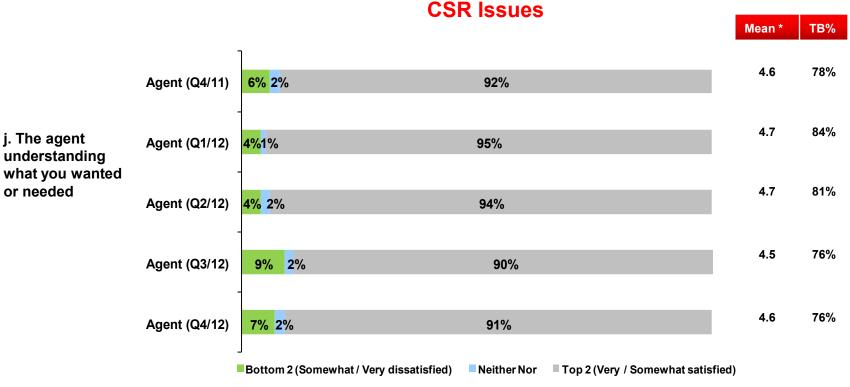
N = Total Agent (Q4'11→Q4'12=253-304)



Satisfaction With Call Specifics (Q4/11, Q1/12, Q2/12, Q3/12, Q4/12)



No change vs. last Quarter but remains down vs. the first half of the year.



*Mean: Very Satisfied (5) to Very Dissatisfied (1)

5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied or very dissatisfied with...

N = Total Agent (Q4'11→Q4'12=271-304)

*Mean: Very Satisfied (5) to Very Dissatisfied (1)





Those being 'very' satisfied with the agent treating like a valued customer remains down vs. the first half of the year. Improved satisfaction ratings for the agent going above and beyond expectations vs. last Quarter.

				CSR Issues		
					Mean *	TB%
		Agent (Q4/11)	7%1%	92%	4.6	79%
83	r. The agent treating you	Agent (Q1/12)	<mark>4%</mark> 1%	95%	4.7	83%
[like you were a	Agent (Q2/12)	<mark>5%2</mark> %	93%	4.7	83%
	valued customer**	Agent (Q3/12)	10% 2%	89%	4.4	73%
	customer	Agent (Q4/12)	8% 2%	90%	4.5	73%
	s. The agent	Agent (Q4/11)	10% 6%	84%	4.2	58%
p	going above	Agent (Q1/12)	7% 6%	87%	4.4	62%
5	and beyond the level of service	Agent (Q2/12)	7% 7%	86%	4.4	62%
	that you	Agent (Q3/12)	14% 8%	78%	4.0	49%
	expected**	Agent (Q4/12)	11%3%	87%	4.2	54%

Bottom 2 (Somewhat / Very dissatisfied) Neither Nor Top 2 (Very / Somewhat satisfied)

5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with...

N = Total Agent (Q4'11→Q4'12=276-302)

**Question added in Q1'11 *Mean: Very Satisfied (5) to Very Dissatisfied (1)





No change vs. last Quarter, although those being 'very' satisfied remains depressed vs. the first half of the year.

			_		Mean	* 1	ГВ%
	c. The	Agent (Q4/11)	8% 2%	90%	4.5	5	73%
P	representative	Agent (Q1/12)	<mark>6%</mark> 3%	91%	4.6	5	77%
4	providing you accurate	Agent (Q2/12)	<mark>5% 4</mark> %	91%	4.6	i	76%
	information	Agent (Q3/12)	11% 4%	86%	4.4		68%
		Agent (Q4/12)	<mark>9% 4</mark> %	87%	4.5	;	73%
		Agent (Q4/11)	13% 2%	85%	4.3	•	67%
C.S.	d. The	Agent (Q1/12)	11% 3%	86%	4.4		69%
P	representative offering a	Agent (Q2/12)	<mark>10% 4</mark> %	87%	4.4	۰ ۱	70%
	solution for the	Agent (Q3/12)	<mark>15%</mark> 5%	81%	4.2	2	63%
	reason you called	Agent (Q4/12)	<mark>14% 4</mark> %	82%	4.3	•	67%
		Bottom 2	(Somewhat / Very dissatisfied)	Neither Nor Top 2 (V	ery / Somewhat satisfied)		

Information Issues

5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with...

N = Total Agent (Q3'11→Q3'12=264-300)



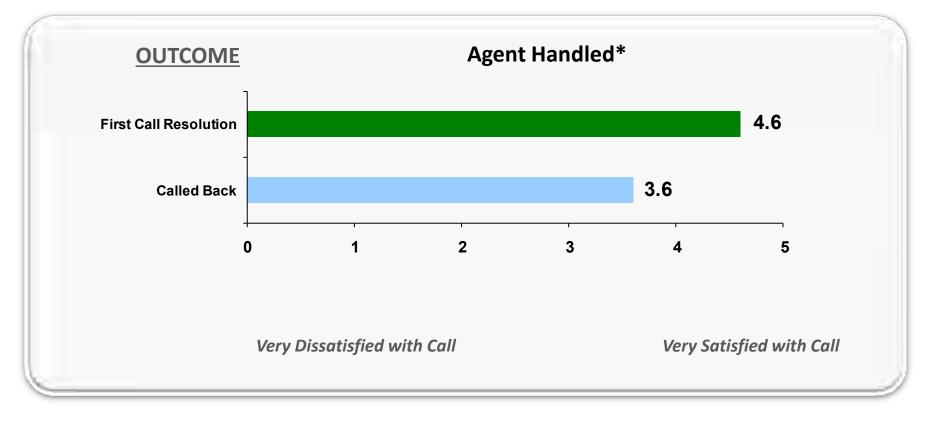
Key Drivers of Overall Satisfaction with Call



Relationship Between First Call Resolution and Overall Satisfaction with Call



Satisfaction with the call is much greater if there is first call resolution.



N = Agent Handled Callers (1,205) Based on Jul/11 – Jun/12 dataset

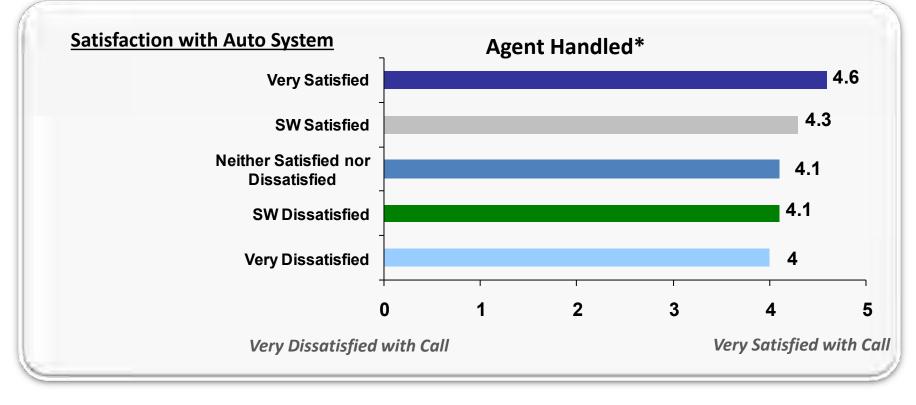
*Mean Satisfaction 1-5



Relationship Between Satisfaction with Auto System and Overall Satisfaction With Call



The more satisfied callers are with the automated system, the more satisfied they are overall with the call.



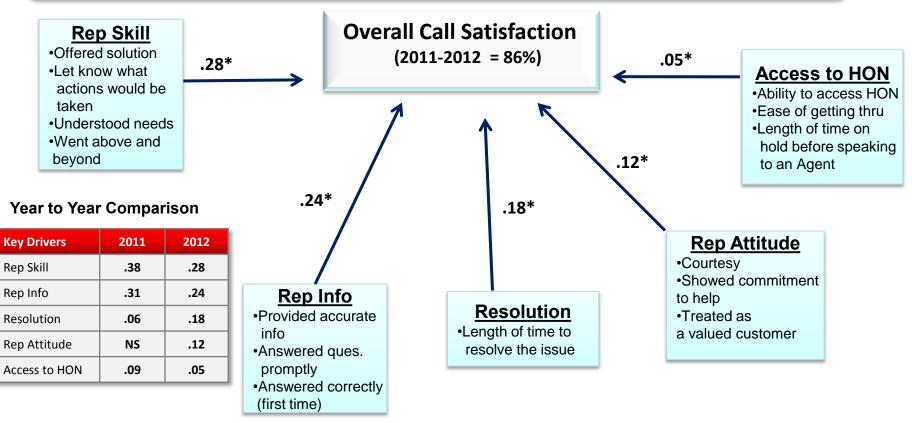
N = Agent Handled Callers (1,205) Based on Jul/11 – Jun/12 dataset

*Mean Satisfaction 1-5





The key driver of overall satisfaction with the call is the skill of the rep, followed closely by the (quality of) information provided by the rep and the length of time to resolve the issue.

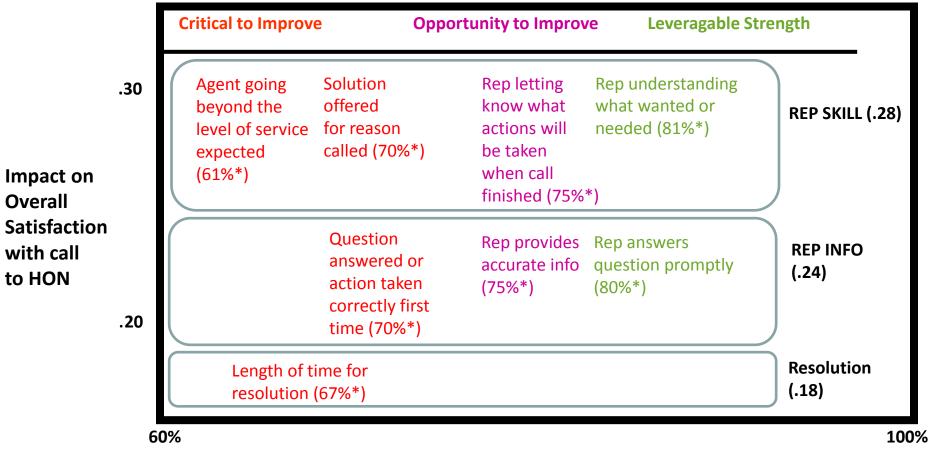


90



OVERALL SATISFACTION WITH CALL TACTICAL PRIORITIES FOR KEY DRIVERS

Agent Handled Callers



Hydro One Performance

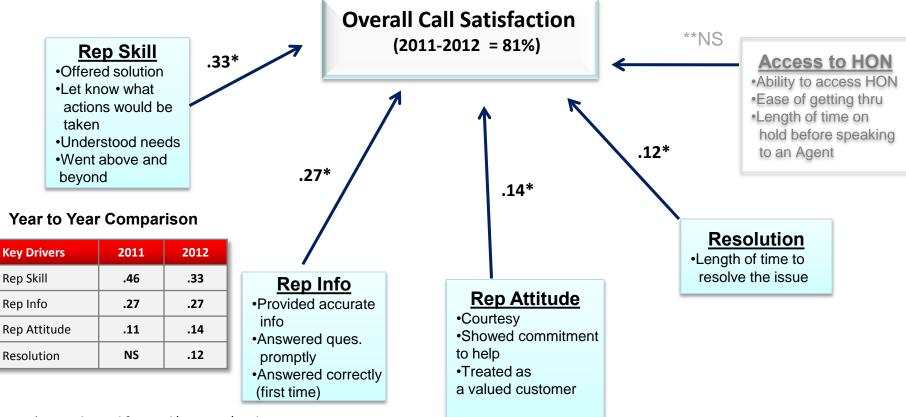
*(% Very Satisfied)



Key Drivers of Overall Satisfaction with the Call (Total Agent Handled All Bill Calls)



The key driver of overall satisfaction with the call for those calling about a bill is the skill of the rep. This is followed closely by the (quality of) information provided by the rep.



*Betas derived from Jul/11 – Jun/12 dataset

** NS = Not significant

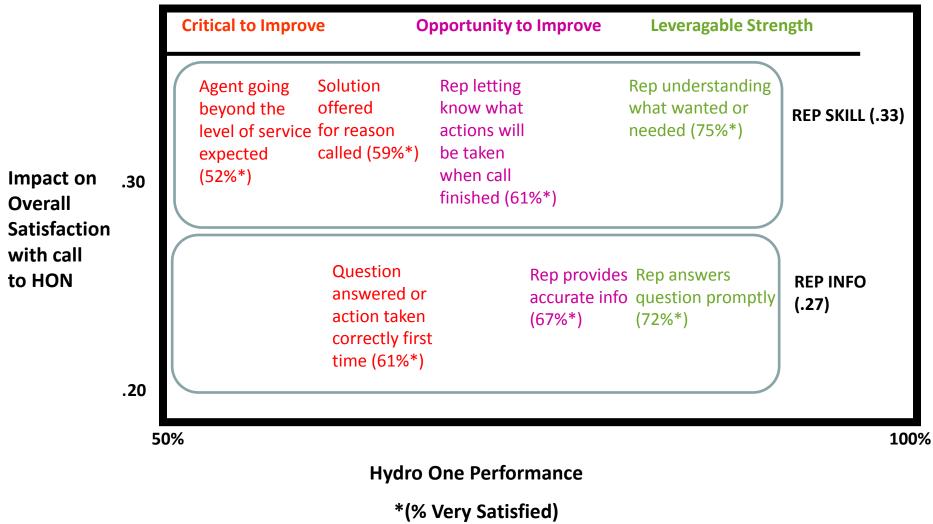
Agent Handled dataset, Bill Calls N = 429

92 Adjusted R²= 0.61



OVERALL SATISFACTION WITH CALL TACTICAL PRIORITIES FOR KEY DRIVERS

Agent Handled - All Bill Callers





Reasons Dissatisfied with 'The Representative Offering a Solution for the Reason You Called' * (Q4/11, Q1/12, Q2/12, Q3/12, Q4/12)



Reasons Dissatisfied %*

	Q4/11	Q1/12	Q2/12	Q3/12	Q4/12
Agent knowledge / Skill (NET) (CSR had no knowledge, no solution offered, told I had to wait until I get my bill to see if problem is resolved)	85	79	77	68	93
CSR Rude / Uncaring / Unprofessional (NET) (CSR rude, uncaring, unprofessional, unhelpful)	19	13	23	29	23
Information Issues (NET) (no time frame for restoration)	-	13	-	-	3
Access to person (NET) (haven't received callback)	8	8	-	4	-
Hydro One Policy Issue (NET) (disconnection still going to be done)	4	4	9	7	7
IVR Issues (NET) (problem with menu system, dislike automated system)	-	-	-	-	-
Other	27	21	9	25	13

6d. You said you weren't satisfied with the representative offering a solution for the reason you called. Why is that? N (Q4/Q1/Q2/Q3/Q4)= Total dissatisfied Agent handled callers (26/24/22/28/30)

* Caution, small base size



Reasons Dissatisfied with 'Your Question Getting Answered or the Action Getting Taken Correctly, the First Time'* (Q4/11, Q1/12, Q2/12, Q3/12, Q4/12)



	Reasons Dissatisfied %*						
	Q4/11*	Q1/12*	Q2/12*	Q3/12*	Q4/12*		
Agent knowledge / Skill (NET) (CSR had no knowledge, no solution offered, no explanation for billing policy change / why bill is so high, told I had to wait until I get my bill to see if problem is solved)	55	73	60	62	69		
Hydro One Policy Issue (NET) (disconnection still going to be done, won't read / check my meter)	10	10	10	10	3		
Access to person (NET) (never spoke to / got in touch with anyone, haven't received callback, long wait times on hold)	13	7	10	5	3		
CSR Rude / Uncaring / Unprofessional (NET) (CSR rude, uncaring, unprofessional, unhelpful)	19	3	17	21	20		
Information Issues (NET) (no time frame for restoration)	-	-	-	-	11		
IVR Issues (NET) (problem with menu system, dislike the IVR)	-	-	-	-	3		
Other	39	20	30	21	20		
Don't know / Refused	-	7	3	8	3		

6g. You said you weren't satisfied with your question getting answered or the action getting taken correctly, the first time. Why is that?

N = Total dissatisfied Agent handled callers

(31/30/30/39/35)

*Caution, small base size

Q4/2012 'Other' Verbatim

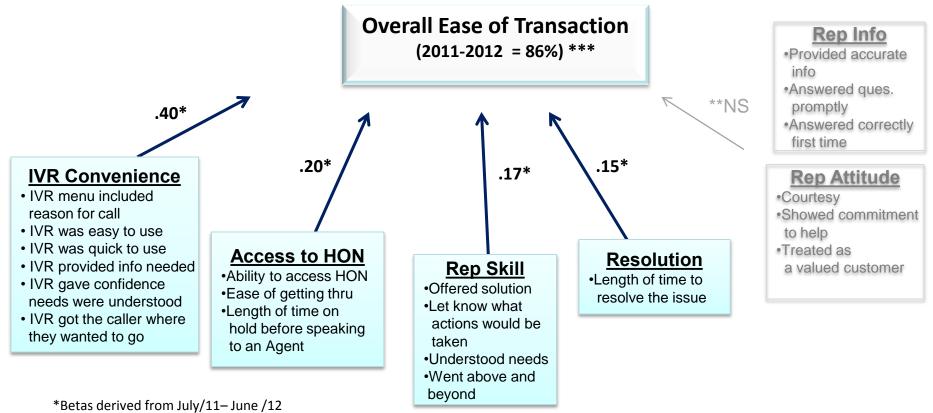
Devery Discriptical 0/*

- When the agent told me that a technician would come out on Mon / Tues it never happened miscommunication on their part.
- They did it wrong, completely blew it. When it was all said and done it probably took me 3 hours on the phone to get it done.
- Nothing could've been done differently from the agent it's just hydro themselves. My meter was broken at my house for 6 months and no one told me.
- Computer system inoperative.
- I think the whole thing of, I am really sorry that this happened, how are you accessing e-post.
- The system was down so they could not do it.





The key driver of overall ease of completing the transaction is the length of time to resolve the issue, followed by access to HON.



- **NS = Not significant
- *** Somewhat/very easy

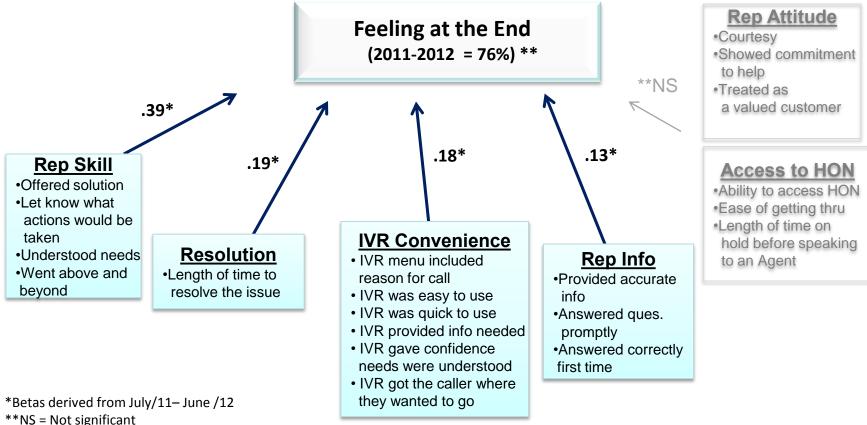
```
Agent Handled dataset N = 1,205
```

Adjusted R²= 0.49





The key driver of feelings at end of the transaction is the rep's skill followed at some distance by the length of time to resolve the issue.



NS = Not significant * Pleased/delighted

```
Agent Handled dataset N = 1,205
```

97 Adjusted R²= 0.52



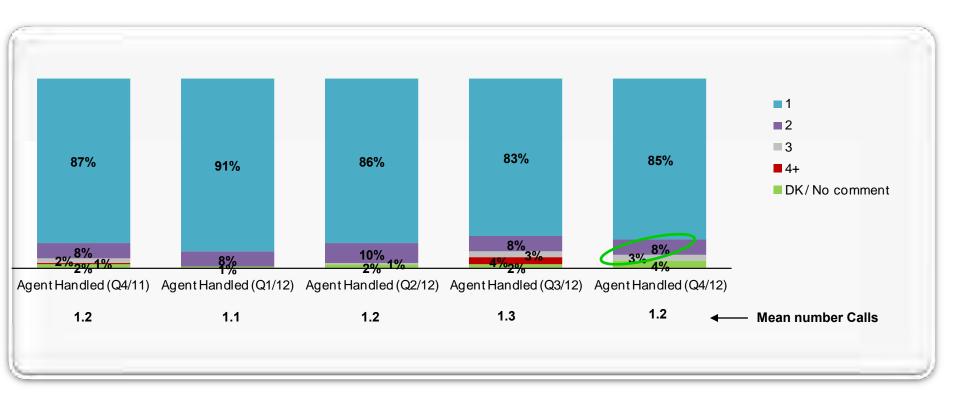
Connection & Call Resolution Issues



Number of Calls Made Before Connection to Hydro One's Automated System Menu (Q4/11, Q1/12, Q2/12, Q3/12, Q4/12)



Fewer vs. last Quarter are having to call more than once to connect.



8. For this most recent call, how many times did you have to try Hydro One's telephone number before you were connected to the menu in the automated voice system?

N (Q4/Q1/Q2/Q3/Q4)= Agent Handled callers (303/300/300/300/300)



Reasons Had to Make More than One Call to Connect with Automated System Menu* (Q4/11, Q1/12, Q2/12, Q3/12, Q4/12)



It is taking more than one call to get connected to the IVR due to IVR difficulties, inconvenience and access difficulties due to the lines being busy. Access difficulties represent 4% of Total Agent Handled calls – a holding of upward movement since Q1/12 (1%).

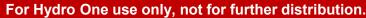
	Q4/11	Q1/12	Q2/12	Q3/12	Q4/12
IVR Difficulty (NET) (phone system did not connect properly, was disconnected by HON during the call, problems with menu)	47	52	29	36	32
Inconvenient (NET) (hung up while on hold)		16	23	11	15
Access Busy / IVR Busy (NET NET) (lines busy NET, IVR busy NET)	15	12	29	27	32
Lines Busy (NET) (got a busy signal, couldn't get through)	15	12	29	24	29
IVR Busy (NET) (message 'due to heavy call volumes we are unable to take your call at this time')	-	-	-	2	3
Difficulty at customer end (NET) (dialed wrong number, had phone/cell problems, got distracted had to call back)		8	3	9	6
Other (NET) (business office was closed, other)	-	4	14	11	9

9. Why did it take you more than one call to be connected to the menu in the automated voice system

N (Q4/Q1/Q2/Q3/Q4) = Total Agent Handled (35/45/34/45/34)

* Caution: small base sizes

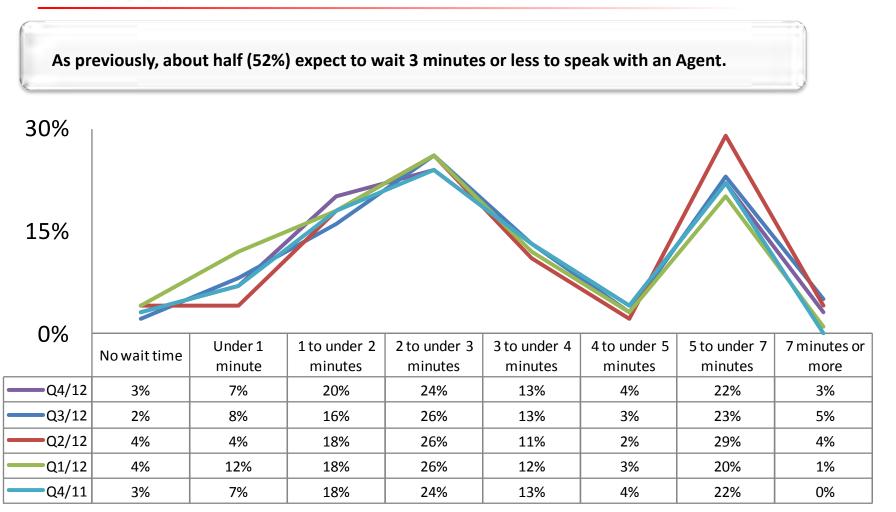






Reasonable Time On Hold in Queue (Q4/11, Q1/12, Q2/12, Q3/12, Q4/12)





9b. After going through the automated menu, how long do you feel is reasonable when waiting in a queue ON HOLD before reaching an agent?

101 N (Q4/12) = Total Agent Handled (300)



First Call Resolution (Q3/11, Q4/11, Q1/12, Q2/12, Q3/12)

The percent receiving first call resolution is significantly down vs. last Quarter.



81

7

12

84

8

8

78

10

11

Married	

10. And once you did get through to a representative, was your issue resolved on the first call, or did you need to call back more than once?

N (Q4/Q1/Q2/Q3/Q4) =

86

6

8

88

5

8

Total Agent Handled (300/300/302/300/300)

		Q4 11	Q1 12	Q2 12	Q3 12	Q4 12
	One	49	50	38	22	38
	Тwo	7	16	9	6	11
	Three	5	-	-	10	3
	Four+	-	3	2	10	5
	DK	39	32	52	51	44
	Mean #	1.3	1.3	1.3	2.5	1.6

Number of Callbacks

10b. And after this initial call, how many times did you need to call back about the same issue?

N (Q4/Q1/Q2/Q3/Q4) = Total Agent Handled (32/41/58/49/64)

For Hydro One use only, not for further distribution.

Yes

No

Neither





10% of all Agent Handled callers say their issue was never resolved. This is unchanged vs. last Quarter, but is trending upward since last year.

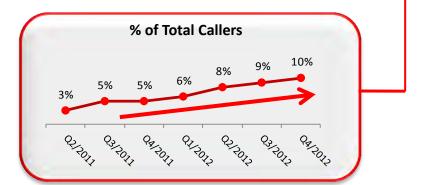
	Q4/11	Q1/12	Q2/12	Q3/12	Q4/12	
Never resolved	37	47	40	53	47	4
Resolved after you followed up with Hydro One	10	18	22	22	20	
Resolved after it was passed along to someone	2	5	7	4	6	
Resolved after Hydro One took some other action	2	3	3	-	2	
Other (volunteered)	49	26	28	20	25	1

Final Outcome % *

10d. I am going to read you a list. Please tell me which of the four describes the final outcome of your call?

N (Q4/Q1/Q2/Q3/Q4) = Total Agent Handled (41/38/58/49/64)

* Caution, small base sizes





Non First Call Resolution Outcome*

(Past 15 Months Q3'11 →Q4'12)



	Issue Never Resolved	lssue Eventually Resolved
Q2 Customer Stated Reason for Call (N=178)*		
Billing Issues (NET) (e.g. Investigate bill increase, Ask question, Resolve problem, Etc.)	50	35
Outage Reporting / Inquiry (NET)	8	26
Meter Issues (NET) (e.g. Report reading, Request new, Moving, Final reading, Etc)	7	2
Payment Issues (NET) (e.g. Notify, Negotiate payment schedule, Etc)	13	17
Outage Restoration Update (NET) (e.g. To investigate a power outage)	1	2
Moving / New Service (NET) (moving / to provide account info update, provide new account names / change name, cancel service, service request for installation / disconnection)	5	12
Other (NET) (e.g. Get acct. balance/Moving/Acct. update/Tree maintenance/Discuss disconnection notice, Etc.)	13	8
Q3 Overall Satisfaction with Call (% Top 2 Box) (N=172)*	28	80
Q5 Satisfaction with Specific Call Attributes (% Top 2 Box)		
a. The ease of getting through to a rep to discuss your question or problem (N=178)*	80	89
b. The length of time you had to be on hold before you actually spoke with a representative (N=175)*	82	86
c. The representative providing you accurate information (N=165)*	50	86
d. The representative offering a solution for the reason you called (N=167)*	28	80
e. The representative answering all your questions promptly (N=172)*	57	88
f. (The rep) letting you know what actions would be taken when you finished the call (N=164)*	41	88
g. Your question getting answered or the action getting taken correctly the first time (N=171)*	23	68

* Base: Total number of customers in the past 15 months who did not have first call resolution





	lssue Nev Resolved	lssue Eventually Resolved
Q5 Satisfaction with Specific Call Attributes (cont'd) (% Top 2 Box)		
h. The courtesy of the representative you spoke with (N=174)*	76	89
i. The representative showing a genuine commitment to help (N=176)*	53	88
j. The representative (system) understanding what you wanted or needed (N=173)*	65	89
I. Your ability to access Hydro One to resolve your questions or problems (N=176)*	58	91

* Base: Total number of customers in the past 15 months who did not have first call resolution



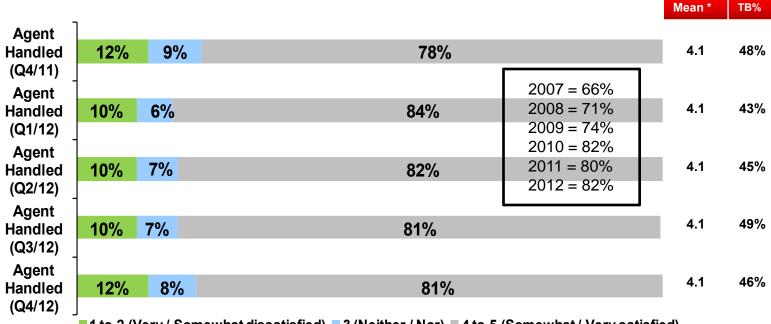
Automated Telephone Answering System



Satisfaction with Hydro One's Automated System (Q4/11, Q1/12, Q2/12, Q3/12, Q4/12)



Satisfaction with the automated system is unchanged relative to last Quarter.



1 to 2 (Very / Somewhat dissatisfied) 3 (Neither / Nor) 4 to 5 (Somewhat / Very satisfied)

*Mean: Very Satisfied (5) to Very Dissatisfied (1)

13a. When you made your most recent call to Hydro One, you were initially connected to an automated telephone system. Overall, how satisfied were you with Hydro One's automated telephone answering system?

N (Q4/Q1/Q2/Q3/Q4) = Total Agent Handled (300/301/297/295/293)



Automated Phone System Attributes (Q4/11, Q1/12, Q2/12, Q3/12, Q4/12)



Increase in agreement vs. last Quarter for the system being easy to use.

		_		Mean *	TB%
a. The menu	Agent (Q4/11)	20% 11%	69%	7.4	43%
categories included the	Agent (Q1/12)	13% 8%	79%	8.0	49%
reason you called	Agent (Q2/12)	14% 13%	73%	7.7	46%
	Agent (Q3/12)	13% 11%	76%	8.0	53%
	Agent (Q4/12)	13% 10%	78%	8.0	51%
b. The system	Agent (Q4/11)	9% 8%	83%	8.4	52%
was easy to	Agent (Q1/12)	<mark>5% 1</mark> 1%	85%	8.5	50%
use	Agent (Q2/12)	<mark>4% 10%</mark>	85%	8.5	52%
	Agent (Q3/12)	8% 12%	80%	8.4	54%
	Agent (Q4/12)	<mark>6%</mark> 8%	86%	8.5	56%
		pletely Bottom 4 sagree	Mid 2 Top 4 Com	pletely gree	

14. Now I have a few questions about the automated telephone system and the menu that you had to use at the beginning of your call.

N = Total Agent Handled (287/296)



Automated Phone System Attributes (Q4/11, Q1/12, Q2/12, Q3/12, Q4/12)



Increase in agreement vs. last Quarter for the system provided the information needed.

		~		Mean *	ТВ%
c. The system	Agent (Q4/11)	10% 13%	77%	8.0	40%
was quick to use	Agent (Q1/12)	<mark>6% 12%</mark>	82%	8.3	44%
use	Agent (Q2/12)	<mark>6% 10%</mark>	84%	8.4	47%
	Agent (Q3/12)	10% 11%	79%	8.1	46%
	Agent (Q4/12)	<mark>6% 12%</mark>	82%	8.2	47%
d. The system	Agent (Q4/11)	17% 10%	73%	7.6	43%
provided the information	Agent (Q1/12)	13% 12%	75%	7.8	43%
you needed	Agent (Q2/12)	13% 11%	76%	7.9	44%
	Agent (Q3/12)	14% 16%	70%	7.7	43%
	Agent (Q4/12)	13% 10%	77%	7.9	49%
	C	Completely Bottom 4 Disagree		mpletely Agree	

14. Now I have a few questions about the automated telephone system and the menu that you had to use at the beginning of your call. For each question you can just answer yes or no.

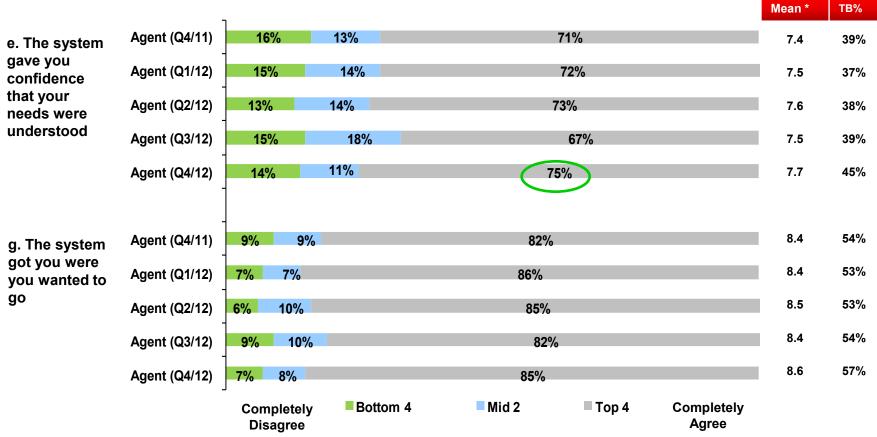
N = Total Agent Handled (299/298)



Automated Phone System Attributes (Q4/11, Q1/12, Q2/12, Q3/12, Q4/12)



Greater agreement that the system gave confidence needs were understood vs. last Quarter.



14. Now I have a few questions about the automated telephone system and the menu that you had to use at the beginning of your call. For each question you can just answer yes or no.

N = Total Agent Handled (293/300)



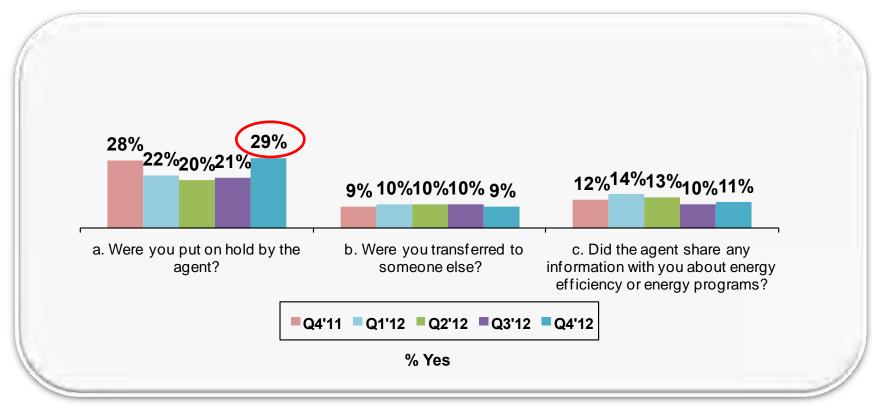
Agent Actions Taken



Agent Interaction (Q4/11, Q1/12, Q2/12, Q3/12, Q4/12)



More were put on hold by the Agent this Quarter than last.



13c. At any point during this call on DATE/TIME ... **

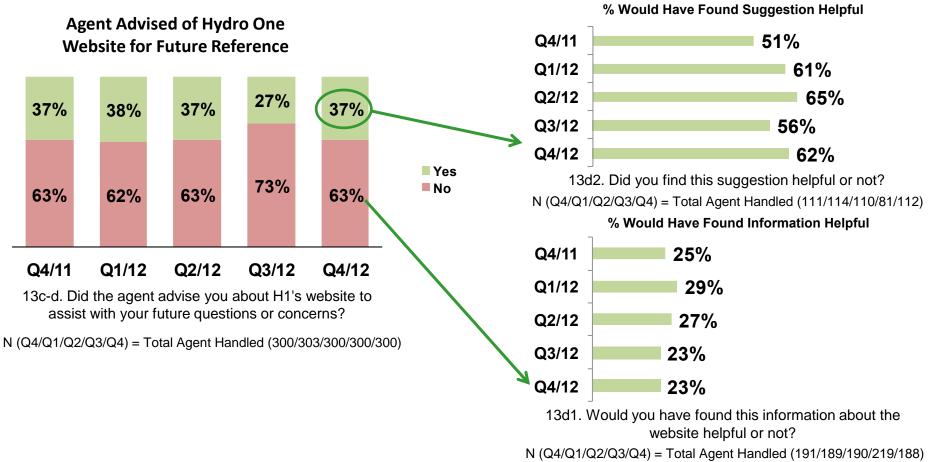
N (Q4) = Total Agent Handled (300)



Agent Website Information Provision (Q4/11, Q1/12, Q2/12, Q3/12, Q4/12)



After a decline in Q3/12, more were advised of Hydro One's website by the Agent (37%) this Quarter. Majority (62%) of this group found the suggestion helpful.

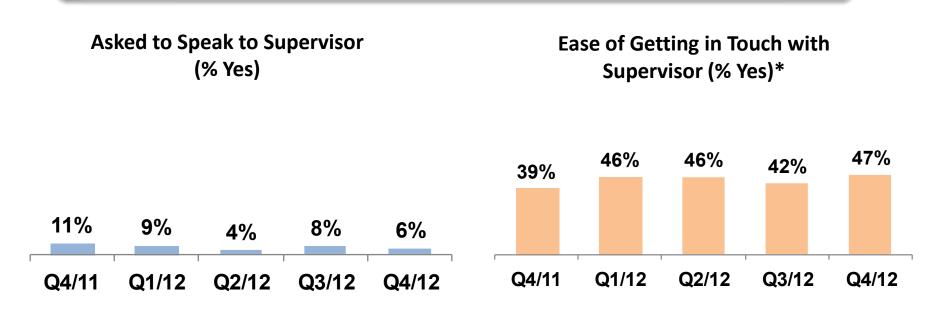




Supervisor Contact (Q4/11, Q1/12, Q2/12, Q3/12)



Few (6%) have asked to be put in touch with a supervisor in the past year. For those that did, 47% indicated it was easy to do so.



15i. During the past year, have you ever asked to be put in touch with a Hydro One Supervisor? **

15i2. Was it easy to be put in touch with a supervisor or not? **

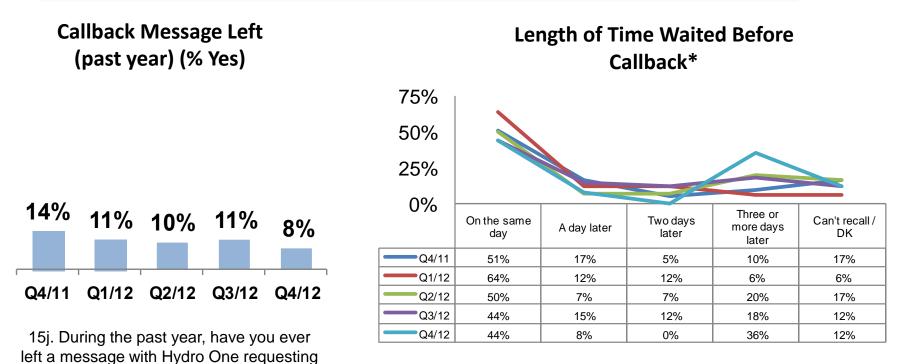
N (Q4'11) (Q1'12) (Q2'12) (Q3'12) (Q4'12) = Total Agent Handled (303/26)(300/11)(300/24)(300/19)(300/19) * Caution: small base size



Callback Follow-up (Q4/11, Q1/12, Q2/12, Q3/12, Q4/12)



About one in ten left a message for a callback in the past year. Almost half (44%) of these customers were called back on the same day.



15j2. And approximately how long did you have to wait before you actually received a call back from Hydro One? Was it... **

N (Q4'11) (Q1'12) (Q2'12) (Q3'12) (Q4'12) = Total Agent Handled (302/41) (303/33) (300/30) (300/25)

* Caution: small base size

that someone call you back? **

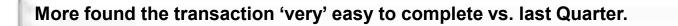


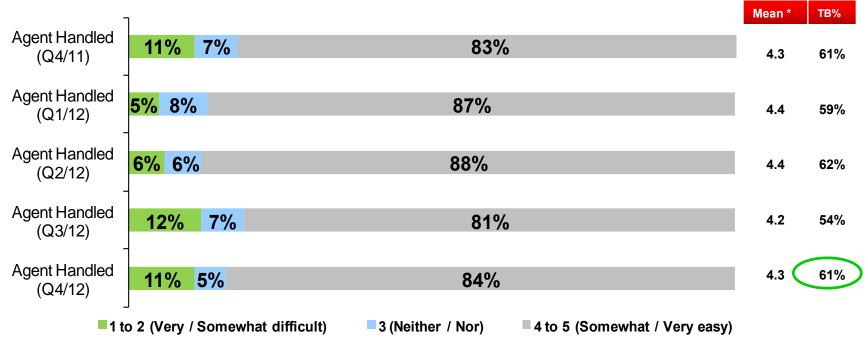
Overall Transaction Assessment



Telephone Transaction Difficulty (Q4/11, Q1/12, Q2/12, Q3/12, Q4/12)







*Mean: Very Difficult (1) to Very Easy (5)

15g. All things considered, how easy or difficult was it for you to do this entire transaction with Hydro One over the telephone?**

N (Q4'11/Q1'12/Q2'12/Q3'12/Q4'12) = Total Agent Handled (300/302/303/300/300)



Reasons for Telephone Transaction Difficulty* (Q4/11, Q1/12, Q2/12, Q3/12, Q4/12)

AGEN1

For the few who had difficulties with their transaction, they related to an inability of the Agent to address their concern or to automated system issues.

	Q4/11	Q1/12	Q2/12	Q3/12	Q4/12
Agent Service Difficulties (NET) (agent had no knowledge of problem / couldn't answer questions, agent offered no solutions to my issue / would not help me)	38%	40%	59%	60%	46%
Automated System Difficulties (NET) (automated system is difficult to use, want to speak to an agent immediately / too hard to reach an agent)	50%	47%	35%	24%	39%
Other	9%	13%	6%	22%	15%
Don't know / Refused	3%	-	-	-	-

15g2. Why was it difficult for you? (PROBE) What would have helped make it easier for you?**

N (Q4'11/Q1'12/Q2'12/Q3'12/Q4'12) = Total Agent Handled (32/15/17/37/33)

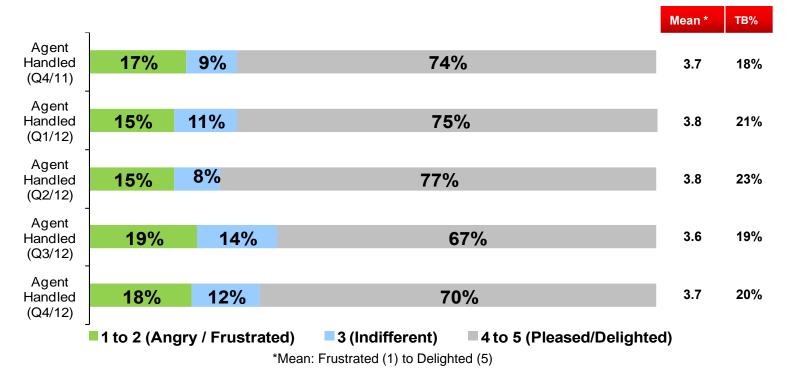
* Caution: small base size



Pleased or Delighted Feelings After Call Experience (Q4/11, Q1/12, Q2/12, Q3/12, Q4/12)



Two thirds (70%) of callers felt pleased or delighted at the end of their call, a level that remains depressed vs. the first half of the year.



15h. How did you feel at the end of this entire call experience with Hydro One? **

N (Q4'11/Q1'12/Q2'12/Q3'12/Q4'12) = Total Agent Handled (300/302/303/300/300)



IVR Outage Callers



Reasons for Call to Hydro One



Customer Stated Reason for Call to Hydro One (Q4/11, Q1/12, Q2/12, Q3/12, Q4/12)



No change in call reason vs. last Quarter.

Customer Stated Reason for Call %

	Q4/11 %	Q1/12 %	Q2/12 %	Q3/12 %	Q4/12
Outage Report / Update (NET NET) (outage reporting NET, outage restoration	99	99	99	99	98
update NET) Outage Reporting (NET) (report outage, report fire / transformer problem / blown breaker)	76	67	75	73	64
Outage Restoration Update (NET) (find out when power would be restored)	23	32	25	25	33
Other (NET) (other)	1	1	1	1	2

2. Now please think about the call you made to Hydro One in the past few days. What was the reason for this call?

N (Q4/Q1/Q2/Q3/Q4) = Total IVR Outage (300/300/300/300/300)



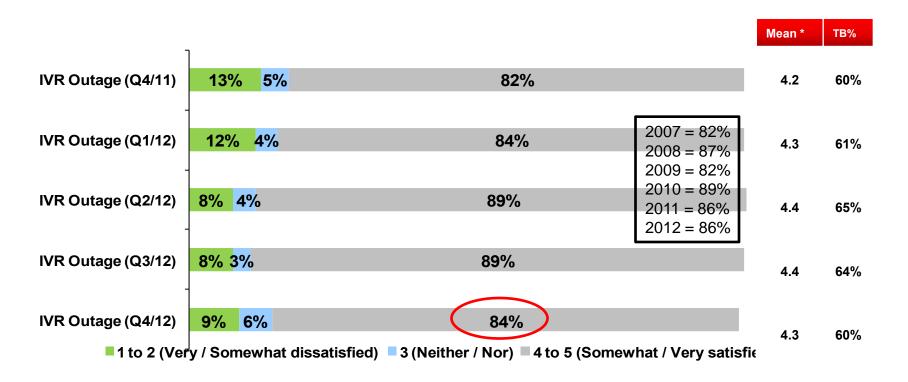
Satisfaction with Call



Satisfaction with Call to Hydro One (Q4/11, Q1/12, Q2/12, Q3/12, Q4/12)



Overall satisfaction with the call is declined vs. last Quarter.



*Mean: Very Satisfied (5) to Very Dissatisfied (1)

- 3. How satisfied were you overall with the call to Hydro One?
- N (Q4/Q1/Q2/Q3/Q4) = Total IVR Outage (296/294/295/297/298)

For Hydro One use only, not for further distribution.



Overall Satisfaction by Reason for Call to Hydro One (Q4/11, Q1/12, Q2/12, Q3/12, Q4/12)



Overall satisfaction levels in Q4/12 declined for outage reporting calls.

			ery / Somewh		
	Q4/11 (n=296)	Q1/12 (n=294)	Q2/12 (n=295)	Q3/12 (n=297)	Q4/12 (n=298)
	% satisfied	% satisfied	% satisfied	% satisfied	% satisfied
Caller Satisfaction Score	82	84	89	89	84
Outage Report / Update (NET NET) (outage report NET, outage restoration NET) (n~291)*	82	84	89	88	85
Outage Report NET (n~191)*	83	84	91	90	86
Outage Restoration NET (n~100)**	79	82	85	82	82

3. How satisfied were you overall with the call to Hydro One? Would you say you were....

*Represents approximate average sample size in each Quarter

** Caution very small base size



Reasons Not Satisfied with Call to Hydro One* (Q4/11, Q1/12, Q2/12, Q3/12, Q4/12)



Dissatisfaction is mainly tied to general customer problems with the information received about the outage status and with access through the automated system Access problems are more pronounced this Quarter vs. last.

	Q4'11*	Q1'12*	Q2'12*	Q3'12*	Q4'12
Outage Response (NET) (no estimated restoration time given, outage lasted too long / longer than I was told, no reason given for outage, outage happened without warning / no outage notice, outage reporting system gave an impossible date, getting too many power outages)	43	44	46	68	38
Access (NET) (couldn't get through to speak to a person, want to be able to talk to a human more quickly / easily, made multiple calls and given different info)	43	42	36	15	47
Other (NET) (dislike automated phone systems, other)	43	33	52	32	32

4. Why were you not satisfied overall with the call?

N = Total IVR Outage

(Q4/Q1/Q2/Q3/Q4) (53/48/33/34/47)

* Caution, small base size

Q4/2012 'Other' Verbatim

- The power was out and was not happy with that fact.
- Because they phoned us back and woke us up to tell us the power was back in was in the middle of the night.
- I waited a couple of days and no one from hydro came to fix it and so my neighbour and myself finally removed it ourselves.
- Because I had to make one to begin with.
- It was adequate the time given as to the restoration was wrong, but it came on sooner so that was ok.





Decline vs. last Quarter for question getting answered corrrectly.

			Process Issues	Mean *	ТВ%
j. The system	IVR Outage (Q4/11)	9%2%	89%	4.4	67%
understanding what you	IVR Outage (Q1/12)	8% 4%	89%	4.4	65%
wanted or	IVR Outage (Q2/12)	7%3%	90%	4.5	69%
needed	IVR Outage (Q3/12)	<mark>8%3</mark> %	90%	4.5	71%
	IVR Outage (Q4/12)	<mark>8%</mark> 2%	91%	4.5	73%
g. Your question	IVR Outage (Q4/11)	<mark>15% 3%</mark>	82%	4.2	61%
getting answered or the	IVR Outage (Q1/12)	12% 2%	87%	4.3	65%
action getting	IVR Outage (Q2/12)	<mark>7%</mark> 5%	88%	4.4	65%
taken correctly, first time	IVR Outage (Q3/12)	<mark>10% 3</mark> %	87%	4.4	66%
	IVR Outage (Q4/12)	<mark>14% 4</mark> %	82%	4.2	60%
		Bottom 2 (Somewhat / V	/ery dissatisfied) 📕 Neither Nor 📕 Top 2 (Very / Somewhat satisfie	d)	

5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with...

N = Total IVR Outage (Q4'11->Q4'12=279-298)

*Mean: Very Satisfied (5) to Very Dissatisfied (1)





No change vs. last Quarter.

	-	Pr	ocess Iss	ues	Mean *	TB%
	IVR Outage (Q4/11)	<mark>13%</mark> 3%	84%		4.3	64%
I. Your ability to access Hydro One to	IVR Outage (Q1/12)	<mark>10%</mark> 2%	88%		4.4	64%
resolve your questions or problems	IVR Outage (Q2/12)	<mark>7%</mark>	90%		4.5	67%
	IVR Outage (Q3/12)	<mark>9% 3%</mark>	88%		4.4	70%
	IVR Outage (Q4/12)	<mark>9% 2</mark> %	89%		4.4	68%
		Bottom 2 (Somewhat / Very dissatisfied)	Neither Nor	Top 2 (Very / Somewhat satisfied)		

5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with...

N = Total IVR Outage (Q4'11→Q4'12=279-298)

*Mean: Very Satisfied (5) to Very Dissatisfied (1)



Satisfaction With Call Specifics (Q4/11, Q1/12, Q2/12, Q3/12, Q4/12)



No change vs. last Quarter.

	_			System Issues	Mean *	TB%
k. The system	IVR Outage (Q4/11)	17%	2%	81%	4.1	57%
being able to give you the	IVR Outage (Q1/12)	18%	1%	81%	4.1	59%
when power would be	IVR Outage (Q2/12)	16%	4%	81%	4.2	63%
	IVR Outage (Q3/12)	15%	2%	83%	4.2	57%
restored	IVR Outage (Q4/12)	18%	3%	80%	4.1	56%
f. The system	IVR Outage (Q4/11)	13%	4%	82%	4.2	59%
letting you know what actions would be taken when you finished	IVR Outage (Q1/12)	12%	6%	82%	4.2	55%
	IVR Outage (Q2/12)	11%	6%	84%	4.3	59%
	IVR Outage (Q3/12)	12%	6%	82%	4.2	57%
the call	IVR Outage (Q4/12)	14%	4%	83%	4.2	59%
		Botton	n 2 (Somewhat / Very dis	satisfied) Reither Nor Top 2 (Very / Somewhat	satisfied)	

5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with...

N = Total IVR Outage (Q4'11→Q4'12=263-303)

*Mean: Very Satisfied (5) to Very Dissatisfied (1)



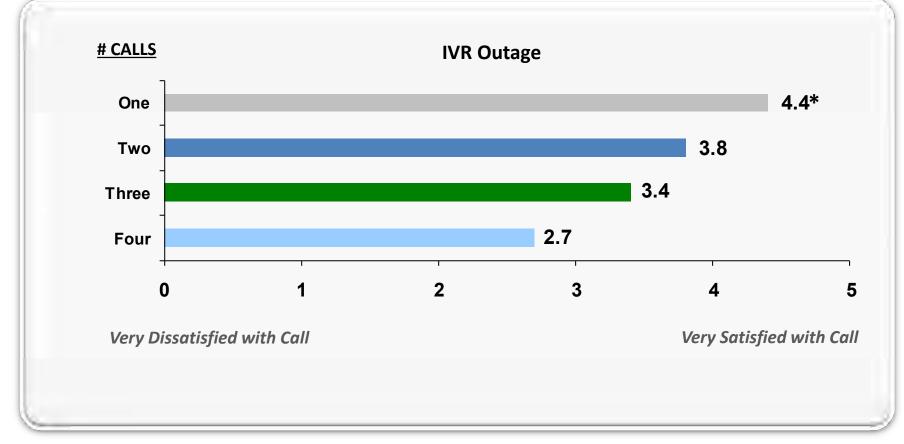
Key Drivers of Overall Satisfaction with Call



Relationship Between Number of Calls Before Connection and Overall Satisfaction With Call



The fewer the number of calls to successfully connect to the menu the greater is caller satisfaction with the call.



N = IVR Outage (~1200) Based on July/11 – June/12 dataset

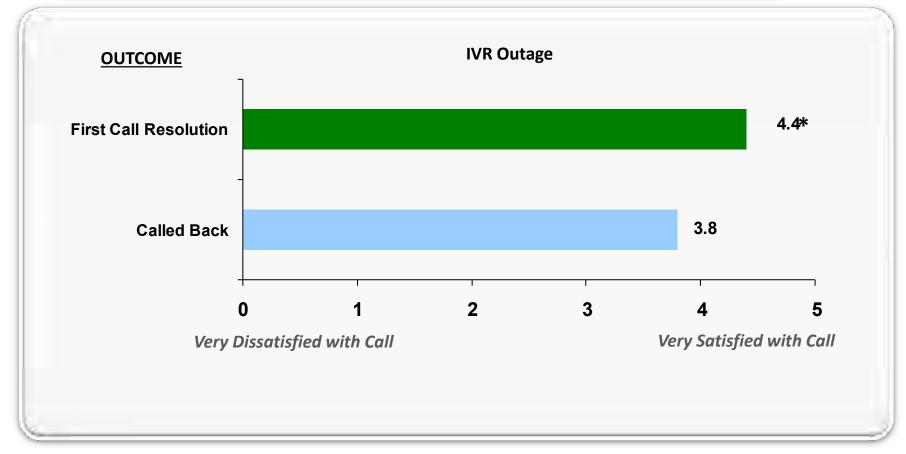
*Mean Satisfaction 1-5



Relationship Between First Call Resolution and Overall Satisfaction with Call

IVR Outage

Satisfaction with the call is much greater if there is first call resolution.



N = IVR Outage (~1200) Based on July/11 – June/12 dataset

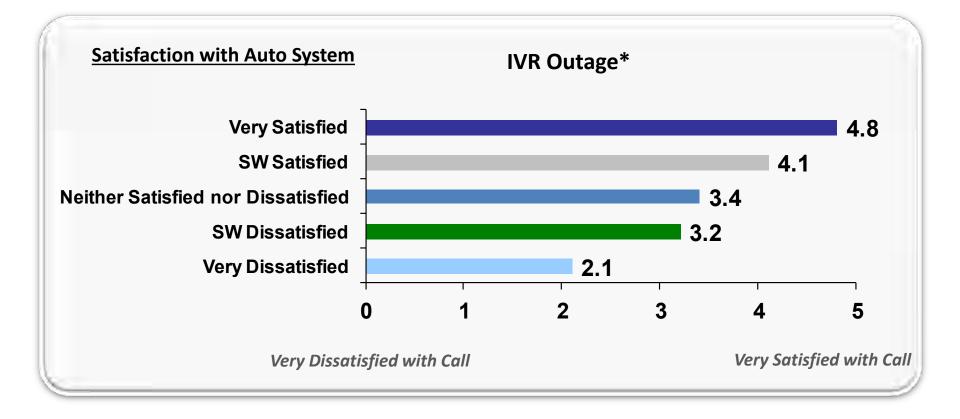
*Mean Satisfaction 1-5



Relationship Between Satisfaction with Auto System and Overall Satisfaction With Call



The more satisfied callers are with the automated system, the more satisfied they are overall with the call.



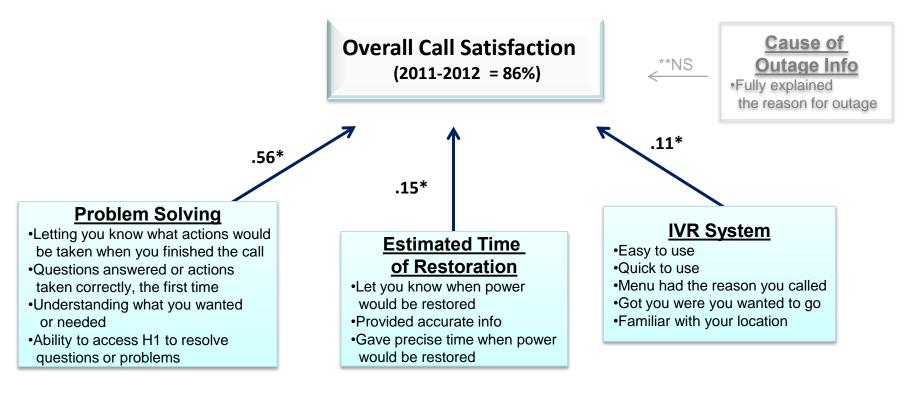
N = IVR Outage (~1200) Based on July/11 – June/12 dataset

*Mean Satisfaction 1-5





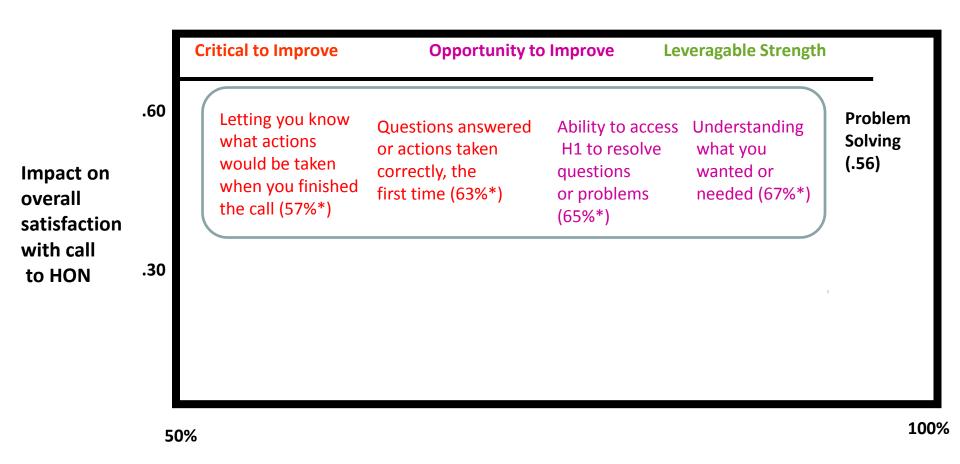
The key driver of overall satisfaction with the call is 'Problem Solving'. Less influential are 'Estimated Time of Restoration' and the 'IVR System'.





OVERALL SATISFACTION WITH CALL TACTICAL PRIORITIES FOR KEY DRIVERS

IVR Outage Callers

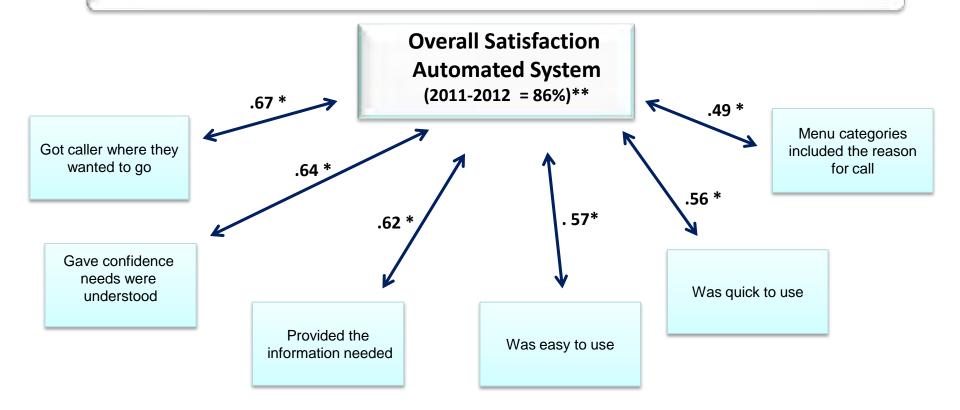


Hydro One Performance

*(% Very Satisfied) ** (% Top 2 of 10 Agree)



Many call elements are correlated with overall satisfaction with the automated system.



*Correlation coefficients derived from July/11– June /12

** % Very/Somewhat satisfied

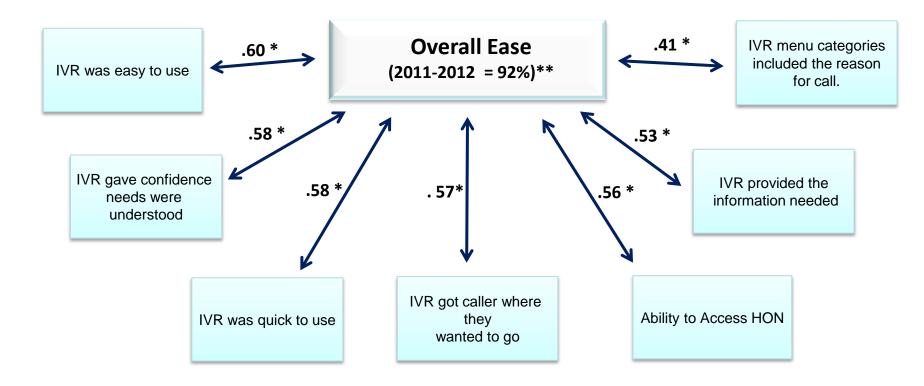
IVR Outage dataset N = ~1,200



Overall Ease of the Transaction (Total IVR Outage Calls)



Many call elements are correlated with overall ease of the transaction.



*Correlation coefficients derived from July/11– June /12

** % Very/Somewhat easy

IVR Outage dataset N = ~1,200

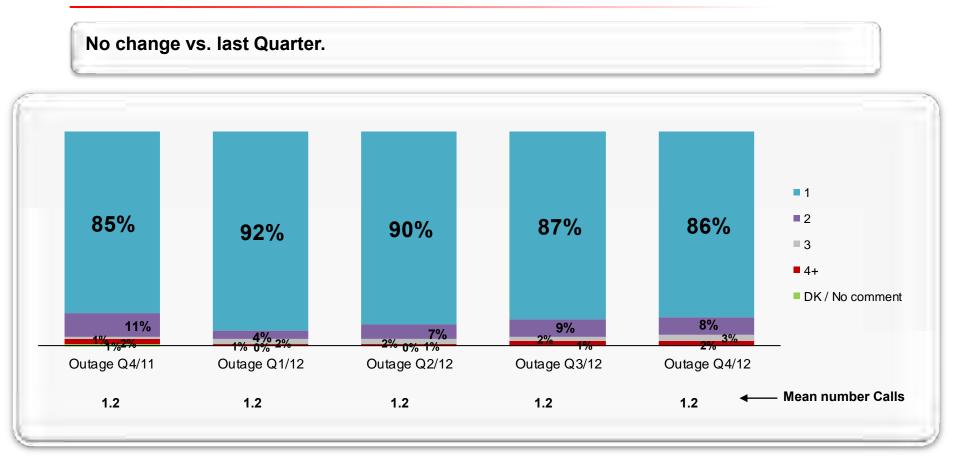


Connection & Call Resolution Issues



Number of Calls Made Before Connection to Hydro One's Automated System Menu (Q4/11, Q1/12, Q2/12, Q3/12, Q4/12)





8. For this most recent call, how many times did you have to try Hydro One's telephone number before you were connected to the menu in the automated voice system?

N (Q4/Q1/Q2/Q3/Q4)= IVR Outage callers (300/300/300/300/300)



First Call Resolution (Q4/11, Q1/12, Q2/12, Q3/12, Q4/12)



Notable decline in FCR vs. last Quarter.

	First Call Resolution				
	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12
Yes	82	86	81	82	72
No	16	13	16	15	24
Neither	2	1	3	4	3

10. And once you did get through to a representative, was your issue resolved on the first call, or did you need to call back more than once?

N (Q4/Q1/Q2/Q3/Q4) = Total IVR Outage (300/300/300/299/300)

		Nur	nber of	Callba	cks*	
		Q4 11	Q1 12	Q2 12	Q3 12	Q4 12
	One	33	43	50	35	39
	Тwo	22	19	20	20	19
\rightarrow	Three	11	17	4	16	15
	Four+	17	12	7	7	18
	DK	17	10	20	22	10
	Mean #	2.4	2.1	1.8	2.0	2.7

11. And after this initial call, how many times did you need to call back about the same issue?

N (Q4/Q1/Q2/Q3/Q4) =

Total IVR Outage (54/12/56/55/83)

* Caution, small base sizes



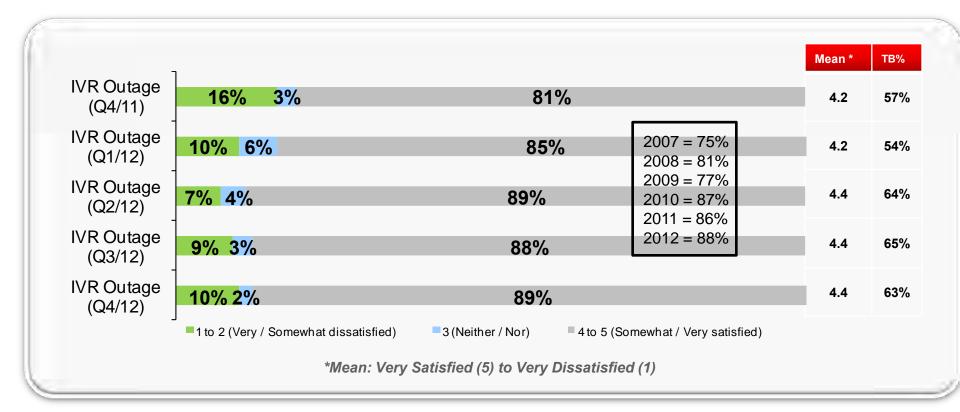
Automated Telephone Answering System



Satisfaction with Hydro One's Automated Telephone Answering System (Q4/11, Q1/12, Q2/12, Q3/12, Q4/12)



Satisfaction with the automated system is unchanged vs. the last Quarter.



13a. When you made your most recent call to Hydro One, you were initially connected to an automated telephone system. Overall, how satisfied were you with Hydro One's automated telephone answering system?

N (Q4/Q1/Q2/Q3/Q4) = Total IVR Outage (300/296/298/299/296)



Reasons Dissatisfied with Automated Phone System* (Q4/11, Q1/12, Q2/12, Q3/12, Q4/12)



Across all quarters, dissatisfaction is primarily tied to a general dislike of automated phone systems or a desire to speak with a live rep.

	Q4/11	Q1/12	Q2/12	Q3/12	Q4/12
Don't like automated phone system	21	14	55	36	45
Wanted to speak to a live rep	25	18	36	14	14
Too many options / menu too complex / complicated	10	4	-	-	3
Options didn't match my needs	8	-	5	-	10
Could not get through	2	-	5	21	7
Other (Other, IVR does not work / doesn't understand me, takes too long to get through, estimated restore time incorrect, didn't give reason for outage)	48	89	18	32	45

*Reasons %

13b. Why were you not satisfied?

N (Q4/Q1/Q2/Q3/Q4) = Total dissatisfied with automated phone system (IVR Outage = 48/28/22/28/29)

* Caution, very small base sizes



Automated Phone System Attributes (Q4/11, Q1/12, Q2/12, Q3/12, Q4/12)



Greater agreement vs. last Quarter for the menu categories included call reason.

			Mean *	ТВ%
. The mean	IVR Outage (Q4/11) 5% 7%	89%	9.0	68%
a. The menu categories	IVR Outage (Q1/12) 4% 8%	88%	8.8	62%
included the	IVR Outage (Q2/12) 3% 5%	91%	9.0	64%
reason you called	IVR Outage (Q3/12) 3% 9%	88%	8.9	65%
	IVR Outage (Q4/12) 4% 4%	92%	9.2	69%
	IVR Outage (Q4/11) 5% 7%	89%	8.8	62%
b. The	IVR Outage (Q1/12) 5% 6%	88%	8.8	62%
system was	IVR Outage (Q2/12) 4% 4%	91%	9.0	66%
easy to use	IVR Outage (Q3/12) 5% 5%	90%	9.0	68%
	IVR Outage (Q4/12) 5% 4%	91%	9.0	67%
	Completely Disagree	Bottom 4 Mid 2 Top 4 Ce	ompletely Agree	

14. Now I have a few questions about the automated telephone system and the menu that you had to use at the beginning of your call.

N (Q4'11/Q1'12/Q2'12/Q3'12/Q4'12) = Total IVR Outage (300/300/299/300/300)



Automated Phone System Attributes (Q4/11, Q1/12, Q2/12, Q3/12, Q4/12)



No change in agreement vs. last Quarter.

				Mean *	TB%
	IVR Outage (Q4/11)	<mark>5%</mark> 7%	88%	8.7	56%
c. The system	IVR Outage (Q1/12)	7% 9%	84%	8.6	55%
was quick to use	IVR Outage (Q2/12)	2 <mark>% 7%</mark>	91%	9.0	62%
use	IVR Outage (Q3/12)	<mark>5% 6</mark> %	89%	8.9	61%
	IVR Outage (Q4/12)	<mark>5%</mark> 4%	91%	8.8	58%
d. The system	IVR Outage (Q4/11)	12% 6%	82%	8.3	57%
provided the information	IVR Outage (Q1/12)	11% 8%	81%	8.3	55%
you needed	IVR Outage (Q2/12)	7% 7%	86%	8.6	58%
	IVR Outage (Q3/12)	8% 7%	85%	8.6	60%
	IVR Outage (Q4/12)	9% 9%	82%	8.4	58%
		Dietely Bottom 4 agree	Mid 2 Top 4	Completely Agree	

14. Now I have a few questions about the automated telephone system and the menu that you had to use at the beginning of your call. For each question you can just answer yes or no.

N (Q4'11/Q1'12/Q2'12/Q3'12/Q4'12) = Total IVR Outage (302/300/299/300/300)



Automated Phone System Attributes (Q4/11, Q1/12, Q2/12, Q3/12, Q4/12)



No change in agreement vs. last Quarter.

		_					Mean *	TB%
	IVR Outage (Q4/11)	11% 8%		80%			8.2	55%
-	IVR Outage (Q1/12)	13% 6%		80%			8.1	53%
e. The system gave you	IVR Outage (Q2/12)	<mark>6% 1</mark> 0%		84%			8.5	54%
confidence that your	IVR Outage (Q3/12)	9% 7%		84%			8.4	54%
needs were understood	IVR Outage (Q4/12)	8% 7%		85%			8.5	57%
	IVR Outage (Q4/11)	10% 7%		83%			8.5	58%
g. The system	IVR Outage (Q1/12)	10% 6%		84%			8.4	54%
got you were you wanted to	IVR Outage (Q2/12)	<mark>6%</mark> 6%		88%			8.8	59%
go	IVR Outage (Q3/12)	8% 7%		85%			8.7	63%
	IVR Outage (Q4/12)	<mark>6%</mark> 5%		88%			8.8	63%
		Completely Disagree	Bottom 4	Mid 2	Top 4	Completely Agree		

14. Now I have a few questions about the automated telephone system and the menu that you had to use at the beginning of your call. For each question you can just answer yes or no.

N (/Q4'11/Q1'12/Q2'12/Q3'12/Q4'12) = Total IVR Outage (302/300/296/300/300)



Outage Reporting System & ETR



Opinions of the Outage Reporting System (Q4/11, Q1/12, Q2/12, Q3/12, Q4/12)



No change in agreement vs. last Quarter.

								Mean *
	Q4/11	<mark>5% 5%</mark>			89%			8.9
C. The system was familiar with your	Q1/12	5% 7%			88%			8.9
location once you told it where you	Q2/12	<mark>4% 6%</mark>			90%			9.0
lived	Q3/12	<mark>5% 5%</mark>			90%			9.0
	Q4/12	<mark>6% 5%</mark>			89%			9.0
	Q4/11	16%	12%			73%		7.7
A. The system	Q1/12	16%	13%			72%		7.8
provided accurate information	Q2/12	14%	12%		-	74%		7.9
	Q3/12	14%	13%			74%		7.8
	Q4/12	14%	14%			72%		7.9
		_ Disagree		Bottom 4	Mid	Top 4	Agree	

*Mean: Disagree (1) to Agree (10)

14a. Using a 1 to 10 scale, where 1 means you disagree completely and 10 means you agree completely, please rate each of the following statements regarding the outage reporting system. You may use a 1 or a 10, or any number in between to rate each statement.

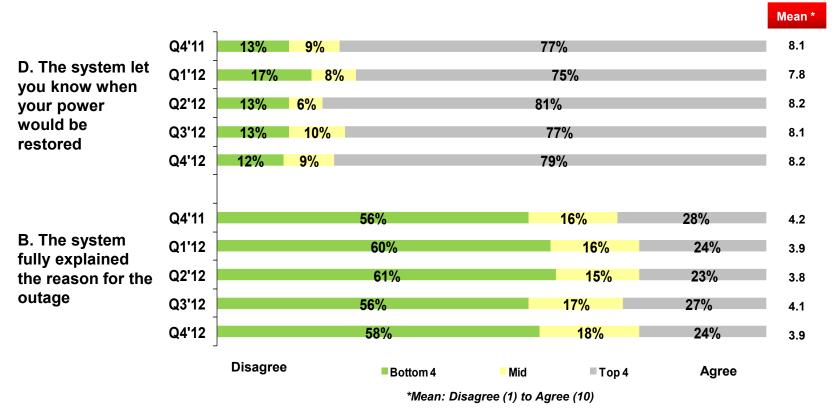
148 Total IVR Outage (Q4/Q1/Q2/Q3/Q4) (297/300/298/297/298)



Opinions of the Outage Reporting System (Q4/11, Q1/12, Q2/12, Q3/12, Q4/12)

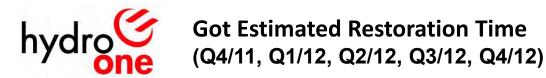


No change in agreement vs. last Quarter.



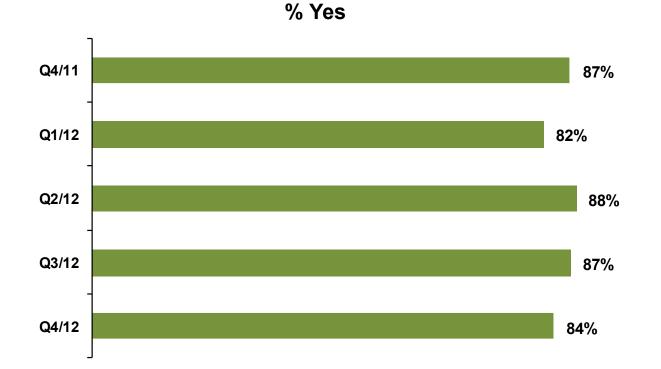
14a. Using a 1 to 10 scale, where 1 means you disagree completely and 10 means you agree completely, please rate each of the following statements regarding the outage reporting system. You may use a 1 or a 10, or any number in between to rate each statement.

149 Total IVR Outage (Q4/Q1/Q2/Q3/Q4) (297/300/298/297/298)









15a. When you called, did you receive an Estimated Restoration Time?

N (Q4/Q1/Q2/Q3/Q4) = Total IVR Outage (300/300/300/300)



ETR Accuracy (Q4/11, Q1/12, Q2/12, Q3/12, Q4/12)



Almost nine in ten (87%) of those getting an ETR indicated that power was restored by the ETR communicated to them, or before.



Total IVR Outage Receiving an ETR (242/237/233/256/240)

*Derived from q15b and q15bb – includes very/somewhat accurate ETR (from q15b) and percent stating power was restored before promised time (in q15bb).

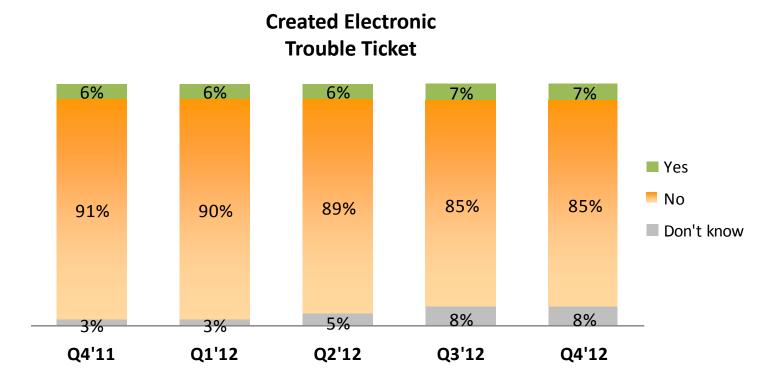
For Hydro One use only, not for further distribution.



Electronic Trouble Ticket Creation (Q4/11, Q1/12, Q2/12, Q3/12, Q4/12)



Only a small percent (7%) created an electronic trouble ticket. This has declined since Q1/09 (when it was at 43%).



15c. Did you continue past the automated voice system to create an electronic trouble ticket? **

N (Q4'11/Q1'12/Q2'12/Q3'12/Q4'12) = Total IVR Outage (300/300/300/300/300)

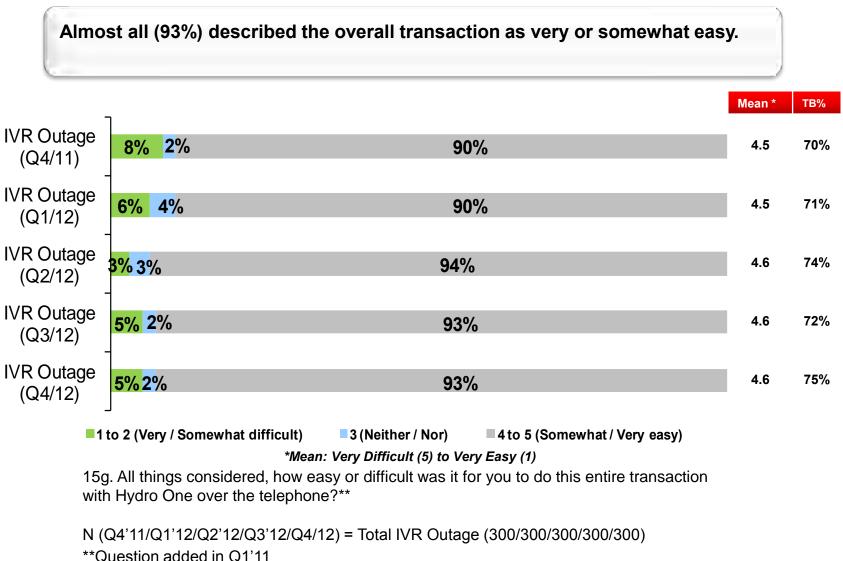


Overall Transaction Assessment



Telephone Transaction Difficulty** (Q4/11, Q1/12, Q2/12, Q3/12, Q4/12)

IVR Outage







	Q4/11	Q1/12	Q2/12	Q3/12	Q4/12
Automated System Difficulties (NET) (automated system is difficult to use, want to speak to an agent immediately / too hard to reach an agent)	57%	44%	50%	57%	67%
Service Difficulties (NET) (no knowledge of problem / couldn't answer questions, offered no solutions to my issue / would not help me)	-	22%	-	-	7%
Other	44%	33%	50%	29%	33%
Don't know / Refused	-	-	-	14	-

15g2. Why was it difficult for you? (PROBE) What would have helped make it easier for you?**

N (Q4'11/Q1'12/Q2'12/Q3'12/Q4'11) = Total IVR Outage (23/18/10/14/15) * Very low sample size

Q4/2012 'Other' Verbatim

- Talking to a person that lives in Canada.
- I had to call multiple times to get through.
- If we had a landline telephone as our cell phone service out here is terrible.
- Because I was deal with a seasonal residents and I was not at that site I was an hour away from the site and there was no phone or cellular service up there, when someone has a seasonal residents but they should put into a subset for seasonal residents.
- I had to call so many times because the lines were tied up . I think they should provide call backs so I don't have to keep repeating my self to get an answer.



IVR Self Serve Callers



Reasons for Call to Hydro One



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Majority of calls are made to get an account balance.

Q4/11 Q1/12 Q2/12 Q3/12 Q4/12 % % % % % 62 53 59 To Get Account Balance (NET) 60 60 Meter Issues (NET) (input meter reading, report meter error, smart meter/new meter, reading 14 17 20 20 23 error, broken meter) 21 26 17 16 13 Payment / Bills (NET NET) (bill question / problem NET, payment issues NET) Payment Issues (NET) (report making a payment, payment notification, discuss / negotiate 18 21 14 11 14 payment, disconnection notice follow-up, power disconnected) Bill Question / Problem (NET) (investigate major bill increase, change banking info, not received 3 5 3 2 1 bill/wanted copy) 1 1 1 Outage Report / Update (NET NET) Outage Reporting (NET) (investigate / report outage) 1 1 1 Moving / New Service (NET) (moving / providing updated information, to provide new account 1 1 1 1 name / change account name) Time of Use (NET) (issue / question about time of use policy, issue / question about time of use process) Other (NET) (to remove a light / pole / HON equipment on my property, to inquire about HON 2 3 2 2 3 services, other)

Customer Stated Reason for Call %

2. Now please think about the call you made to Hydro One in the past few days. What was the reason for this call? N (Q4/Q1/Q2/Q3/Q4) = Total IVR Self Serve (301/303/300/300)



Satisfaction with Call

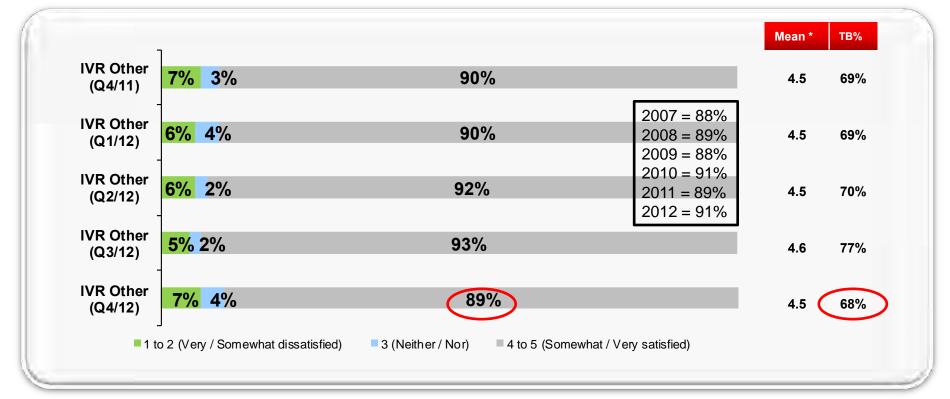


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Satisfaction with Call to Hydro One (Q4/11, Q1/12, Q2/12, Q3/12, Q4/12)



Overall satisfaction with the call is down this Quarter.



*Mean: Very Satisfied (5) to Very Dissatisfied (1)

- 3. How satisfied were you overall with the call to Hydro One?
- N (Q4/Q1/Q2/Q3/Q4) = Total IVR Self Serve (301/300/296/294/)



Overall Satisfaction by Reason for Call to Hydro One (Q4/11, Q1/12, Q2/12, Q3/12, Q4/12)



Decline in satisfaction for those calling about payment and meter issues.

	*Top 2 box (Very / Somewhat Satisfied)							
	Q4/11 (n=301)	Q1/12 (n=300)	Q2/12 (n=296)	Q3/12 (n=294)	Q4/12 (n=294)			
	% satisfied	% satisfied	% satisfied	% satisfied	% satisfied			
Caller Satisfaction Score	90	90	92	93	89			
Account Balance (NET) (n ~ 179)*	96	94	93	95	94			
Payment / Bills (NET NET) (payment issues NET, bill question / problem NET) (n ~ 38)*	84	86	92	92	76			
Payment Issues (NET) (n ~ 32)*	85	86	90	95	75			
Bill Question / Problem (NET) (n ~ 6)*	78	87	100	50	83			
Outage Reporting / Update (NET NET) (outage report NET) (n ~ 2)*	50	-	-	25	50			
Outage Reporting (NET) (n ~ 2)*	50	-	-	25	50			
Meter Issues (NET) (n ~ 68)*	79	85	93	95	84			
Other (NET) (n ~ 10)*	83	89	67	80	80			

3. How satisfied were you overall with this call to Hydro One? Would you say you were...

*Represents approximate average sample size in each Quarter



Reasons Not Satisfied with Call to Hydro One* (Q4/11, Q1/12, Q2/12, Q3/12, Q4/12)

IVR Self Serve

Dissatisfaction is mainly tied to access challenges through the automated systems.

	Q4'11*	Q1'12*	Q2'12*	Q3'12*	Q4'12*
Access (NET) (couldn't get through to speak to a person, put on hold for too long, too cumbersome / difficult to get through to Hydro One)	35	33	50	33	27
Rep Skill (NET) (did not say what action would be taken, CSR was unable to resolve why bill was so high, CSR wasn't a good listener)	3	-	13	5	21
Hydro One Policy (NET) (CSR wouldn't discuss account – not in my name)	7	3	-	5	9
Bill / Payment (NET) (equal billing / estimated bill is (still) high, other billing mentions)	-	3	-	5	9
Rep Information (NET) (did not get answers needed)	21	27	17	19	6
Rep Attitude (NET) (CSR/rep was rude/unprofessional/terse, CSR was unaccommodating/uncaring)	3	-	8	-	3
Outage Response (NET) (outage lasted too long / long than I was told)	-	-	-	5	-
Other (NET) (dislike automated phone systems, dissatisfied with collection process / threats, other)	59	37	63	48	42

4. Why were you not satisfied overall with the call?

N (Q4/Q1/Q2/Q3/Q4)

= Total IVR Self Serve

(29/30/24/21/33)

* Caution, small base sizes

Q4/2012 'Other' Verbatim

- It sounded like I had to repeat the meter reading, because it kept asking for it.
- I thought that I was on a smart meter and would not have to call in to do it myself. It was an inconvenience.
- They told me I would initially get the cheque in 1 or 3 days. Instead it would take about 2 weeks.
- The amount of fee's attached to the option. When you want to use your credit card to pay your bill and you go to any other business, they take the amount that you owe and process that without charging the customer their processing fees.
- · Nothing it was fine. I was just an account balance
- Because what I wanted was not an option.
- There isn't even a given day of the month when they accept my reading. Unless I put in my reading on a certain day, which I don't know what it is, then they won't be able to read it.





Satisfaction with 'process' issues is unchanged this Quarter.

		_	Process Issues	Mean *	ТВ%
	IVR Self Serve (Q4/11)	<mark>6%</mark> 1%	93%	4.6	77%
g. Your question getting	IVR Self Serve (Q1/12)	<mark>6% 3</mark> %	91%	4.5	72%
answered or the action getting	IVR Self Serve (Q2/12)	7% 2%	91%	4.6	76%
taken correctly, first time	IVR Self Serve (Q3/12)	<mark>6%</mark> 1%	94%	4.6	79%
	IVR Self Serve (Q4/12)	<mark>7%</mark> 1%	92%	4.5	75%
I. Your ability to	IVR Self Serve (Q4/11)	7% 2%	91%	4.5	70%
access Hydro One to resolve	IVR Self Serve (Q1/12)	7% 2%	92%	4.5	71%
your questions	IVR Self Serve (Q2/12)	<mark>6%</mark> 2%	93%	4.6	72%
or problems	IVR Self Serve (Q3/12)	<mark>5%2</mark> %	93%	4.6	75%
	IVR Self Serve (Q4/12)	<mark>9%</mark> 1%	90%	4.5	70%

Bottom 2 (Somewhat / Very dissatisfied) Neither Nor Top 2 (Very / Somewhat satisfied)

5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with... N = Total IVR Self Serve (Q4'11 \rightarrow Q4'12=172-298)



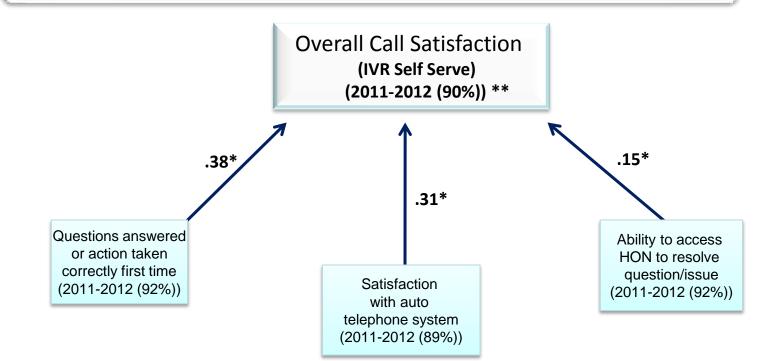
Key Drivers of Overall Satisfaction with Call



Relationship Between Overall Call Satisfaction & Call Specifics



Overall call satisfaction for IVR Self Serve callers is impacted by 'questions being answered correctly' and satisfaction with the automated telephone system.



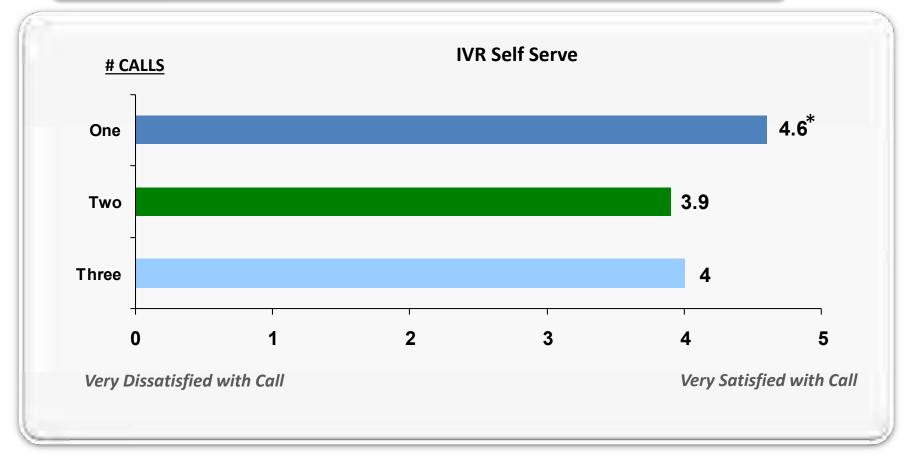
*Betas derived from July/11– June /12 ** % Very/Somewhat satisfied IVR Self Serve dataset N = +/- 1,204 Adjusted R²= 0.52



Relationship Between Number of Calls Before Connection and Overall Satisfaction With Call

IVR Self Serve

For IVR Self Serve callers, the fewer calls needed to get a connection to the automated menu, the greater is caller satisfaction.



N = IVR Self Serve (1,179) Based on July/11 – June/12 dataset *Mean Satisfaction 1-5

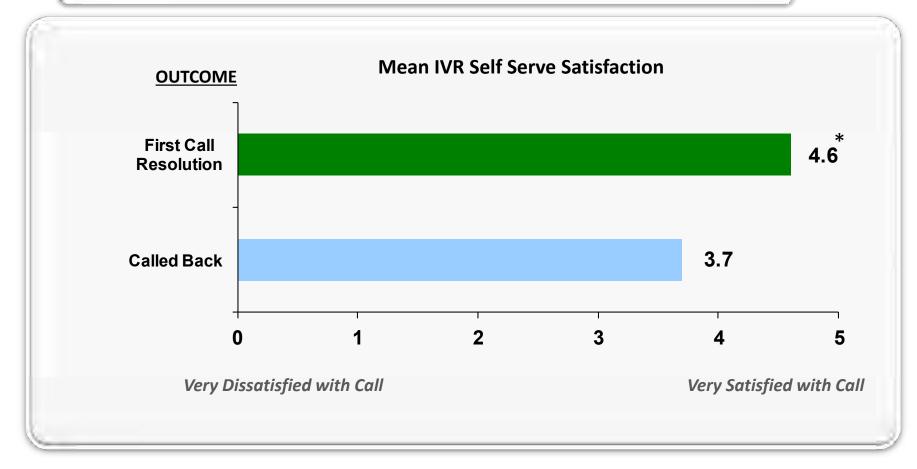
** Sample too small to report for four calls and more



Relationship Between First Call Resolution and Overall Satisfaction with Call



For IVR Self Serve callers, satisfaction with the call is much greater if there is first call resolution.



N = IVR Self Serve (1,183)

*Mean Satisfaction 1-5

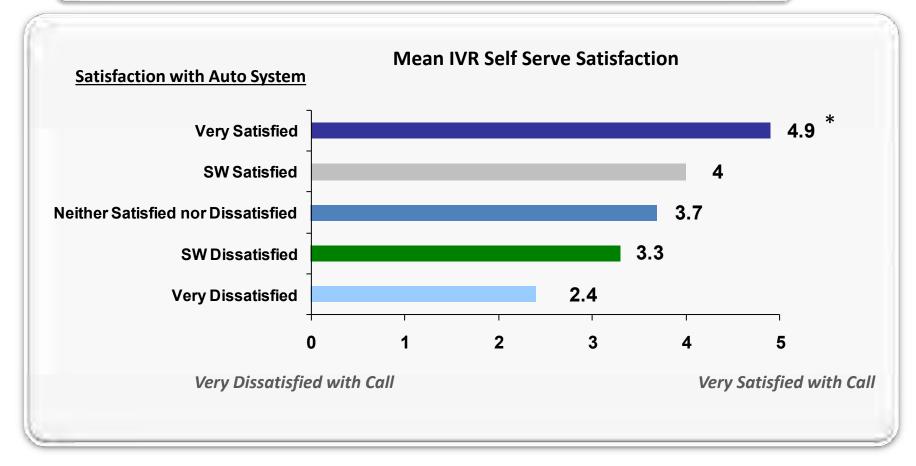
Based on July/11 – June/12 dataset



Relationship Between Satisfaction with Auto System and Overall Satisfaction With Call



The more satisfied Self Serve callers are with the automated menu, the more satisfied they are with the call overall.



N = IVR Self Serve (1194)

*Mean Satisfaction 1-5

Based on July/11 – June/12 dataset



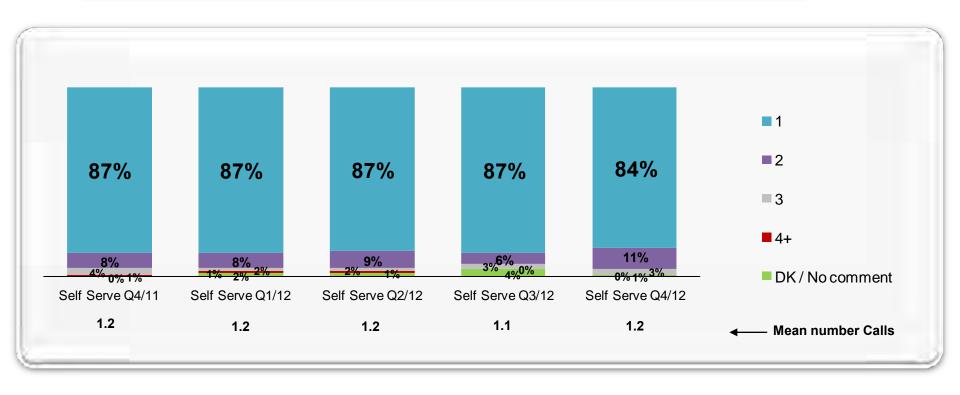
Connection & Call Resolution Issues



Number of Calls Made Before Connection to Hydro One's Automated System Menu (Q4/11, Q1/12, Q2/12, Q3/12, Q4/12)



Connecting with the automated system menu with only one call is similar across the Quarters.



8. For this most recent call, how many times did you have to try Hydro One's telephone number before you were connected to the menu in the automated voice system?

N (Q4/Q1/Q2/Q3/Q4)= IVR Self Serve callers (301/303/300/300/300)



First Call Resolution (Q4/11, Q1/12, Q2/12, Q3/12, Q4/12)



First call resolution is unchanged vs. last Quarter.

		First	Call Resolut	ion	
	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12
Yes	90	87	86	90	87
Νο	7	10	11	7	10
Neither	2	3	3	3	3

10. And once you did connect with the automated voice system, was your issue resolved on the first call, or did you need to call back more than once? N (Q4/Q1/Q2/Q3/Q4) = Total IVR Self Serve (301/302/299/300/300)



Final Outcome of Call for Those Who Called 2+ Times (Q4/11, Q1/12, Q2/12, Q3/12, Q4/12)



A very small percent (4%) of customers are stating that their issue (or the reason for their call) was 'never resolved' - even after calling 2+ times.

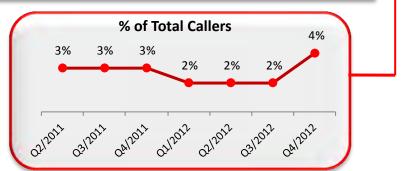
	Q4/11	Q1/12	Q2/12	Q3/12	Q4/12
Resolved after you followed up with Hydro One	38	43	57	40	45
Never resolved	28	15	17	20	34
Resolved after Hydro One took some other action	3	5	-	6	8
Resolved after it was passed along to someone	-	-	-	-	-
Other (volunteered)	31	38	26	23	13

Final Outcome % *

13. I am going to read you a list. Please tell me which of the four describes the final outcome of your call?

N (Q4/Q1/Q2/Q3/Q4) = Total IVR Self Serve (29/40/42/30/38)

*Caution, very small base sizes





Automated Telephone Answering System

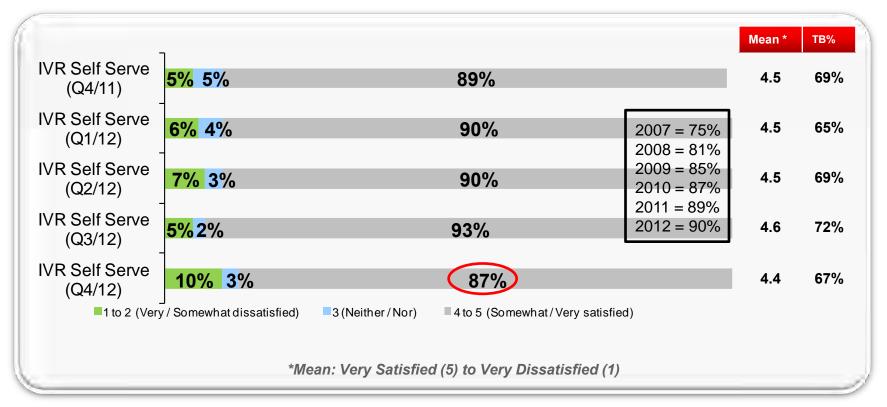


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Satisfaction with Hydro One's Automated Telephone System (Q4/11, Q1/12, Q2/12, Q3/12, Q4/12)



Satisfaction with the automated system has declined vs. last Quarter.



13a. When you made your most recent call to Hydro One, you were initially connected to an automated telephone system. Overall, how satisfied were you with Hydro One's automated telephone answering system?

N (Q4/Q1/Q2/Q3/Q4) = Total IVR Self Serve (301/303/299/299/297)



Reasons Dissatisfied with Automated Phone System* (Q4/11, Q1/12, Q2/12, Q3/12, Q4/12)



Dissatisfaction is primarily tied to a desire to speak with a representative, dislike of automated systems and menu issues.

Reasons % *					
	Q4/11	Q1/12	Q2/12	Q3/12	Q4/12
Don't like automated phone systems	25	26	32	44	42
Too many options/menu to complex	19	26	18	6	19
Wanted to speak to a live rep	38	37	14	31	19
Options didn't match my needs	19	21	14	19	10
Could not get through	-	-	-	6	10
Takes too long to get through	-	16	18	13	7
Auto voice recognition does not work/doesn't understand me	-	-	-	-	3
Other	19	16	41	13	23

13b. Why were you not satisfied?

N = Total dissatisfied with automated phone system

(IVR Self Serve = (16/19/22/16/31))

* Caution, very small base sizes

- System did not allow me to back out once I knew the letter was wrong. Had to start over.
- Peoples numbers go into the system.
- The computer system was down and it could not answer my question, it then put me through to a person who also could not answer my question.

Q4/2012 'Other' Verbatim

- You do not get a final result saying for example your reading has been taken thank you very much.
- I was not sure that my meter reading was successfully inputted or not because the voice kept repeating over and over "to input my meter readings"-this was happening even after I had already inputted the numbers from the meter. So right now I don't know if hydro one got my meter reading. Before as soon after I input the numbers then the system would automatically allow me to speak to a rep.
- I give them my meter reading which I know is correct and they do not use it.
- Did not want to use credit card with an automated system



Automated Phone System Attributes (Q4/11, Q1/12, Q2/12, Q3/12, Q4/12)



Agreement has declined vs. last Quarter.

		-					Mean *	TB%
a. The menu categories	IVR Self Serve (Q4/11)	<mark>3% 7%</mark>		89%			9.0	68%
	IVR Self Serve (Q1/12)	6% 7%		87%			8.8	65%
included the reason you	IVR Self Serve (Q2/12)	<mark>5%</mark> 6%		89%			8.9	69%
called	IVR Self Serve (Q3/12)	<mark>3% 6</mark> %		91%			9.1	70%
	IVR Self Serve (Q4/12)	<mark>8%</mark> 6%		86%			8.7	64%
b. The	IVR Self Serve (Q4/11)	- 6% 5%		89%			8.9	66%
system was	IVR Self Serve (Q1/12)	<mark>3% 7%</mark>		90%			8.9	62%
easy to use	IVR Self Serve (Q2/12)	<mark>2% 7%</mark>		91%			9.0	66%
	IVR Self Serve (Q3/12)	<mark>3%5%</mark>		92%			9.1	69%
	IVR Self Serve (Q4/12)	7% 7%		86%			8.7	61%
		Completely Disagree	Bottom 4	Mid 2	🗖 Тор 4	Completely Agree		

14. Now I have a few questions about the automated telephone system and the menu that you had to use at the beginning of your call.

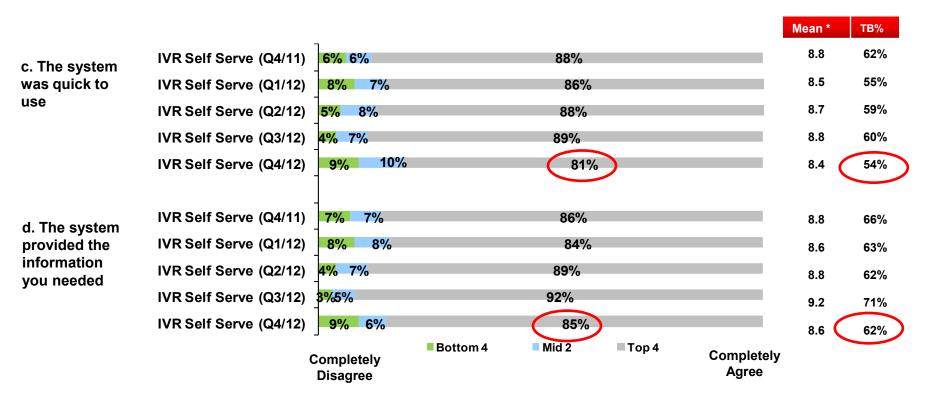
N (Q4'11/Q1'12/Q2'12/Q3'12/Q4'12) = Total IVR Self Serve (2301/303/296/295/298)



Automated Phone System Attributes (Q4/11, Q1/12, Q2/12, Q3/12, Q4/12)



Agreement has declined vs. last Quarter.



14. Now I have a few questions about the automated telephone system and the menu that you had to use at the beginning of your call. For each question you can just answer yes or no.

N (Q4'11/Q1'12/Q2'12/Q3'12/Q4'12) = Total IVR Self Serve (301/303/299/300/298)



Automated Phone System Attributes (Q4/11, Q1/12, Q2/12, Q3/12, Q4/12)



Agreement has declined vs. last Quarter.

				Mean *	ТВ%
e. The system gave you	IVR Self Serve (Q4/11)	8% 6%	86%	8.6	61%
	IVR Self Serve (Q1/12)	8% 10%	82%	8.5	59%
confidence	IVR Self Serve (Q2/12)	8% 8%	84%	8.6	58%
that your needs were	IVR Self Serve (Q3/12)	<mark>5%</mark> 6%	89%	8.8	64%
understood	IVR Self Serve (Q4/12)	10% 8%	82%	8.4	59%
	IVR Self Serve (Q4/11)	<mark>5% 6</mark> %	89%	8.9	67%
g. The system got you were	IVR Self Serve (Q1/12)	6% 9%	86%	8.7	62%
you wanted to	IVR Self Serve (Q2/12)	<mark>4%</mark> 6%	90%	8.9	65%
go	IVR Self Serve (Q3/12)	<mark>3%</mark> 5%	92%	9.1	68%
	IVR Self Serve (Q4/12)	7% 8%	86%	8.7	61%
		Completely Disagree	Bottom 4 Mid 2	Top 4 Completely Agree	

14. Now I have a few questions about the automated telephone system and the menu that you had to use at the beginning of your call. For each question you can just answer yes or no.

N (Q4'11/Q1'12/Q2'12/Q3'12/Q4'12) = Total IVR Self Serve (301/303/298/299/297)



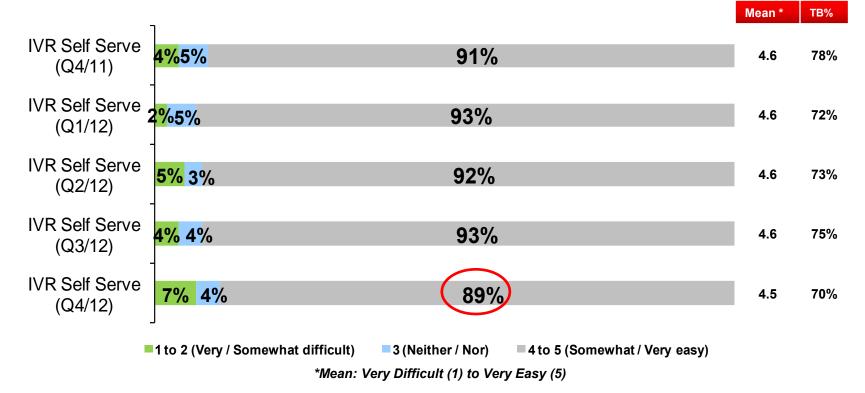
Overall Transaction Assessment



Telephone Transaction Difficulty** (Q4/11, Q1/12, Q2/12, Q3/12, Q4/12)

IVR Self Serve

Vast majority indicated that their transaction was somewhat or very easy to implement, although this has declined vs. last Quarter.



15g. All things considered, how easy or difficult was it for you to do this entire transaction with Hydro One over the telephone?**

N (Q4'11/Q1'12/Q2'12/Q3'12/Q4'12) = Total IVR Self Serve (301/303/300/300/300)

**Question added in Q1'11



Reasons for Telephone Transaction Difficulty* (Q4/11, Q1/12, Q2/12, Q3/12, Q4/12)



	Q4/11	Q1/12	Q2/12	Q3/12	Q4/12
Automated System Difficulties (NET) (automated system is difficult to use, want to speak to an agent immediately / too hard to reach an agent)	75%	14%	43%	55%	73%
Service Difficulties (NET) (offered no solutions to my issue / would not help me)	8%	-	14%	27%	18%
Other	17%	86%	36%	18%	5%

15g2. Why was it difficult for you? (PROBE) What would have helped make it easier for you?**

N (Q4'11/Q1'12/Q2'12/Q3'12/Q4'12) = Total IVR Self Serve (12/7/14/11/22)

* Very small sample size

**Question added in Q1'11

Q4/2012 'Other' Verbatim

 Because it doesn't work with the voice you have to key in the number. It tells you can talk the numbers or key in the number and when you talk the number it doesn't accept it. You always have to key in. If it would have just talked it in then I wouldn't have to key in the numbers or at least have someone come to my house and read my meter.



Executive A Pa Highlights Presentation

Call Centre Transaction Satisfaction Tracking

Ending Quarter 4, 2013 Prepared by: Forum Research Inc.

> FORUM RESEARCH INC.

January 2014

Filed: 2014-07-04 EB-2013-0416 Exhibit I-2.1-6 VEC 27 Attachment 5 Page 1 of 195



Objectives & Methodology



Ongoing Objectives

- Measure customer satisfaction with the call experience period over period;
- Determine if caller satisfaction differs by purpose of call;
- Determine whether caller expectations are being satisfied;
- Assess specific elements of the caller experience;
- Identify improvement opportunities;
- Identify factors driving caller satisfaction (annually)

To allow Hydro One to...

- Determine which Hydro One activities vis-à-vis its call centre have a positive impact on customer satisfaction;
- Isolate critical areas of improvement;
- Assess the effectiveness of any process interventions;
- Monitor performance versus KPIs/SLAs/targets



- Telephone interviews completed with customers who contacted Hydro One's call centre within 2 – 5 days after their call;
- Daily sample provided online by Hydro One for the previous day's callers
- Daily interviewing (excluding Sunday) typically completed during the first 10-12 days
 of each month
- Each quarter, the following number of interviews were completed:

	Q1/13	Q2/13	Q3/13	Q4/13	
Agent Handled Callers	301	300	300	300	+/- 4.5*
IVR Self Serve Callers	300	300	300	300	
IVR Outage Callers	301	303	300	300	

- Annually, approximately 1,200 interviews are completed with each segment;
- No advance permission was sought from customers for a follow up call;
- Interviews averaged between 6 and 9 minutes;**

* If observed per cent is 80, the sampling error range is +/-4.5% at the 95% confidence level. If observed per cent is 85, the sampling error range is +/-4.0%

** Overall CCC Response Rate (Q4/13) = 37%



Caller Segment Highlights

Agent Handled

IVR Outage

IVR Self Serve

hydrofe Highlights: Agent Handled Callers



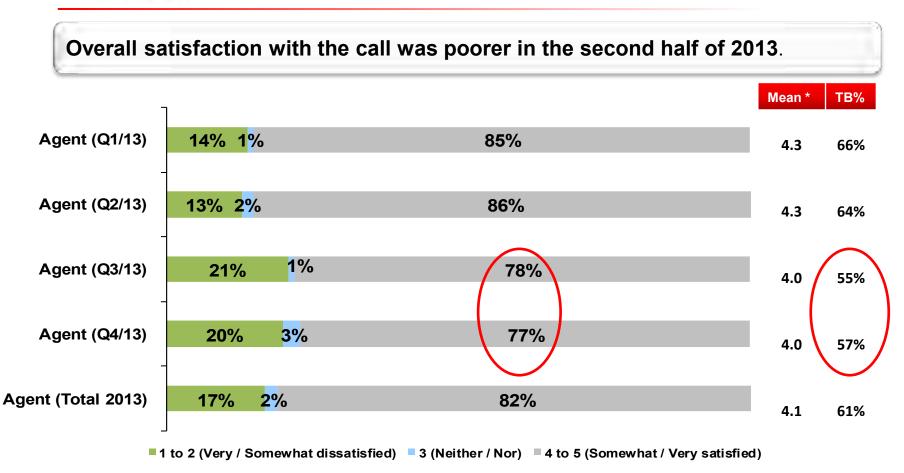
Satisfaction with Call to Hydro One

(Agent Handled)



Satisfaction with Call to Hydro One (Q1/13, Q2/13, Q3/13, Q4/13, Total 2013)





3. How satisfied were you overall with the call to Hydro One?

N (Q1/Q2/Q3/Q4/Total 2013) = Total Agent Handled (295/295/290/293/1173)

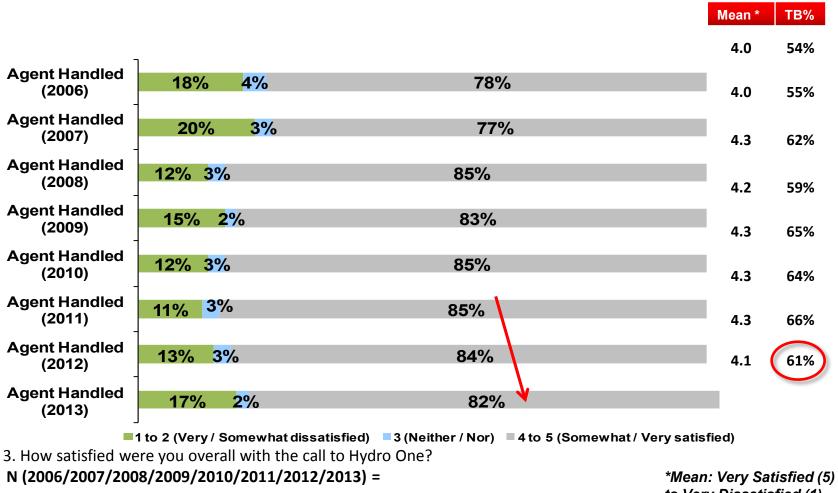
*Mean: Very Satisfied (5) to Very Dissatisfied (1)

For Hydro One use only, not for further distribution.





Overall satisfaction with the call declined from 2011 to 2013. In 2013, fewer customers indicated they were 'very satisfied' with the agent-handled call to HON.



Total Agent Handled (1218/1197/1200/1184/1195/1194/1188/1173)

to Very Dissatisfied (1)

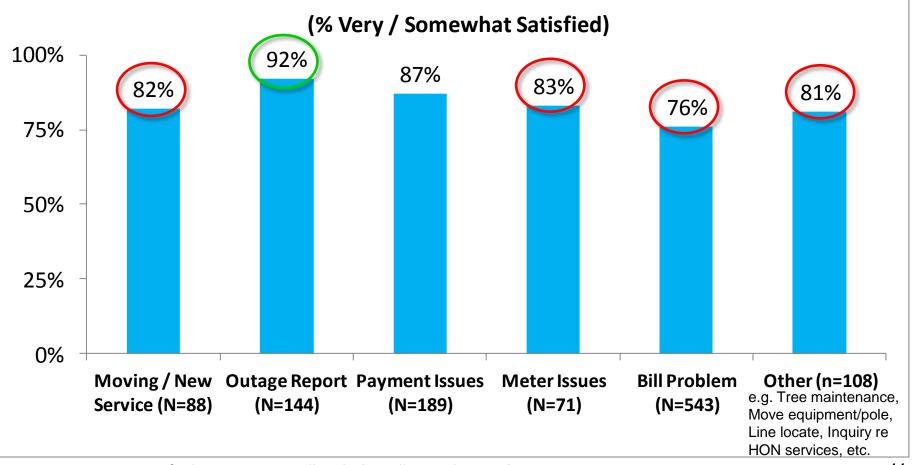
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Satisfaction with Call to Hydro One: Significant Sub-Set Differences

(Agent Handled 2013)



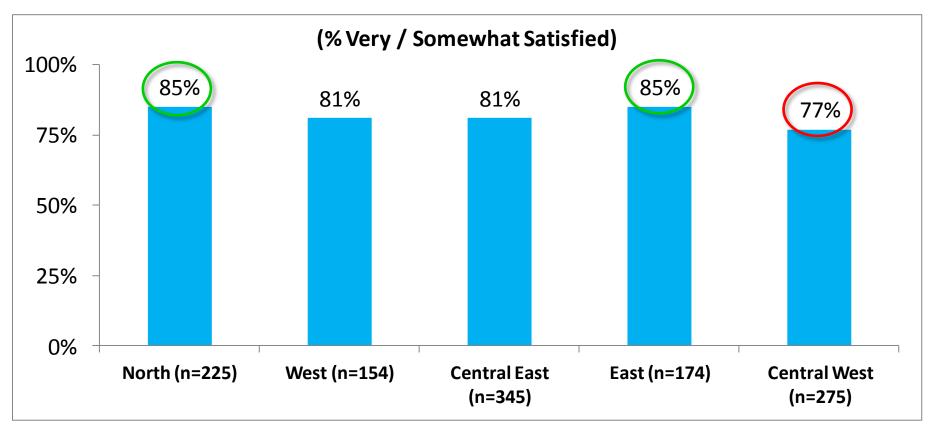
In 2013, those calling regarding an Outage Report were significantly more satisfied overall with the call vs. those calling for reasons related to 'Other' matters, Bill problems, Moving or Meter Issues.







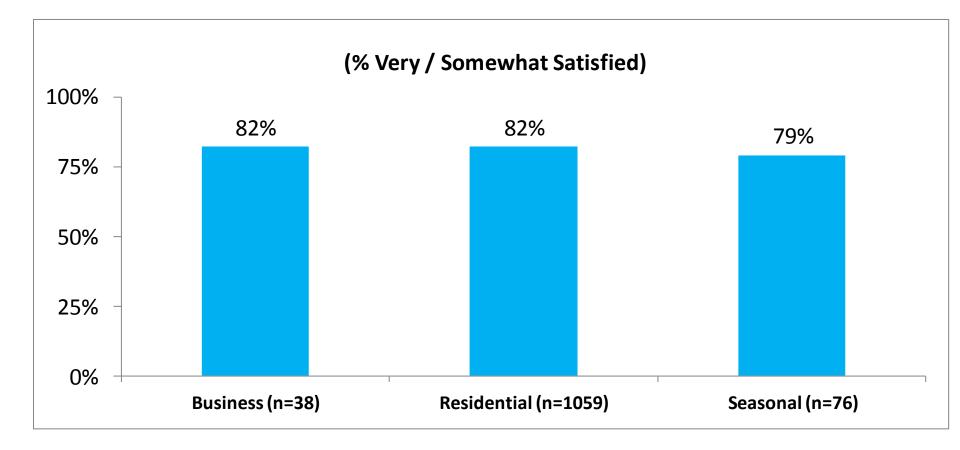
In 2013, callers from the North and East regions were significantly more satisfied overall with the call than those from the Central West region.







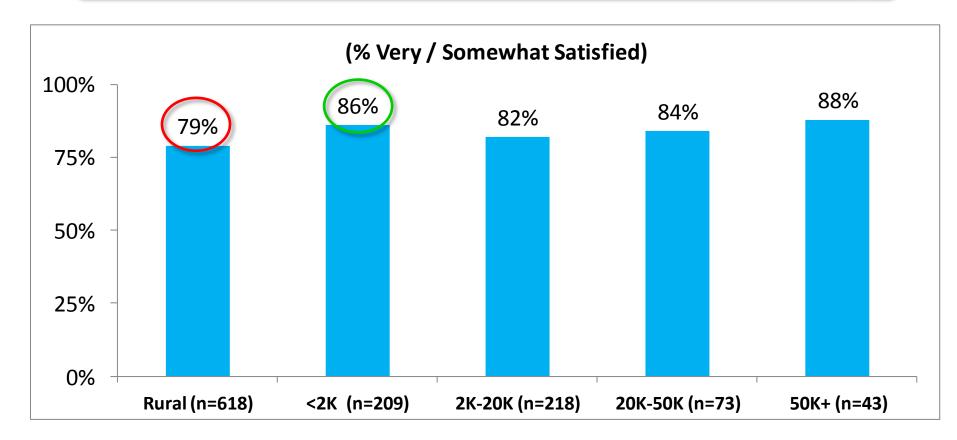
In 2013, no significant differences related to tariffs were observed.





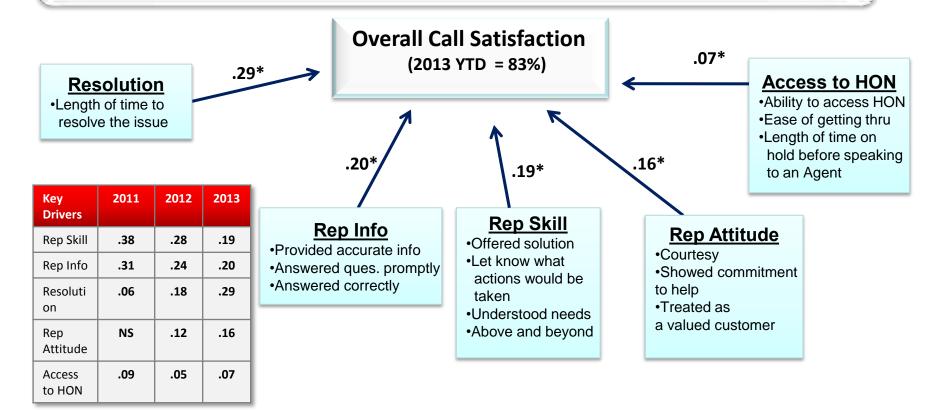


In 2013, those in communities of under 2K were markedly more satisfied overall with the call than those calling from rural communities.





The key driver of overall satisfaction with the call is time it took to resolve the issue. This is followed by the (quality of) information provided by the rep and rep skill factors. Less impact of the rep's 'Skill' and 'Information' and greater impact of 'Resolution' on overall call satisfaction is evident since 2011.



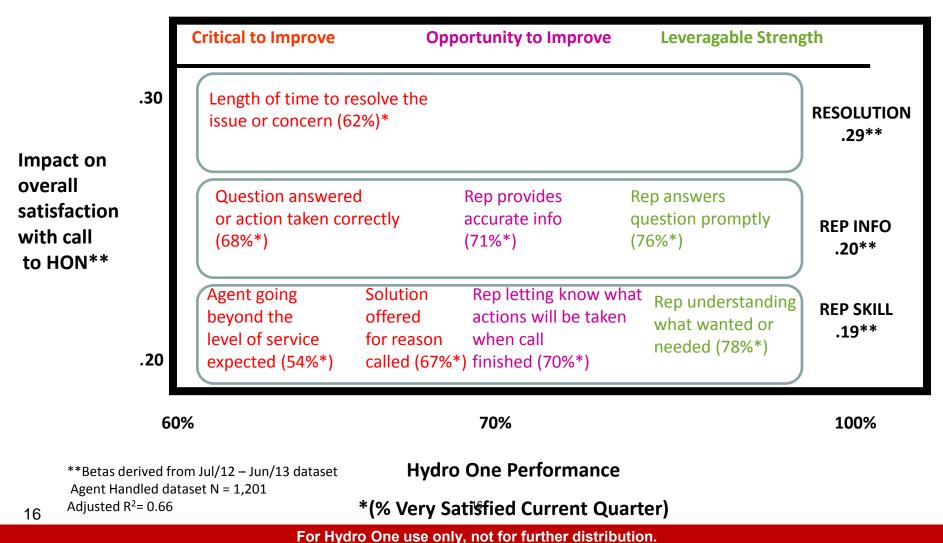
15



OVERALL SATISFACTION WITH CALL TACTICAL PRIORITIES FOR KEY DRIVERS



Agent Handled Callers





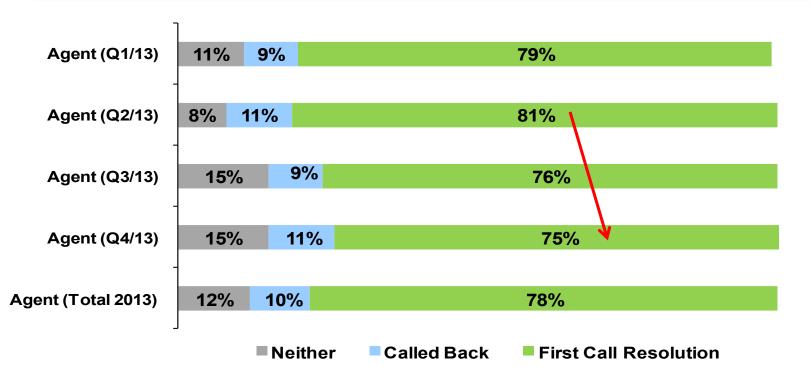
First Call Resolution

(Agent Handled)





First call resolution fluctuated through 2013, but was significantly poorer in the latter half of the year.



10. And once you did connect with the agent , was your issue resolved on the first call, or did you need to call back more than once?

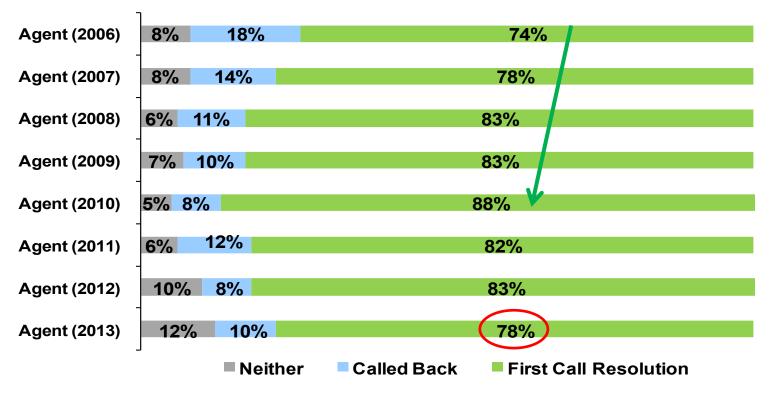
N (Q1/Q2/Q3/Q4/Total 2013) = Total Agent Handled (301/300/300/300/1201)



First Call Resolution (2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013)



First call resolution peaked in 2010 and has been declining since. In 2013, there was a significant drop from the 2012 FCR score.



10. And once you did connect with the agent , was your issue resolved on the first call, or did you need to call back more than once?

N (2006/2007/2008/2009/2010/2011/2012/2013) = Total Agent Handled (1230/1210/1212/1200/1206/1203/1201) $^{-19-}$

hydro

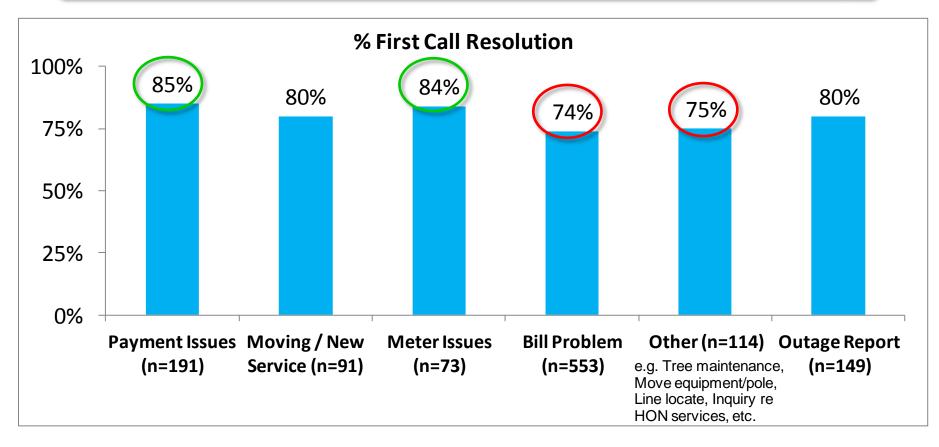
First Call Resolution: Significant Sub-Set Differences

(Agent Handled 2013)





In 2013, calls related to Payment Issues or Meter Issues were significantly more likely to have FCR vs. calls for Bill Problems or 'Other' issues.

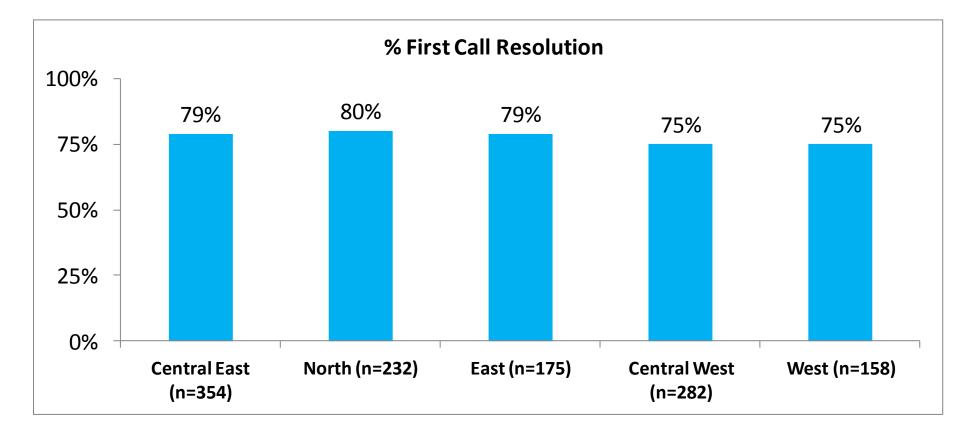


10. And once you did get through to an agent, was your issue resolved on the first call, or did you need to call back more than once?





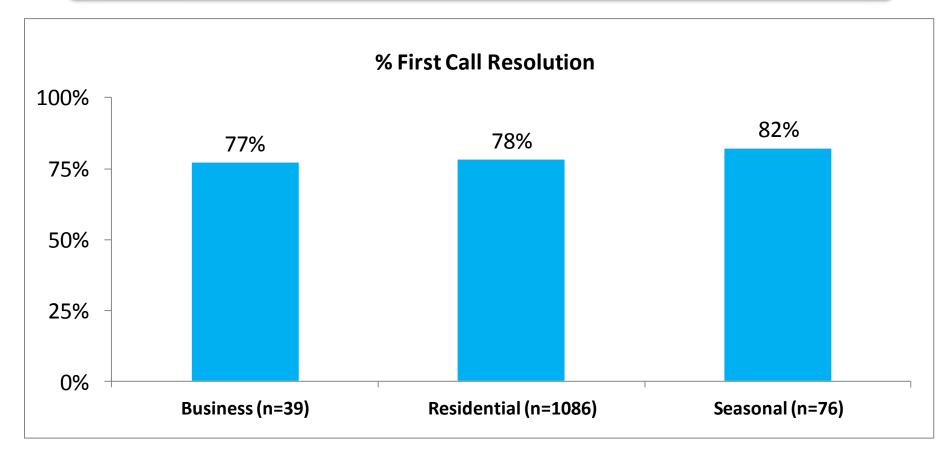
In 2013, no significant differences in FCR across regions were observed.



10. And once you did get through to an agent, was your issue resolved on the first call, or did you need to call back more than once?



In 2013, no significant differences in FCR were observed among callers in the different tariff groups.

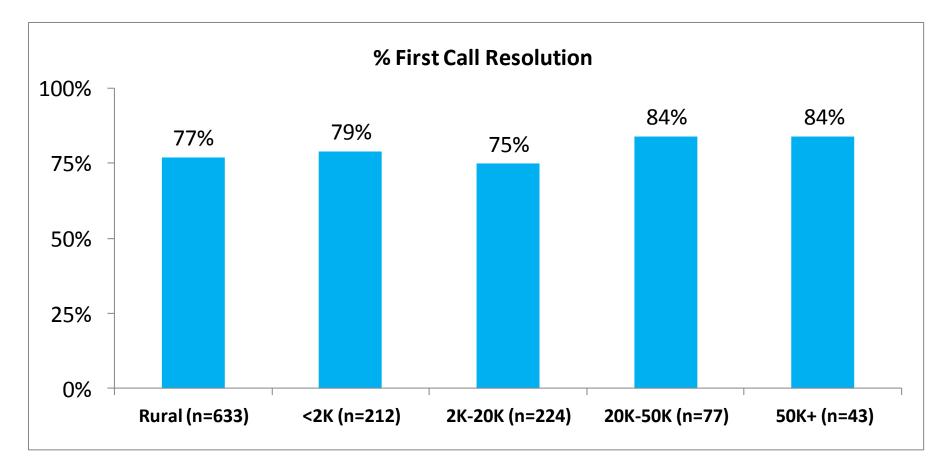


10. And once you did get through to an agent, was your issue resolved on the first call, or did you need to call back more than once?

hydroge Significant Differences in First Call Resolution by Community Size (2013)



In 2013, there were no significant differences in FCR between community sizes.



10. And once you did get through to an agent, was your issue resolved on the first call, or did you need to call back more than once?



Additional Ad-Hoc Questions

- Re: Billing Issues Due to CIS Migration





Customers' concerns about billing were mainly related to electricity and delivery charges being too high.

	Q1/13	Q2/13	Q3/13	Q4/13	2013
Hydro is too expensive/Bills are too high	24%	26%	26%	21%	24%
Delivery Charges are too high	16%	9%	10%	6%	9%
Don't like being charged debt reduction fee/fee is too high	10%	6%	7%	5%	6%
Everything is fine/Good as is	7%	3%	9%	6%	6%
Inaccurate estimates	1%	3%	5%	11%	6%
Not getting bills	-	3%	6%	6%	5%
Bill is hard to understand	4%	2%	5%	6%	4%
Confused about my bill	1%	4%	5%	3%	4%
Bill was/seemed to be inaccurate/incorrect	3%	4%	4%	0%	3%
Other charges	1%	1%	3%	2%	2%
Meter not reading	1%	2%	1%	3%	2%
Send me all my bills at the same time each month	-	1%	2%	1%	1%
Deposit fees are too high	2%	0%	1%	-	1%
18 day charge	-	1%	0%	0%	1%
Other (SPECIFY)	13%	7%	9%	10%	9%
DK/REFUSED	38%	43%	32%	40%	38%

15k. I now have a question about Hydro One bills. Do you have any comments that you would like to make about recent Hydro One bills? (PROBE) Anything else?

N (Q1/13, Q2/13, Q3/13, Q4/13, 2013 Total) = Total Agent Handled (100/300/300/300/1000)





The number of callers indicating HON bills were easy to understand trended downward in 2013. In Q4/13, significantly fewer customers agreed that HON bills were accurate vs. the rest of the year.

						Mean *	TB%
	Agent (Q1/13)	8% 16%		76%		8.0	40%
a. Their bills are easy to understand	Agent (Q2/13)	10% 17	%	73%		7.7	36%
	Agent (Q3/13)	16%	15%	69%		7.1	26%
	Agent (Q4/13)	20%	16%	64%		7.0	30%
Age	ent (2013 Total)	15%	16%	69%		7.3	32%
	-						
	Agent (Q1/13)	12% 1	7%	71%		7.7	44%
b. Their bills	Agent (Q2/13)	13%	20%	67%		7.3	34%
are accurate	Agent (Q3/13)	20%	14%	66%		7.0	33%
	Agent (Q4/13)	24%	20%	56%		6.5	29%
Age	ent (2013 Total)	18%	18%	64%		7.0	33%
		Completely	Bottom 4	Mid 2 Top 4	Completely		

Disagree 15I. Now please rate the bills you receive from Hydro One on the following two statements, by using a one to ten scale. A rating of '10' means you completely agree with the statement and '1' means you completely disagree. You may use a 10, a 1, or any number in between.

a. N (Q1/13, Q2/13, Q3/13, Q4/13, 2013 Total) = Total Agent Handled (99/291/291/283/964)

b. N (Q1/13, Q2/13, Q3/13, Q4/13, 2013 Total) = Total² Agent Handled (91/260/257/259/867)

hydrofe Summary of Year Over Year Significant Changes

(Agent Handled 2013 vs. 2012)





Q5 Agent Attributes (% Very/Somewhat Satisfied)

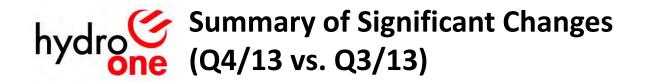
- The ease of getting through to an agent to discuss question or problem: Decreased from 92% → 83% from 2012 to 2013 among Agent Callers.
- The length of time it took for you to resolve the issue or concern you called about: Decreased from 92%
 → 82% from 2012 to 2013 among Agent Callers.
- Your ability to access Hydro One to resolve your questions or problems: Decreased from 88% → 84% from 2012 to 2013 among Agent Callers.
- Q14 Automated System Attributes (%Top 4 Box Agreement)
- The menu categories included the reason you called: Decreased from 76% → 71% from 2012 to 2013 among Agent Callers.
- The system was easy to use: Decreased from 84% \rightarrow 80% from 2012 to 2013 among Agent Callers.
- The system was quick to use: Decreased from 82% → 76% from 2012 to 2013 among Agent Callers.
- The system provided the information you needed: Decreased from 75% → 71% from 2012 to 2013 among Agent Callers.
- The system got you where you wanted to go: Decreased from 84% → 81% from 2012 to 2013 among Agent Callers.

hydro

Summary of Significant Recent Quarter Changes

(Agent Handled Q4'13 vs. Q3'13)

-30-





Q5 Agent Attributes (% Very/Somewhat Satisfied)

No significant differences in agent attributes observed between Q3/13 and Q4/13.

Q14 Automated System Attributes (% Top 4 Box Agreement)

No significant differences in automated system attributes observed between Q3/13 and Q4/13.





SWOT Analysis: Agent Handled Calls

Strengths*	Weaknesses**	
 Courtesy of Agent \$ Agent understanding what was wanted or needed # Agent showing a genuine commitment to help \$ Agent treating like a valued customer 	 Agent going above and beyond service level expected # Length of time having to wait before speaking to an Agent Ability to access Hydro One to resolve questions or problems Overall ease of getting through to an Agent Length of time it took to resolve the issue # 	
Opportunities ***	Threats****	
	 First call resolution Agent answering questions promptly \$ # Overall satisfaction with the call \$ Agent offering solution for reason called \$# Agent providing accurate information # Agent letting know what actions will be taken # Question answering/taking action correctly first time 	

* Very Satisfied (Top Box) is 75% or better in 2013 ** Very satisfied (Top Box)is 60% or worse in 2013 \$ Service Level Agreement (SLA) variable # Key driver of overall satisfaction

- *** Very satisfied (Top Box) % improving over past 3 years
- **** FCR has declined over past 3 years or very satisfied in 2013 is lower than 75%



Key Findings: Agent Handled



Summary:

Improvements since 2012: None on any key measures.

Declines vs. 2012:

First call resolution, Ease of getting through to an agent to discuss a question or problem, Length of time to resolve issue, Ability to access Hydro One to resolve question or problem; Overall satisfaction with call poorer in the second half of 2013.

Threats:

- Plateauing of key satisfaction measures (overall and for key attributes satisfaction);
- Decline in FCR in past year; Decline in overall satisfaction in last half of the year;

RECOMMENDATIONS

- Evaluate implications of plateauing of satisfaction measures on SLAs and other key targets; Consider shifting focus onto top box scores (i.e. % 'very' satisfied);
- Ensure any continuing issues related to CIS migration impacting caller experience are addressed;
- Review/listen to recordings of all non FCR calls to identify any commonalities and/or root causes; Assess if level of agent empowerment to resolve issues can be increased;
- Transfer very difficult calls to 'super agents';
- Continue focus on key drivers: FCR, offering solution, answering questions correctly, providing accurate info and letting know the actions that will be taken;
- Emphasize key satisfaction drivers and exceeding expectations in new agent training; reinforce these among tenured agents.

hydrofe Highlights: IVR Outage Callers

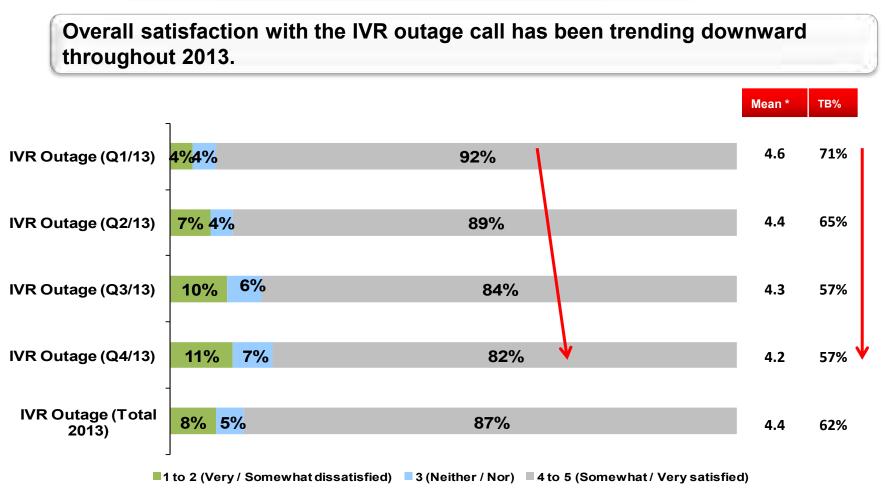


Satisfaction with Call to Hydro One

(IVR Outage)







*Mean: Very Satisfied (5) to Very Dissatisfied (1)

- 3. How satisfied were you overall with the call to Hydro One?
- N (Q1/Q2/Q3/Q4/Total 2013) = Total IVR Outage (298/298/296/297/1189)





Overall satisfaction with the call peaked in 2010, declined, and has remained lower since.

	~		Mean *	TB%
IVR Outage (2006)	<mark>15%</mark> 6%	79%	4.0	46%
IVR Outage (2007)	12% 6%	82%	4.1	51%
IVR Outage (2008)	<mark>10%</mark> 3%	87%	4.3	56%
IVR Outage (2009)	12% 6%	82%	4.2	51%
IVR Outage (2010)	<mark>8%</mark> 4%	89%	4.4	59%
IVR Outage (2011)	<mark>10%</mark> 4%	86%	4.3	58%
IVR Outage (2012)	<mark>9%</mark> 5%	86%	4.4	62%
IVR Outage (2013)	8% 5%	87%	4.4	62%

1 to 2 (Very / Somewhat dissatisfied) 3 (Neither / Nor) 4 to 5 (Somewhat / Very satisfied)

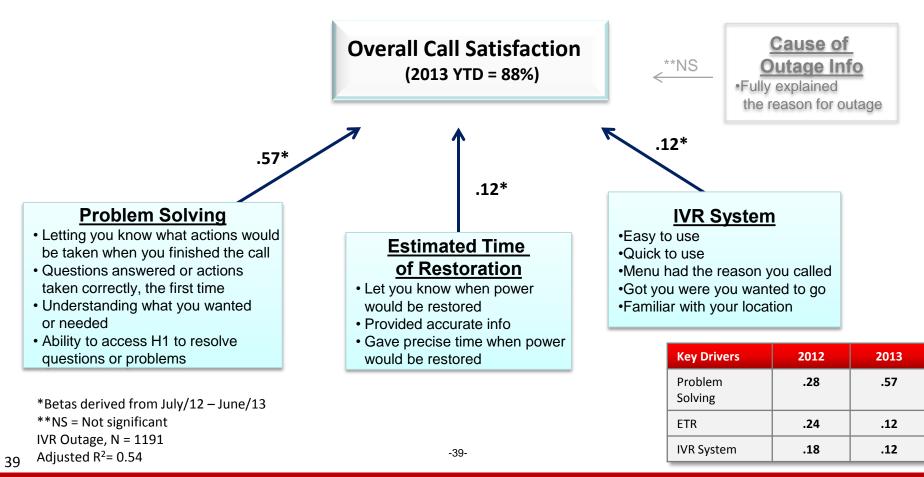
- 3. How satisfied were you overall with the call to Hydro One?
- N (2006/2007/2008/2009/2010/2011/2012/2013) = Total IVR Outage (1130/1205/1201/1191/1187/1190/1184/1189) -38-

38





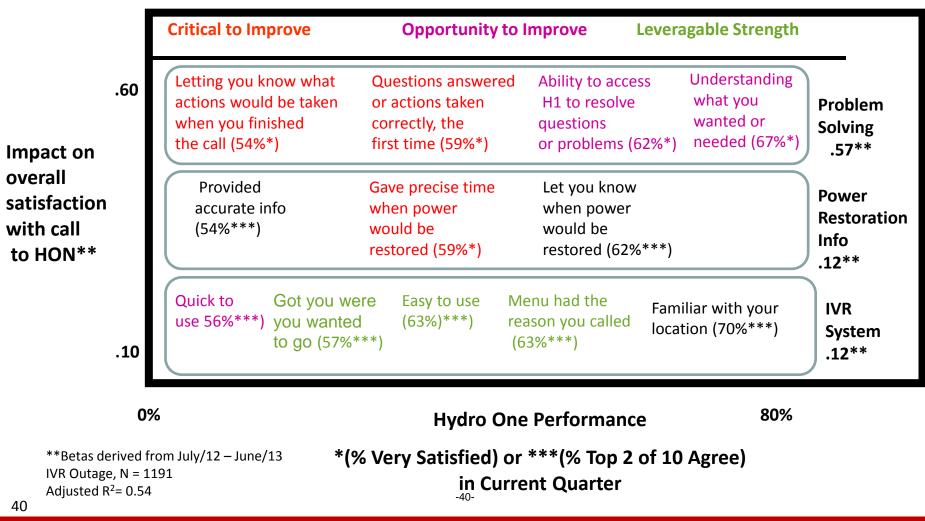
The key driver of overall satisfaction with the call is 'Problem Solving'. Less influential are 'Estimated Time of Restoration' and the 'IVR System'.





OVERALL SATISFACTION WITH CALL TACTICAL PRIORITIES FOR KEY DRIVERS

IVR Outage Callers





First Call Resolution

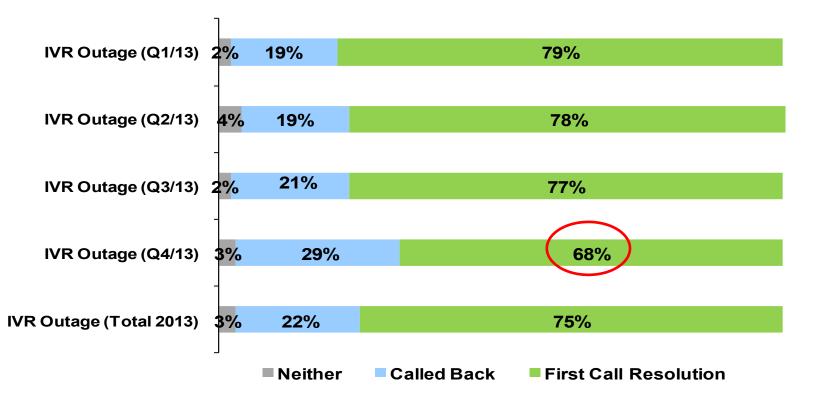
(IVR Outage)



First Call Resolution (Q1/13, Q2/13, Q3/13, Q4/13, Total 2013)



First call resolution declined notably in Q4/13.



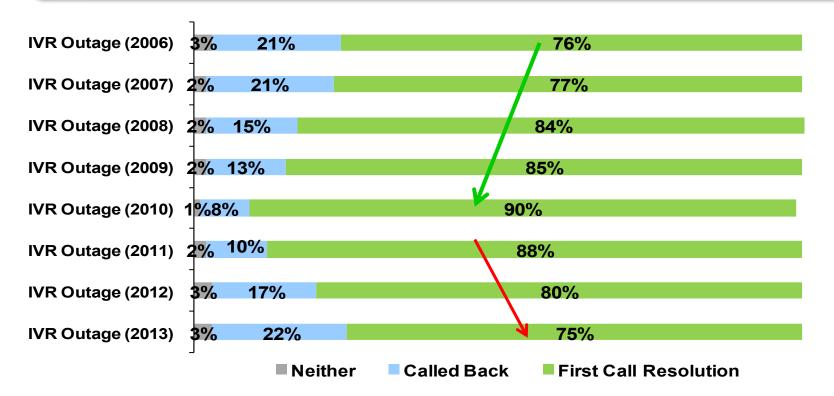
10. And once you did connect with the agent , was your issue resolved on the first call, or did you need to call back more than once?

N (Q1/Q2/Q3/Q4/Total 2013) = Total IVR Outage (301/303/299/298/1201)





Upward movement in FCR until its peak in 2010. Declines over past three years to levels seen when tracking began.



10. And once you did connect with the agent , was your issue resolved on the first call, or did you need to call back more than once?

N (2006/2007/2008/2009/2010/2011/2012/2013) = Total IVR Outage (1140/1216/1211/1205/1205/1201/1199/1201) $_{-43-}$

hydro

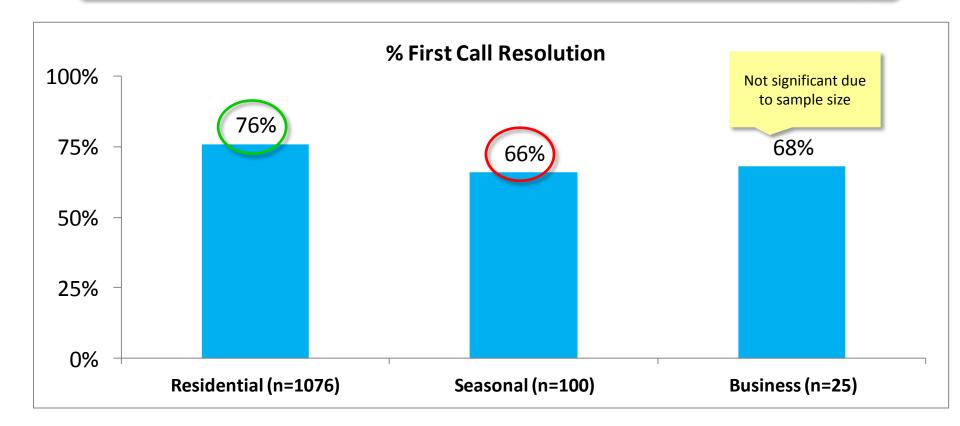
First Call Resolution: Significant Sub-Set Differences

(IVR Outage 2013)





In 2013, Residential callers were significantly more likely to experience first call resolution vs. Seasonal property callers.

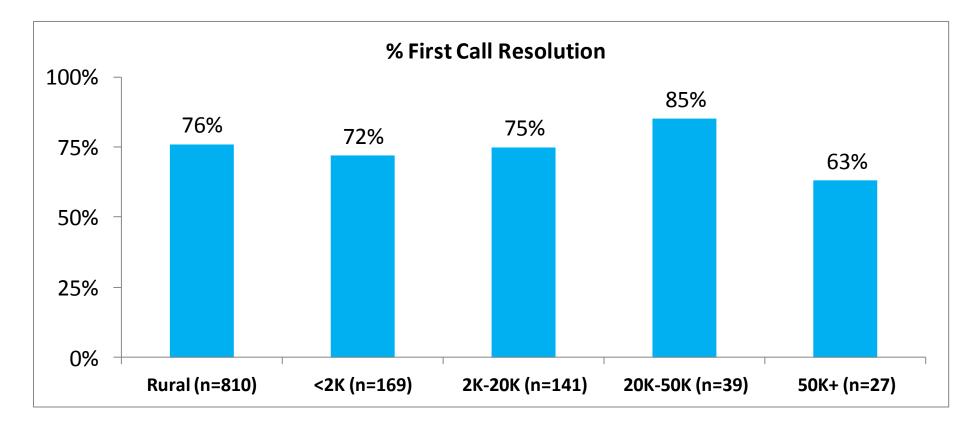


10. And once you did get through to an agent, was your issue resolved on the first call, or did you need to call back more than once?





In 2013, callers from every community segment were equally likely to have their issue resolved on the first call.



10. And once you did get through to an agent, was your issue resolved on the first call, or did you need to call back more than once?

hydrofe Summary of Year Over Year Significant Changes (IVR Outage 2013 vs. 2012)





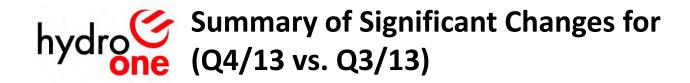
Q10 First Call Resolution (% First Call Resolution)

• First call resolution: Declined from 80% → 75% from 2012 to 2013 among IVR Outage Callers.

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Summary of Significant Recent Quarter Changes

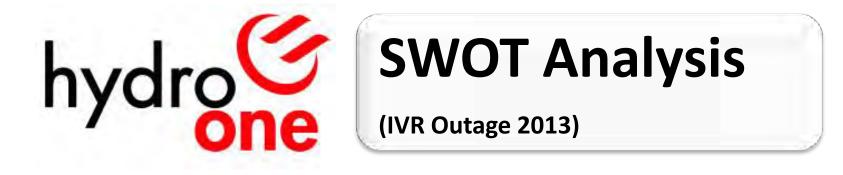
(IVR Outage Q4'13 vs. Q3'13)





Q10 First Call Resolution (% First Call Resolution)

First call resolution Declined from 77% \rightarrow 68% from Q3/13 to Q4/13 among IVR Outage Callers.





hydroge SWOT Analysis: IVR Outage



Strengths*	Weaknesses**	
 Menu categories included the reason customer called System was familiar with location once customer told it where he/she lived 	 System letting customer know what actions would be taken when call was finished # System providing accurate information # System fully explaining the reason for the outage System being able to give a precise time when power would be restored # Accuracy of Estimated Restoration Time # 	
Opportunities ***	Threats****	
	 FCR Overall satisfaction Overall satisfaction with automated telephone answering system Question answered/action taken correctly, first time # System understanding what customer wanted or needed # Ability to access Hydro One to resolve questions or problems # System was easy to use # System was quick to use # System providing the information customer needed # System giving confidence that the customer's needs were understood # System letting customer know when power would be restored # Ease of entire transaction over the telephone 	

- * Very Satisfied (Top Box) is 75% or better in 2013
- ** Very satisfied (Top Box)is 60% or worse in 2013
- *** Very satisfied (Top Box) % improving over past 3 years

**** FCR declined over past 3 years or very satisfied in 2013 is lower than 75%

Key driver of overall satisfaction

Note: Top Box includes Top 2 where 10-point scales are used .

52



Key Findings: IVR Outage



Summary:

Improvements since 2012: None on any key measures.

Declines vs. 2012: First call resolution (more evident for seasonal property owners and for restoration calls); **Declines in recent Quarter(s):** FCR declined in Q4/13;

Threats:

- Decline of overall satisfaction with the call;
- Decline in FCR in past year;

RECOMMENDATIONS

- Ensure any continuing issues related to CIS migration impacting caller experience are addressed;
- Determine reasons and address why FCR has declined in past three years;
- Continue to investigate ways to provide a more accurate ETR.

hydrofe Highlights: Self Serve Callers



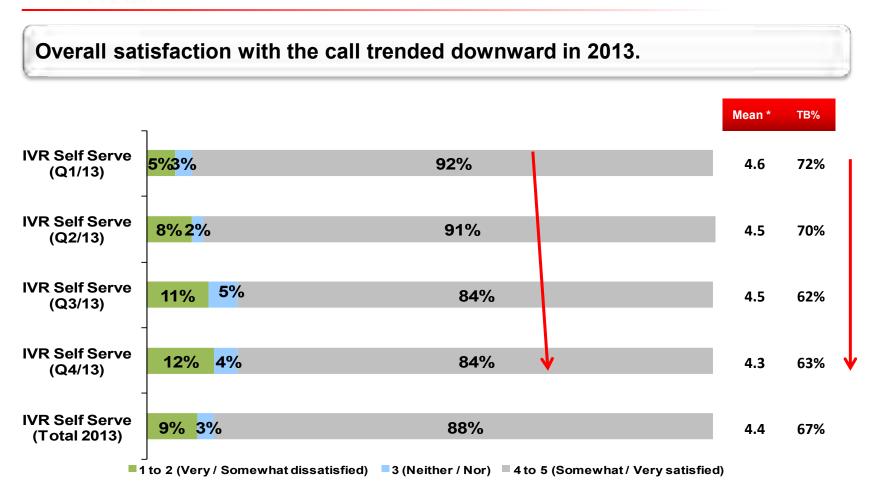
Satisfaction with Call to Hydro One

(IVR Self Serve)



Satisfaction with Call to Hydro One (Q1/13, Q2/13, Q3/13, Q4/13, Total 2013)

IVR Self Serve



*Mean: Very Satisfied (5) to Very Dissatisfied (1)

- 3. How satisfied were you overall with the call to Hydro One?
- N (Q1/Q2/Q3/Q4/Total 2013) = Total IVR Self Serve (291/291/297/292/1171)



Satisfaction with Call to Hydro One (2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013)



Overall satisfaction with the call has been consistently high for the past 7 years. Decline in 'very' satisfied in 2013 vs. last year.

			Mean * TB%
IVR Self Serve (2006)	<mark>13% 4</mark> %	83%	4.2 57%
IVR Self Serve (2007)	<mark>9% 3</mark> %	88%	4.4 62%
IVR Self Serve (2008)	<mark>8% 3</mark> %	89%	4.4 66%
IVR Self Serve (2009)	<mark>9% 3</mark> %	88%	4.4 64%
IVR Self Serve (2010)	<mark>6%3%</mark>	91%	4.5 67%
IVR Self Serve (2011)	7% 4%	89%	4.5 70%
IVR Self Serve (2012)	<mark>6%</mark> 3%	91%	4.5 71%
IVR Self Serve (2013)	9% 3%	88%	4.4 67%

1 to 2 (Very / Somewhat dissatisfied) 3 (Neither / Nor) 4 to 5 (Somewhat / Very satisfied)

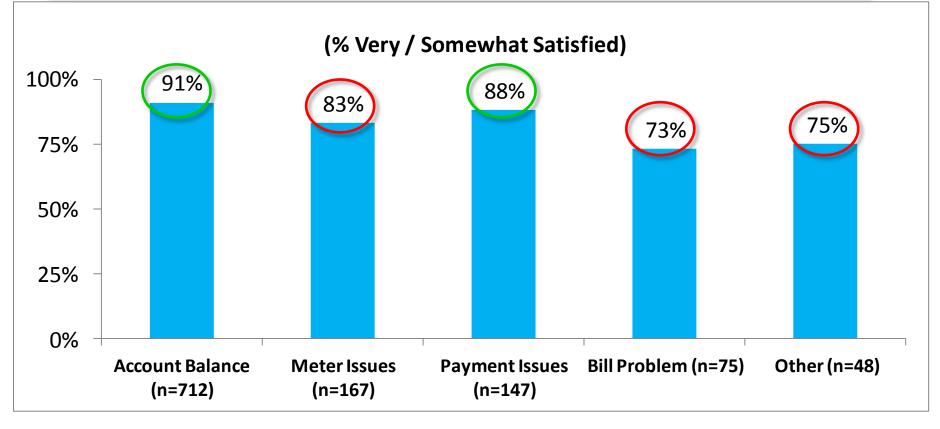
3. How satisfied were you overall with the call to Hydro One?

N (2006/2007/2008/2009/2010/2011/2012/2013) = Total IVR Self Serve (807/803/1197/1185/1186/1187/1187/1171)





In 2013, IVR Self Serve customers calling about their Account Balance were significantly more likely to be satisfied overall with their call vs. those calling about meter issues, bill problems or 'Other' reasons. Those calling about payment issues were more satisfied than Bill Problem and 'Other' issues callers.



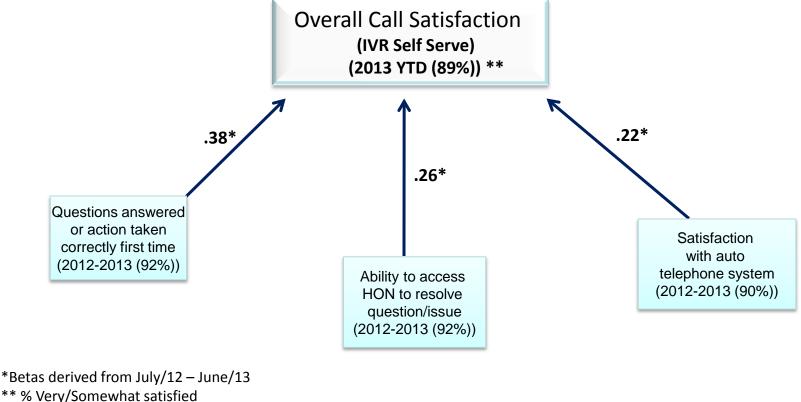
3. How satisfied were you overall with the call to Hydro One?



Relationship Between Overall Call Satisfaction & Call Specifics



Overall call satisfaction for IVR Self Serve callers is impacted by 'questions being answered correctly', ability to access Hydro One to resolve the issue, and satisfaction with the automated telephone system.



** % Very/Somewhat satisfied
IVR Self Serve dataset N = 1,200
Adjusted R²= 0.55

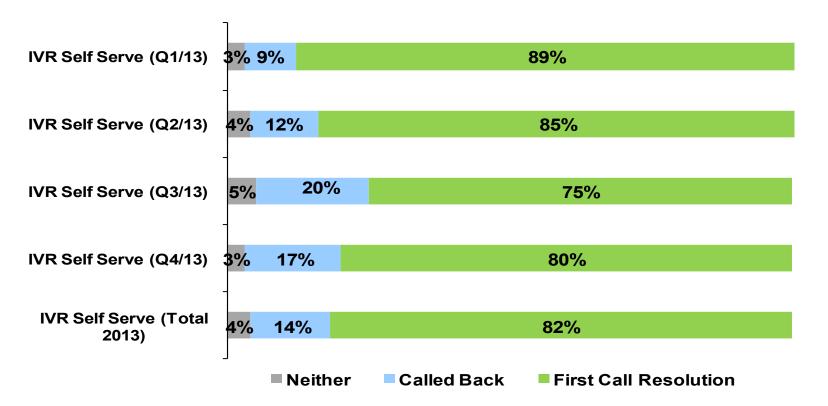


First Call Resolution

(IVR Self Serve)



After a notable decline in Q3/13, FCR shows some recovery in Q4/13 but it is still significantly below FCR levels in the first half of the year.



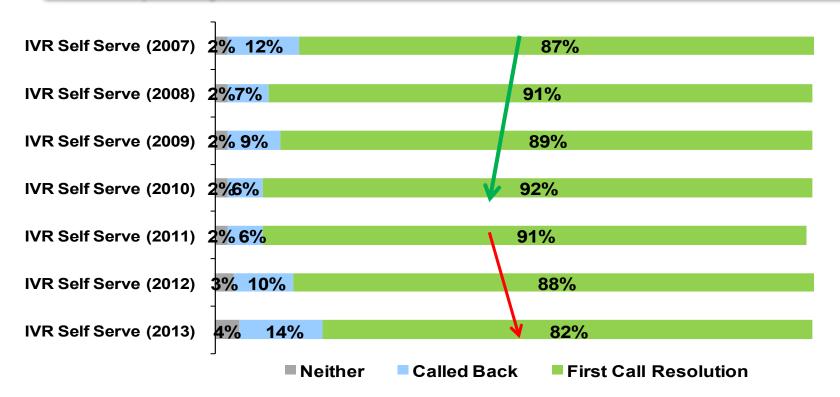
10. And once you did connect with the agent , was your issue resolved on the first call, or did you need to call back more than once?

N (Q1/Q2/Q3/Q4/Total 2013) = Total IVR Self Serve (300/300/299/300/1199)





After trending upward for 4 years, FCR for IVR Self Serve callers has declined over the past 3 years.



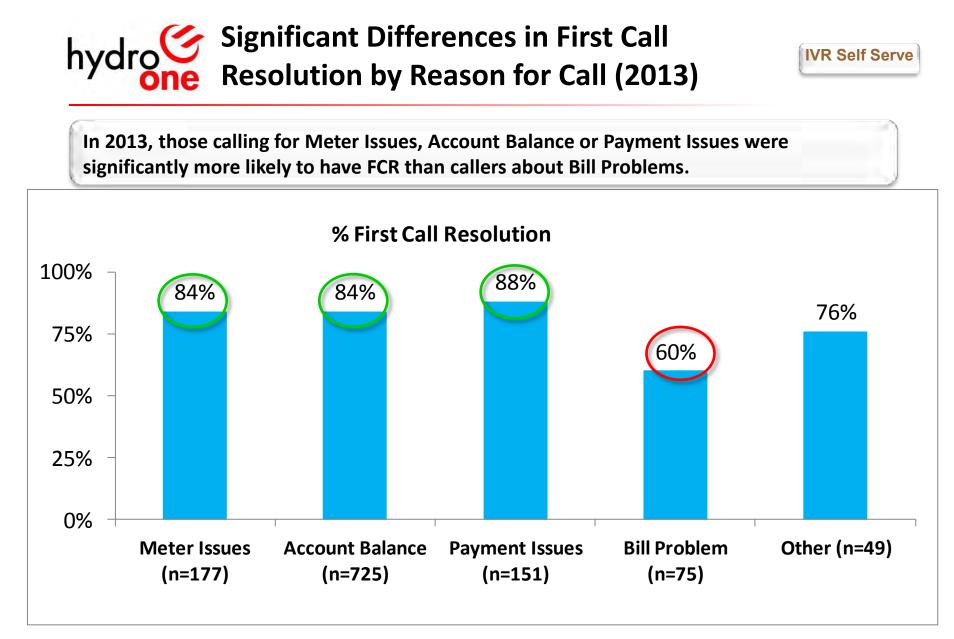
10. And once you did connect with the agent , was your issue resolved on the first call, or did you need to call back more than once?

N (2006/2007/2008/2009/2010/2011/2012/2013) = Total IVR Self Serve (815/814/1210/1200/1203/1203/120/1199)

hydro

First Call Resolution: Significant Sub-Set Differences

(IVR Self Serve 2013)



10. And once you did get through to an agent, was your issue resolved on the first call, or did you need to call back more than once?

hydroe Summary of Year Over Year Significant Changes (IVR Self Serve 2013 vs. 2012)

hydrogee Summary of Significant Year Over Year Changes (2013 vs. 2012)



Q10 First Call Resolution (% First Call Resolution)

• First call resolution: Declined from 88% \rightarrow 82% from 2012 to 2013 among IVR Self Serve Callers.

Q14 Automated telephone system attributes (% Very/Somewhat Satisfied)

- Menu including the reason for call: Declined from 88% → 83% from 2012 to 2013 among IVR Self Serve Callers.
- System being easy to use: Declined from 90% \rightarrow 86% from 2012 to 2013 among IVR Self Serve Callers.
- System being quick to use: Declined from 86% → 82% from 2012 to 2013 among IVR Self Serve Callers.
- System providing necessary information: Declined from 88% → 83% from 2012 to 2013 among IVR Self Serve Callers.
- System getting the customer where they wanted to go: Declined from 88% → 83% from 2012 to 2013 among IVR Self Serve Callers.

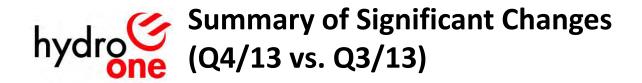
Q15G Overall difficulty of transaction (% Very/Somewhat Easy)

• Very/somewhat easy: Declined from 92% \rightarrow 87% from 2012 to 2013 among IVR Self Serve Callers.

hydro

Summary of Significant Recent Quarter Changes

(IVR Self Serve Q4'13 vs. Q3'13)





Q13a Automated System Satisfaction (% Very Satisfied)

Overall Satisfaction with the Automated System: Increased from 52% → 60% from Q3/13 to Q4/13 among IVR Self Serve Callers.





hydroger SWOT Analysis: IVR Self Serve



Strengths*	Weaknesses**		
Opportunities ***	Threats****		
	 FCR Overall satisfaction Question getting answered or the action getting taken correctly, first time Ability to access Hydro One to resolve questions or problems # Menu categories included the reason you called Overall satisfaction with automated telephone answering system# System was easy to use System provided the information needed System gave confidence that the needs were understood System got customer where he/she wanted to go Ease of entire transaction over the telephone 		

* Very Satisfied (Top Box) is 75% or better in 2013

- ** Very satisfied (Top Box)is 60% or worse in 2013
- *** Very satisfied (Top Box) % improving over past 3 years
- **** FCR declined over past 3 years or very satisfied in 2013 is lower than 75%

Key driver of overall satisfaction

70

Note: Top Box includes Top 2 where 10-point scales are used .



Key Findings: IVR Self Serve

Summary:

Declines vs. 2012:

First call resolution; Satisfaction with the question getting answered correctly the first time; ability to access Hydro One to resolve question or problem; satisfaction with the automated telephone system; overall difficulty of transaction;

Declines in automated telephone system attributes including: Menu included the reason for call; system being easy to use; system being quick to use; system providing necessary information; system taking the customer where they wanted to go;

Threats:

- Decline in FCR in past year;
- Decline in satisfaction with the automated system and its attributes in 2013;

RECOMMENDATIONS

- Ensure any continuing issues related to CIS migration impacting caller experience are addressed;
- Determine reasons and address why FCR is declined in the past year;
- Assess the automated system menu to ensure that it is (still) efficiently fulfilling all self serve caller needs.



Appendix Additional Detailed Data Agent Handled Callers IVR Outage Callers IVR Self Serve Callers



Agent Handled Callers



Reasons for Call to Hydro One





No significant changes relative to last Quarter.

	Q4/12 %	Q1/13 %	Q2/13 %	Q3/13 %	Q4/13 %			
Payment / Bills (NET NET) (payment issues NET, bill question / problem NET)	56	68	56	63	62			
Bill Question / Problem (NET) (ask question about bill, resolve bill problem, investigate major bill increase, fluctuating bills, request annual statement, change banking info, had not received/wanted copy of bill)	38	47	42	50	45			
Payment Issues (NET) (report making a payment, payment notification/follow up, discuss / negotiate payment, disconnection notice follow-up, power cut off)	17	21	14	13	17			
Outage report / Update (NET NET) (outage restoration update NET, outage reporting NET)	17	14	16	16	10			
Outage Reporting (NET) (report outage, investigate / report outage, report fire / transformer problem / blown breaker, emergency / outage affected medical equipment)	16	13	14	14	9			
Outage Restoration Update (NET) (find out when power would be restored)	1	1	2	2	1			
Moving / New Service (NET) (moving / providing updated information, change acct name, cancel service due to move, service request for installation/disconnection)	12	6	10	6	8			
Meter Issues (NET) (input meter reading, report meter reading, change a meter, report meter error, meter moving, smart meter/new meter)	5	4	8	5	7			
Time of Use (NET) (ask/ complain about time of use prices, issue / question about time of us policy, issue / question about time of use process)	1	0	1	0	1			
Other (NET) (tree maintenance, request to locate HON lines before digging, to inquire about HON services, energy retailer, rates, other)	10	8	9	10	11			

2. Now please think about the call you made to Hydro One in the past few days. What was the reason for this call? N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total Agent Handled (300/301/300/300/300)

75

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Customer Stated Reason for Call %



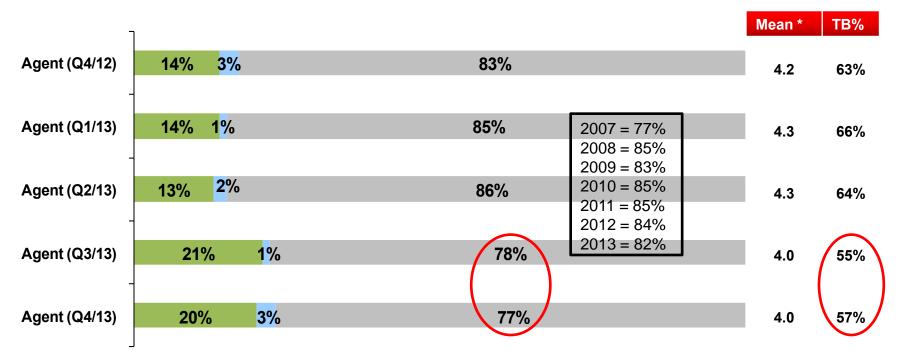
Satisfaction with Call



Satisfaction with Call to Hydro One (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13)







1 to 2 (Very / Somewhat dissatisfied) 3 (Neither / Nor) 4 to 5 (Somewhat / Very satisfied) *Mean: Very Satisfied (5) to Very Dissatisfied (1)

3. How satisfied were you overall with the call to Hydro One?

N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total Agent Handled (292/295/295/290/293)



Overall Satisfaction by Reason for Call to Hydro One (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13)



Overall satisfaction with the call is poorer for payment/bill related calls.

Q1/13 Q2/13 Q3/13 Q4/13 Q4/12 (n=292) (n=298) (n=300) (n=290) (n=293) % % % % % satisfied satisfied satisfied satisfied satisfied **Caller Satisfaction Score** 83 85 86 78 77 77 Payment / Bills (NET NET) (payment issues NET, bill question / problem 83 84 82 75 NET) (n = 182)* Payment Issues (NET) (n = 50)* ** 88 83 95 87 86 Bill Question / Problem (NET) (n = 132)* 81 81 79 71 73 Outage Reporting / Update (NET NET) (outage report NET, outage 86 95 92 96 87 restoration NET) (n = 31)* ** Outage Reporting (NET) (n = 27)* ** 85 95 93 95 85 Outage Restoration (NET) $(n = 4)^*$ ** 100 100 86 100 100 Meter Issues (NET) $(n = 22)^*$ ** 86 92 86 80 77 Moving / New Service (NET) $(n = 24)^*$ ** 85 82 87 71 83 Other (NET) (n = 30)* ** 70 91 93 75 70

Top 2 box (Very / Somewhat Satisfied)

3. How satisfied were you overall with the call to Hydro One?

*Represents sample size in latest Quarter

78 ** Caution very small base size



Overall Satisfaction with Call by Reason for Call (All Call Types) ***(Past 15 Months Q4'12 →Q4'13)***



Call dissatisfaction is greatest when dealing with a bill problem, increase or discrepancy.

	Mean Value (5 point scale)*
To get an account balance (n=891)	4.6
To address a disconnection issue (n=31)	4.6
Moving / To provide account information update (n=65)	4.5
Payment notification / Follow-up (n=76)	4.4
To report a power outage (n=1166)	4.4
To find out when power would be restored (n=462)	4.4
To input a meter reading (n=222)	4.3
Discuss / Negotiate a payment schedule / plan (n=200)	4.3
Report a meter reading (n=59)	4.3
To report making a payment (n=102)	4.3
To ask a question about a bill (n=283)	4.1
Time of Use (n=9)**	4.0
To resolve a problem with bill (n=290)	3.8
Investigate a major bill increase / bill discrepancy (n=51)	3.7
Smart Meter / New Meter (n=2***)	2.5

3. How satisfied were you overall with this call with Hydro One? / 2. Please think about the most recent call you made to Hydro One, *Very Satisfied (5) to Very dissatisfied (1) what was the reason for this call?

**Introduced in Q2'10

***Caution due to sample size

79 Red Font indicates strong correlation between reason for call and overall dissatisfaction with the call (mean < or = 4.0)



Reasons Not Satisfied with Call to Hydro One* (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13)



Reasons for being dissatisfied overall with the call are varied.

	Q4'12*	Q1'13*	Q2'13*	Q3'13*	Q4'13*
Rep Information (NET) (the rep/agent/CSR was not well informed, did not get answers needed, CSR wasn't able to answer my questions)	31	27	31	28	24
Access (NET) (couldn't get through to speak to a person, promised a return call & haven't yet received one, wanted to speak with a supervisor but CSR refused, had to make too many calls to resolve issue, made multiple call and given different info)	14	11	26	20	30
Hydro One Policy (NET) (CSR wouldn't discuss account – not in my name, CSR would not arrange a meter reading, no flexibility in payment terms / arrangements, won't accept credit card payment)	16	20	14	5	11
Rep Skill (NET) (did not say what action would be taken, CSR was unable to resolve why bill was so high, general poor customer service, CSR wasn't a good listener)	16	11	14	22	11
Rep Attitude (NET) (CSR/rep was rude/unprofessional/terse, CSR was unaccommodating/uncaring)	16	22	2	6	3
Outage Response (NET) (getting too many power outages)	4	4	2	2	-
Bill / Payment (NET) (equal billing / estimated bill is (still) high, won't accept credit card payment, other billing mentions, other payment mentions)	2	11	-	6	11
Other (NET) (dislike automated phone systems, dissatisfied with collection process / threats, Hydro One has not honoured their service appointments, other)	29	47	31	36	29

4. Why were you not satisfied overall with the call?

* Caution, small base sizes

N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total Dissatisfied Agent Handled (49/45/42/64/66)



81



Decrease in 2013 with ease of getting through to a rep and length of time spent on hold before speaking to an agent.

			Process Issues	Mean *	TB%
	Agent (Q4/12)	<mark>6%</mark> 2%	92%	4.5	66%
a. The ease of getting	Agent (Q1/13)	8% 3%	89%	4.4	62%
through to a rep to discuss	Agent (Q2/13)	14% 4 %	82%	4.2	56%
your question or problem	Agent (Q3/13)	17% 3%	80%	4.0	48%
or problem	Agent (Q4/13)	18% 3%	78%	4.0	51%
	Agent (Q4/12)	<mark>7%</mark> 2%	91%	4.4	62%
b. The length of time you had to	Agent (Q1/13)	10% 3%	87%	4.3	60%
be on hold before you	Agent (Q2/13)	17% 2%	81%	4.1	52%
actually spoke with a	Agent (Q3/13)	16% 4%	80%	4.1	48%
representative	Agent (Q4/13)	16% 4%	80%	4.0	50%

Bottom 2 (Somewhat / Very dissatisfied) Neither Nor Top 2 (Very / Somewhat satisfied) 5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with...

a. N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total Agent Handled (299/298/293/295/295)
b. N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total Agent Handled (297/297/290/293/289)

*Mean: Very Satisfied (5) to Very Dissatisfied (1)



Satisfaction With Call Specifics (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13)



Decrease in satisfaction in latter half of year with ability to access HON and decline since Q2 for length of time on hold.

			Process Issues	Mean * TB%
	- Agent (Q4/12)	<mark>9% 3</mark> %	89%	4.4 65%
I. Your ability to access Hydro	- Agent (Q1/13)	<mark>10%</mark> 3%	87%	4.4 64%
One to resolve	- Agent (Q2/13)	<mark>12%</mark> 2%	87%	4.3 63%
your questions or problems	- Agent (Q3/13)	13% 6%	81%	4.1 55%
	Agent (Q4/13)	18% 2%	80%	4.1 53%
			•	_
	Agent (Q4/12)	<mark>15% 2</mark> %	83%	4.2 61%
q. The length of time it took for you	Agent (Q1/13)	<mark>16% 3</mark> %	81%	4.2 64%
to resolve the	Agent (Q2/13)	14% 2%	84%	4.2 63%
issue or concern you called about**	Agent (Q3/13)	<mark>16% 3</mark> %	81%	4.1 55%
	Agent (Q4/13)	17% 5%	78%	4.0 53%

Bottom 2 (Somewhat / Very dissatisfied) Neither Nor Top 2 (Very / Somewhat satisfied) 5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with...

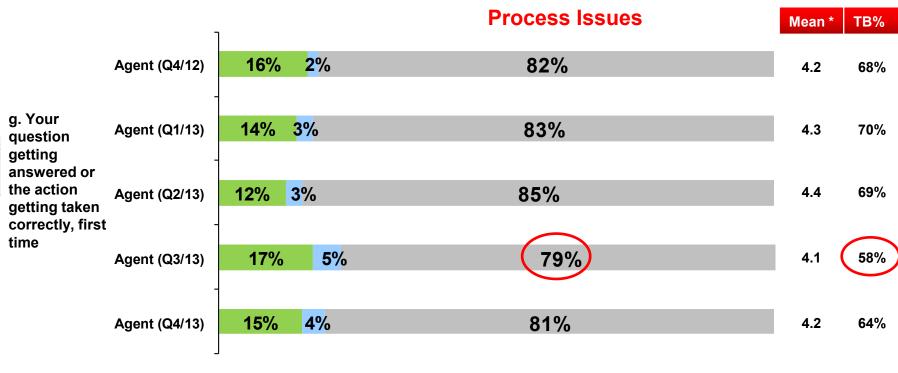
I. N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total Agent Handled (296/294/291/295/296) q. N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total Agent Handled (290/294/288/283/286)

**Question added in Q1'11 *Mean: Very Satisfied (5) to Very Dissatisfied (1)





Satisfaction with question getting answered correctly the first time dropped in Q3/13.



Bottom 2 (Somewhat / Very dissatisfied) Neither Nor Top 2 (Very / Somewhat satisfied)

5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with...

g. N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total Agent Handled (297/291/275/289/283)

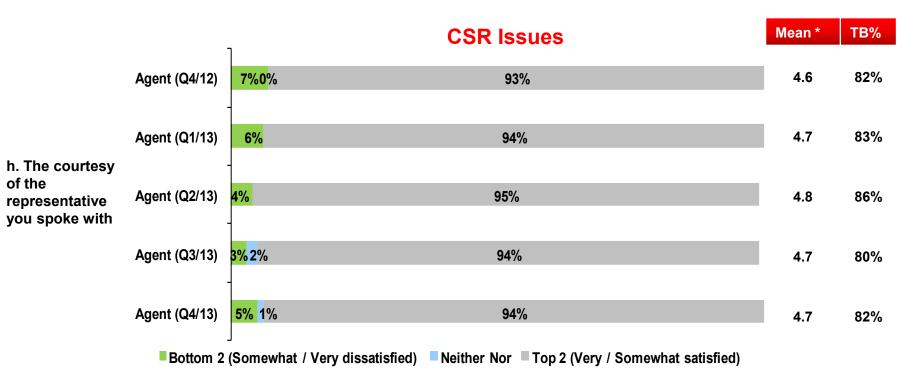
*Mean: Very Satisfied (5) to Very Dissatisfied (1)



Satisfaction With Call Specifics (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13)



No change in satisfaction this Quarter vs. last.



5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with...

h. N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total Agent Handled (299/299/293/293/289)

*Mean: Very Satisfied (5) to Very Dissatisfied (1)





Satisfaction with the rep showing a genuine commitment to help declined to 88% in the last half of the year.

			_	CSR Issues	Mean *	ТВ%
		Agent (Q4/12)	<mark>9%</mark> 1%	90%	4.5	75%
-	i. The representative	Agent (Q1/13)	<mark>6%</mark> 3%	90%	4.6	76%
P	showing a	Agent (Q2/13)	<mark>6%</mark> 2%	92%	4.6	78%
5	genuine commitment to	Agent (Q3/13)	8% 4%	88%	4.5	74%
	help	Agent (Q4/13)	- 10% 2%	88%	4.5	75%
	_	Agent (Q4/12)	<mark>7% 1</mark> %	92%	4.6	77%
B	e. The representative	Agent (Q1/13)	<mark>5%</mark> 4%	91%	4.6	78%
-	answering all your questions	Agent (Q2/13)	7% 2%	91%	4.6	77%
	promptly	Agent (Q3/13)	<mark>5% 4</mark> %	91%	4.5	68%
		Agent (Q4/13)		90%	4.5	72%
		• • •	」 nat / Very dissatisfied)	Neither Nor Top 2 (Very / Somew	hat satisfied)	

5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with...

i. N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total Agent Handled (299/296/293/291/289)

85 e. N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total Agent Handled (294/296/290/288/287) *Mean: Very Satisfied (5) to Very Dissatisfied (1)



Satisfaction With Call Specifics (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13)



No significant change this Quarter vs. last.

CSR Issues		
1	Mean * T	ГВ%
Agent (Q4/12) 10% 3% 87%	4.4	72%
f. The rep letting you know what	4.5	72%
actions would be taken when Agent (Q2/13) you finished the call	4.4	70%
Agent (Q3/13) 10% 5% 85%	4.3	62%
Agent (Q4/13) 10% 3% 87%	4.4	65%

Bottom 2 (Somewhat / Very dissatisfied)
Neither Nor
Top 2 (Very / Somewhat satisfied)

5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with...

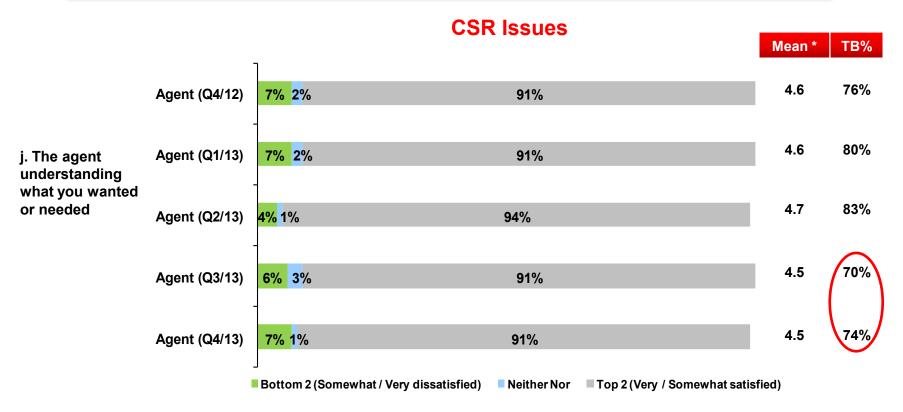
f. N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total Agent Handled (275/271/273/266/251)

*Mean: Very Satisfied (5) to Very Dissatisfied (1)





Fewer customers indicated they were 'very' satisfied with the agent understanding what they needed in the second half of 2013.



5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with...

j. N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total Agent Handled (297/297/293/292/287)

*Mean: Very Satisfied (5) to Very Dissatisfied (1)



Satisfaction With Call Specifics (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13)



No significant changes this quarter vs. last.

			_	CSR Issues	Mean *	TB%
		Agent (Q4/12)	8% 2%	90%	4.5	73%
8	r. The agent treating you	Agent (Q1/13)	7% 2%	91%	4.5	76%
	like you were a	Agent (Q2/13)	<mark>5%</mark> 1%	93%	4.6	77%
*	valued customer**	Agent (Q3/13)	7% 3%	90%	4.5	74%
		Agent (Q4/13)	8% 2%	90%	4.5	72%
8	s. The agent going above	Agent (Q4/12)	11% 3%	87%	4.2	54%
	and beyond the	Agent (Q1/13)	13% 6%	81%	4.2	57%
	level of service that you	Agent (Q2/13)	8% 8%	83%	4.3	57%
	expected**	Agent (Q3/13)	10% 11%	79%	4.1	50%
		Agent (Q4/13)	12% 8%	80%	4.1	53%

Bottom 2 (Somewhat / Very dissatisfied) Neither Nor Top 2 (Very / Somewhat satisfied)

5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with...

r. N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total Agent Handled (298/299/290/294/290) s. N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total Agent Handled (275/287/277/272/274)

*Mean: Very Satisfied (5) to Very Dissatisfied (1)

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**Question added in Q1'11





In the second half of 2013, fewer callers were 'very' satisfied with the agent offering a solution for the reason of their call.

				Mean *	TB%
	Agent (Q4/12)	9% 4%	87%	4.5	73%
c. The prepresentative	Agent (Q1/13)	<mark>8%</mark> 3%	89%	4.5	72%
providing you	Agent (Q2/13)	9% 4%	87%	4.5	72%
accurate information	Agent (Q3/13)	<mark>8% 5</mark> %	87%	4.4	65%
	Agent (Q4/13)	12% 3%	85%	4.3	68%
	-				
	Agent (Q4/12)	<mark>14%</mark> 4%	82%	4.3	67%
d. The	Agent (Q1/13)	<mark>14% 3</mark> %	83%	4.3	69%
representative offering a	Agent (Q2/13)	<mark>12%</mark> 5%	83%	4.3	67%
solution for the	Agent (Q3/13)	16% 6%	79%	4.1	59%
reason you called	Agent (Q4/13)	17% 5%	79%	4.1	60%
	Bottom 2 (Somewhat / Very dissatisfied)	Neither Nor Top 2 (Very / Somewhat)	satisfied)	\smile

Information Issues

5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with...

- c. N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total Agent Handled(280/286/283/283/280)
- d. N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total Agent Handled (279/276/276/274/266)

*Mean: Very Satisfied (5) to Very Dissatisfied (1)



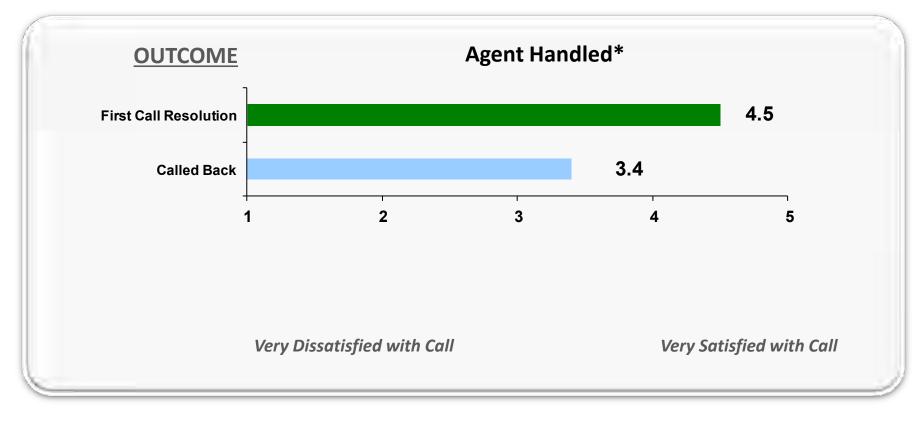
Key Drivers of Overall Satisfaction with Call



Relationship Between First Call Resolution and Overall Satisfaction with Call



Satisfaction with the call is much greater if there is first call resolution.



N = Agent Handled Callers (1,201) Based on Jul/12 – Jun/13 dataset

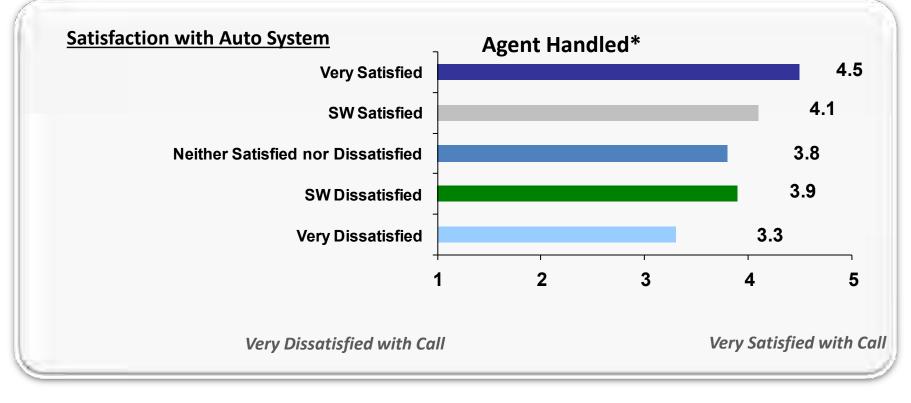
*Mean Satisfaction 1-5



Relationship Between Satisfaction with Auto System and Overall Satisfaction With Call



The more satisfied callers are with the automated system menu, the more satisfied they are overall with the call.

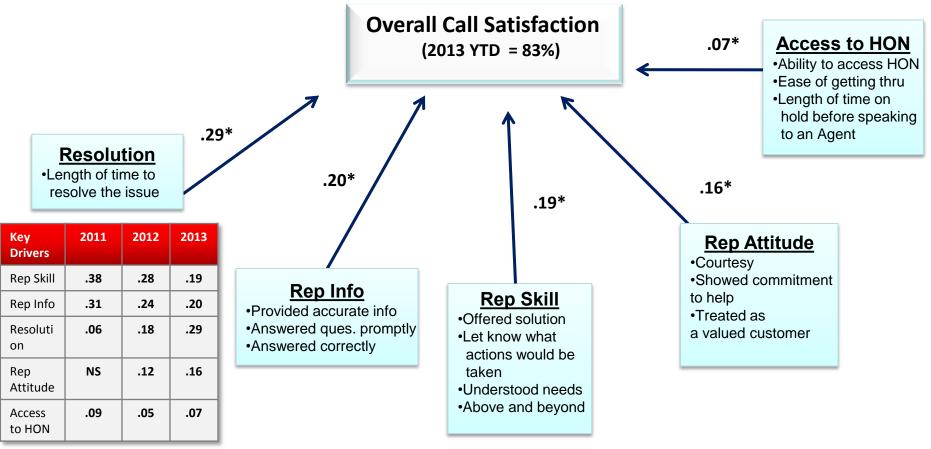


N = Agent Handled Callers (1,160) Based on Jul/12 – Jun/13 dataset

*Mean Satisfaction 1-5



The key driver of overall satisfaction with the call is time it took to resolve the issue. This is followed by the (quality of) information provided by the rep and rep skill factors. Less impact of the rep's 'Skill' and 'Information' and greater impact of 'Resolution' on overall call satisfaction is evident since 2011.



*Betas derived from Jul/12 – Jun/13 dataset

Agent Handled dataset N = 1,201

Adjusted R²= 0.66

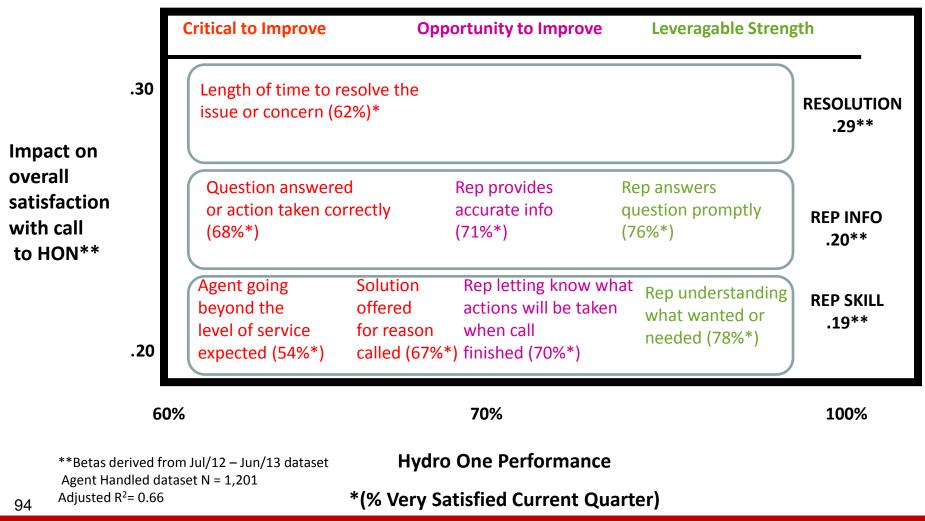
93

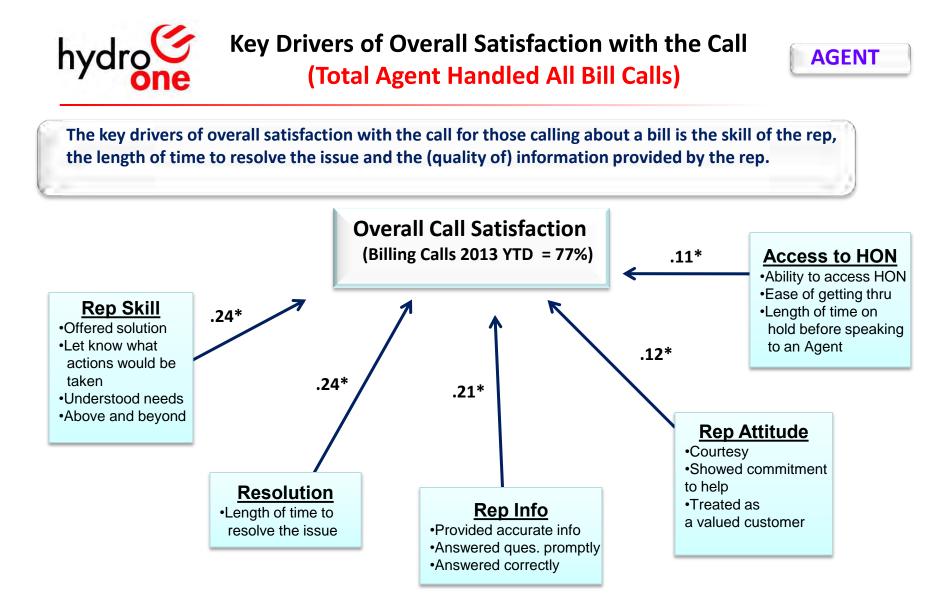


OVERALL SATISFACTION WITH CALL TACTICAL PRIORITIES FOR KEY DRIVERS



Agent Handled Callers





*Betas derived from Jul/12 – Jun/13 dataset Agent Handled dataset, Bill Calls N = 492

For Hydro One use only, not for further distribution.

** NS = Not significant

Adjusted R²= 0.66

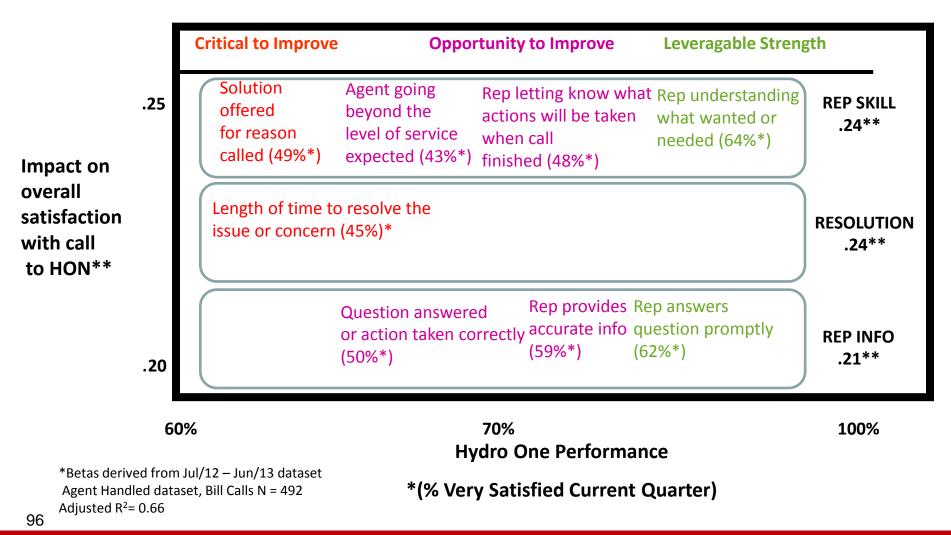
95



OVERALL SATISFACTION WITH CALL TACTICAL PRIORITIES FOR KEY DRIVERS



Agent Handled All Bill Calls





Reasons Dissatisfied with 'The Representative Offering a Solution for the Reason You Called' * (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13)



Reasons Dissatisfied %*

	Q4/12	Q1/13	Q2/13	Q3/13	Q4/13
Agent knowledge / Skill (NET) (CSR had no knowledge, no solution offered, told I had to wait until I get my bill to see if problem is resolved)	93	87	75	92	77
CSR Rude / Uncaring / Unprofessional (NET) (CSR rude, uncaring, unprofessional, unhelpful)	23	20	21	11	26
Information Issues (NET) (no time frame for restoration)	3	-	4	-	-
Access to person (NET) (haven't received callback)	-	-	4	6	13
Hydro One Policy Issue (NET) (disconnection still going to be done)	7	10	4	-	6
IVR Issues (NET) (problem with menu system, dislike automated system)	-	-	-	-	-
Other	13	27	4	8	19

6d. You said you weren't satisfied with the representative offering a solution for the reason you called. Why is that?

N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13)= Total dissatisfied Agent handled callers (30/30/24/36/31)

* Caution, small base size



Reasons Dissatisfied with 'Your Question Getting Answered or the Action Getting Taken Correctly, the First Time'* (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13)



	Reasons Dissatisfied %*						
	Q4/12*	Q1/13*	Q2/13*	Q3/13*	Q4/13*		
Agent knowledge / Skill (NET) (CSR had no knowledge, no solution offered, no explanation for billing policy change / why bill is so high, told I had to wait until I get my bill to see if problem is solved)	69	70	50	59	66		
CSR Rude / Uncaring / Unprofessional (NET) (CSR rude, uncaring, unprofessional, unhelpful)	20	33	19	14	3		
Access to person (NET) (never spoke to / got in touch with anyone, haven't received callback, long wait times on hold)	3	3	15	19	17		
IVR Issues (NET) (problem with menu system, dislike the IVR)	3	-	8	3	-		
Hydro One Policy Issue (NET) (disconnection still going to be done, won't read / check my meter)	3	7	-	-	14		
Information Issues (NET) (no time frame for restoration)	11	-	-	-	-		
Other	20	20	35	35	31		
Don't know / Refused	3	3	8	-	-		

Q4/13 Verbatim for 'Other'

6g. You said you weren't satisfied with your question getting answered or the action getting taken correctly, the first time. Why is that?

N = (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = **Total dissatisfied Agent handled callers** (35/30/26/37/35)

*Caution, small base size

I can't contact them during my hours. I have to contact the people at the field office to make arrangements. Still not receiving a bill.

Third time calling about the same issue.

There is no credibility every time I call I get a different answer. I was told the problem would be fixed and it's been months so.

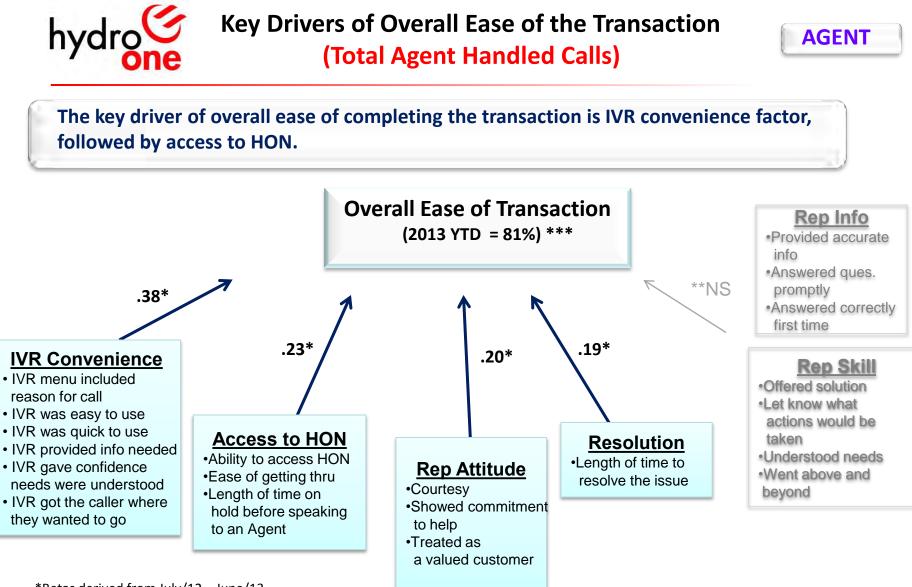
No one was able to come out and do it.

It's taking quite a while to get things done and they kept telling me different things.

No idea how long problem will persist.

They could have properly informed how the meter was going to work.

This is about the third time I have called and they agents tell me it happens on occasion. And I 'm not able to access my time of use data online. I would have liked a call back with some kind of resolution other than just a basic explanation that doesn't address the problem. Could've fixed the problem. Could have removed the penalty.



*Betas derived from July/12 – June/13

- **NS = Not significant
- *** Somewhat/very easy

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Agent Handled dataset N = 1,201
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Adjusted R<sup>2</sup>= 0.58
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99

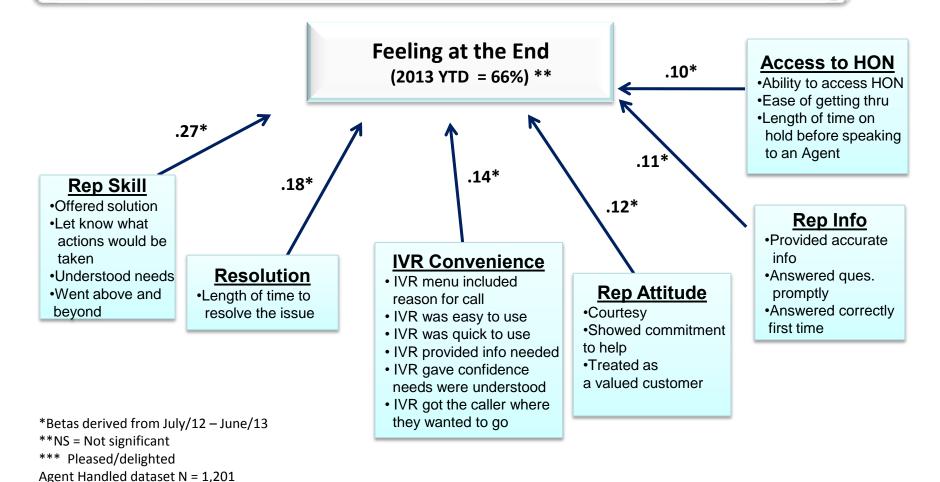


Adjusted R²= 0.55

100



The key driver of feelings at end of the transaction is the rep's skill followed by the length of time to resolve the issue.





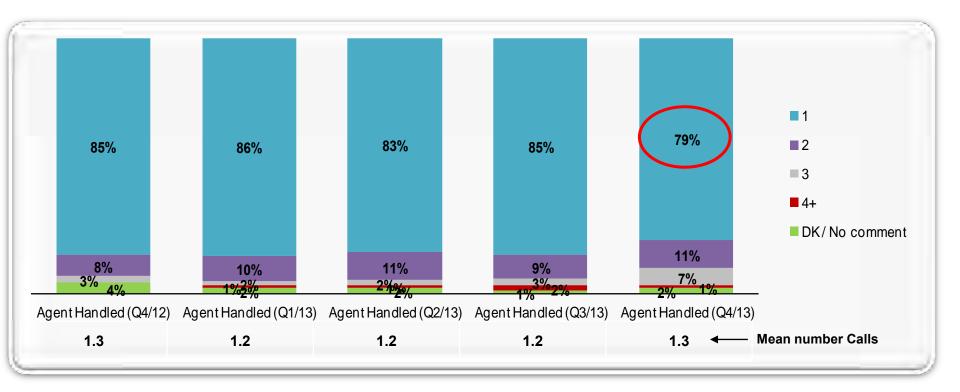
Connection & Call Resolution Issues



Number of Calls Made Before Connection to Hydro One's Automated System Menu (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13)



No significant change vs. last Quarter for having to call more than once to connect.



8. For this most recent call, how many times did you have to try Hydro One's telephone number before you were connected to the menu in the automated voice system?

N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Agent Handled callers (300/301/300/300/300)



Reasons Had to Make More than One Call to Connect with Automated System Menu* (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13)



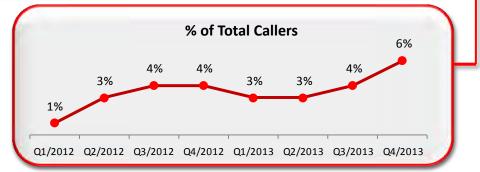
Callers who had to make more than one call to connect to the automated menu indicated that the major reason was due to IVR difficulties and access lines being busy. Amongst all Agent callers, 6% had access difficulties.

	Q4/12	Q1/13	Q2/13	Q3/13	Q4/13	
IVR Difficulty (NET) (phone system did not connect properly, was disconnected by HON during the call, problems with menu)	32	41	44	46	39	
Inconvenient (NET) (hung up while on hold)	15	14	16	12	10	
Access Busy / IVR Busy (NET NET) (lines busy NET, IVR busy NET) Lines Busy (NET) (got a busy signal, couldn't get through) IVR Busy (NET) (message 'due to heavy call volumes we are unable to take your call at this time')	32 29 3	27 27 -	23 23 -	27 24 2	29 24 5	-
Difficulty at customer end (NET) (dialed wrong number, had phone/cell problems, got distracted had to call back)	6	3	7	-	3	
Other (NET) (business office was closed, other)	9	3	9	7	12	

9. Why did it take you more than one call to be connected to the menu in the automated voice system?

N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13)

= Total Agent Handled (34/37/43/41/59)



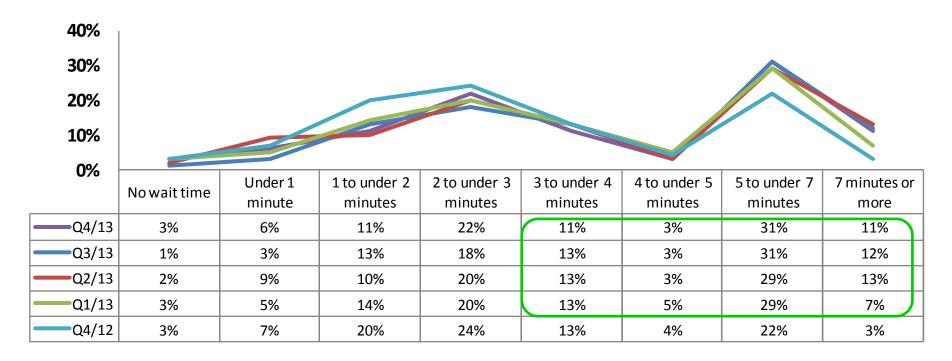
^{*} Caution: small base sizes



Reasonable Time On Hold in Queue (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13)

Some indication in 2013 that callers have a little more tolerance for longer wait times to speak with an Agent. More than half feel it's reasonable to wait up to 3 or more minutes.

AGENT



9b. After going through the automated menu, how long do you feel is reasonable when waiting in a queue ON HOLD before reaching an agent?

104 N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total Agent Handled (300/301/300/300/300)



First Call Resolution (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13)



About three quarters are receiving first call resolution.



First Call Resolution

	Q4 12 %	Q1 13 %	Q2 13 %	Q3 13 %	Q4 13 %	
Yes	78	79	81	76	75	
No	10	9	11	9	11	
Neither	11	11	8	15	15	

10. And once you did get through to a representative, was your issue resolved on the first call, or did you need to call back more than once?

N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total Agent Handled (300/301/300/300/300)

	Q4 12 %	Q1 13 %	Q2 13 %	Q3 13 %	Q4 13 %
One	38	40	35	31	47
Тwo	11	3	19	10	5
Three	3	2	5	3	8
Four+	5	-	-	-	3
DK	44	55	40	56	37
Mean #	1.6	1.1	1.5	1.4	1.5

Number of Callbacks

10b. And after this initial call, how many times did you need to call back about the same issue?

N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total Agent Handled (64/62/57/71/76)



Final Outcome of Call for Those Who Called 2+ Times (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13)



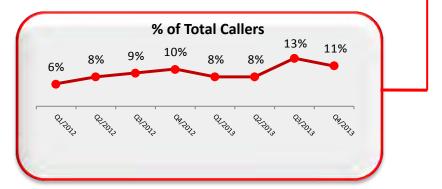
Among callers who did not have FCR, 42% indicated that their issue was never resolved. In 2013, this represents 10% of all Agent handled customers.

	Q4/12	Q1/13	Q2/13	Q3/13	Q4/13	
Never resolved	47	40	44	56	42	4
Resolved after you followed up with Hydro One	20	21	26	4	16	
Resolved after it was passed along to someone	6	2	5	9	3	
Resolved after Hydro One took some other action	2	3	4	3	7	
Other (volunteered)	25	34	21	28	33	

Final Outcome % *

10d. I am going to read you a list. Please tell me which of the four describes the final outcome of your call? N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total Agent Handled (64/62/57/71/76)

* Caution, small base sizes





Non First Call Resolution Outcome*

(Past 15 Months Q4'12 →Q4'13)



	Issue Never Resolved	lssue Eventually Resolved
Q2 Customer Stated Reason for Call (N=228)*		
Billing Issues (NET) (e.g. Investigate bill increase, Ask question, Resolve problem, Etc.)	66	37
Outage Reporting / Inquiry (NET)	6	20
Meter Issues (NET) (e.g. Report reading, Request new, Moving, Final reading, Etc)	6	4
Payment Issues (NET) (e.g. Notify, Negotiate payment schedule, Etc)	3	16
Outage Restoration Update (NET) (e.g. To investigate a power outage)	-	2
Moving / New Service (NET) (moving / to provide account info update, provide new account names / change name, cancel service, service request for installation / disconnection)	6	11
Other (NET) (e.g. Get acct. balance/Moving/Acct. update/Tree maintenance/Discuss disconnection notice, Etc.)	12	11
Q3 Overall Satisfaction with Call (% Top 2 Box) (N=224)*	28	71
Q5 Satisfaction with Specific Call Attributes (% Top 2 Box)		
a. The ease of getting through to a rep to discuss your question or problem (N=235)*	68	70
b. The length of time you had to be on hold before you actually spoke with a representative (N=226)*	69	73
c. The representative providing you accurate information (N=204)*	53	70
d. The representative offering a solution for the reason you called (N=213)*	30	68
e. The representative answering all your questions promptly (N=219)*	64	79
f. (The rep) letting you know what actions would be taken when you finished the call (N=204)*	46	76
g. Your question getting answered or the action getting taken correctly the first time (N=216)*	30	59

* Base: Total number of customers in the past 15 months who did not have first call resolution

Highlighted values indicate significant difference between no resolution vs. eventual resolution





	lssue Never Resolved	Issue Eventually Resolved
Q5 Satisfaction with Specific Call Attributes (cont'd) (% Top 2 Box)		
h. The courtesy of the representative you spoke with (N=223)*	83	81
i. The representative showing a genuine commitment to help (N=220)*	63	76
j. The representative (system) understanding what you wanted or needed (N=220)*	68	83
I. Your ability to access Hydro One to resolve your questions or problems (N=225)*	56	71
q. The length of time it took the customer to resolve the issue or concern (N=209)*	25	66
r. The representative treating you like a valued customer (N=221)*	68	76
s. The representative going above and beyond the service level expected (N=208)*	43	70

* Base: Total number of customers in the past 15 months who did not have first call resolution

Highlighted values indicate significant difference between no resolution vs. eventual resolution

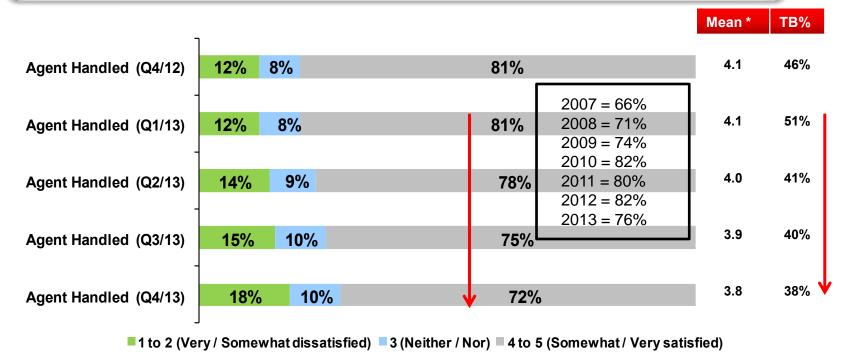


Automated Telephone Answering System





Satisfaction with the automated system trended downward through the year. Number of callers indicating they were 'very' satisfied with the automated system peaked in Q1/13, but declined in the following quarters.



13a. When you made your most recent call to Hydro One, you were initially connected to an automated telephone system. Overall, how satisfied were you with Hydro One's automated telephone answering system? N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total Agent Handled (293/295/298/296/298)

*Mean: Very Satisfied (5) to Very Dissatisfied (1)





In 2013, satisfaction with the menu categories including necessary options and system being easy to use has been trending downwards.

				Mean *	TB%
	Agent (Q4/12)	13% 10%	78%	8.0	51%
a. The menu	Agent (Q1/13)		77%	8.0	50%
categories included the	Agent (Q2/13)	17% 12%	72%	7.6	47%
reason you called	Agent (Q3/13)	22% 13%	65%	7.3	44%
	Agent (Q4/13)		68%	7.3	41% 🗸
		-			
	Agent (Q4/12)	<mark>6% 8</mark> %	86%	8.5	56%
b. The system	Agent (Q1/13)	<mark>5% 8</mark> %	86%	8.7	58%
was easy to	Agent (Q2/13)	8% 15%	77%	8.1	46%
use	Agent (Q3/13)	10% 13%	77%	8.1	49%
	Agent (Q4/13)		80%	8.1	45% 🗸
		」 npletely ■ Bottom 4 sagree		npletely Agree	

14. Now I have a few questions about the automated telephone system and the menu that you had to use at the beginning of your call.

a. N = (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total Agent Handled (287/294/288/290/291)

b. N = (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total Agent Handled (296/300/297/296/298)





In 2013, number of callers indicating the system was quick to use and the system provided necessary information showed downward trend in Q1/13.

				Mean *	TB%
	Agent (Q4/12)	<mark>6% 12% </mark>	82%	8.2	47%
	Agent (Q1/13)	- 8% 10%	82%	8.3	50%
c. The system was quick to	Agent (Q2/13)	- 9% 14%	77%	7.9	39%
use	Agent (Q3/13)	- 13% 17%	70%	7.6	39%
	Agent (Q4/13)	- 10% 16%	74%	7.8	39% 🗸
		-			
	Agent (Q4/12)	- 13% 10%	77%	7.9	49%
d. The system	Agent (Q1/13)	10% 13%	77%	8.1	51%
provided the information	Agent (Q2/13)	- 18% 11%	72%	7.4	41%
you needed	Agent (Q3/13)	21% 12%	68%	7.2	37%
	Agent (Q4/13)	- 19% 12%	69%	7.3	41% 🗸
		Disagree Bottom 4	Mid 2 Top 4 Completely Agree	1	

14. Now I have a few questions about the automated telephone system and the menu that you had to use at the beginning of your call. For each question you can just answer yes or no.

c. N = (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total Agent Handled (299/299/298/298/299)

d. N = (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total Agent Handled (298/298/296/293/300)



Automated Phone System Attributes (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13)



The number of callers indicating that the system took them where they wanted to go trended downward throughout the year.

				Mean *	TB%
	Agent (Q4/12)	14% 11%	75%	7.7	45%
e. The system gave you	Agent (Q1/13)	12%	75%	7.9	47%
confidence that your	Agent (Q2/13)	16% 15%	70%	7.4	38%
needs were	Agent (Q3/13)	18% 14%	68%	7.2	34%
understood	Agent (Q4/13)	16% 14%	70%	7.3	39%
	-				
	Agent (Q4/12)	7% 8%	85%	8.6	57%
g. The system	Agent (Q1/13)	<mark>8%</mark> 6%	86%	8.7	63%
got you were you wanted to	Agent (Q2/13)	8% 10%	82%	8.2	51%
go	Agent (Q3/13)	13% 9%	78%	8.0	50%
	Agent (Q4/13)	12% 12%	76%	8.1	55% 🗸
		Bottom 4 Disagree	Mid 2 Top 4 Complete Agree	≱ly	

14. Now I have a few questions about the automated telephone system and the menu that you had to use at the beginning of your call. For each question you can just answer yes or no.

e. N = (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total Agent Handled (293/296/296/294/298)

g. N = (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total Agent Handled (300/297/297/297/297)



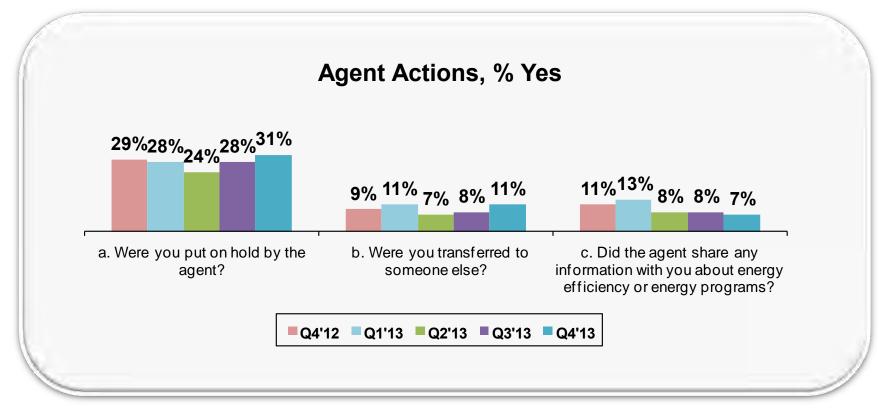
Agent Actions Taken



Agent Actions (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13)



No significant changes observed in actions taken by agents through 2013.



13c. At any point during this call on DATE/TIME...**

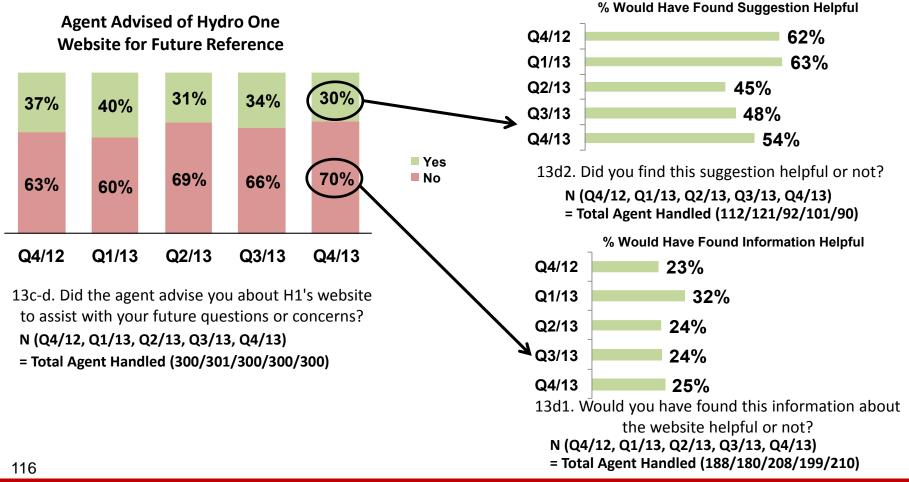
a/b/c. N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total Agent Handled (300/301/300/300)



Agent Website Information Provision (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13)



A third were advised of Hydro One's website by the Agent (30%) this Quarter. About half (54%) of this group found the suggestion helpful. A quarter of those who didn't get advised about HON's website would have found it helpful.

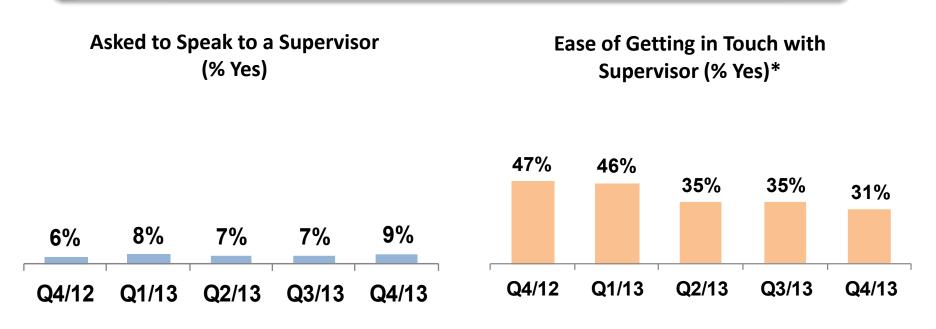




Supervisor Contact (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13)



In Q4/13, few (9%) have asked to be put in touch with a supervisor in the past year. For those that did, 31% indicated it was easy to do so.



15i. During the past year, have you ever asked to be put in touch with a Hydro One Supervisor? **

15i2. Was it easy to be put in touch with a supervisor or not? **

i. N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total Agent Handled (300/301/300/300) i2. N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total Agent Handled (19/24/20/20/26)

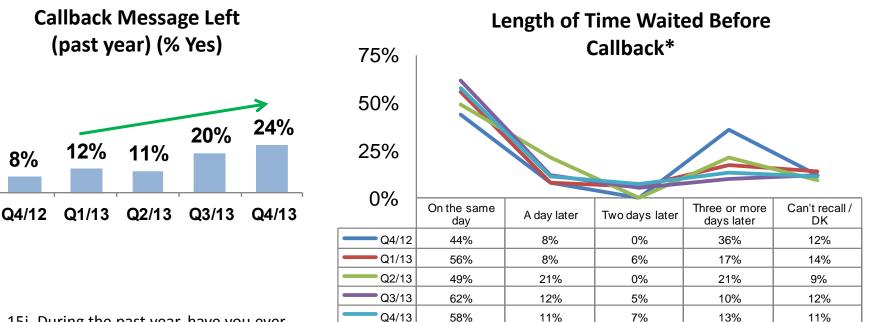
* Caution: small base size



Callback Follow-up (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13)

AGENT

Customers leaving a callback message in the past year increased through 2013. More than half (58%) of these customers were called back on the same day.



15j. During the past year, have you ever left a message with Hydro One requesting that someone call you back? **

15j2. And approximately how long did you have to wait before you actually received a call back from Hydro One? Was it... **

j. N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total Agent Handled (300/301/300/300/300) j2. N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total Agent Handled (25/36/33/61/72)

* Caution: small base size



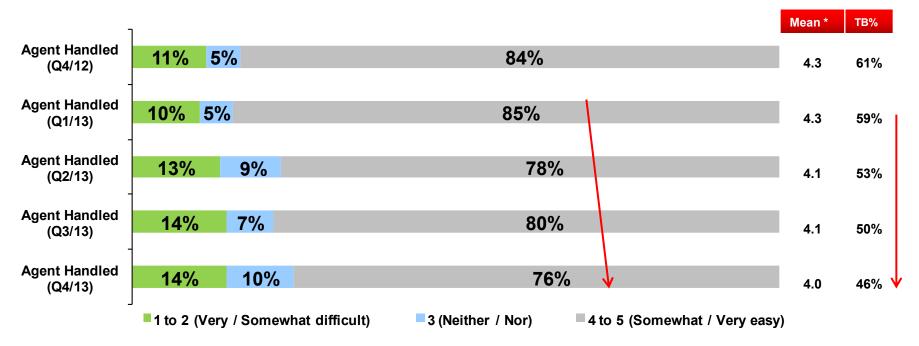
Overall Transaction Assessment



Telephone Transaction Difficulty (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13)



Number of callers stating transaction was easy to perform declined through 2013.



15g. All things considered, how easy or difficult was it for you to do this entire transaction with Hydro One over the telephone?**

*Mean: Very Difficult (1) to Very Easy (5)

N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total Agent Handled (300/301/300/300/300)



Reasons for Telephone Transaction Difficulty* (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13)

AGENT

For the few who had difficulties with their transaction, they related to an inability of the Agent to address their concern or to automated system issues.

	Q4/12	Q1/13	Q2/13	Q3/13	Q4/13
Agent Service Difficulties (NET) (agent had no knowledge of problem / couldn't answer questions, agent offered no solutions to my issue / would not help me)	46%	52%	33%	37%	45%
Automated System Difficulties (NET) (automated system is difficult to use, want to speak to an agent immediately / too hard to reach an agent)	39%	23%	59%	41%	40%
Other	15%	26%	10%	29%	24%
Don't know / Refused	-	3%	-	-	-

15g2. Why was it difficult for you? (PROBE) What would have helped make it easier for you?**

N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total Agent Handled (33/31/39/41/42)

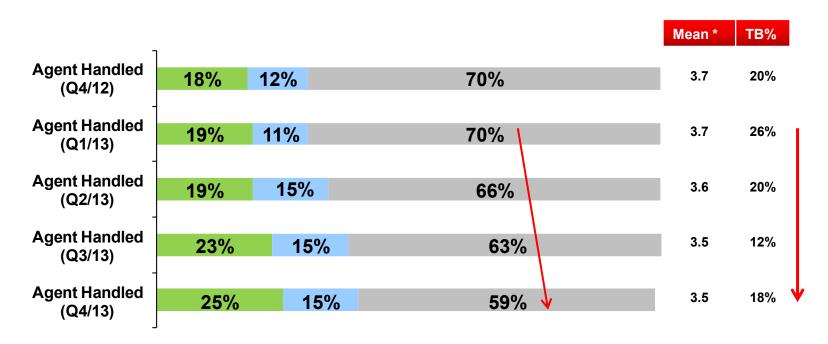
* Caution: small base size



Pleased or Delighted Feelings After Call Experience (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13)



About two thirds of callers felt pleased or delighted at the end of their call. Downward trend through 2013.



1 to 2 (Angry / Frustrated) 3 (Indifferent) 4 to 5 (Pleased/Delighted)

15h. How did you feel at the end of this entire call experience with Hydro One? **

*Mean: Frustrated (1) to Delighted (5)

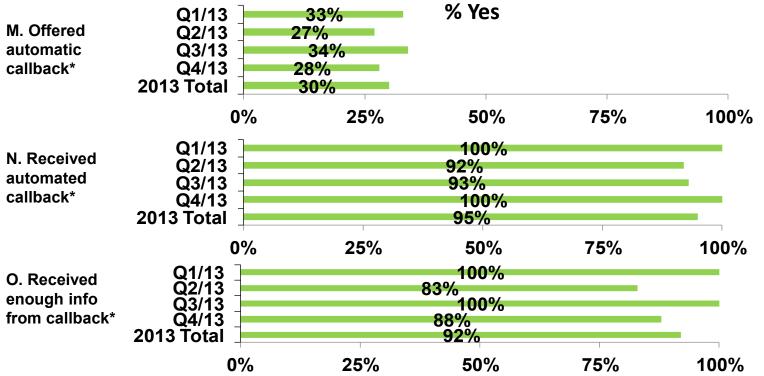
N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total Agent Handled (300/301/300/300/300)



Automated Callback for Outage Calls (Q1/13, Q2/13, Q3/13, Q4/13, 2013 Total)



In 2013, near 1 in 3 Agent handled callers (30%) who phoned about an outage were offered an automated callback and 95% indicated they received it. Of these, 92% said they received enough information from the callback.



15m. At the beginning of this call, you indicated that your call to Hydro One was about a power outage. Were you called back from someone at Hydro One to further discuss the power outage problem? BASE: Those who in Q2 indicated they called to report a power outage or to find out when power would be restored. N (Q1/13, Q2/13, Q3/13, Q4/13, 2013 Total) = Agent (9/44/41/29/123)

15n. Did you find this call back from someone at Hydro One helpful? BASE: Callers who in Q15m said they received a call back from Hydro One.

N (Q1/13, Q2/13, Q3/13, Q4/13, 2013 Total) = Agent (3/12/14/8/37)

150. Did you get enough information from this call back? BASE: Callers who in Q15m said they received a call back from Hydro One.

N (Q1/13, Q2/13, Q3/13, Q4/13, 2013 Total) = Agent (3/12/14/8/37)

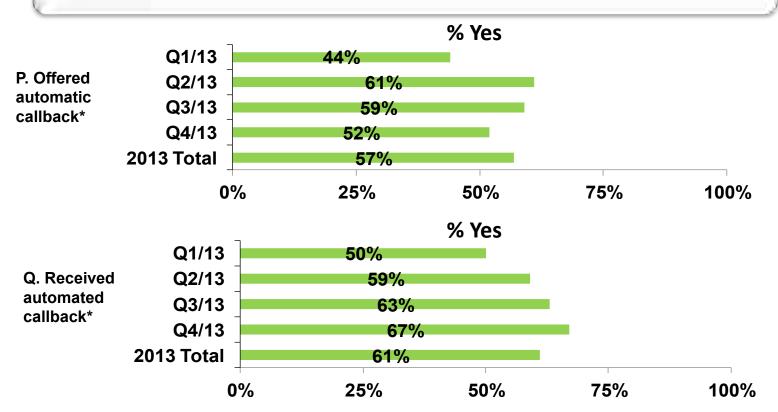
*Caution: very small base sizes. Q1 is represented by March/13 only.



Automated Callback for Outage Calls (Q1/13, Q2/13, Q3/13, Q4/13, 2013 Total)



In 2013, near 3 in 5 Agent handled callers (57%) who called about an outage requested an automated callback and of these, 61% indicated they received it.



15p. Were you offered the opportunity to receive an automated call back giving you an estimated power restoration time? BASE: Callers who in Q15m said they did not receive a call back from Hydro One. N (Q1/13, Q2/13, Q3/13, Q4/13, 2013 Total) = Agent (9/44/41/29/123)

15q. Did you actually receive an automated call back from Hydro One with an estimated power restoration time? BASE: Callers who in Q15p said they were offered to receive a call back from Hydro One.

*Caution: very small base sizes Q1 is represented by March/13 only.

124 N (Q1/13, Q2/13, Q3/13, Q4/13, 2013 Total) = Agent (4/27/24/15/70)



Restoration Time Accuracy (Q1/13, Q2/13, Q3/13, Q4/13, 2013 Total)



In 2013, 8 in 10 (78%) agent handled callers phoning about an outage indicated the estimated restoration time was very or somewhat accurate.

Sir. How accurate as the estimated storation time thatQ1/13 Q2/1350%Q2/13 u were given versusQ3/13 14%19%Nen the power was utually restored?*Q4/13 2013 Total30% 22%								 Not very/ne accurate Very/some accurate 	
	0%	Ļ	25%	50%	759	%	100%		
15s. Was the estimated because *	ated restorati	ion time not a	occurate	Q1/13	Q2/13	Q3/13	Q4/13	Total	
There was no estim	ated restorat	tion time avai	lable	-	-	-	-	-	
Power was restored	l after the tin	ne promised		-	33%	-	-	33%	
Power was restored	l before the t	time promised	1	100%	-	50%	67%	33%	
Other				-	67%	50%	33%	33%	

15r. BASE: Callers who in Q15q indicated that they had received a call back from Hydro One with estimated power restoration time. N (Q1/13, Q2/13, Q3/13, Q4/13, 2013 Total) = Agent (2/16/14/10/42)

15s. BASE: Callers who in Q15r indicated that the estimated power restoration time was Not very/Not at all accurate. N (Q1/13, Q2/13, Q3/13, Q4/13, 2013 Total) = Agent (1/3/2/3/9)

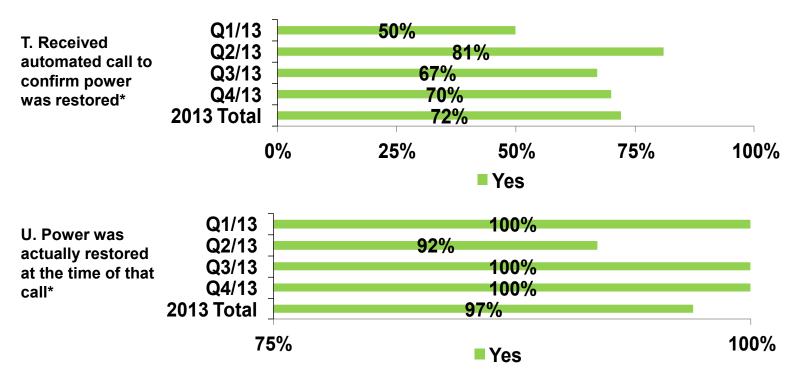
*Caution: very small base sizes Q1/13 is represented by March only



Proactive Estimated Restoration Time (Q1/13, Q2/13, Q3/13, Q4/13, 2013 Total)



Two thirds of callers received an automated callback to confirm power restoration.



15t. Did you also receive an automated call back to confirm that your power was restored?

BASE: Callers who in Q15s indicated that the estimated power restoration time was Very/Somewhat accurate.

N (Q1/13, Q2/13, Q3/13, Q4/13) = Agent (2/16/15/10)

*Caution: very small base sizes Q1/13 is represented by March only

15u. Was your power actually restored at the time of that automated call?

BASE: Callers who in Q15t indicated that they had received an automated call back to confirm that power had been restored.

N (Q1/13, Q2/13, Q3/13, Q4/13) = Agent (1/13/10/7)



IVR Outage Callers



Reasons for Call to Hydro One



Customer Stated Reason for Call to Hydro One (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13)



No change in call reason vs. last Quarter.

Customer Stated Reason for Call %

	Q4/12 %	Q1/13 %	Q2/13 %	Q3/13 %	Q4/13 %
Outage Report / Update (NET NET) (outage reporting NET, outage restoration update NET)	98	97	99	99	99
Outage Reporting (NET) (report outage, report fire / transformer problem / blown breaker)	64	70	70	71	70
Outage Restoration Update (NET) (find out when power would be restored)	33	27	29	28	29
Other (NET) (other)	2	3	1	1	1

2. Now please think about the call you made to Hydro One in the past few days.

What was the reason for this call?

N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total IVR Outage (300/301/303/300/300)



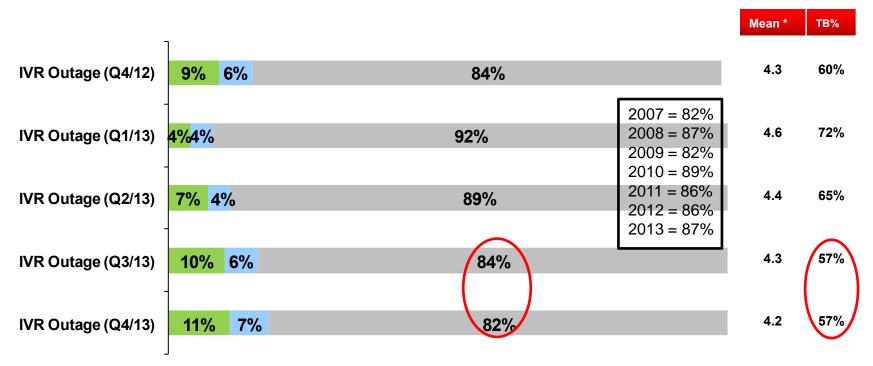
Satisfaction with Call



Satisfaction with Call to Hydro One (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13)



Overall satisfaction with the call for IVR Outage callers was significantly lower in the second half of 2013.



1 to 2 (Very / Somewhat dissatisfied) 3 (Neither / Nor) 4 to 5 (Somewhat / Very satisfied)

3. How satisfied were you overall with the call to Hydro One?

N(Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total IVR Outage (298/298/298/296/297)

*Mean: Very Satisfied (5) to Very Dissatisfied (1)



Overall Satisfaction by Reason for Call to Hydro One (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13)



Overall satisfaction levels are the same regardless of outage call reason.

	Top 2 box (Very / Somewhat Satisfied)				
	Q4/12 (n=298)	Q1/13 (n=298)	Q2/13 (n=298)	Q3/13 (n=296)	Q4/13 (n=297)
	% satisfied	% satisfied	% satisfied	% satisfied	% satisfied
Caller Satisfaction Score	84	92	89	84	82
Outage Report / Update (NET NET) (outage report NET, outage restoration NET) (n~293)*	85	92	90	84	82
Outage Report NET (n~206)*	86	91	90	83	80
Outage Restoration NET (n~87)**	82	95	87	85	89

3. How satisfied were you overall with the call to Hydro One? Would you say you were....

*Represents approximate average sample size in each Quarter

** Caution very small base size





Dissatisfaction is mainly tied to general customer problems with the information received about the outage status and with access through the automated system.

	Q4/12*	Q1/13*	Q2/13*	Q3/13*	Q4/13*
Outage Response (NET) (no estimated restoration time given, outage lasted too long / longer than I was told, no reason given for outage, outage happened without warning / no outage notice, outage reporting system gave an impossible date, getting too many power outages)	38	44	44	38	46
Access (NET) (couldn't get through to speak to a person, want to be able to talk to a human more quickly / easily, made multiple calls and given different info)	47	36	28	35	33
Other (NET) (dislike automated phone systems, rep attitude, other)	32	44	59	46	43

4. Why were you not satisfied overall with the call?

N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total IVR Outage (47/25/32/48/54)

* Caution, small base size



Reasons Not Satisfied with Call to Hydro One 'Other' Mentions (Q4/13)



'Other' reasons client was dissatisfied with the call to Hydro One:

System would not allow input of information or telephone number told to call back

First they wanted the account phone number and then a customer number because there were 2 accounts with that number and I don't know how that is possible and the customer number was difficult to find in the dark. And when I called back there was no one to speak with because of the number of calls

A tree fell and took out my power and since I am the only one on this line they keep forgetting I'm here so it takes a long time before power is restored

We have mostly digital phones here so I have to pull out an old rotary phone. There is no touchtone on it so I cannot use the touch prompts. You cannot ask anything. There is no prompt for that, only the recording.

Got no answers

They said it 3 hours until it came back on and it was only 20 minutes

It was very vague and did not answer my question. It asked me to punch in my phone number, I did so and it said there was more than one person with that number, it then asked me for my hydro one account number and it still could not tell where I was calling. I could not understand why it did not know who I was.

Ontario Hydro assumes that everyone has touch tone telephones, for those of us who do not have touch tone, voice recognition is poor at best.

They asked me questions and ran through troubleshooting steps which I didn't know the purpose of

The outcome was what was expected

A machine voice said I had already phoned at 9am.

And I was told there was more than 1 account with my number so I couldn't get through to report it

I didn't feel that my call was really important to them.



135



Caller satisfaction with the system understanding what a customer wanted and answering the question correctly the first time declined in the second half of 2013.

		7	Process Issues	Mean *	ТВ%
j. The system understanding what you wanted or needed	IVR Outage (Q4/12)	<mark>8%2%</mark>	91%	4.5	73%
	IVR Outage (Q1/13)	7%2%	91%	4.6	74%
	IVR Outage (Q2/13)	7%3%	90%	4.4	67%
	IVR Outage (Q3/13)	10%3%	86%	4.4	67%
	IVR Outage (Q4/13)	12% 4%	84%	4.3	65% 🗸
g. Your question getting answered or the action getting taken correctly, first time	IVR Outage (Q4/12)	14% 4%	82%	4.2	60%
	IVR Outage (Q1/13)	<mark>6%5%</mark>	89%	4.5	67%
	IVR Outage (Q2/13)	<mark>9% 3%</mark>	88%	4.4	66%
	IVR Outage (Q3/13)	<mark>16% 5</mark> %	79%	4.1	59%
	IVR Outage (Q4/13)	<mark>15% 2</mark> %	83%	4.2	55%

Bottom 2 (Somewhat / Very dissatisfied) Neither Nor Top 2 (Very / Somewhat satisfied)

5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with...

j. N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total IVR Outage (289/293/298/290/291)

g. N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total IVR Outage (282/282/294/287/287)

*Mean: Very Satisfied (5) to Very Dissatisfied (1)



Satisfaction With Call Specifics (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13)



The number of callers indicating they were 'very' satisfied with their ability to access HON to resolve their issue trended downward through the year.

		1	Process Issues	Mean *	TB%
	IVR Outage (Q4/12)	<mark>9% 2</mark> %	89%	4.4	68%
I. Your ability to access Hydro One to resolve your questions or problems	IVR Outage (Q1/13)	<mark>6%</mark> 3%	90%	4.5	72%
	IVR Outage (Q2/13)	<mark>8% 3%</mark>	89%	4.4	67%
	IVR Outage (Q3/13)	<mark>11% 3%</mark>	86%	4.3	62%
	IVR Outage (Q4/13)	<mark>13% 1</mark> %	86%	4.3	61%

Bottom 2 (Somewhat / Very dissatisfied) Neither Nor Top 2 (Very / Somewhat satisfied)

5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with...

I. N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total IVR Outage (290/297/298/294/296)

*Mean: Very Satisfied (5) to Very Dissatisfied (1)





Satisfaction with the system giving a precise time when the power would be restored and letting know what actions would be taken after the call declined through 2013.

		Sys	tem Issues	Mean *	TB%
k. The system	IVR Outage (Q4/12)	18% 3%	80%	4.1	56%
being able to give you the	IVR Outage (Q1/13)	<mark>13%</mark> 4%	82%	4.3	65%
precise time	IVR Outage (Q2/13)	<mark>13% 3</mark> %	84%	4.3	61%
when power would be	IVR Outage (Q3/13)	17% 4%	79%	4.1	59%
restored	IVR Outage (Q4/13)	16% 6%	79%	4.1	52% 🗸
		-			
f The evotem	IVR Outage (Q4/12)		83%	4.2	59%
f. The system letting you	IVR Outage (Q1/13)	<mark>5%</mark> 6%	89%	4.4	63%
know what actions would	IVR Outage (Q2/13)	11% 6%	83%	4.2	58%
be taken when	IVR Outage (Q3/13)	15% 8%	77%	4.1	54%
you finished the call	IVR Outage (Q4/13)		81%	4.2	55% 🗸
	-	」 n 2 (Somewhat / Very dissatisfied)	Neither Nor Top 2 (Very / Son	newhat satisfied)	

5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with...

k. N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total IVR Outage (292/294/295/290/291) f. N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total IVR Outage (263/264/277/268/248)

*Mean: Very Satisfied (5) to Very Dissatisfied (1)



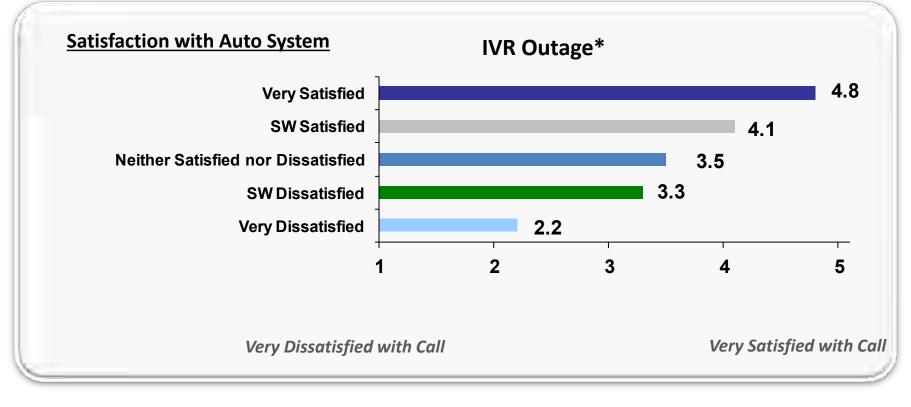
Key Drivers of Overall Satisfaction with Call



Relationship Between Satisfaction with Auto System and Overall Satisfaction With Call



The more satisfied callers are with the automated system menu, the more satisfied they are overall with the call.



N = IVR Outage (1,185) Based on July/12 – June/13 dataset

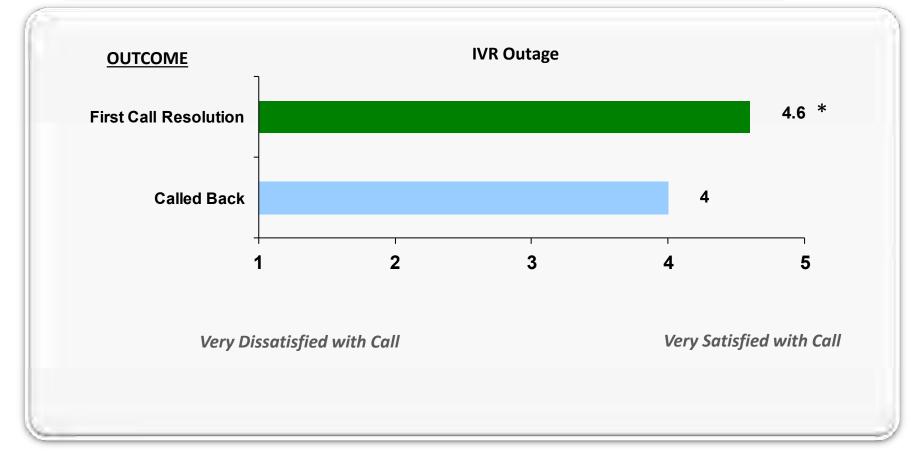
*Mean Satisfaction 1-5



Relationship Between First Call Resolution and Overall Satisfaction with Call

IVR Outage

Satisfaction with the call is greater if there is first call resolution.



N = IVR Outage (1,190)

*Mean Satisfaction 1-5

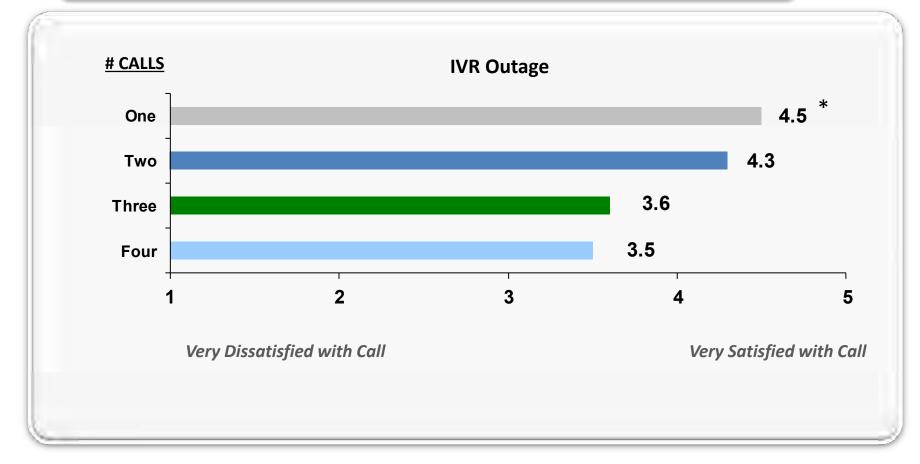
Based on July/12 – June/13 dataset



Relationship Between Number of Calls Before Connection and Overall Satisfaction With Call



Generally, the fewer the number of calls to successfully connect to the menu the greater is caller satisfaction with the call.



N = IVR Outage (1,187)

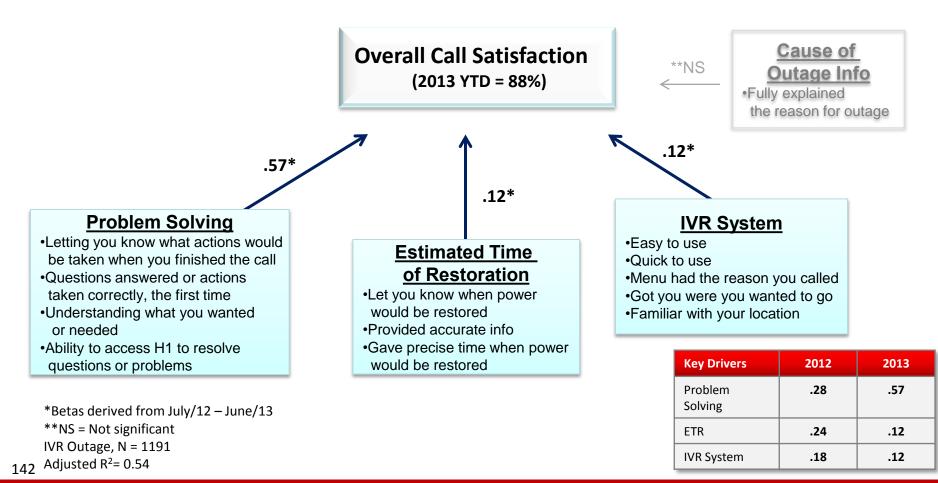
*Mean Satisfaction 1-5

Based on July/12 – June/13 dataset





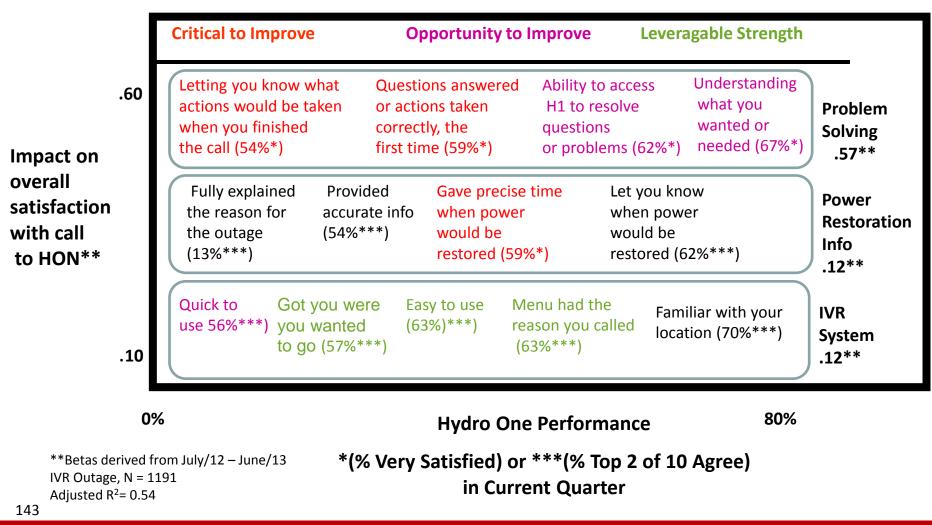
The key driver of overall satisfaction with the call is 'Problem Solving'. Less influential are 'Estimated Time of Restoration' and the 'IVR System'.



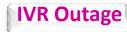


OVERALL SATISFACTION WITH CALL TACTICAL PRIORITIES FOR KEY DRIVERS

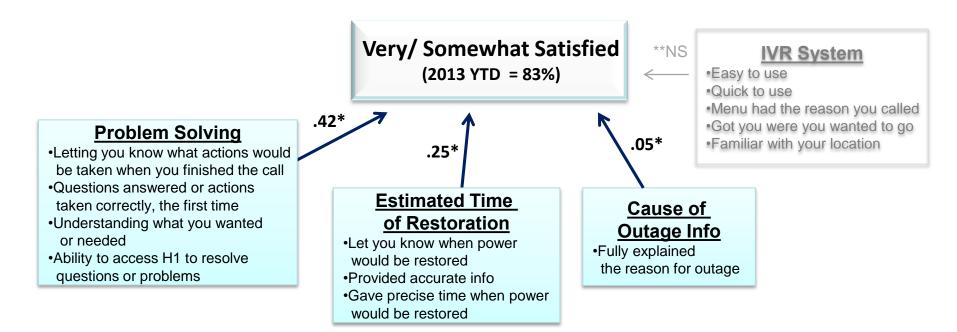
IVR Outage Callers







The key driver of satisfaction with HON's handling of the unplanned outage among IVR Outage callers was problem solving (.42), followed at lower levels of influence by estimated time of restoration (.25) and fully explaining the reason for outage (.05).



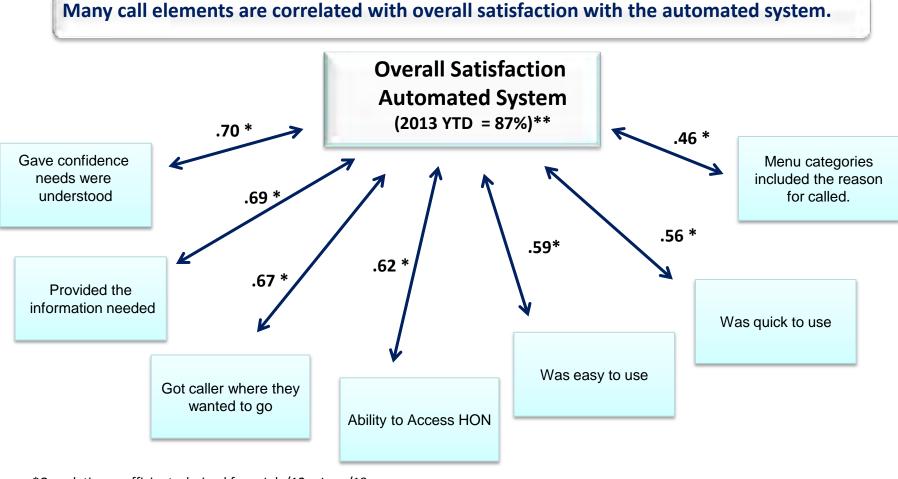
*Betas derived from July/12 – June/13

**NS = Not significant

IVR Outage, N = 1,053 those experiencing an unplanned outage

144 Adjusted R²= 0.39





*Correlation coefficients derived from July/12 – June/13

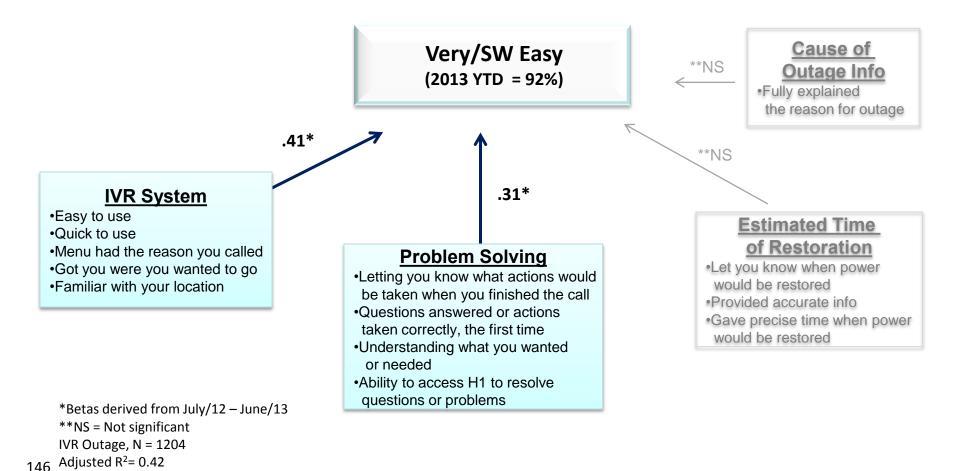
** % Very/Somewhat satisfied

IVR Outage dataset N = 1,204





The key driver of overall ease with the transaction over the telephone is 'IVR System'. 'Problem Solving' is a less influential, yet significant driver.





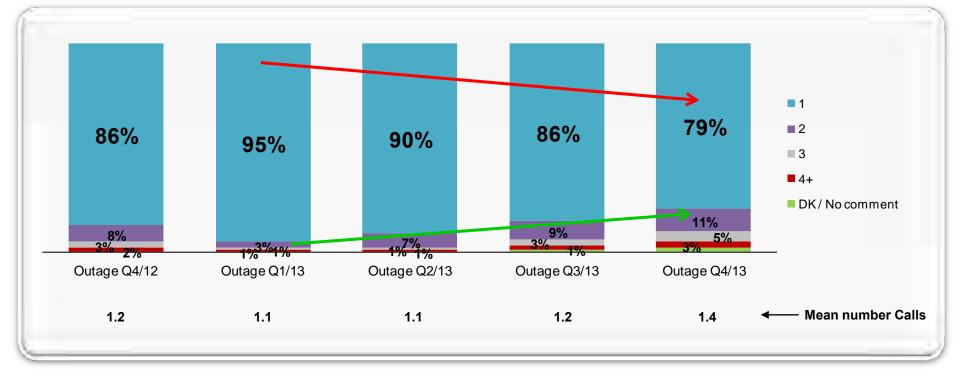
Connection & Call Resolution Issues



Number of Calls Made Before Connection to Hydro One's Automated System Menu (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13)



Customers getting connected to the automated system on the first call declined through the year after a peak in Q1/13, while the number of customers getting connected on the second call increased.



8. For this most recent call, how many times did you have to try Hydro One's telephone number before you were connected to the menu in the automated voice system?

N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13)= IVR Outage callers (300/301/303/300/300)



First call resolution declined in Q4/13.

First Call Resolution								
Q4 Q1 Q2 Q3 12 13 13 13								
	%	%	%	%	%			
Yes	72	79	78	77	68			
Νο	24	19	19	21	29			
Neither	3	2	4	2	3			

10. And once you did get through to a representative, was your issue resolved on the first call, or did you need to call back more than once?

N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total IVR Outage (300/301/303/299/298)

Number of Callbacks*							
	Q4 12 %	Q1 13 %	Q2 13 %	Q3 13 %	Q4 13 %		
One	39	56	40	47	48		
Two	19	21	24	29	23		
Three	15	11	12	7	13		
Four+	18	6	7	7	7		
DK	10	6	18	10	8		
Mean #	2.7	1.8	1.9	1.8	2.0		

11. And after this initial call, how many times did you need to call back about the same issue?

N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) =

Total IVR Outage (83/63/68/70/95)

* Caution, small base sizes



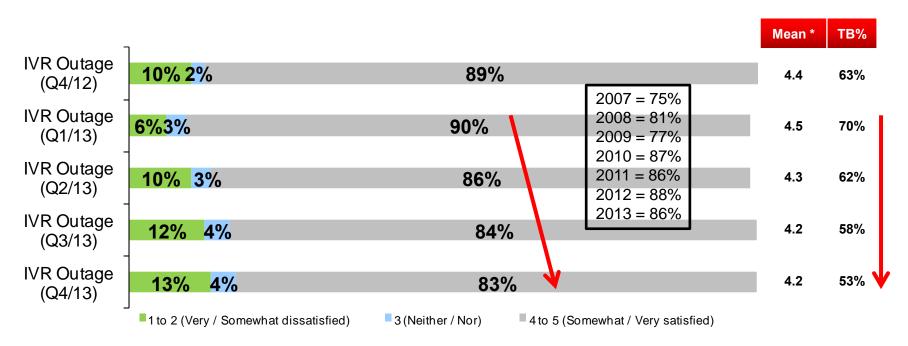
Automated Telephone Answering System



Satisfaction with Hydro One's Automated Telephone Answering System (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13)



In 2013, satisfaction with the automated system is trended downward.



13a. When you made your most recent call to Hydro One, you were initially connected to an automated telephone system. Overall, how satisfied were you with Hydro One's automated telephone answering system?

N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total IVR Outage (300/301/303/299/299)



Reasons Dissatisfied with Automated Phone System* (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13)



Across all quarters, dissatisfaction is primarily tied to a general dislike of automated phone systems or a desire to speak with a live rep.

	Q4/12	Q1/13	Q2/13	Q3/13	Q4/13
Don't like automated phone system	45	42	29	41	28
Wanted to speak to a live rep	14	32	29	32	26
Too many options / menu too complex / complicated	3	5	10	8	5
Options didn't match my needs	10	5	10	3	8
Could not get through	7	11	10	5	13
Automatic voice recognition does not work	-	-	3	8	3
Takes too long to get through	7	5	3	5	-
Estimated restore time incorrect/ took longer than estimated	17	16	13	11	8
Did not give reason for outage	3	-	10	14	5
Other	17	32	23	22	26

*Reasons %

13b. Why were you not satisfied?

N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total IVR Outage dissatisfied with automated phone system (29/19/31/37/39)

* Caution, very small base sizes



Automated Phone System Attributes (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13)



Fewer callers indicated that the menu categories included reasons for their call and the system was easy to use in the second half of 2013.

							Mean *	ТВ%
	IVR Outage (Q4/12)	<mark>4%</mark> 4%		92%			9.2	69%
a. The menu categories	IVR Outage (Q1/13)	<mark>4%</mark> 5%		92%			9.1	69%
included the	IVR Outage (Q2/13)	<mark>3%</mark> 3%		94%			9.2	69%
reason you called	IVR Outage (Q3/13)	<mark>4%</mark> 8%		88%			8.8	63%
	IVR Outage (Q4/13)	6% 6 %		88%			8.7	61%
	IVR Outage (Q4/12)	<mark>5% 4%</mark>		91%			9.0	67%
b. The	IVR Outage (Q1/13)	<mark>4%</mark> 3%		93%			9.2	70%
system was easy to use	IVR Outage (Q2/13)	<mark>4% 6%</mark>		90%			9.0	69%
-	IVR Outage (Q3/13)	4% 9%		87%			8.8	63%
	IVR Outage (Q4/13)	<mark>4%</mark> 8%		88% 🔸			8.8	59%
		Completely Disagree	Bottom 4	Mid 2	Top 4	Completely Agree		

14. Now I have a few questions about the automated telephone system and the menu that you had to use at the beginning of your call.

- a. N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total IVR Outage (277/289/291/289/281)
- b. N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total IVR Outage (298/301/301/299/297)



Automated Phone System Attributes (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13)



In the second half of 2013 fewer callers indicated the system was quick to use and provided information they needed.

					Mean *	TB%
	IVR Outage (Q4/12)	<mark>5%</mark> 4%	91%		8.8	58%
c. The	IVR Outage (Q1/13)	- <mark>3%</mark> 4%	93%		9.1	66%
system was quick	IVR Outage (Q2/13)	<mark>4% 7</mark> %	89%		8.9	64%
to use	IVR Outage (Q3/13)	<mark>5% 10%</mark>	85%		8.6	56%
	IVR Outage (Q4/13)	6% 8%	86%		8.6	54%
]				
	IVR Outage (Q4/12)	9% 9%	82%		8.4	58%
d. The system	IVR Outage (Q1/13)	7% 9%	84%		8.7	65%
provided the information	IVR Outage (Q2/13)	9% 8%	84%		8.6	61%
you needed	IVR Outage (Q3/13)	12% 10%	79%		8.2	58%
	IVR Outage (Q4/13)	11% 12%	77%		8.0	50%
		Completely Disagree	Bottom 4 Mid 2 Top 4	Completely Agree		

14. Now I have a few questions about the automated telephone system and the menu that you had to use at the beginning of your call. For each question you can just answer yes or no.
c. N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total IVR Outage (296/301/302/300/297)
d. N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total IVR Outage (297/301/303/300/298)



Automated Phone System Attributes (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13)



In the second half of 2013 fewer customers indicated that the system gave them confidence that their needs were understood and that the system got them where they wanted to go.

							Mean *	ТВ%
o The evotom	IVR Outage (Q4/12)	8% 7%		85%			8.5	57%
e. The system gave you	IVR Outage (Q1/13)	<mark>6%</mark> 8%		86%			8.7	64%
confidence that your	IVR Outage (Q2/13)	8% 9%		83%			8.4	54%
needs were understood	IVR Outage (Q3/13)	12% 10%		78	%		8.0	52%
	IVR Outage (Q4/13)	13% 11%		76	5%		7.9	48% 🗸
g. The system	IVR Outage (Q4/12)	<mark>6%</mark> 5%		88%			8.8	63%
got you were	IVR Outage (Q1/13)	<mark>5%</mark> 4%		91%			9.1	71%
you wanted to go	IVR Outage (Q2/13)	8% 4%		88%			8.8	66%
	IVR Outage (Q3/13)	8% 8%		83%			8.4	57%
	IVR Outage (Q4/13)	8% 11%		81%	, 0		8.3	52%
		Completely Disagree	Bottom 4	Mid 2	Top 4	Completely Agree		

14. Now I have a few questions about the automated telephone system and the menu that you had to use at the beginning of your call. For each question you can just answer yes or no.

e. N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total IVR Outage (296/299/303/298/299) g. N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total IVR Outage (296/297/302/298/296)



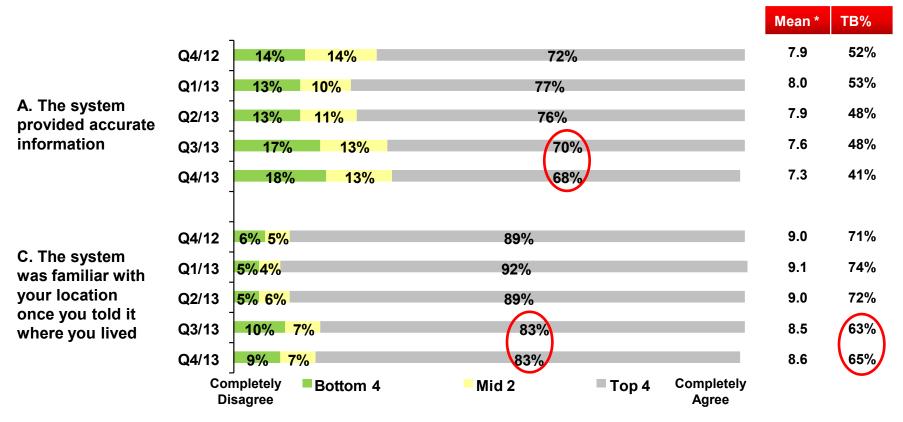
Outage Reporting System & ETR



Opinions of the Outage Reporting System (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13)



Satisfaction with outage reporting system providing accurate information and being able to locate the area where the customer lived declined in the second half of 2013.



14a. Using a 1 to 10 scale, where 1 means you disagree completely and 10 means you agree completely, please rate each of the following statements regarding the outage reporting system. You may use a 1 or a 10, or any number in between to rate each statement.

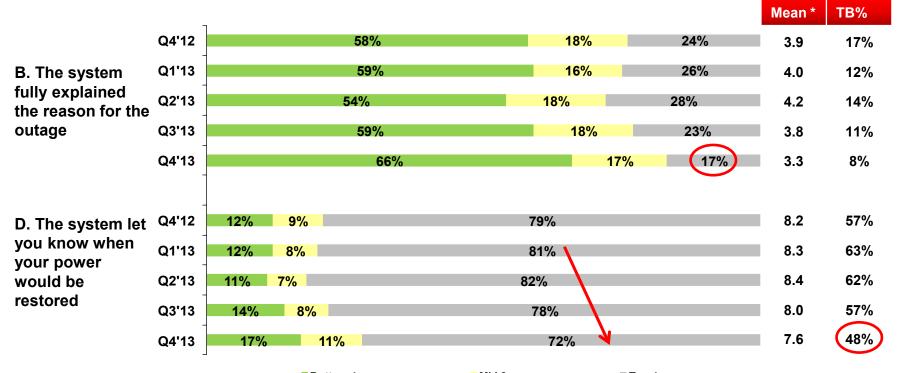
a. N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total IVR Outage (298/301/301/298/299) c. N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total IVR Outage (298/301/301/298/299)

157

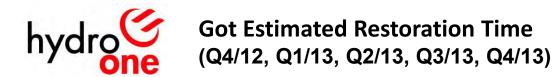


IVR Outage

In last Quarter of 2013 the number of callers indicating the system explained the reason for outage declined significantly. Number of callers indicating the system let them know when power would be restored trended downward through 2013.

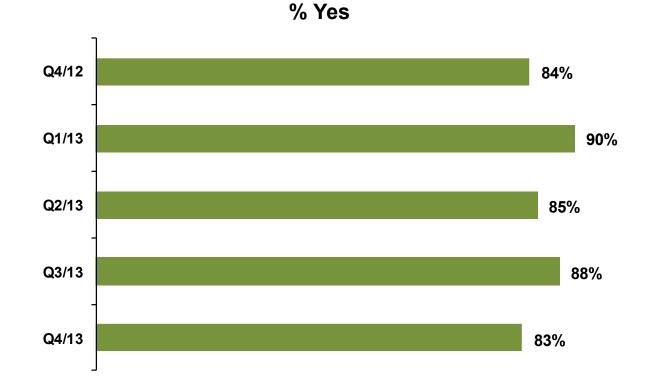


Bottom 4 Mid 2 Top 4 14a. Using a 1 to 10 scale, where 1 means you disagree completely and 10 means you agree completely, please rate each of the following statements regarding the outage reporting system. You may use a 1 or a 10, or any number in between to rate each statement. b. N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total IVR Outage (298/301/301/298/299) d. N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total IVR Outage (298/301/301/298/299)





Eight in ten (83%) callers indicated they received the estimated restoration time.



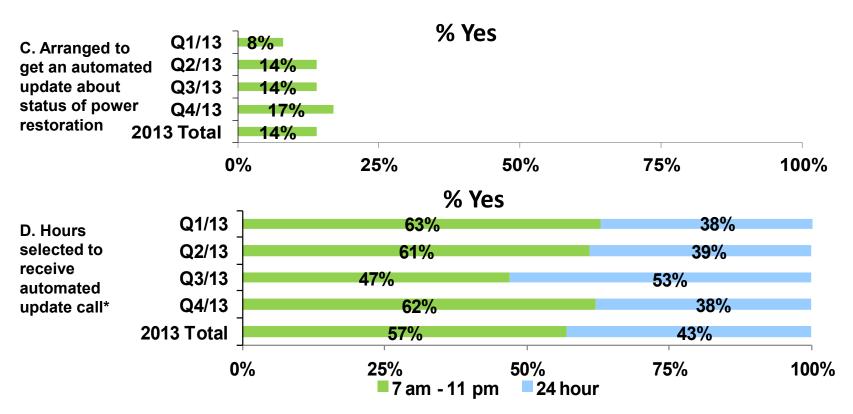
15a. When you called, did you receive an Estimated Restoration Time?

N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total IVR Outage (300/301/303/300/300)





In 2013, overall 14% of callers arranged to get an automated update re power restoration and 57% selected to receive the call between 7 am and 11 pm.



15bc. At the time of your call did you arrange to get automated update about the status of power restoration? N (Q1/13, Q2/13, Q3/13, Q4/13, 2013 Total) = Total IVR Outage (100/303/300/300/1003)

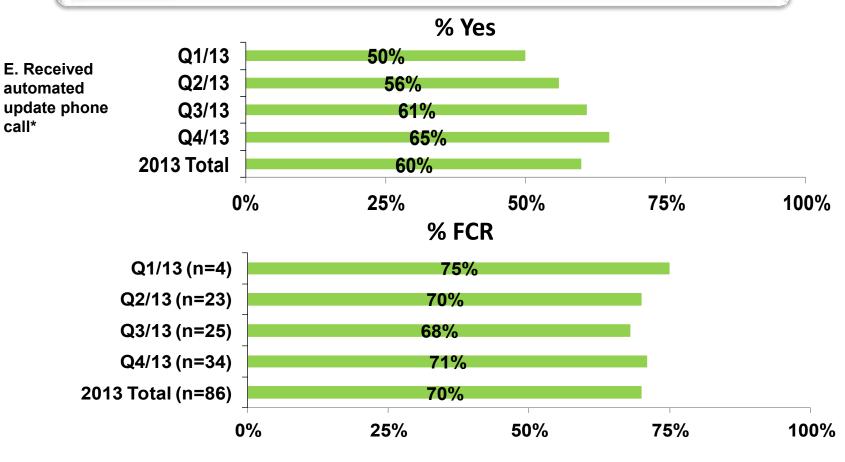
15bd. What hours did you select to receive these automated update phone calls N (Q1/13, Q2/13, Q3/13, Q4/13, 2013 Total) = Total IVR Outage (8/41/43/52/144)

*Caution: very small base sizes Q1/13 only includes March





Of those requesting an ETR in 2013, 60% indicated they had received an automated call and of this group 70% said they had their issue resolved on the first call.



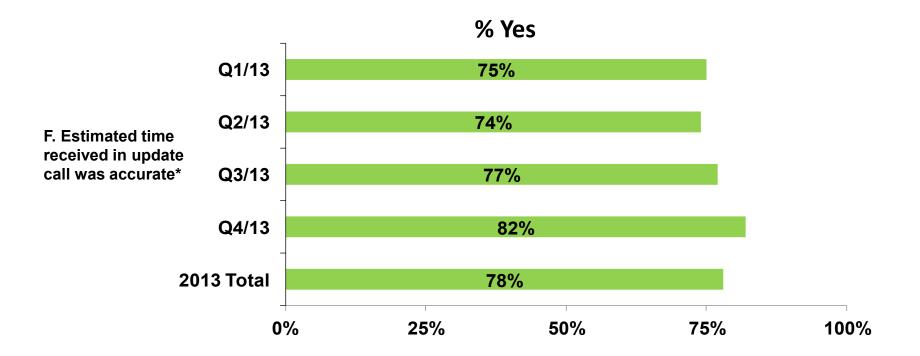
15be. Did you actually receive any automated update phone calls? N (Q1/13, Q2/13, Q3/13, Q4/13, 2013 Total) = Total IVR Outage (8/41/43/52/144)

*Caution: very small base sizes Q1/13 only includes March





Of those requesting an ETR, about two thirds in Q4/13 (65%) received an automated call and of this group about eight in ten (82%) indicated it was accurate. Both measures showed upward movement through the year.



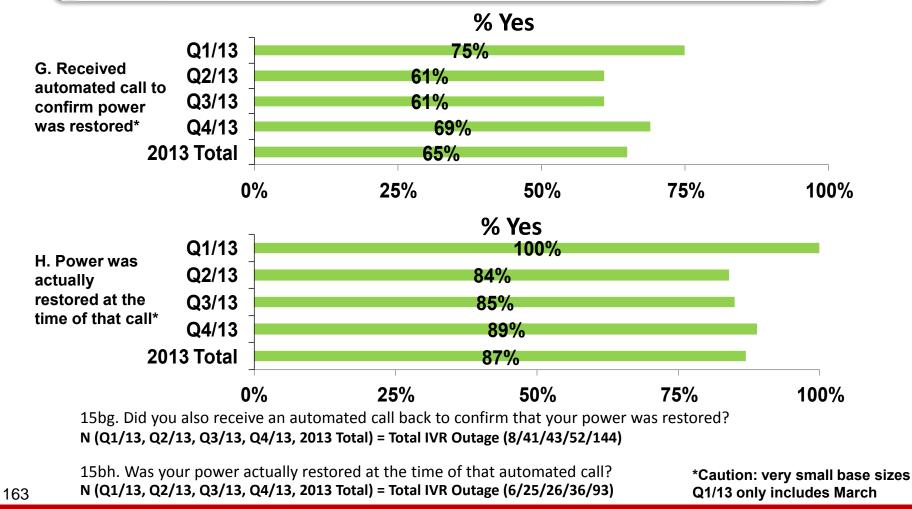
15bf. Was the estimated time you received in this update call accurate? N (Q1/13, Q2/13, Q3/13, Q4/13, 2013 Total) = Total IVR Outage (4/23/26/34/87)

*Caution: very small base sizes Q1/13 only includes March





Two thirds of callers requesting an ETR also received an automated callback to confirm power restoration, and of these, nine in ten actually had their power restored at the time of the callback.





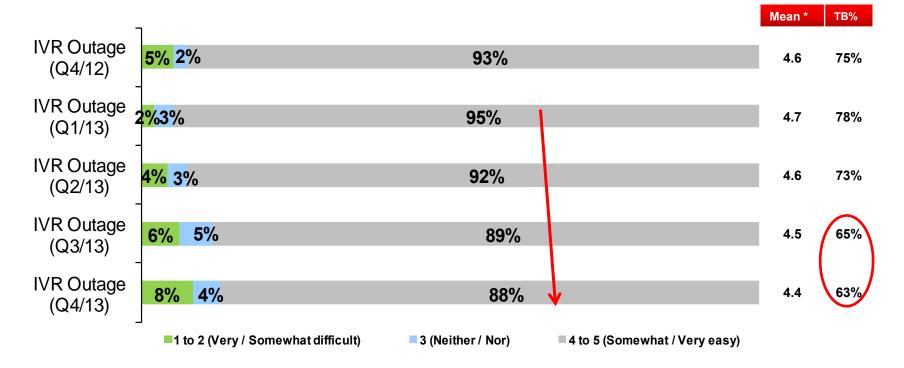
Overall Transaction Assessment



Telephone Transaction Difficulty** (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13)

IVR Outage

Nine in ten (89%) described the overall transaction as very or somewhat easy, however this result has been trending downward throughout the year.



15g. All things considered, how easy or difficult was it for you to do this entire transaction

with Hydro One over the telephone?**

**Question added in Q1'11

N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total IVR Outage (300/301/303/300/300)

*Mean: Very Easy (5) to Very Difficult (1)





	Q4/12	Q1/13	Q2/13	Q3/13	Q4/13
Automated System Difficulties (NET) (automated system is difficult to use, want to speak to an agent immediately / too hard to reach an agent)	67%	17%	23%	33%	58%
Service Difficulties (NET) (no knowledge of problem / couldn't answer questions, offered no solutions to my issue / would not help me)	7%	17%	8%	-	-
Other	33%	67%	69%	72%	50%
Don't know / Refused	-	-	-	-	-

15g2. Why was it difficult for you? (PROBE) What would have helped make it easier for you?**

N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total IVR Outage (15/6/13/18/24)

* Very low sample size



Reasons for Telephone Transaction Difficulty 'Other' Mentions (Q4/13)



'Other' reasons client found the telephone transaction difficult:

Had difficulty finding the number.// there should be a listing in the phone book to make it easier.

The statements coming from the automated system, did not meet what I wanted to hear. The statements were not clear, for the circumstances we were trying to describe. They need a better method of putting my location into the system. I feel that is very critical for them to understand the severity of it. If they knew where I was located very quickly, I feel it would help the service men to get to the area very quickly.

They would not allow me to enter information I was told to call back. It was too busy to take information. Having a human answer as had been the case in the past.

Inability to access the system to get any information // having a recorded message to let you know about the outage or when the power will be back on.

She said she would look into it but I didn't know when it would come back on. I like a person's voice, not an automated system.

They tell me that there is more than one account affiliated with this phone number. They should straighten it out because we only have one phone number and one account.

Just to get an answer on an approximate time. Just an approximate time.

The number of times I had to call back. The callback requested for 7am-11pm came after 11pm.

I never got the answers to my questions, I did not get to report the outage.

The assumption that everyone is using tone dialing. Mediocre voice recognition. The multiple accounts listed against the same phone number with no explanation. Having to actually go and find the account number.

Phone doesn't work when you have no power so you can't selection option.// Either have interactive voice if you can't have a person answer there to take calls.

Some of the phone were not working due to the power being out for while// don't know.



IVR Self Serve Callers



Reasons for Call to Hydro One



Majority of calls are made to get an account balance.

Q4/12 Q1/13 Q2/13 Q3/13 Q4/13 % % % % % 54 61 To Get Account Balance (NET) 60 61 66 Meter Issues (NET) (input meter reading, report meter error, smart meter/new meter, reading 23 23 15 11 11 error, broken meter) 13 18 19 21 18 Payment / Bills (NET NET) (bill question / problem NET, payment issues NET) Payment Issues (NET) (report making a payment, payment notification, discuss / negotiate 11 14 15 11 11 payment, disconnection notice follow-up, power disconnected) 2 Bill Question / Problem (NET) (investigate major bill increase, change banking info, not received 4 4 10 7 bill/wanted copy) 1 0 1 Outage Report / Update (NET NET) Outage Reporting (NET) (investigate / report outage) 1 0 1 Moving / New Service (NET) (moving / providing updated information, to provide new account 2 1 2 2 name / change account name) Time of Use (NET) (issue / question about time of use policy, issue / question about time of use process) Other (NET) (to remove a light / pole / HON equipment on my property, to inquire about HON 3 3 5 5 3 services, other)

Customer Stated Reason for Call %

2. Now please think about the call you made to Hydro One in the past few days. What was the reason for this call?

170 N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total IVR Self Serve (300/300/300/300/300)



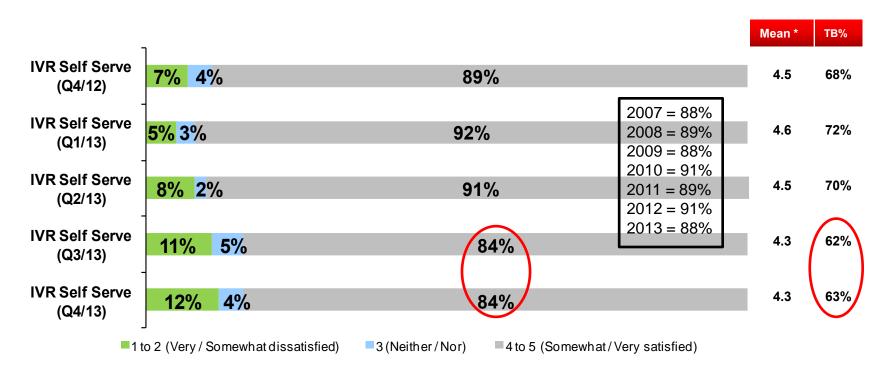
Satisfaction with Call



Satisfaction with Call to Hydro One (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13)



Overall satisfaction with the call is declined in second half of 2013.



3. How satisfied were you overall with the call to Hydro One?

N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total IVR Self Serve (297/291/291/297/292)



Overall Satisfaction by Reason for Call to Hydro One (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13)



Satisfaction is generally similar regardless of the reason for the call.

	*Top 2 box (Very / Somewhat Satisfied)							
	Q4/12 (n=294)	Q1/13 (n=291)	Q2/13 (n=294)	Q3/13 (n=297)	Q4/13 (n=292)			
	% satisfied	% satisfied	% satisfied	% satisfied	% satisfied			
Caller Satisfaction Score	89	92	91	84	84			
Account Balance (NET) (n ~ 181*)	94	9 <u>6</u>	93	88	88			
Payment / Bills (NET NET) (payment issues NET, bill question / problem NET) (n ~ 53)*	76	83	85	84	80			
Payment Issues (NET) (n ~ 37)*	75	88	88	88	88			
Bill Question / Problem (NET) (n ~ 16)*	83	69	73	79	68			
Outage Reporting / Update (NET NET) (outage report NET) (n ~ 2)*	50	100	-	100	100			
Outage Reporting (NET) (n ~ 2)*	50	100	-	100	100			
Meter Issues (NET) (n ~ 49)*	84	9 <u>2</u>	91	68	71			
Other (NET) (n ~ 12*)	80	89	86	69	56			

3. How satisfied were you overall with this call to Hydro One? Would you say you were...

*Represents approximate average sample size in each Quarter



Dissatisfaction is mainly tied to access challenges through the automated systems.

	Q4'12*	Q1'13*	Q2'13*	Q3'13*	Q4'13*
Access (NET) (couldn't get through to speak to a person, put on hold for too long, too cumbersome / difficult to get through to Hydro One)	27	33	52	40	34
Hydro One Policy (NET) (CSR wouldn't discuss account – not in my name)	9	8	7	6	4
Bill / Payment (NET) (equal billing / estimated bill is (still) high, other billing mentions)	9	8	7	4	6
Rep Skill (NET) (did not say what action would be taken, CSR was unable to resolve why bill was so high, CSR wasn't a good listener)		-	4	10	9
Rep Information (NET) (did not get answers needed)	6	-	4	10	13
Rep Attitude (NET) (CSR/rep was rude/unprofessional/terse, CSR was unaccommodating/uncaring)		-	-	-	2
Outage Response (NET) (outage lasted too long / long than I was told)	-	-	-	-	-
Other (NET) (dislike automated phone systems, dissatisfied with collection process / threats, other)	42	63	37	46	45

4. Why were you not satisfied overall with the call?

N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total IVR Self Serve (47/24/27/48/47)

* Caution, small base sizes



Reasons Not Satisfied with Call to Hydro One 'Other' Mentions (Q4/13)



'Other' reasons not satisfied with the call to Hydro One:

I was trying to get an updated balance for the month and it wasn't up yet.

Could not determine if payment actually made not yet registered

There are two bills, one bill has two amounts and the second bill has the total amount of the first bill. It's not showing that I played anything plus new charges. I figured that by October fourteenth it would have recognized the payment made by September third.

Matter has not been rectified

I can put in two answers. I heard a balance of zero, but I know that I owe.

Didn't like the answer I got I was away from the cottage for 3months and the bill was the same as if I was there

Couldn't get the balance and when I spoke to an agent they said the billing was delayed. And the automated system gives to much pointless information

The first meter reading I gave was not entered and when I called back again. The meter reading was never recorded. They changed my account number so anytime I call it does not accept the new number and just the old number.

Can't get confirmation that the transfer has taken place

I am not sure the message got through.

The computer came on and said I am on time of use billing. It also said there are two people or two accounts associated with this bill.

Balance quoted was wrong.

The cost of my hydro.

I have been trying to get this straighten out since November of last year. I really want to pay my bill but I don't know what I owe.



Satisfaction with call based on having question answered correctly the first time declined in the second half of 2013. Satisfaction with ability to access Hydro to resolve the issue has been trending downwards through 2013, but showed some improvement in last quarter.

		-	Process Issues	Mean *	TB%
	IVR Self Serve (Q4/12)	<mark>7%</mark> 1%	92%	4.5	75%
g. Your question getting answered or the	IVR Self Serve (Q1/13)	8% 2%	90%	4.5	72%
action getting	IVR Self Serve (Q2/13)	7% 3%	90%	4.5	72%
taken correctly, first time	IVR Self Serve (Q3/13)	13% 3%	84%	4.2	60%
	IVR Self Serve (Q3/13)	<mark>14%</mark> 3%	83%	4.3	65%
I. Your ability to	IVR Self Serve (Q4/12)	- 9% 1%	90%	4.5	70%
access Hydro	IVR Self Serve (Q1/13)	7%1%	92%	4.5	69%
One to resolve your questions	IVR Self Serve (Q2/13) IVR Self Serve	8% 2%	91%	4.5	70%
or problems	(Q3/13)	<mark>12%</mark> 3%	84%	4.2	58%
	IVR Self Serve (Q3/13)	9% 2%	89%	4.4	65%

Bottom 2 (Somewhat/Very dissatisfied) Neither Nor Top 2 (Very/Somewhat satisfied) 5. Again, just thinking about that call. For each of the items I am going to read, please tell me whether you were very satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with... g. N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total IVR Self Serve (279/290/281/293/288)

I. N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total IVR Self Serve (290/288/291/292/298)

*Mean: Very Satisfied (5) to Very Dissatisfied (1)



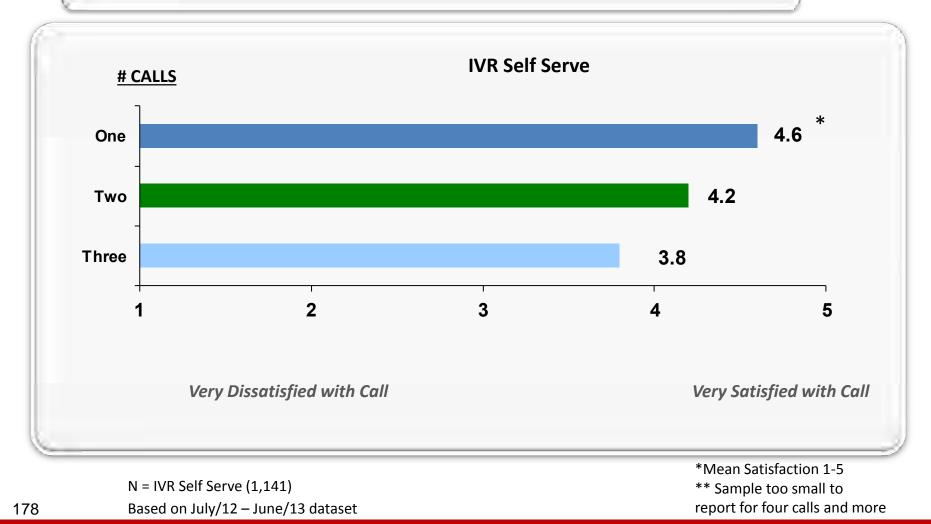
Key Drivers of Overall Satisfaction with Call



Relationship Between Number of Calls Before Connection and Overall Satisfaction With Call



For IVR Self Serve callers, the fewer calls needed to get a connection to the automated menu, the greater is caller satisfaction.

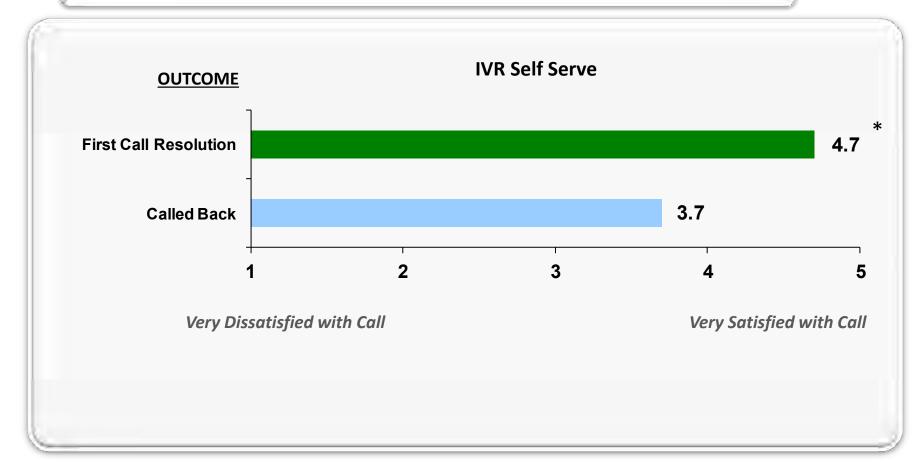




Relationship Between First Call Resolution and Overall Satisfaction with Call



For IVR Self Serve callers, satisfaction with the call is much greater if there is first call resolution.



N = IVR Self Serve (1,173)

*Mean Satisfaction 1-5

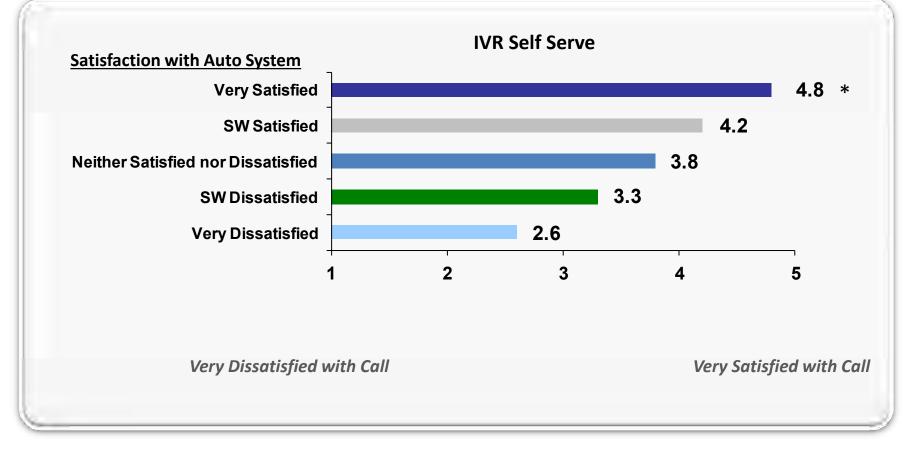
Based on July/12 – June/13 dataset



Relationship Between Satisfaction with Auto System and Overall Satisfaction With Call



The more satisfied Self Serve callers are with the automated menu, the more satisfied they are with the call overall.



N = Self Serve Callers (1,167)

*Mean Satisfaction 1-5

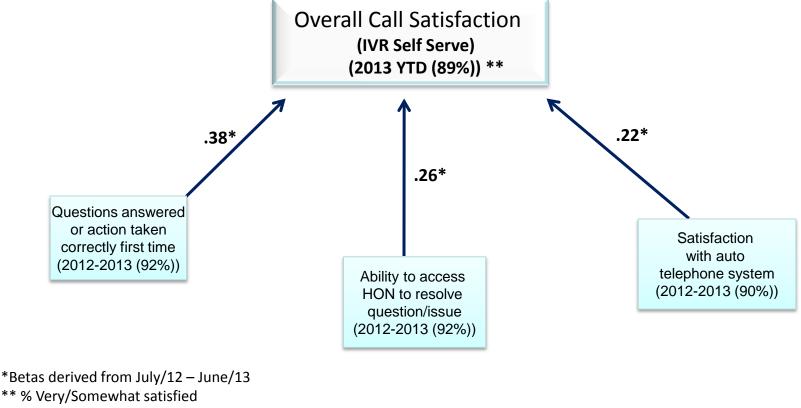
Based on July/12 – June/13 dataset



Relationship Between Overall Call Satisfaction & Call Specifics



Overall call satisfaction for IVR Self Serve callers is impacted by 'questions being answered correctly', ability to access Hydro One to resolve the issue, and satisfaction with the automated telephone system.





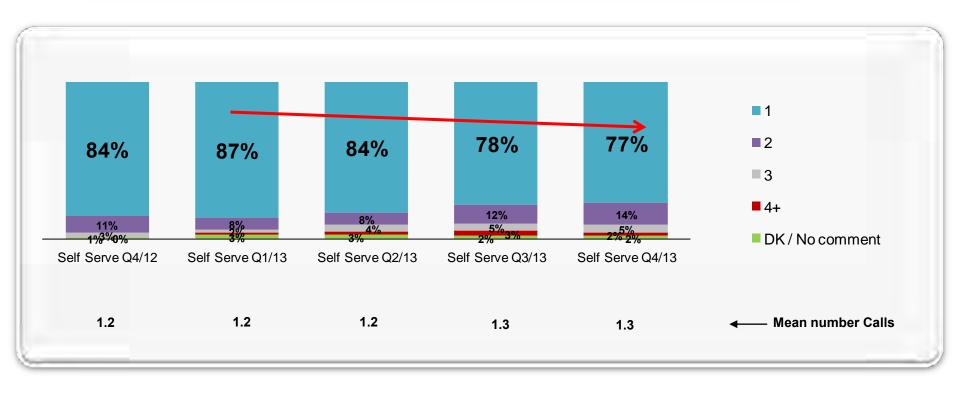
Connection & Call Resolution Issues



Number of Calls Made Before Connection to Hydro One's Automated System Menu (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13)



The incidence of connecting with the automated system menu with only one call has trended downwards through 2013.



8. For this most recent call, how many times did you have to try Hydro One's telephone number before you were connected to the menu in the automated voice system?

N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total IVR Self Serve (300/300/300/300/300)



First Call Resolution (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13)



First call resolution has been trending downward through 2013, but improved significantly in the last Quarter.

		First	Call Resoluti	ion	
	Q4/12	Q1/13	Q2/13	Q3/13	Q4/13
Yes	87	89	85	75	80
Νο	10	9	12	20	17
Neither	3	3	4	5	3

10. And once you did connect with the automated voice system, was your issue resolved on the first call, or did you need to call back more than once?

N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total IVR Self Serve (300/300/300/299/300)



Final Outcome of Call for Those Who Called 2+ Times (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13)



The number of customers stating that their issue (or the reason for their call) was 'never resolved' stands at 8% in Q4/13 – unchanged vs. last Quarter.

	Q4/12	Q1/13	Q2/13	Q3/13	Q4/13	
Resolved after you followed up with Hydro One	45	44	54	47	25	1
Never resolved	34	32	30	38	38	~
Resolved after Hydro One took some other action	8	3	4	7	10	
Resolved after it was passed along to someone	-	-	-	-	-	
Other (volunteered)	13	21	11	8	27	

Final Outcome % *

13. I am going to read you a list. Please tell me which of the four describes the final outcome of your call?

N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total IVR Self Serve (38/34/46/74/60) *Caution, very small base sizes





Automated Telephone Answering System

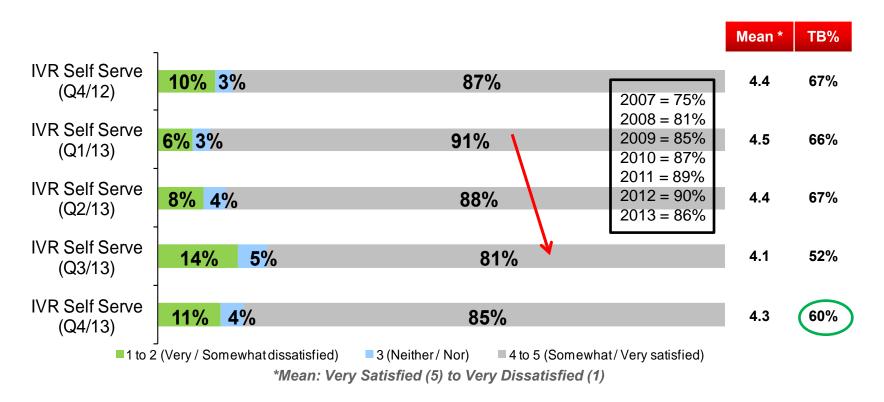


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Satisfaction with Hydro One's Automated Telephone System (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13)



Satisfaction with the automated system showed decline through the first three quarters but has rebounded in Q4/13.



13a. When you made your most recent call to Hydro One, you were initially connected to an automated telephone system. Overall, how satisfied were you with Hydro One's automated telephone answering system?

N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total IVR Self Serve (297/298/299/299/300)



Reasons Dissatisfied with Automated Phone System* (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13)



Dissatisfaction is primarily tied to a desire to speak with a representative, dislike of automated systems and menu issues.

Reasons % *					
	Q4/12	Q1/13	Q2/13	Q3/13	Q4/13
Don't like automated phone systems	42	35	38	40	29
Wanted to speak to a live rep	19	47	29	16	21
Too many options/menu to complex	19	18	21	19	21
Options didn't match my needs	10	18	13	16	26
Could not get through	10	-	13	16	12
Takes too long to get through	7	35	13	21	9
Auto voice recognition does not work/doesn't understand me	3	-	4	5	6
Other	23	6	17	23	9

13b. Why were you not satisfied?

N = Total dissatisfied with automated phone system

N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13)

= Total IVR Self Serve (22/17/24/43/34)

* Caution, very small base sizes

Q4/13 Verbatim for 'Other'

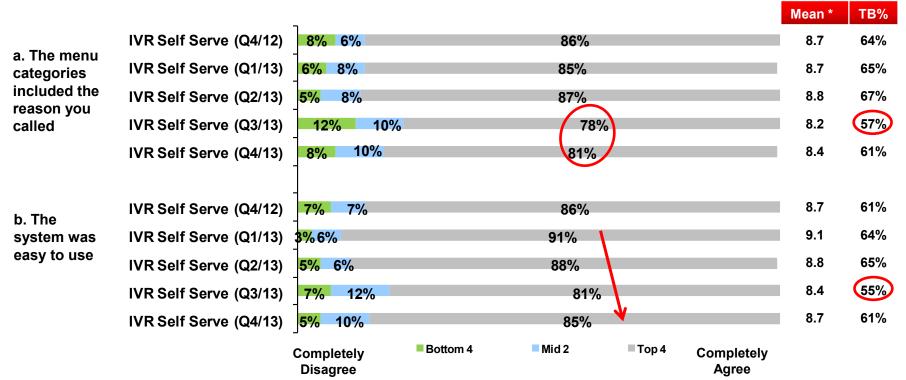
It doesn't recognize a payment that was made over a month ago. Very frustrating because I kept on having to be passed on to do this and do this and you have to be called back.

Because I had to wait long, to call in my readings, sometimes I have leave the number for a callback and I have to wait



Automated Phone System Attributes (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13)

Agreement has lessened for the menu included the reason called in the last half of the year. Some decline through the year for the system being easy to use.



14. Now I have a few questions about the automated telephone system and the menu that you had to use at the beginning of your call.

a. N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total IVR Self Serve (298/297/293/289/296) b. N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total IVR Self Serve (300/299/300/300/298)



Automated Phone System Attributes (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13)



No significant change vs. last quarter.

		7		Mean *	ТВ%
	IVR Self Serve (Q4/12)	9% 10%	81%	8.4	54%
c. The system	IVR Self Serve (Q1/13)	<mark>5%</mark> 7%	87%	8.7	55%
was quick to	IVR Self Serve (Q2/13)	10% 7%	83%	8.4	57%
use	IVR Self Serve (Q3/13)	11% 10%	79%	8.2	51%
	IVR Self Serve (Q4/13)	10% 10%	80%	8.2	50% \
	IVR Self Serve (Q4/12)	9% 6%	85%	8.6	62%
d. The system provided the	IVR Self Serve (Q1/13)	<mark>3% 6%</mark>	91%	8.9	65%
information you needed	IVR Self Serve (Q2/13)	9% 7%	84%	8.6	65%
-	IVR Self Serve (Q3/13)	16% 8%	76%	7.9	54%
	IVR Self Serve (Q4/13)	13% 6%	81%	8.2	58%
		completely Bottom 4 Disagree		mpletely Agree	•

14. Now I have a few questions about the automated telephone system and the menu that you had to use at the beginning of your call. For each question you can just answer yes or no. c. N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total IVR Self Serve (299/299/300/299/299)

d. N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total IVR Self Serve (298/297/298/298/297)



Automated Phone System Attributes (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13)



Declines in the last half of the year for the system gave confidence needs were understood.

		_		Mean *	TB%
e. The system	IVR Self Serve (Q4/12)	10% 8%	82%	8.7	59%
gave you	IVR Self Serve (Q1/13)	<mark>5% 7</mark> %	89%	8.5	58%
confidence that your	IVR Self Serve (Q2/13)	10% 5%	85%	7.8	62%
needs were understood	IVR Self Serve (Q3/13)	16% 10%	74%	7.8	48%
understood	IVR Self Serve (Q4/13)	<mark>14% 9</mark> %	77%	8.0	54%
	IVR Self Serve (Q4/12)	7% 8%	86%	8.7	61%
g. The system	IVR Self Serve (Q1/13)	<mark>3%</mark> 6%	91%	9.0	66%
got you were you wanted to	IVR Self Serve (Q2/13)	8% 7%	85%	8.7	68%
go	IVR Self Serve (Q3/13)	12% 12%	76%	8.1	56%
	IVR Self Serve (Q4/13)	10% 8%	81%	8.4	60%
		ompletely Bottom 4 Disagree	Mid 2 Top 4 Agree	у	

14. Now I have a few questions about the automated telephone system and the menu that you had to use at the beginning of your call. For each question you can just answer yes or no.
e. N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total IVR Self Serve (297/298/298/296/297)
g. N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total IVR Self Serve (299/300/299/298/300)

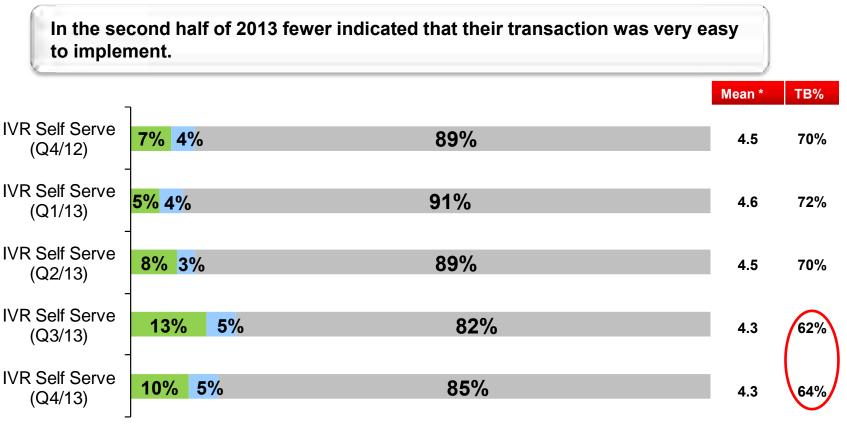


Overall Transaction Assessment



Telephone Transaction Difficulty** (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13)

IVR Self Serve



1 to 2 (Very / Somewhat difficult)
3 (Neither / Nor)
4 to 5 (Somewhat / Very easy)

15g. All things considered, how easy or difficult was it for you to do this entire transaction with Hydro One over the telephone?**

N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total IVR Self Serve (300/300/300/300/300)

**Question added in Q1'11

*Mean: Very Difficult (1) to Very Easy (5)



Reasons for Telephone Transaction Difficulty* (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13)



	Q4/12	Q1/13	Q2/13	Q3/13	Q4/13
Automated System Difficulties (NET) (automated system is difficult to use, want to speak to an agent immediately / too hard to reach an agent)	73%	56%	61%	66%	47%
Service Difficulties (NET) (offered no solutions to my issue / would not help me)	18%	13%	13%	13%	17%
Other	5%	31%	22%	32%	33%

15g2. Why was it difficult for you? (PROBE) What would have helped make it easier for you?**

N (Q4/12, Q1/13, Q2/13, Q3/13, Q4/13) = Total IVR Self Serve (22/16/23/38/30)

* Caution, very small sample size

**Question added in Q1'11



'Other' commentary on transaction difficulty:

I have been continuously calling every month since November last year. They got one mess fixed up and then I end up with another one, and still waiting for a bill. If they would do their work properly at their end.

Had to phone in twice to get where I needed. I was then asked to accept a callback which I did not get. I called again and finally got a callback as promised.

Hydro One records which are possibly inaccurate.

Have been waiting for someone to contact me for 3 months now for my online account, agent disconnected me, if you call between 7-8pm here is always any answers.

Because I have to keep phoning back to get my balance

It would be better if I could get the info I wanted by putting in my account number and getting the balance

At first it sends me to different menus, the machine doesn't correspond, just get through the first layer is very difficult. To have a couple of avenues, to have as a place one or place two, some people have two houses. Sometimes it's good to have first line of conservation with an agent.

It said is your address such-and-such press one, but here there are eight units in one building at the same address. Each unit has its own number, units 27 to 34, so they should have the unit number attached.

Not resolved. If the problem was resolved the billing problem seems to be going on and on. The account number switchover resulted in a six month delay in getting a bill.

Because I didn't get to ask the question I wanted

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Vulnerable Energy Consumers Coalition (VECC) INTERROGATORY #28 1 2 Issue 2.1 Does Hydro One Distribution's Custom Application adequately 3 consider customer feedback and preferences? Have customer 4 feedback and preferences been adequately reflected in the OM&A 5 and capital spending plans? 6 7 *Interrogatory* 8 9 **Reference:** A/T5/S1/pg. 15 & A/T6/S1/pg. 4 10 11 a) Given that the main concern of Hydro One's customers is with reducing bill costs 12 why does the rate plan include no metrics or benchmarks regarding cost 13 reductions, efficiencies or employee/FTEs per customers? 14 b) Given customers' concerns about prices why does Hydro One have neither a 15 strategic objective or five year vision to lower prices to its customers? 16 17 **Response** 18 19 a) Hydro One respectfully submits that "bill reduction" is an overly narrow 20 interpretation of its customers' "main" concern. Hydro One respectfully submits that 21 its customers are more concerned with value for money, something the RRFE 22 repeatedly cites. 23 24 The Application details the cost savings from productivity gains described in Exhibit 25 A, Tab 19, Schedule 1, which are embedded in Hydro One's requested revenue 26 requirement. Hydro One respectfully submits that no additional metrics are required. 27 The forecasted cost reductions from productivity gains are transparent and function 28 essentially as targets because the risk of failing to meet these numbers is borne by 29 Hydro One's shareholder, while the ratepayers are guaranteed the benefit of these 30 savings. Please see Hydro One's response to interrogatory 2.02-Staff-11 for an 31 explanation of how these benefits are passed along to ratepayers. 32 33 b) Please see Table 3 of Exhibit A, Tab 5, Schedule 1 which describes Hydro One's 34 Customer Vision. In this table, Hydro One indicates that a "focus on reducing 35 overhead costs and improving productivity" is part of its Customer Vision. 36 37 Additionally, Table 1 of Exhibit A, Tab 6, Schedule 1 clearly states that "achieving 38 productivity improvements and cost-effectiveness" is a strategic objective of Hydro One 39 and that, within 5 years, Hydro One hopes to achieve top-quartile unit costs against 40 comparable utilities. Table 1 also evidences that Hydro One hopes to achieve 90% 41 customer satisfaction across all customer segments to further its other strategic objective 42 of "satisfying customers". 43

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1 Customer satisfaction rates are more useful in indicating whether Hydro One has 2 effectively balanced and responded to customer preferences, which are varied, than lower 3 electricity rates are. Hydro One would not consider adopting "lowering rates" as a

4 strategic objective because of the poorer service levels that would invariably result.

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1		Vulner	able Energy Consumers Coalition (VECC) INTERROGATORY #32
2 3 4 5 6 7	Iss	ue 2.1	Does Hydro One Distribution's Custom Application promote and incent acceptable outcomes for existing and future customers (including, for example, cost control, system reliability, service quality, bill impacts)?
7 8	In	t <u>errogatory</u>	
9 10 11	Re	ference:	A/T5/S1/pg. 3 & T18/S1/pg. 3/Appendix A
11 12 13 14 15	a)	meets the meeting r	blain what incentives/disincentives are in place to ensure that Hydro One current Distribution System Code sections 7.5.1/7.5.2 with respect to nissed and re-schedule appointments 100% of the time. How does his metric align with customer feedback and preferences?
16 17	b)	The relevant missed approximately the televant t	ant Code section has two parts – contacting the customer prior to the pointment and contacting the customer within 1 business day to
18 19		contacting	e. All of the reasons provided for the exemption have to do with g the customer prior to the missing the appointment. Please provide the $(2010, 2013)$ in which HON was upphle to contact the
20 21 22		customer	e of times (2010- 2013) in which HON was unable to contact the within 24 hours <u>after</u> a missed appointment to reschedule. Please hy relief is required from this part of the requirement.
23 24	c)	-	ovide a breakdown of the Missed Appointment rescheduling by regional
25 26 27	<u>Re</u>	sponse	
28 29 30 31 32	a)	meeting in explanation	he does not have any incentives/disincentives in place with respect to missed and re-scheduled appointments. The field offices provide an on for each failure on a weekly basis to the Quality Assurance Department termine root cause along with potential process improvement opportunities.
 33 34 35 36 		•	ne always endeavours to contact our customers prior to missing an ent and when it is missed we do what is necessary to meet the customer's
 37 38 39 40 41 42 	b)	transaction the same them with track this	this section has two parts – Hydro One performed the two parts as one n. We would contact the customer prior to the missed appointment and at time provide them with a rescheduled date/time rather than inconvenience a second phone call. From 2010 to 2013 our system (s) were unable to information. All that was tracked was the missed appointments and we re-scheduled an appointment prior to the date/time of the appointment.

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Although Hydro One is a very large distribution company it is actually the size and 1 topography of our service territory that factors into the ability to meet the OEB target 2 for Rescheduling Appointments. Hydro One has many rural areas in our service 3 territory where communication challenges due to topography exist resulting in the 4 field member being unable to contact the field office staff to reschedule an 5 appointment with our customers. Along with communication challenges, these rural 6 areas present issues in getting to our customers' properties. Some can only be 7 accessed using off-road equipment, boats, etc. This can also present additional issues 8 depending on the season of the year. 9

- 10
- 11

c) Breakdown of the Missed Appointment rescheduling by zone is shown below:

1	2	

Zone	Total #	# Miss	# Met	% Met
1 - West	75	6	69	92%
2 - West Central	54	8	46	85%
3A - Central	52	1	51	98%
3B - East Central	95	10	85	89%
4 - East	60	8	52	87%
5 - Georgian Bay	117	25	92	79%
6 - Northeast	4	1	3	75%
7 - Northwest	2	0	2	100%
Lines, Techs & Meter Reading Total	459	59	400	87%

13

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1	Consumers Council of Canada (CCC) INTERROGATORY #8		
2			
3	Issue 2.1 Does Hydro One Distribution's Custom Application adequately		
4	consider customer feedback and preferences? Have customer		
5	feedback and preferences been adequately reflected in the OM&A		
6	and capital spending plans?		
7			
8	<u>Interrogatory</u>		
9			
10	Reference: Exhibit A/Tab 5/Schedule 1		
11	HON second description of second statements and stress second stress sec		
12	HON currently undertakes a number of surveys, and other customer engagement		
13	activities. To what extent does HON intend change or potentially increase the level of		
14	customer engagement during the 5-year term? What has been the annual cost of		
15	customer engagement activities for the period 2010-2013? What is the proposed cost of		
16	customer engagement during the plan?		
17	Desponse		
18 19	<u>Response</u>		
19 20	Hydro One intends to continue collecting customer feedback through the Voice of the		
20 21	Customer program outlined at Exhibit A, Tab 5, Schedule 1, and is committed to		
21	improving the level of customer engagement and satisfy the requirements of the Renewed		
22	Regulatory Framework throughout the five test years. The average annual cost of survey		
23	activities for the period 2010-2013 was \$0.6 million. The average annual cost for the		
24	planning period 2015-2019 is \$0.8 million.		
26			
27			
21			

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1	Consumers Council of Canada (CCC) INTERROGATORY #9		
2			
3	Issue 2.1 Does Hydro One Distribution's Custom Application adequately		
4	consider customer feedback and preferences? Have customer		
5	feedback and preferences been adequately reflected in the OM&A		
6	and capital spending plans?		
7			
8	Interrogatory		
9			
10	Reference: Exhibit A/Tab 5/Schedule 1		
11			
12	Please describe the extent to which HON solicits feedback from its customers specifically		
13	with respect to its OM&A and capital spending plans. How does HON incorporate that		
14	feedback into its OM&A and capital plans?		
15			
16	<u>Response</u>		
17			
18	Hydro One solicits feedback from its customers in a variety of ways as outlined at		
19	Exhibit A, Tab 5, Schedule 1. This includes customer surveys (impression and		
20	transactional), Customer Advisory Board, Customer Relation Centre (CRC), Customer		
21	Focus Groups, Meeting and Stakeholder sessions, and other channels. Hydro One also		

Focus Groups, Meeting and Stakeholder sessions, and other channels. Hydro One also considers the risk of customer impacts in its investment planning risk assessment,

prioritization and decision making process described in Exhibit A, Tab 17, Schedules 1-7.

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Er	nergy Probe Research Foundation (EP) INTERROGATORY #10
Issue 2.1	Does Hydro One Distribution's Custom Application adequately consider customer feedback and preferences? Have customer feedback and preferences been adequately reflected in the OM&A and capital spending plans?
<u>Interrogator</u>	<u>v</u>
Reference:	Exhibit A/Tab 4/Schedule 4/p. 6 and Exhibit A/Tab 4/Schedule 4/p. 7
Preamble:	
expenditures Replacement in the previous of the bill an	is proposing to increase, among other spending, Vegetation Management to \$540 million over the five-year term compared to \$338 million and Pole spending to \$530 million over the five-year term compared to \$323 million us five years. Yet, in Exhibit A, Tab 5, Schedule 1, Hydro One says "the size id increasing bill totals continue to be the key stated reasons why customers ied. Reliability and outage handling was a distant second in mentions."
	One explain why it is increasing spending on vegetation and pole replacement tree when customers appear to be far more focused on bill increases?
<u>Response</u>	
•	s investment plans strike a balance between short-term rate impacts and of life-cycle costs which also have a rate impact.
test years is outlined in S vegetation m One's last di backlogged achieve a sus Hydro One i backlog in	objective behind the increase in vegetation management spending over the to lower the life-cycle costs of the vegetation management program. As lide 9 of Exhibit PD1 from the executive presentation on May 12, 2014, the management unit costs have been increasing beyond inflation since Hydro stribution cost of service filing due to the increase in workload caused by maintenance. These costs will continue to increase until Hydro One can stainable 8 year clearing cycle. As noted in Exhibit A, Tab 17, Schedule 6, s in a favourable resourcing position to make a significant reduction in the the short-term that will result in reducing the unit costs of vegetation in the medium to long-term.
•	Distribution is proposing an increase in wood pole replacements to manage ociated with its distribution pole population through a resourceable plan that

- 43 will allow for a gradual rate increase and prevent a significant step increase in rates in the
- 44 future.

Filed: 2014-07-04 EB-2013-0416 Exhibit I Tab 2.01 Schedule 11 EP 11 Page 1 of 1

1	En	ergy Probe Research Foundation (EP) INTERROGATORY #11
2 3 4 5 6	Issue 2.1	Does Hydro One Distribution's Custom Application adequately consider customer feedback and preferences? Have customer feedback and preferences been adequately reflected in the OM&A and capital spending plans?
7 8	Interrogator	2
9 10	Reference:	Exhibit A, Tab 5, Schedule 1, Page 7
11 12 13 14 15 16 17 18 19 20 21	three reliabil fewer power all customers by half of cus they were ve Slightly more reason custor	Tab 5, Schedule 1, Page 7, Hydro One said: "Customers were asked to rank ity improvements in order of perceived value. Customers indicated that outages was considered the most valuable improvement by close to half of a. More frequent updates of power restoration was ranked the least valuable stomers who participated in the survey. Very few customers (2% to 3%) said ery willing to pay more for each of the three improvements measured. than one in ten customers are somewhat willing or very willing. The main mers are unwilling to pay more for reliability improvements is price related – el that their current prices are high enough."
 22 23 24 25 26 27 	year plan bill and n	ch sentiment from customers, is it possible for Hydro One to propose a five- that would entail no increases to the distribution portion of the customer's naintain adequate reliability? ro One consider a five-year plan that planned for no increase to the
27 28 29 30 31	· •	on portion of a customer's bill? If so, what would that plan look like?
32	Please see res	sponse to Exhibit I, Tab 2.1, Schedule 1 Staff 7, part a) through d).

Filed: 2014-07-04 EB-2013-0416 Exhibit I Tab 2.01 Schedule 11 EP 9 Page 1 of 1

1		En	ergy Probe Research Foundation (EP) INTERROGATORY #9
2 3 4 5 6	Iss	ue 2.1	Does Hydro One Distribution's Custom Application adequately consider customer feedback and preferences? Have customer feedback and preferences been adequately reflected in the OM&A and capital spending plans?
7 8	Int	errogatory	
9 10	Re	ference:	Exhibit A, Tab 2, Schedule 1
11 12 13 14 15 16 17 18 19 20	In 1 dis 2.3 a)	tribution po % in 2017, Can Hydro of the "ave	Tab 2 Schedule One, Hydro One says "the resulting change to the ortion of the average customer bill will be -1.4% in 2015, 3.8% in 2016, 1.2% in 2018 and 2.6% in 2019." those break these figures down by rate class and clarify the characteristics erage customer."
21 22	Re	sponse	
23 24 25 26 27 28		The distrib residential	bution impacts referenced in the question are for a medium density (R1) customer with a typical consumption of 800 kWh/month. Hydro One this an average customer given that this rate class has the largest number of .
29 30	b)	-	ets for all other rate classes at typical consumption amounts are provided in ovided at Exhibit G1, Tab 4, Schedule 1.

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Issue #2.	Does Hydro One Distribution's Custom Application adequately consider customer feedback and preferences? Have customer feedback and preferences been adequately reflected in the OM&A and capital spending plans?
<u>Interroga</u>	<u>tory</u>
Referenc	e: Exhibit A/Tab 5/Schedule 1
under	7 – Customer Focus Groups are facilitated from time to time as a means of standing customer preferences. How many focus groups have been held in each past 4 years?
	One has not referenced social media channels such as Twitter as a means to e and manage customer feedback and preferences. Please explain.
Coun follow	9: When was the Executive Customer Experience Governance Council (CE cil) established? Who sits on the CE Council? How does the CE Council 7-up on initiatives assigned to internal business units? How are improvements customer experience from this work measured?
	12 – Hydro One indicates it is implementing proactive communication efforts. are Hydro One's plans i.e. how is this going to be done?
	13 – Please confirm how Hydro One determined that average reliability levels cepted by the vast majority of customers.
and L Rates	5 & Attachment 2, Page 1 – Results of Residential and Small business surveys arge Distribution and Commercial Customer Surveys indicate that /Price/Cost is the main issue these customers would like Hydro One to address. e discuss how Hydro One's proposed outcome metrics respond to this issue.
<u>Response</u>	
2011 2012 comm	 past four years, Hydro One has held the following focus group sessions: Two sessions in nine markets (Opinions on Hydro One's service) Two sessions in each of Barrie, Ottawa, Peterborough, London (test CIS nunications) Additional sessions in Barrie, Peterborough (test CIS communications)

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b) Hydro One does use Twitter to post content such as outages, conservation and
 demand management programs, tips, service offerings, etc., and to interact with
 customers on specific feedback, questions or concerns. In addition, Hydro One
 monitors social media channels as a means of understanding sentiment, trending
 issues, etc.

c) The Customer Experience (CE) Council was established in April 2013, and includes 7 senior executives from across the organization. The council is responsible for 8 directing significant customer-impacting initiatives, prioritizing customer initiatives 9 and promoting lateral integration across the organization. The follow-up on these 10 initiatives involves monthly tracking and reporting of progress and achievement of 11 key milestones. The CE Council provides best advice to address any barriers to 12 success and helps move things forward through lateral integration, reprioritization 13 and improved communications. Improvements in overall customer satisfaction are 14 tracked by the council, they listen closely and track customer feedback to determine if 15 these initiatives are improving overall customer satisfaction. The council reviews key 16 metrics that compare customer perception (outside-in) against operational 17 performance (inside-out). 18

19

6

d) See Exhibit A, Tab 5, Schedule 1, page 16 of 21. In addition to the approaches related
to Outage Handling/restoration, Hydro One plans to implement proactive
notifications and alerts as part of our web self-service My Account service.
Customers would be able to subscribe to alerts and notifications about electricity
consumption levels, outage alerts, restoration updates, conservation and demand
management offers and updates, etc. The notifications are also envisioned via text
and possibly mobile apps.

e) The customer research demonstrated that Residential and Small Business customers
 which make up the vast majority of customers have a high satisfaction level with the
 level of reliability they receive. In addition, of those who were not satisfied with
 Hydro One, reliability was a much lower reason given as to their reason for their
 dissatisfaction.

33

27

f) Hydro One's proposed Outcome Measures respond to customers' main issue of
 Rates/Price/Cost as each of these eight measures provides reporting and targets
 against areas of increase spend necessary to maintain the current level of reliability
 and address customers satisfaction with Hydro One.

- 38
- 39 See response to interrogatory 2.01-Staff-4.

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1	Ontario Energy Board (Board Staff) INTERROGATORY #9
2 3 4 5 6	Issue 2.2 Does Hydro One Distribution's Custom Application promote and incent acceptable outcomes for existing and future customers (including, for example, cost control, system reliability, service quality, bill impacts)?
7 8	Interrogatory
10 11 12 13 14 15 16 17 18 19	Ref: Exhibit PD1 (Presentation/Issues Day Transcript)Per Exhibit PD1 slide 4, Hydro One's intent is to maintain bill impacts at or below inflation. Distribution is just one part of the bill; a 2% bill impact due to distribution costs implies a 6-7% distribution line impact for typical small volume customers.Why should Hydro One's cost impact be evaluated from the significantly diluted perspective of the total bill rather than considering only distribution elements? What is the utility of general price inflation as a reference point given this dilution, and given the other elements of the bill that can also face inflationary and non-inflationary pressures?
20 21	<u>Response</u>
21 22 23 24 25 26 27 28 29	Hydro One expects that its proposed increases in distribution costs will be evaluated in detail as part of the application approval process. The rebasing of rates to capture historical capital expenditures not covered after several years of IRM applications, as well as the on-going capital needs of the company, make it impossible to maintain distribution expenses within the rate of inflation. Hydro One has mitigated this impact by proposing a rate smoothing approach that evenly spreads the distribution impacts across all years of the application.
30	Total bill impacts were considered as part of the business planning process consistent

with what the OEB typically uses to evaluate the need for bill impact mitigation. The OEB requires utilities to submit evidence showing the impact on total bill and they typically require utilities propose a mitigation plan when total bill impacts exceed 10%.

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1		Ontario Energy Board (Board Staff) INTERROGATORY #10
2 3	Issue 2.2	Does Hydro One Distribution's Custom Application promote and
4		incent acceptable outcomes for existing and future customers
5 6		(including, for example, cost control, system reliability, service quality, bill impacts)?
7		
8	Interrogator	<u>v</u>
9		
10	Ref: Exhibit	it A/Tab 19/Schedule 1/p. 4 (Sharing of Benefits)
11		
12	Preamble:	
13	Hydro One s	states that the amounts in Table 2 have been taken into consideration as part
14	of the busin	ness planning process and have been built into its OM&A and capital
15	forecasts.	
16		
17	Which amou	ints (cumulative or annual) have been factored into Hydro One's OM&A and
18	capital forec	asts? How have these amounts been included in the calculation?
19		
20	<u>Response</u>	
21		
22	All amounts	provided in Table 2 have been taken into consideration as part of the
23	business pla	nning process and have been included in the OM&A and Capital forecasts.
24	The busines	s plan reflects the reduced costs as a result of productivity which has

The business plan reflects the reduced costs as a result of productivity which has decreased Hydro One's revenue requirement as can be seen as an example in Table 1 in

Exhibit A, Tab 19, Schedule 1.

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	Ontario Energy Board (Board Staff) INTERROGATORY #11
Issu	e 2.2 Does Hydro One Distribution's Custom Application promote and incent acceptable outcomes for existing and future customers (including, for example, cost control, system reliability, service quality, bill impacts)?
Inte	<u>rrogatory</u>
Ref:	1. RRFE Report, October 18, 2012 2. Exhibit A
Prea	amble:
grea distr take	bage 12 of the RRFE Report, the Board states: "To ensure that the benefits from ter efficiency are appropriately shared throughout the rate-setting term between the ibutor/shareholder and the distributor's customers, the expected benefits will be n in to account in establishing the rate adjustment mechanisms applicable to each rate nod through the X-factor."
8	a) In the absence of an X-factor, what process is Hydro One proposing to ensure that benefits are appropriately shared through the rate term between Hydro One and its customers?
ł	b) How will Hydro One share any additional productivity and/or total cost efficiency gains it achieves over the term of the plan with its customers?
<u>Res</u>	<u>ponse</u>
r r f g t f e a	Hydro One's proposal does ensure benefits are appropriately shared throughout the rate term. The forecasted productivity savings embedded in Hydro One's revenue requirement calculation are described in Exhibit A, Tab 19, Schedule 1. For the ratepayer, the requested rate increase has been lowered by the amount of these productivity savings. Ratepayers' receipt of the forecasted monetary benefit is guaranteed, regardless of whether it is realized, and it is received throughout the rate erm. In contrast, Hydro One's shareholder bears the downside risk of Hydro One failing to realize these savings because this failure will directly impact its return on equity. Offsetting this shareholder risk is the potential to benefit in the event that additional efficiencies are realized. This should incent Hydro One to realize the forecasted cost savings from efficiencies at a minimum.
	Given that its forecasted productivity savings are ambitious, Hydro One does not

expect to achieve additional efficiency gains over the 5-year term. Any unexpected,
 additional gains may be redirected into work programs and projects which benefit the
 customer.

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1	Ontario Energy Board (Board Staff) INTERROGATORY #12
4 5 6	Issue 2.2 Does Hydro One Distribution's Custom Application promote and incent acceptable outcomes for existing and future customers (including, for example, cost control, system reliability, service quality, bill impacts)?
7 8	<u>Interrogatory</u>
9 0 1 2	Ref: 1. RRFE Report, October 18, 2012 2. Exhibit A (Communication of Benefits to Customers)
3	How will Hydro One demonstrate to its customers that its efficiency enhancing and total cost-minimizing strategies ultimately yield higher value and/or lower rates for customers?
	<u>Response</u>
)	Hydro One intends to demonstrate efficiency enhancing and cost minimizing strategies through the outcome measures which highlight efficient and effective targeted investments to specifically address customers' preferences and expectations.
	Cost minimizing strategies are delivered through a balanced level of program and investment spend that maintains the current level of reliability and lowers costs in areas such as Customer Service Operations. This strategy addresses our customer priorities of Cost and Reliability as expressed through research represented in the pre-filed evidence. Hydro One's Asset Analytics tool also assists in spending money more efficiently and effectively as it considers multiple factors in determining the need of a specific type of investment including the risk of not spending the money in that area.
	Exhibit A, Tab 19, Schedule 1, Table 1 demonstrates Hydro One's commitment to productivity and enhancing efficiency.
	Please also see response to Exhibit I, Tab 2.1, Schedule 1 Staff 4.

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	Ontario Energy Board (Board Staff) INTERROGATORY #13					
Issue 2.2	2 Does Hydro One Distribution's Custom Application promote and incent acceptable outcomes for existing and future customers (including, for example, cost control, system reliability, service quality, bill impacts)?					
Interrog	ratory					
Ref: Ex	hibit A-18-1/Appendix A (Exemption Application)					
	What compensation, if any, has/will Hydro One Offer customers affected by Hydro One's failure to keep appointments with customers?					
I	f the Board were to require Hydro One to compensate customers affected by Hydro One's failure to keep appointments, what form of remedy might be acceptable to Hydro One?					
<u>Respons</u>	<u>e</u>					
does there miss	to One understands that customers are a major driver of long-term success and its upmost to keep all appointments with customers. Unfortunately occasionally e are circumstances that prevent this from happening. When an appointment is ed, Hydro One works with the customer to reschedule the appointment at the omer's earliest convenience. No compensation is being proposed.					
miss perfo beha demo	to One feels it is premature at this time to impose any consequence or reward for ing a target. After sufficient data has been collected, a review should be prmed to determine if the setting of targets was successful in driving the correct vior and producing a positive outcome in favour of the customer. If this is ponstrated after such review, then no further consequence or reward would be anted.					
impl cons stake Incre Cust	he review determines the correct behavior is not being driven, then the ementation of consequences and rewards should be considered. However the equences and rewards implementation plan should be well researched, choldered and applied in a manner to ensure appropriate behaviour is rewarded. easing staff levels to improve the ability to meet timelines will increase costs. omers have indicated that their priority is to keep costs low. Penalties will result postly behavior.					

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1	<u>Sustain</u>	able Infrastructure Alliance of Ontario (SIA) INTERROGATORY #6
2		
3	Issue 2.2	Does Hydro One Distribution's Custom Application promote and
4		incent acceptable outcomes for existing and future customers
5		(including, for example. cost control. system reliability, service
6		quality, bill impacts)?
7		
8	Interrogatory	<u>, </u>
9		
10	Reference:	Exhibit A, Tab 18, Schedule 1, Page 9
11		
12	Please provid	e the outage information contained in Table 2 broken down by cause code
13	(e.g. loss of s	upply, animal contact, etc.)
14		

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1 **Response**

- 2
- 3 The causes for:
- System Average Interruption Duration Index (SAIDI)
- System Average Interruption Frequency Index (SAIFI)
- is summarized below in Table 1 (including Force Majeure (FM)) and in Table 2
 (excluding Force Majeure (FM)).

8

- 9
- 10 11

12

Table 1: Interruption Causes (Including Force Majeure events)

• SAIDI (defined as average hours per customer)

	(defined as average number		
Year	Cause	SAIDI	SAIFI
	Adverse Environment	0.02	0.02
	Defective Equipment	1.80	0.51
	Foreign Interference	0.29	0.12
2010	Human Element	0.07	0.06
2010	Loss of Supply	0.33	0.32
	Scheduled	1.51	0.63
	Tree Contacts	3.77	0.70
	Unknown/Other	1.57	0.89
	Adverse Environment	0.10	0.01
	Defective Equipment	4.42	0.91
	Foreign Interference	0.46	0.20
2011	Human Element	0.16	0.05
2011	Loss of Supply	0.84	0.61
	Scheduled	1.44	0.70
	Tree Contacts	11.86	1.17
	Unknown/Other	2.84	0.94
	Adverse Environment	0.03	0.00
	Defective Equipment	2.57	0.73
	Foreign Interference	0.46	0.16
2012	Human Element	0.04	0.03
2012	Loss of Supply	0.66	0.52
	Scheduled	1.41	0.62
	Tree Contacts	4.28	0.80
	Unknown/Other	1.85	0.81
	Adverse Environment	0.01	0.01
	Defective Equipment	6.57	1.07
	Foreign Interference	0.45	0.15
2013	Human Element	0.11	0.06
2013	Loss of Supply	0.68	0.35
	Scheduled	1.53	0.68
	Tree Contacts	14.62	1.35
	Unknown/Other	3.31	0.94

Note: The breakdown for CAIDI is not provided since CAIDI is the result of SAIDI divided by
 SAIFI

excluding For

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Table 2:

- Interruption Causes (Excluding Force Majeure events)
 - SAIDI (defined as average hours per customer)
 - SAIFI (defined as average number of interruptions per customer)

YEAR	Cause	SAIDI	SAIFI
	Adverse Environment	0.02	0.02
	Defective Equipment	1.54	0.47
	Foreign Interference	0.29	0.12
2010	Human Element	0.05	0.06
2010	Loss of Supply	0.33	0.32
	Scheduled	1.49	0.62
	Tree Contacts	2.35	0.52
	Unknown/Other	1.40	0.83
	Adverse Environment	0.02	0.00
	Defective Equipment	2.04	0.63
	Foreign Interference	0.41	0.19
2011	Human Element	0.08	0.04
2011	Loss of Supply	0.48	0.48
	Scheduled	1.29	0.64
	Tree Contacts	1.89	0.46
	Unknown/Other	1.20	0.64
	Adverse Environment	0.03	0.00
	Defective Equipment	1.80	0.59
	Foreign Interference	0.45	0.15
2012	Human Element	0.04	0.03
2012	Loss of Supply	0.43	0.47
	Scheduled	1.37	0.61
	Tree Contacts	2.20	0.55
	Unknown/Other	1.14	0.68
	Adverse Environment	0.01	0.01
	Defective Equipment	1.87	0.62
	Foreign Interference	0.38	0.13
2013	Human Element	0.10	0.05
2013	Loss of Supply	0.34	0.26
	Scheduled	1.40	0.63
	Tree Contacts	1.93	0.44
	Unknown/Other	1.21	0.63

- 6 Note: The breakdown for CAIDI is not provided since CAIDI is the result of SAIDI divided by
- 7 SAIFI

5

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Issue 2.2	Does Hydro One Distribution's Custom Application promote and incent acceptable outcomes for existing and future customers (including, for example. cost control. system reliability, service quality, bill impacts)?
<u>Interrogate</u>	<u>ry</u>
Reference	Exhibit A, Tab 18, Schedule 1, Page 9
have an b) Has HC SAIFI	han the rolling three year average OEB targets noted in the table, does HONE internal long term target for SAIFI and SAIDI? ONI commissioned any studies or prepared any internal memos or reports as to and SAIDI targets? If so, please provide copies. If not, please explain why eels this would not be helpful to its reliability and capital investment planning
<u>Response</u>	
was Indi hav the bala bety con	he Distribution Technical Conference session held in April 2014 Hydro One requested to provide 2014-2019 targets for the Service Quality cators/Reliability Measures in Exhibit A, Tab18, Schedule 1. Draft targets been developed for each of the measures based on the direction suggested by OEB and input from business unit staff. The measures proposed reflect a noing between resource/funding availability and the inter-relationship ween measures where applicable. The goal, where possible, is to show inuous improvement over the 5 test years taking into account funding and tractual commitments and the minimum OEB targets established for the

31 <u>SAIFI</u>* (Frequency of Interruptions - Number of Interruptions per Customer)

	Targets				
Year	2015	2016	2017	2018	2019
SAIFI	2.7	2.7	2.7	2.7	2.6

32 33

*Excludes Force Majeure events.

34 <u>SAIDI</u>* (Duration of Interruptions - Hours of Interruptions per Customer)

	Targets						
Year	2014	2015	2016	2017	2018	2019	
SAIDI	6.9	6.9	6.8	6.7	6.7	6.6	

*Excludes Force Majeure events.

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Results for the customer service indicators and service reliability indices are provided
 to the OEB annually in accordance with the Distribution System Code.

3

b) While Hydro One has not commissioned any reliability studies or have reliability reports as requested, Hydro One monitors reliability performance of our feeders.
Reliability performance is a component of our investment planning process as described in Exhibit A, Tab 17, Schedules 1-6 and our Asset Risk Assessment
Process described in Exhibit A, Tab 17, Schedule 7.

9

Feedback received from Hydro One customers indicates that the majority of customers are satisfied with their current level of reliability, hence maintaining current reliability was one of the objectives in the development of the capital investment plan.

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1	Sustainable Infrastructure Alliance of Ontario (SIA) INTERROGATORY #8
2 3 4 5 6 7	Issue 2.2 Does Hydro One Distribution's Custom Application promote and incent acceptable outcomes for existing and future customers (including, for example. cost control. system reliability, service quality, bill impacts)?
7 8	<u>Interrogatory</u>
9 10	Reference: Exhibit A, Tab 18, Schedule 1, Page 14
11 12 13	a) What was the total impact of the December 2013 lee Storm on Hydro One's customers (e.g. CMO and CI)?
13 14 15	b) Please provide a breakout of the length of time customers were without power in 12 hour intervals. (i.e. # of customers without power 0- 12 hours, 12-24 hours,
16	etc)
17 18	c) Did the experiences of the ice storm lead HONI to identify the need for changes in maintenance policies and/or capital standards? If not, why not?
19 20	d) Did HONI prepare any internal reports, memos, or other analysis of the impact of the ice storm on its distribution system? If so, please provide copies.
21 22	<u>Response</u>
23 24 25 26	a) During the December 2013 Ice Storm, there were a total number of 585,342 customer interruptions (CI) that occurred, and 508,545,637 customer minutes outage (CMO).

- b) Please see the table below for customers with breakout length in 12 hour intervals
- 28

12 Hour Interval	Customers Affected
0 - 12	374406
12 - 24	94585
24 - 36	46964
36 - 48	29837
48 - 60	19417
60 - 72	9816
72 - 84	4117
84 - 96	2446
96 - 108	2766
108 - 120	399
120 - 132	198
132 - 144	344
144 - 156	11
156 - 168	36

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7

14

c) Hydro One Networks Inc conducted a post ice-storm review for lessons learned
 with all internal stakeholders and participants. Some logistical opportunities were
 identified. As there wasn't a significant number of asset plant failure (lines, poles,
 transformers, reclosers, insulators), no changes in maintenance policies or capital
 standards were identified as a result of the review. The majority of the storm related interruptions was caused by excessive ice build-up and felled trees.

d) Hydro One Networks Inc conducted a post ice-storm review and lesson learned
 exercise and captured those findings in the attached report (See attachment #1). It
 should be noted that Hydro One's reports are overly self-critical on operations and
 response, and are designed to explore every aspect of the events to improve our
 performance the next time such an event occurs. Since this report was written for
 internal use any third party references have been redacted.

In addition to the aforementioned, the Vice President – Operations and
 Maintenance participated in a Centre for Urban Energy Roundtable VI - The Ice
 Storm: Extreme Weather and Urban Energy - Dan McGillivray, Executive
 Director; Sean Conway, Distinguished Research Fellow, Sarah Marchionda,
 Fellow Assistant sponsored and held at Ryerson University.

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Filed: 2014-07-04 EB-2013-0416 Exhibit I-2.2-2 SIA 8 Attachment 1 Page 1 of 30

System Event Investigation 2013 Southern Ontario Ice Storm



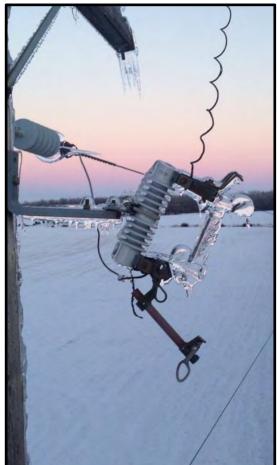






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Acronyms

BCM	Business Continuity Manager
CEMC	Community Emergency Management Coordinators
DESN	Dual Element Spot Network
DOMC	Distribution Operations Management Centre
EMO	Emergency Management Ontario
ESA	Electrical Safety Authority
ETR	Estimated Time of Restoration
FCP	Forward Command Posts
ICC-D	Incident Command Centre - Distribution
IESO	Independent Electricity System Operator
IVR	Interactive Voice Response
LDC	Local Distribution Company
MOE	Minister of Energy
OGCC	Ontario Grid Control Centre
ORMS	Outage Response Management System
PL	Provincial Lines
PWU	Power Workers Union
SCADA	Supervisor Control and Data Acquisition
SENS	Significant Event Notification System



Acknowledgements

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------------	---

The author wishes to acknowledge those individuals who provided valuable input, expertise and supporting documentation throughout the course of the investigation. Special thanks are extended to the OGCC and Field staff that provided immediate and effective response to this event and for their ongoing work throughout the province.



1.0 Executive Summary

On the evening of December 21, 2013, Southern Ontario experienced several hours of freezing rain. The freezing rain covered exposed surfaces with between 2mm and 30mm of ice accretion. The volume of ice caused widespread power outages to distribution systems in Ontario. The highest number of customers interrupted at any moment in time throughout the event was 128,294, occurring on December 22 at 3:15 p.m.

Early weather forecasts initiated Hydro One preparations to the ensuing event. Hydro One coordinated with the IESO to place the transmission network in a safe position and repositioned line crews into the distribution zones expected to be heavily affected by the severe weather. When the storm reached Ontario, Hydro One proactively declared a distribution emergency to help manage the impending power outages. Hydro One escalated the emergency level and response efforts as the effects of the storm were felt. The freezing rain continued for several hours with the Kingston and Peterborough areas initially being hit the hardest.

In the early morning of December 22, the storm moved through the Golden Horseshoe causing heavy ice accretion. The interrupted customer count quickly rose to 74,333, and Hydro One raised the emergency to Level 2 status; the fifth Level 2 distribution emergency for 2013. Hydro One continued redeploying lines staff into Southern Ontario from Northern Ontario, cottage country and other unaffected regions. However, initial restoration activities were hampered by the continuing storm and worsening driving conditions. Line crews prioritized the restoration of the largest groups of affected customers by focusing initially on restoring 44 kV feeders. However, with the amount of trees and conductors that were downed by the ice storm, nested outages were discovered after repairs were completed, preventing some customers from being restored¹.

As the emergency progressed, Hydro One with the assistance of mutual aid partners, amassed over 1,400² personnel to perform restoration operations. Restoration personnel worked in shifts around the clock to return power to customers; all the while the storm continued to cause new outages. On December 23 during a 10 a.m. situation update, the number of affected customers dropped to 105,531 even though the storm had interrupted power to 168,862 customers on December 22. Once the weather conditions improved, Hydro One's helicopter crews joined the restoration efforts.

The weather subsided on December 23, with the customers in the Golden Horseshoe remaining as the most heavily affected. As Hydro One crews completed major restoration activities in Southeastern and Central Ontario, they were redeployed to the Golden Horseshoe. A surge of staff from Hydro One and other utilities throughout the province facilitated a steady restoration of customers between December 23 and 24. By 1 p.m. on the December 25, with 22,152 customers remaining interrupted, the emergency was downgraded to a Level 1. During the following days, Hydro One began assisting other utilities that were also heavily affected by the storm, in addition to restoring power to its remaining interrupted customers. By December 29, the dedicated Hydro One employees from many lines of business had safely restored power to most customers. At this time only small pockets of customers remained affected by the storm. This allowed Hydro One to resume normal operations and to officially declare an

¹ Nested outages are outages hidden by differential voltage supplies or by lower protective class devices.

² The 1,400 staff number includes line maintainers, forestry crews, technicians, helicopter crews, call centre agents, electrical system controllers, dispatchers, and support staff.

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end to the distribution emergency at 11:30 p.m. on December 29. At that point Hydro One and its mutual aid partners had restored power to 556,172 customers.

The ice storm caused four transmission outages that were restored in a reasonable amount of time. As part of the protocol for Hydro One during distribution emergencies, regular updates were provided throughout the storm and restoration activities. The Incident Command Centre for the storm held regular situation updates with restoration personnel and stakeholders. These updates were used to keep the Minister of Energy, Emergency Management Ontario, Community Emergency Management Coordinators and the media advised of the restoration progress. Additionally, customer call centres, the outage map, and the mobile outage application kept Hydro One customers continually informed of their estimated power restoration time.

2.0 Purpose

The objective of this investigation was to capture and review the operational response from the events that transpired during the 2013 Southern Ontario ice storm. The time period considered for this event is the duration of the Level 2 distribution emergency (December 22, 4:52 a.m. – December 25, 8:00 p.m.). However, additional summary information is provided before and after the Level 2 distribution emergency.

This report will focus on the following key areas:

- 1. Communications and business systems performance
- 2. The sequence of events
- 3. Personnel and equipment logistics
- 4. System/equipment Impacts

A detailed description of the performance of system assets during the event, an analysis of the protective relaying operations, or an analysis of the events following the end of the emergency, is not included in this report.

3.0 Customer Impact

The 2013 ice storm passed through Southern Ontario, mainly affecting the Golden Horseshoe, Central Ontario and South Eastern Ontario. The heavy ice accretion on all surfaces downed trees, poles and electrical conductors. Numerous power outages were identified by the Hydro One SCADA system and reported through customer call centres.

Table 1 below depicts the peak and total number of power off customers and incidents for each distribution zone³ affected by the ice storm.

³ Hydro One divides its distribution system into eight physical zones, see *Appendix A: Hydro One Southern Ontario Distribution Zones* for more details. Additionally, many LDCs exist inside and at the borders of Hydro One's distribution zones. See *Appendix B: LDC Service Areas in Southern Ontario* for more details.



Zone	Peak Customers Affected	Total Customers Affected ⁴	Peak Incident Count	Total Incident Count
West Zone (1)	30,553	69,761	371	831
West Central Zone (2)	65,545	220,770	667	2,612
Central Zone (3A)	29,790	137,028	453	1,098
East Central Zone (3B)	19,482	113,951	213	533
East Zone (4)	3,653	14,662	50	116
Summary ⁵	Total customers affected: 556,172 ⁶		Total incidents resolved: 5,190	

Table 1: Power off customer and incident counts for the 2013 ice storm by Hydro One distribution zones.

The ice storm hit Southern Ontario on December 21. The number of power outages quickly escalated on the evening of December 21 and through the morning of December 22 until 3:15 p.m. when 128,294 customers⁷ had lost power. After 3:15 p.m., although new power outages continued to occur throughout the event, staff working since the onset of the storm began restoring service to customers faster than new power loss incidents occurred. Figure 1 below depicts the power off customer and incident counts throughout the distribution emergency.

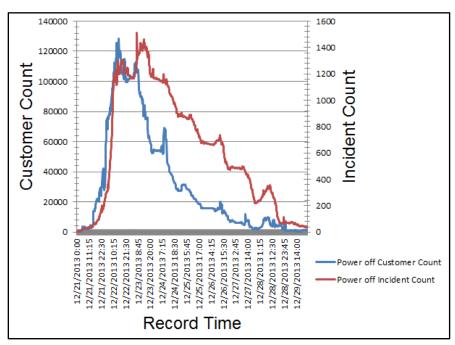


Figure 1: Number of customers without power and unresolved incidents throughout the storm.

⁴ Customers affected by multiple incidents will be counted multiple times. The total unique customers affected by the ice storm in Zones 1-4 was 242,991.

⁵ The time period used was December 21–29, 2013.

⁶ The total number of customers affected by the storm listed in the table does not include Zones 5, 6 and 7. 585,434 customers were affected from all zones between December 21 and 29.

⁷ Interrupted customer counts are based on the number of electricity meters affected by the outages.



4.0 Communications and Business System Performance

During large scale events such as the ice storm, the OGCC declares emergency levels (states) that determine what response will be taken to return the system back to normal. The severity of the ice storm led the OGCC to declare a Level 2 distribution emergency. This declaration is normally made when greater than 40,000 Hydro One customers are interrupted and the OGCC estimates that they will remain without power for more than 48 hours. A Level 2 distribution emergency was declared for five large scale events in 2013.

Once a Level 2 distribution emergency is declared, the OGCC will establish an incident command centre that directs the storm response efforts and provides information updates for all internal and external stakeholders. All key Hydro One emergency response personnel have specific roles and accountabilities within the incident command centre structure. Figure 2 below depicts a simplified version of the incident command centre structure for large scale distribution events.

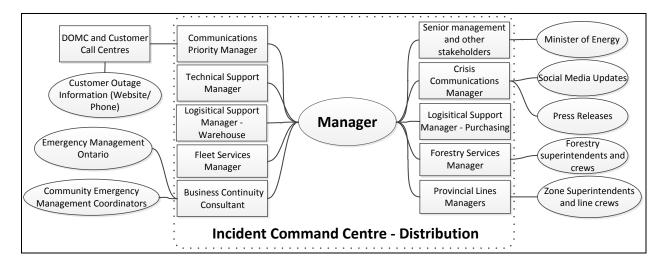


Figure 2: Simplified Hydro One Distribution Incident Command Centre (ICC-D) structure.

Hydro One communicates the information from the incident command centre to the public and external stakeholders through the following means:

- Distribution Outage Management Centre and Incident Command Centre emails and conference calls.
- Corporate communications press releases and social media updates.
- Customer call centre and the Hydro One outage map information.
- Business continuity consultant updates for Emergency Management Ontario and the Community Emergency Management Coordinators.

The following subsections briefly explain the communications that each of the aforementioned groups had with external parties.

Distribution Outage Management Centre

The DOMC communicated the potential for a system impactive weather event on the morning of December 19th in the OGCC Network Dispatch Daily Report. A more detailed storm impact summary was provided the morning of December 20 in the OGCC Network Dispatch Daily Report. These



communications triggered action plans throughout the company as we moved to a high state of readiness.

As predicted the storm did start affecting Hydro One assets on Saturday December 21st and a "No Level" event was declared at approximately 3:15 p.m. This was communicated through our Significant Event Notification System (SENS) and was the first in a series of internal update communications issued throughout the storm event.



Broken pole in Norfolk County.

On Sunday December 21 at approximately 7:10 p.m. a Level 1 event was declared with the issuance of a Level 1 SENS. At that time we had 87 power off incidents affecting 20,718 Hydro One customers. This declaration also gave notice to ICC-D position holders that expectations were that further weather impact to the system was almost certain. This also served as notice for Hydro One to place the company and its assets on the highest state of readiness.

On December 22 at approximately 4:50 a.m. a Level 2 Event was declared with the issuance of a Level 2 SENS. This declaration informed all ICC-D position holders the ICC center had been activated and established communication procedures would be followed. At this point Hydro One had 314 power off incidents affecting 75,082 Hydro One customers.

Throughout this nine-day event, DOMC issued 29 SENS and provided updates as required to the Senior Management Team, Media group along with the Business Continuity Team and the Customer Contact Center. DOMC also coordinating with 17 Operations dispatch centres while maintaining dispatcher functions for lines staff, stations staff, forestry staff, helicopter services and the customer contact center and ESA. In total the DOMC handled 30,000 telephone calls and before grouping 66,280 ORMS incidents were handled by dispatchers.

Overall the Outage Response Management System (ORMS) performed well and the minor issues that arose were handled quickly by support staff. During higher volume periods some slowness of grouping managers was reported. The outage map and the outage app had some instances of slow refreshing this was reported to DOMC. This slow refresh was not as a direct result of the ORMS system.

ETRs were the focus of all involved in this restoration effort and good communications were well established between the DOMC and field forces. ETRs are viewed by both Provincial Lines and the DOMC as a continuous improvement item and this event will be reviewed by the members of the Outage Review Team.



Incident Command Centre – Distribution

The ICC-D was established as of 5:40 a.m. on December 22 with the declaration of a Level 2 event. The first snap shot of "Saving Christmas" was issued as of 7:30 a.m. December 22 providing update information to all ICC-D position holders along with members of the Senior Management Team as well



Crews removing a fallen tree off conductors in Picton.

members of the Senior Management Team as well as establishing the cycle of thrice daily ICC-D conference calls.

All conference calls were attended by all required position holders and proved as always to be an effective communications medium. Safety was the prime focus of each call and a review of any safety incidents was provided by PL's Superintendents. Each call provided updates to the Media group as well as the Business Continuity/Emergency Preparedness Staff to update provincial and municipal contacts. No logistic issues were reported. The movement of personnel, material, transportation resources including helicopters and off road equipment was well discussed and coordinated during these calls.

The ICC-D manager reclassified this event as a Level 1 on December 25 at 1:00 p.m. the ICC-D was not stood down until 8:00 p.m. that night. At that time there were 687 power off incidents impacting 15,984 Hydro One customers.

Corporate Communications

When the OGCC communicated the potential for a weather event on December 20, Corporate Communications started to communicate emergency preparedness tips to its customers by issuing a press release, tweeting and posting the information on HydroOne.com and the RSS feed.

When the ice storm began to affect a large number of Hydro One customers, Corporate Communications responded to the initial situation by following established crisis protocols of quickly sharing as much information as possible. After receiving an outage notification SENS declaring a level 2 from the Ontario Grid Control Centre, the on-call team quickly mobilized and activated its crisis plan as documented in the 2013 Hydro One Crisis Communications Plan.

Within 30 minutes of the first storm up-date call, the communications on-call team had discussed and decided on plan of action and issued the first press release communicating the number of customers affected by district.

Throughout the nine-day outage, Hydro One issued press releases, answered media calls and tweeted available information regarding the number of customers affected and the restoration times. The team also provided regular updates to the Minister of Energy's office and the Premier's office.



Throughout the nine-day outage, Hydro One answered conducted 290 media interviews, tweeted 120 times and issued 10 media releases. This resulted in over 1,379 articles with a potential 100,765,535 impressions and 2,214 retweets with a potential 5,000,000 impressions. Twitter followers also increased by 5,031. The homepage of HydroOne.com was updated during the storm and featured the most recent news release under the "Hydro One News" section. The corporate website was visited 534,084 times



Ontario Premier Kathleen Wynne and Hydro One President and CEO Carmine Marcello witness Hydro One crews restore power in Scarborough.

during the nine-day storm. During this same time, downloads of the Hydro One mobile app increased by 44,736 (+5994.8%). The app ranked as high as 7th in Apple iTunes' ranking of most popular free apps on December 22.

Hydro One's CEO also participated in daily on-site press conferences and photo-ops with Premier Wynne and Toronto Hydro President and CEO, Anthony Haines to communicate Hydro One's key messages and provide details about the company's restoration efforts.

Customer Call Centre

During the week, the centre reached a peak of 133,000 calls in one day with 358,000 calls received from December 21 to December 29. The centre did have challenges with blocked calls (81,000 between December 22 and December 24 due to telecom capacity constraints). The Interactive Voice Response (IVR) system and call centre staff answered 300,000 calls. 46,000 of those calls were answered with live agents throughout the week despite the blockages.

The average wait time in the phone queue to speak with an agent was less than two minutes over the week, with an average wait time of just under five minutes during the peak times on December 22. With 458 person-days of planned staff during the holiday period, the centre was able to bring in extra resources to handle the call volumes. This increased the centre's person-days worked to 874 for the week through voluntary shifts or overtime. During the peak days of the storm (December 22 and December 23) the centre was staffed at more than 107 per cent and 160 per cent, respectively over planned staff.

The Hydro One centre's Police, Fire and Emergency line performed exceptionally well, with approximately 1,600 calls answered, all with an average wait time of under three seconds. Only 10 calls were abandoned on this line.

Staff at the centre took extra precautions to address developing issues in the call centre. After receiving numerous calls from other utility customers, as well as our normal billing and customer service calls, messages were implemented in the IVR system to encourage people to call later if the nature of their

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call wasn't related to the storm. This measure took pressure off of phone queues and allowed staff to serve storm-affected customers accurately and with distinction.

Business Continuity Manager

After receiving an outage notification Significant Event Notification System (SENS) from the Ontario Grid Control Centre, the Manager of Business Continuity Management (BCM) created a response protocol in anticipation of supporting the Hydro One lines of business and the Community Emergency Management Coordinators (CEMCs).

The purpose of BCM's involvement is to coordinate, support and communicate with the identified CEMCs in any municipality that requires assistance. Support can be by way of emails, conference calls or individual requests. Hydro One's commitment to the communities is a coordinated, timely response to their needs to the best its ability. The BCM prioritizes Hydro One internal support first, then the municipalities. By coordinating with municipalities, it enables the local crews to concentrate on restoration, and not acting as information sources to the CEMCs or other external parties during an event.

Contact was quickly established with several community CEMCs in collaboration with Emergency Management Ontario (EMO) through their activated Provincial Operations Emergency Centre (PEOC). At the onset of the storm, regular updates were provided through EMO, rather than individual CEMCs for consistency and accuracy. Later on in the response and restoration, EMO was kept apprised, however targeted communication was managed only with those municipalities that were directly affected.



Hydro One Provincial Lines staff restoring power in Scarborough.

The Manager of BCM was on call and provided support from 8 a.m. – 11 p.m. daily from December 22 through to December 29. From December 30 to January 13, isolated emails, requests for information and support continued to be managed. The BCM Manager handled over 600 emails during the storm, and attended seven scheduled update calls per day. Other calls were on an as needed basis.



5.0 Storm Preparations

On December 18 at 11:38 p.m., Environment Canada issued a special weather statement for Southern Ontario warning of significant weather for the weekend. Extended periods of freezing rain were expected for Southern Ontario starting on the evening of December 21.

Figure 3 below depicts the December 20 forecast of the 24 hour probability of freezing rainfall accumulating more than 0.5 inches on December 22. In response, Hydro One began preparing for a potential ice storm with the possibility of extended outages. A news release was sent to all media in Ontario providing information to Hydro One customers on how they could prepare for these extended outages. The DOMC and regional operation centres immediately started preparations for the impending storms.

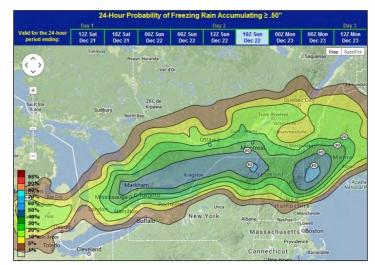


Figure 3: Freezing rainfall .5 inch probability for December 22 from December 20. (Source: Pelmorex Weather)

Plans were drawn up at the regional operations centre to deploy crews into the areas to be hardest hit. In preparation for the storm's effects on Ontario's transmission and distribution systems the OGCC increased the number of electrical system controllers and dispatchers scheduled for work. Additional on-shift managers were also called in to help coordinate the impending distribution and transmission restoration activities.

"It's already two days before, and they're jockeying crews across the province" – Carmine Marcello, President and CEO of Hydro One Inc. from a December 31 Maclean's article

6.0 Storm Effects and Response

The ice storm reached Southern Ontario in the early afternoon of December 21. Intermittent freezing rain was felt along Highway 401 between Kitchener and Kingston. At 2:46 p.m., 5,000 Hydro One customers were already without power, with expectations of the number increasing rapidly. The DOMC immediately declared a "No Level" distribution emergency in preparation for the brunt of the storm.

January 29, 2014 System Event Investigation Network Operating Division



At 7:00 p.m., 20,718 Hydro One customers were without power because of the ice storm. The DOMC upgraded the distribution emergency to Level 1. Line crews continued to work through the night as the incident count and number of customers without power increased. Weather conditions created restoration and travel hazards that slowed efforts. The conditions were extreme enough in the Kingston area that only emergencies could be resolved overnight.

By midnight, the customer count reached 40,665. A snapshot of the customers affected at 12 a.m. on December 22 and Hydro One staff deployments for that day are presented in Figure 4. Weather forecasts continued to



A 44 kV M-class feeder pole in Brockville that broke during the ice storm.

predict persistent rainfall for the Oshawa to Kingston areas. To better direct repair and restoration operations, the DOMC placed Kingston and Peterborough Operations Centres in dispatch mode. Crew dispatches would come directly out of these centres for each area, respectively. Weather forecasts were also predicting significant rainfall for the Windsor area, east to Niagara.

A Level 2 distribution emergency was declared at 4:30 a.m. on December 22. At that time, 75,082 Hydro One customers had lost power and 24 Hydro One M-class⁸ feeders were out of service. With a Level 2 distribution emergency an ICC-D was formed at the OGCC. Additionally, the decision had been made to place the following operations centres in OP dispatch mode in the morning to handle the ever-increasing power off incidents:

- Bolton
- Dundas
- Newmarket
- Picton
- Trenton

- Bowmanville
- Guelph
- Orangeville
- Simcoe

Zone 2 and Zone 3B were the hardest hit zones with 14,317 and 17,007 customers without power at midnight, respectively. Line crews mobilized from Zones 4, 5, and 6 to assist in the restoration of Zones 2 and 3B. As the day progressed, Hydro One customers from Zone 1 became the latest to experience power interruptions from the ice storm. 15,804 Hydro One customers from Zone 1 were without power by 8:00 p.m.

"Crews are out in full force to safely repair the damage caused by the freezing rain." – *Greg Towns, Director of Lines, Hydro One Networks Inc. from a December 22 press release.*

⁸ M-class feeders are sub-transmission circuits (50 kV and below), which are connected to a transformer DESN station.

January 29, 2014 System Event Investigation Network Operating Division



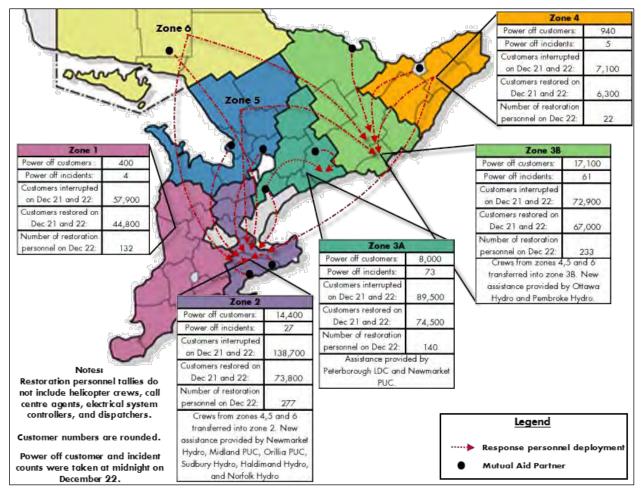


Figure 4: Storm situation on December 22 at 12 a.m.

On December 22 winds were 30 to 40 km/h with gusts between 50 and 60 km/h. The windy conditions, freezing rain and ice-covered surfaces caused additional power outages and delayed restoration efforts. Helicopter crews were grounded due to the weather conditions.

The Hydro One transmission network in the Golden Horseshoe and South Eastern Ontario experienced isolated outages on December 22. Ice accretion on 115 kV circuits caused four isolated power off incidents in the Hamilton area and one in the Trenton area. In each event, the OGCC and field



A blocked road in the Bowmanville area during the ice storm.





Ice laden tree and conductor in Zone 3B.

crews immediately sectionalized the transmission system to restore as many customers as possible. All remaining affected customers were restored that day or the next morning.

As the customers without power increased, Hydro One made calls to its mutual aid partners for assistance. Additionally, the decision was made to cancel vacations. The necessary calls went out to over 300 staff on vacation that they were needed to join the relief efforts.

At 3:15 p.m., the amount of Hydro One customers without power peaked to 128,294. Restoration

priorities focused on the interrupted M-class feeders and the transmission load losses. These power off incidents would restore the greatest number of customers. However, the large numbers of downed trees and conductors hampered restoration efforts. By the late afternoon the bulk of the freezing rain had moved out of Ontario. The storm left anywhere from 10 to 30mm of ice on homes and businesses, poles, trees, and conductors. Hydro One released two press releases on December 22 to provide information on the number of customers affected in each of the affected regions.

By the end of the day, great progress was made restoring M-class feeders. Only four M-class feeders remained interrupted by 9 p.m. on December 22. However, the extensive infrastructure damage meant that many distribution stations and their supplied customers remained interrupted. Figure 5 below depicts the amount of interrupted customers for each zone on December 23 at 12 a.m. and the staff deployments for that day.



Ice laden trees near 500 kV transmission towers in North Guelph.



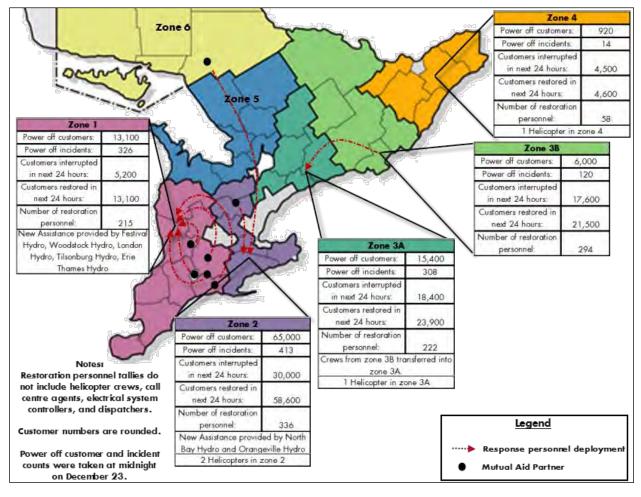


Figure 5: The ice storm situation on December 23 at 12 a.m.

On the morning of December 23 the Hydro One ice storm restoration task force consisted of approximately 520 lines staff, 250 forestry personnel, 150 support staff, and 200 stations staff. Additionally, when the weather conditions subsided, four helicopter crews joined the relief efforts. Table 2 below shows the total accumulated freezing rain for different areas of South Ontario.

The storm was over but the cold weather meant that the ice would remain on all surfaces for the next few days. The IESO officially ended their extreme condition alert at 12 p.m. on December 23. This meant that Hydro One's transmission network had endured

the ice storm relatively unscathed. However,



Four helicopters getting ready to take off from Lake Simcoe Regional Airport on December 23rd.

101,058 Hydro One customers were without power on December 23 at midnight. Over half of those customers without power resided in Zone 2. Hydro One issued a press release that morning informing



customers of the continued severity of the situation and the possibility of continued lengthy restoration times.

Location	Event Freezing Rain Total (mm)
Barrie	20
Brampton	20 to 30
Cheltenham (near Brampton)	31 to 32
Cornwall	15
Toronto	20
Grimsby	27.7
Hamilton	20
Kingston	20
Kitchener	15 to 25
Niagara	27.7
Niagara Escarpment	7 to 8
Orillia	3 to 4
Toronto Pearson Airport	24.8
Trenton	30
Vaughan	25

Table 2: Freezing rain totals for the ice storm by region (Environment Canada data provided to Hydro One by Pelmorex)

Hydro One's mutual aid partners and contractors had answered the call for assistance and were sending help. Table 2 below provides information on the utilities that helped Hydro One during the ice storm. Their assistance was invaluable, especially with the approximately 37 feeder breakers supplying LDC customers that were open at 4 p.m. on December 23.



The speed of restoration ramped up on December 23. Towns and cities had made excellent progress in clearing roads allowing Hydro One staff better access damaged equipment. M-class feeders remained the top priority for line crews. Even though 75,768 additional customers lost power on that day, Hydro One staff managed to restore power to 120,279 customers. This meant that the total interrupted customers dropped down to 54,214 by midnight.

Fallen trees on a road in Norfolk County during the ice storm.



Zone	Assistance From					
	Woodstock Hydro Services Inc.					
	London Hydro Inc.					
West Zone (1)	Tillsonburg Hydro Inc.					
	Festival Hydro Inc.					
	Ascent (Contractor)					
	Greater Sudbury Hydro Inc.					
	North Bay Hydro Distribution Ltd.					
West Control Zono (2)	Orangeville Hydro Limited					
West Central Zone (2)	Orillia Power Distribution Corporation					
	Midland Power Utility Corporation					
	Haldimand County Hydro Inc.					
Control Zono (2A)	Peterborough Distribution Inc.					
Central Zone (3A)	Newmarket-Tay Power Distribution Ltd.					
East Control Zono (2P)	Hydro Ottawa Limited					
East Central Zone (3B)	Ottawa River Power Corporation					

T11 2 M (1 · 1)	1 . 1
Table 5. Mulual ala pariner	s' assistance during the ice storm.

At 5:27 p.m. on December 23, a Hydro One employee reported that a section of a skywire for two 115 kV transmission circuits in Toronto was on the ground. The fire department blocked off the area and by 7:40 p.m. crews had safely tied the wire back. This was the only transmission-related incident in the Toronto area. No customers were affected. Figure 6 depicts the amount of interrupted customers for each zone on December 24 at midnight and the restoration personnel organization for the next day.



Insulators for a 500 kV transmission circuit in the GTA that is covered in ice.



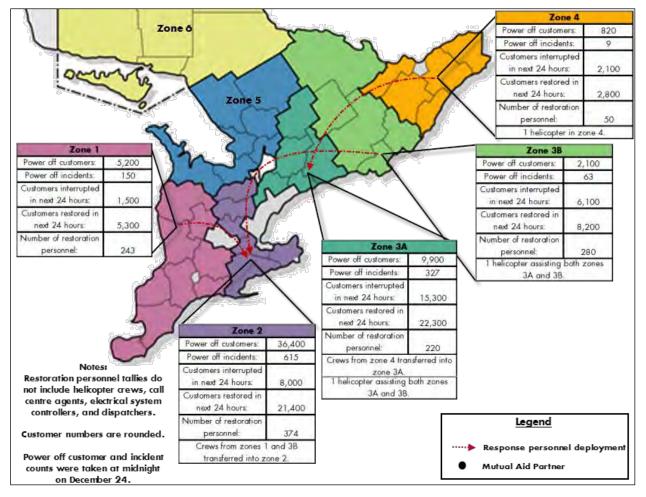


Figure 6: Storm situation on December 24 at 12 a.m.



Fallen conductors in the Brockville area.

December 24 saw wind speeds pick up to 40 km/h with temperatures in Southern Ontario plummeting to around -15 degrees C. The weather led to new interruptions in the Mclass feeder systems and a spike in the number of power off customers. Overnight temperatures were expected to be as low as -25 degrees C in South Eastern Ontario. This meant the ice would remain a challenge for staff as they worked on Christmas Eve. Zone 2 remained the hardest hit region with two thirds of the interrupted Hydro One customers residing there. A press release sent out advised customers that although crews have been working around the clock and that some customers should expect to spend Christmas day without power. Staff

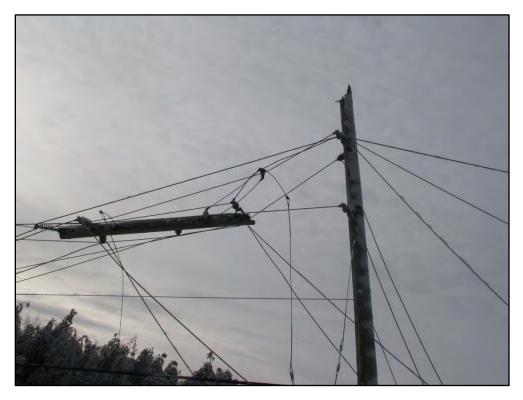


had completed enough restoration activities in Zone 4 that the Operations centre in Brockville surrendered control back to the DOMC at 6:23 p.m. The DOMC would coordinate the remaining restorations in that region.

"It's a real struggle out there, with new outages occurring as power is restored but we're making steady progress." – Carmine Marcello, President and CEO of Hydro One Inc. from a December 23 press release.

Three minor injuries had been reported thus far in the event. The motto of "safety first" was reiterated with all staff, and they were constantly reminded to stay focused on keeping each other safe.

Crews pressed on restoring another 80,971 customers throughout the day as managers and supervisors grappled with the difficult task of feeding the task force once restaurants closed for the holidays. As of midnight on Christmas Day, 27,386 Hydro One customers were without power. Figure 7 below shows the storm restoration progress at midnight on December 25.



Tangled conductors and a broken pole in the Brockville area.



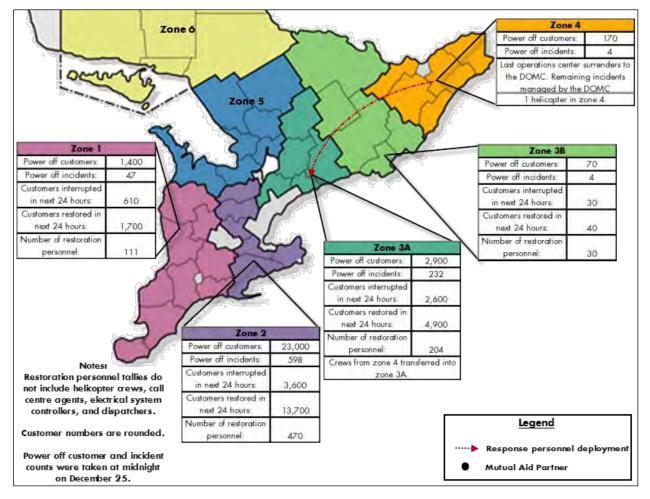


Figure 7: The ice storm situation on December 25 at 12:00 a.m.



Conductors laden with a thick layer of ice in South Guelph.

On December 25, wind speeds picked up to 25 km/h in the ice-covered region leading to movements of ice laden conductors and trees. This resulted in new power outages on the distribution system and several isolated transmission protection operations that were automatically restored. Arrangements had been made to feed all restoration personnel throughout the holiday. Communities throughout the affected areas offered their support to feed crews. For example, the Mayor of Whitchurch-Stouffville Wayne Emmerson offered turkey meals to any Hydro One staff. Additional volunteer clerical staff also went to operations centres to prepare meals for crews.



"We know some of our customers are cold. We know that they are waiting for the lights to come back on. We are on our way." – Carmine Marcello, President and CEO of Hydro One Inc. from a December 24 press release.

At 8 p.m. on December 25 Hydro One crews had completed most of the major restoration activities. What remained were many scattered incidents affecting a few customers each. 15,984 remained without power, mostly in Zone 2. Only 59 Hydro One customers remained without power in Zone 3B. As a result, the last operations centre from Zone 3B in Picton surrendered dispatch duties to the DOMC. With the number of customers without power rapidly shrinking and the affected area becoming isolated to Zone 2, the Level 2 distribution emergency was downgraded to a Level 1.

7.0 Post-Level 2 Emergency Restoration Activities

On December 26 Hydro One had completed most of the major restoration activities. Hydro One staff from across the province were now converging on Zone 2 in a troop surge. Additionally, the ESA had started issuing reconnects for customers that had damage on their property. Hydro One started coordinating operations with the ESA and kept ample staff in the affected areas to perform the reconnections.

"Hydro workers from all different utilities from all over Ontario are zeroing-in on the hardest hit areas. We will keep everyone on the job until our last customer is restored. Then we will offer our help to others who need it."

– Carmine Marcello, President and CEO of Hydro One Inc. from a December 26 press release.

Hydro One began assisting other distribution companies heavily affected by the ice storm. The first voluntary line crews were deployed to assist Toronto Hydro in time to attend a 4 p.m. safety briefing. Over the following days, Hydro One would provide approximately 70 staff to assist Toronto Hydro Electric System Limited. Likewise, Hydro One provided forestry crews to Halton Hills Hydro Inc. Additional staffs were also moved into the Kingston area on the 26, after a spike in new power off incidents occurred.

"Crews are going house-to-house right now, in many cases doing repair jobs that only restore a single customer. They will not stop until all power is restored." — Carmine Marcello, President and CEO of Hydro One Inc. from a December 27 press release.

By December 27, crews working throughout the province reached a milestone of 98 per cent of the peak affected customers restored. Crews continued to work cleaning up outstanding calls, which at that point were spread all across Southern Ontario. On December 28, the restoration activities were far enough along that the emergency was downgraded to a "no level". A majority of the remaining work was now ESA reconnections.

"The final mile is the slowest and hardest part of any restoration job for our customers and for our employees."

- Carmine Marcello, President and CEO of Hydro One Inc. from a December 27 press release.

That evening the Bracebridge area experienced an increase in outage incidents due to heavy snowfall unrelated to the ice storm. Crews were redeployed from Zone 2 to Zone 5 to assist in restoration Page 22 of 30



activities. Figure 8 depicts the power off customer states and important deployments from December 26 to 29.

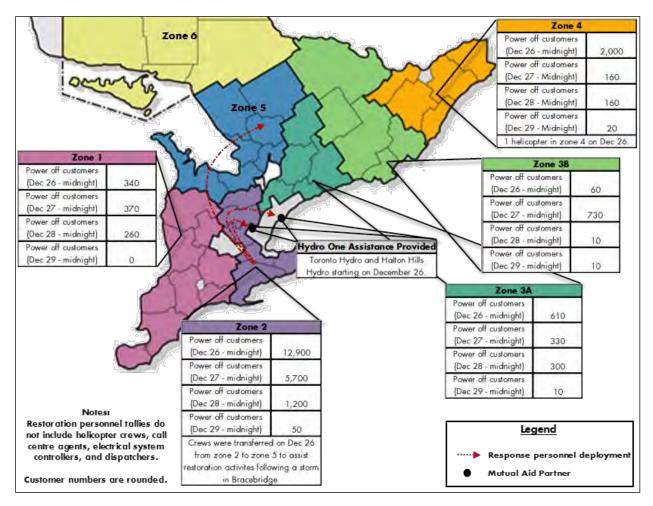


Figure 8: The ice storm situation between December 26 and 29, 2013.

The emergency officially ended on December 29 at 11:30 p.m. With the storm finally over, crews began standing down and returning home to their families. Many staff had been working 16-hour days since the storm began. Afterwards, as Hydro One returned to normal operations, many crews returned to restoration locations to change temporary emergency fixes into permanent repairs.

"I want to offer my heartfelt thanks to all the utility workers who left their homes during the holidays to help Hydro One."

- Carmine Marcello, President and CEO of Hydro One Inc. from a December 24 press release.



8.0 Storm Response Summary

The ice storm starting on December 21 resulted in Hydro One declaring its fifth Level 2 distribution emergency for 2013. However, since Hydro One has regular experience responding to large scale events from all over Ontario, the restoration activities proceeded quickly and efficiently. Figure 9 below provides a summary of the communications and activities performed by Hydro One during the ice storm.

"We eat storms" – John Guthrie, Provincial Lines Zone 3B Supervisor from a December 27 Toronto Sun article.

During the emergency, operations centres from the most heavily affected regions where given the autonomy to directly dispatch crews under the direction of the ICC-D. This allowed crews in each area to quickly respond to issues within a region. Once major restoration activities were completed in an area, the dispatching role was returned to the DOMC. Table 4 below has the time period when each operations centre affected by the ice storm was in dispatch mode. The table can be used as a metric for how heavily the ice storm affected a region.

Zone	Operations Centre	Established	Surrendered ⁹
1	Aylmer	12/22/13 9:00 AM	12/24/13 5:56 PM
1	Beachville	12/22/13 9:00 AM	12/24/13 5:56 PM
1	Clinton	12/22/13 9:00 AM	12/24/13 6:08 PM
1	Listowel	12/22/13 10:30 AM	12/26/13 5:41 PM
1	Walkerton	12/22/13 9:00 AM	12/24/13 5:48 PM
2	Alliston	12/22/13 7:00 AM	12/24/13 12:43 PM
2	Dundas	12/22/13 4:30 AM	12/27/13 10:00 PM
2	Guelph	12/22/13 12:00 PM	1/1/14 9:00 AM
2	Orangeville	12/22/13 7:00 AM	1/1/14 9:00 AM
2	Simcoe	12/22/13 7:00 AM	12/24/13 1:41 PM
3A	Bowmanville	12/22/13 5:30 AM	12/27/13 9:00 AM
3A	Newmarket	12/22/13 5:30 AM	12/29/13 7:00 AM
3A	Peterborough	12/21/13 3:00 PM	12/29/13 6:00 AM
3B	Kingston	12/21/13 3:14 PM	12/24/13 2:46 PM
3B	Picton	12/22/13 7:00 AM	12/27/13 6:00 PM
3B	Trenton	12/22/13 7:00 AM	12/24/13 1:32 PM
4	Brockville	12/22/13 9:00 AM	12/24/13 6:23 PM

Table 4: Regional operations centres' establishment and surrender times.

Key groups within Hydro One that responded to this ice storm will be reviewing their actions to determine lessons learned and improvement opportunities. Hydro One estimates that the total cost of this event is approximately \$25 million. This includes the replaced of over 60 poles and 20 transformers.

"Our customers have shown tremendous patience and resilience. I want to thank them, as well as all utility works from across Ontario who have worked though the holiday season to return life to normal for the people without power."

– Carmine Marcello, President and CEO of Hydro One Inc. from a December 27 press release.

⁹ Some regions re-established operations centre dispatching roles later in the storm because of a spike in new outages (i.e. Kingston) or a large number of ESA reconnections.



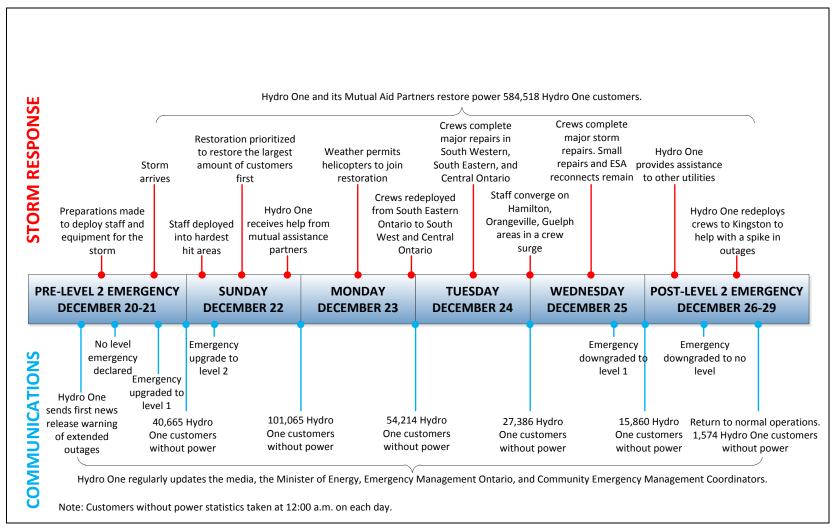
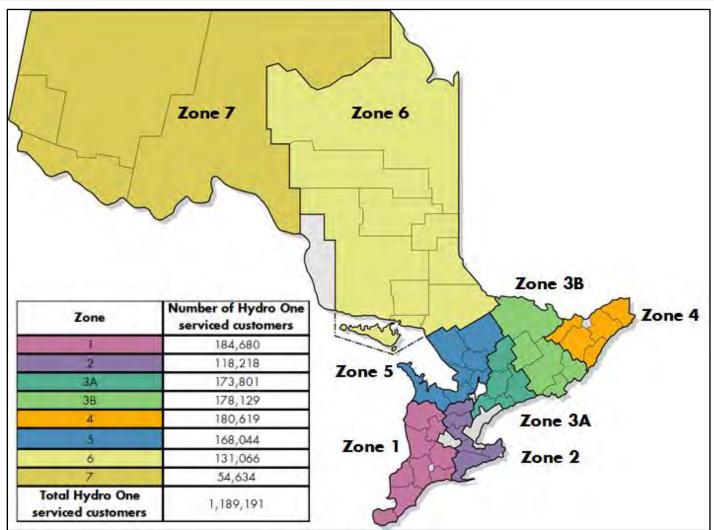


Figure 9: Timeline of Hydro One's restoration and communication activities during the 2013 Southern Ontario ice storm.



Appendix A: Hydro One Southern Ontario Distribution Zones

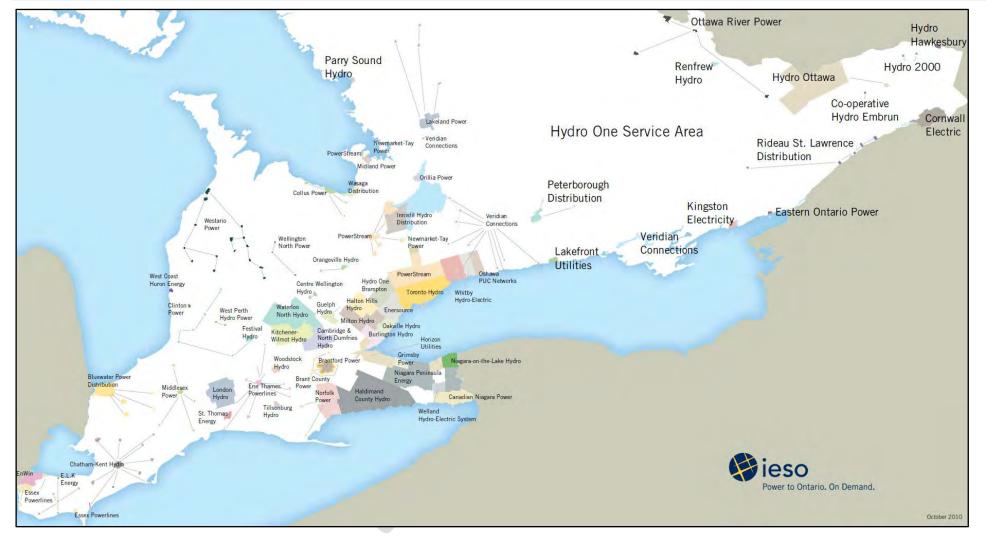


N.B., Zone 8 is a provincial zone.

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Appendix B: LDC Service Areas in Southern Ontario



Extracted from the IESO Ontario Local Distribution Company Map

Page 27 of 30



Appendix C: Lessons Learned and Improvement Opportunities

Hydro One is continuing to review this event so that improvement opportunities can be identified and implemented. Several lines of business throughout Hydro One have identified preliminary lessons learned and findings for the purposes of this report.

Provincial Lines Lessons Learned

- Review our inventory of strategic spares to ensure we have adequate spares of in service equipment and parts to make necessary repairs to station equipment.
- Review our process for the recall of Hiring Hall employees to ensure access to previously released seasonal workers in the event of a major event. This will require negotiation with the PWU and agreement on call out protocols.
- Enhance all local area storm logistic plans to include consideration of loss of normally available accommodation and meal providers during a Christmas season.

<u>Distribution Outage Management Centre and Incident Command Centre – Distribution Lessons</u> <u>Learned</u>

- DOMC experienced challenges with providing timely updates to both the outage map and outage apps. Plans have been advanced by DOMC to upgrade to Storm Center 3 and add iNotify to provide more outbound update paths for customers thus reducing call center volume.
- The outage map and apps also experienced slowness of refresh due to heavy load of incoming traffic on the storm day and the high volume of data to be unzipped on the web servers caused the overall slowness. This resulted in the back log of files to be unzipped on the web servers. Hence the refresh interval on the web site took longer than fifteen minutes. The current ORMS tool is scheduled to be updated or replaced as of 2016 which will facilitate quicker information transfer. The DOMC requested that Power System IT (PSIT) assume care and technical control of outage map and app and re- locate all hardware to OGCC. This move has been approved by Media group who would retain content control approver rights. PSIT is investigating the cost impacts of this move and will advise the DOMC manger when they are obtained.
- The DOMC was unable to provide pre event communication through our current auto dialer as 50 calls per minute is maximum capacity. Current auto dialer scripts do not allow DOMC to quickly change messages to provide more timely updates or proactive communication. A business owner request by DOMC to initiate a pilot program using a web based auto dialer with a capacity initiate 3000 calls per minute is currently in (PSIT's) hands. This web based system facilitates quick message changes using preset scripts as well as a text to speech function.

Corporate Communications Lessons Learned

Hydro One experienced challenges with getting press releases posted on its website as a result of a
variety of technology-related issues. Hydro One is investigating options to complement how it
disseminates press releases and is looking at alternatives such as an independently hosted microsite
that features current news and recent press releases.



- The use of Twitter by our customers increased dramatically through this event with our followers looking for more specific information on outages affecting them/their area. The on-call team will review the current protocol for Twitter communications during a level 2+ event.
- Internet providers such as Bell and Primus were also affected during the storm and affected a member of the on-call team and their ability to work. Corporate Communications will review the possibility of having key members on the on call team equipped with a permanent home lap top and air card.
- The current ORMS tool is at end of life and as such any performance issues identified will be difficult to mitigate. Sole source approval has been submitted to procurement to facilitate an upgrade to current system.

Business Continuity Management Findings

- Although the outage map and mobile outage application were promoted and recommended to the CEMCs throughout the event, the information was not formatted in a way that ideally suited their needs. Providing information on the number of affected meters/customers in an area rather than outage tickets produced would assist CEMCs.
- During the height of the storm on December 22 the most heavily affected area experienced delays in emergency requests for line crews. A heavy volume of emergency calls was experienced during that time period (in excess of 400 requests) for which the DOMC followed their prioritization protocol to resolve. However, further investigation should be performed to determine if there are any additional improvement opportunities that would reduce delays.



Appendix D: Contributing Reports

Note: see sidebar in PDF version for attachments

I DOMC/ICC-D Report

Report received from John Hamilton, Manager – Distribution Operations, Network Operating Division



II Customer Call Centre Reports

Report received from Ryan Harris, Customer Program Manager – Customer Care, Network Operating Division



III Corporate Communications Report

Report received from Cynthia Tetaka, Manager – Corporate Communications, Corporate Relations



IV Business Continuity Manager Report

Report received from Lisa Hood, Manager – Business Continuity



Filed: 2014-07-04 EB-2013-0416 Exhibit I Tab 2.02 Schedule 2 SIA 9 Page 1 of 2

Issue 2.2	Does Hydro One Distribution's Custom Application promote and incent acceptable outcomes for existing and future customers (including, for example. cost control. system reliability, service quality, bill impacts)?
<u>Interrogator</u>	<u>v</u>
Reference:	Exhibit A, Tab 18, Schedule 1, Page 11-14
improve syst for the 2015 identify those	sumption that all investments will to some limited extent incrementally em reliability and restoration time, are any of HONI's investments planned to 2019 specifically designed to mitigate against major outages? If so, please e most relevant and briefly state their intended benefits. If not, please explain believes a specific major outage mitigation effort is not a priority and/or is
<u>Response</u>	
A sustainab	e renewal program for end of life assets and an effective vegetation
management	program are the two main initiatives to mitigate against major outages.

All planned asset replacement(s) and installations such as pole and transformer replacements on the Hydro One Distribution System will contribute to sustaining the reliability of the system by replacing aging infrastructure that has reached or is nearing end of life. A vegetation management program that ensures that rights-of-ways are cleared on an 8 year cycle across the system will reduce the risk of vegetation contacts with circuits during storm conditions that result in outages and equipment damage.

29

As Smart Grid technologies are deployed on the distribution system in the coming years, 30 Hydro One will gain new capabilities to mitigate against major outages. Through the 31 Distribution Management Systems, the Ontario Grid Control Centre will have improved 32 situational awareness of the real-time impact of major outages and can plan and prioritize 33 the restorations efforts better. Some specific examples of how the Distribution 34 Management System will help mitigate major outages are through fault location and 35 service restoration. Using fault location technology, the Ontario Grid Control Centre will 36 be able to dispatch restoration crews closer to the location of the actual fault, enabling 37 them to repair and restore power faster. As well, the Ontario Grid Control Centre will be 38 able to study alternative network configuration directly in the control room and through 39 distribution automation on feeders, remotely control operable devices and restore some 40 customers in advance of restoration crews arriving on site. 41

- 42
- 43

Filed: 2014-07-04 EB-2013-0416 Exhibit I Tab 2.02 Schedule 2 SIA 9 Page 2 of 2

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11

18

The Outage Response Management System (ORMS) refresh investment will provide 1 enhanced performance, including: 2 3 Improved throughput of call analysis and grouping will provide more accurate • 4 and timelier information to Dispatchers to identify outages quicker. 5 The addition of integrated geographical environments for situational • 6

- awareness, interaction will calls, outages, crews and networking information streaming from Hydro One's various data sources.
- Integration of smart meter data to the control centre will lower response and • triage time for some outages and prevent erroneous customer dispatch (for 10 customer owned equipment failures).
- Improved automated reporting tools will quickly inform internal stakeholders • 12 about outage status, crew statistics, reliability reports and many other KPIs 13 related to the outage restoration process. 14
- Enhanced Customer Portal and smartphone app will allow customers enhance • 15 functionality and to subscribe to push notifications about areas of interest such 16 as outages, time estimates, etc. 17
- The ORMS enhanced functionality will largely aid in the restoration efforts and have the 19 effect of reducing restoration times. It will improve communications to internal, external 20 stakeholders and customers to ensure that they are aware of the situation and the 21 estimated time to restoration ("ETR"). 22

Filed: 2014-07-04 EB-2013-0416 Exhibit I Tab 2.02 Schedule 2 SIA 10 Page 1 of 1

1		<u>Sustainal</u>	ole Infrastructure Alliance of Ontario (SIA) INTERROGATORY #10
2 3 4 5 6 7	Iss	ue 2.2	Does Hydro One Distribution's Custom Application promote and incent acceptable outcomes for existing and future customers (including, for example. cost control. system reliability, service quality, bill impacts)?
8	Int	<u>errogatory</u>	
9 10 11	Re	ference:	Exhibit A-18-1, Appendix A, Page 1 of 6
11 12 13 14 15 16 17	see b) wo	king an exe Given the i	utility size, please identify why HONI would be unique among utilities in mption from the Rescheduling Appointments service requirement? ssues identified by HONI in meeting this requirement 100% of the time, t best be considered as a generic issue by the OEB in reviewing service ds?
18	Res	s <u>ponse</u>	
 19 20 21 22 23 24 25 26 27 28 20 	a)	topography for Resche territory w field mem appointme areas pres accessed u	Hydro One is a very large distribution company it is actually the size and of our service territory that factors into the ability to meet the OEB target eduling Appointments. Hydro One has many rural areas in our service here communication challenges due to topography exist resulting in the aber being unable to contact the field office staff to reschedule an nt with our customers. Along with communication challenges, these rural ent issues in getting to our customers' properties. Some can only be sing off-road equipment, boats, etc. This can also present additional issues on the season of the year.
29 30 31	b)	Utilities of these chall	a smaller scale and located in a more urban setting would not likely face enges.

Filed: 2014-07-04 EB-2013-0416 Exhibit I Tab 2.02 Schedule 2 SIA 11 Page 1 of 1

1	<u>Sustaina</u>	ble Infrastructure Alliance of Ontario (SIA) INTERROGATORY #11
2		
3	Issue 2.2	Does Hydro One Distribution's Custom Application promote and
4		incent acceptable outcomes for existing and future customers
5		(including, for example. cost control. system reliability, service
6		quality, bill impacts)?
7	_	
8	Interrogatory	2
9		
10	Reference:	Exhibit D1/Tab 3/Schedule 2/p.1 & 5 of 36
11		
12		n what HONI considers to be "an acceptable level of reliability." Please
13	provide any s	upporting studies or analysis that was used in making this determination.
14	D	
15	<u>Response</u>	
16	D 1	
17		vey results reported in Exhibit A, Tab 5, Schedule 1, the majority of Hydro
18	One Distribu	tion customers are satisfied with the reliability of electricity provided and
19	very few cust	tomers are willing to pay more in exchange for increased reliability. Hydro
20	One Distribu	tion therefore considers the current system level of reliability to be

21 acceptable.

Filed: 2014-07-04 EB-2013-0416 Exhibit I Tab 2.02 Schedule 2 SIA 12 Page 1 of 1

1	Sustainable Infrastructure Alliance of Ontario (SIA) INTERROGATORY #12
2 3 4 5 6	Issue 2.2 Does Hydro One Distribution's Custom Application promote and incent acceptable outcomes for existing and future customers (including, for example. cost control. system reliability, service quality, bill impacts)?
7 8	Interrogatory
9 10 11	Reference: Exhibit F1-1-3, Attachment 1, Page 4 of 6, Lines 1-5
11 12 13 14	Other than the benefits listed in this section, have smart meters allowed HONI to detect and prevent energy theft? If so, is HONI able to provide numbers of instances detected/prevented per year from 2011-2013?
15 16	<u>Response</u>
17 18 19	Hydro One plans to leverage the additional intelligence from the smart meter network to support detection of theft of power. A pilot project is under way to validate the potential

benefits and detection capability from leveraging the smart meter information – the

results are not yet available.

Filed: 2014-07-04 EB-2013-0416 Exhibit I Tab 2.02 Schedule 3 PWU 2 Page 1 of 4

1		Power Workers Union (PWU) INTERROGATORY #2
2		
3	Issue 2.2	Does Hydro One Distribution's Custom Application promote and
4		incent acceptable outcomes for existing and future customers
5		(including, for example, cost control, system reliability, service
6		quality, bill impacts)?
7		
8	Interrogatory	
9		
10	Reference:	(a) Exh D1, Tab 3, Schedule 2, Pages 18-20. Sustaining Capital, 3.4
11		Station Refurbishments.
12		(b) Exh A, Tab 4, Schedule 4, Page 6. Vegetation Management 1
13		(Sustaining OM&A):
14		
15	Vegeta	ation management expenditures related to line clearing are
16		ted to be approximately \$540 million in the 5-year forecast as
17		ared to \$338 million in the preceding 5 year period. The ramp-up is
18		ed to address tree clearing in order to allow Hydro One to move to
19	an 8-ye	ear vegetation management cycle across the province.
20 21	Tho n	umber of vegetation related customer outages on Hydro One's
21 22		n over the last five years is set forth in the following table:
22	System	
23		

 Table 1:

 16
 Vegetation Caused Interruptions

 17
 (Excluding Force Majeure Events)

 Actuals
 Targets

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

24

25 26

Reference: (c) Exh A, Tab 4, Schedule 4, Pages 9-10. Substation Refurbishments (Sustaining Capital)

27 28

29 Ref (c) indicates:

30

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5					Table -	4:							
6			Su	bstation	Caused	Interrup	otions						
7		(Exch	iding Fo	rce Majo	eure Eve	nts & Ex	cluding	Planned)				
[N	Actuals			101 00 000			gets				
/ear	2009	2010	2011	and company and		2014	2014 2015 2016		2017	2017 2018			
Number of	153	190	159	144	129	155	155	155	155	155	155		
Ř													
eference:		Exh A urbish	,	4, Sch	edule	4, Pag	e 11. I	Distrib	ution]	Line E	quip		
ef (d) state Hydr feedd perfo perfo appr com Hydr equi sum	Ref	owns n ongo by Hyc over th e of ely \$30 o \$155 's dist related	over 1 ing ass fro On the 07 million million tributio	20,000 sessme e. Sma se of t system on on l on on l on the on syst jes ove of histo	circuit ent of ti ll and l he 5-ye ine pro preced em ha er the la prical o	km of arge s arge s ar plan ro Or jects du ling 5 y s expe ast five	i lines dition c ustainr n to im ne ant uring ti ear per erience years	(appro of the li nent pr prove ticipate ne 5-ye riod. d a nu	ximate nes/fee rojects or sust s exp ar plan	ly 3200 eders is will be ain the ending period of line			
ef (d) state Hydr feedd perfo perfo appr com Hydr equi sum	Ref o One ers). Ar ormed l ormed c ormanc oximate pared te pared te	owns n ongo by Hyc over th e of ely \$30 o \$155 's dist related s the nu	over 1 ing ass fro One the 07 million million tributio l outag umber	20,000 sessme e. Sma se of t system on on l n in the n syst jes ove of histo	circuit ent of the ll and l he 5-yea ine pro preced em ha er the la prical o Table 5:	km of arge s arge s ar plan ro Or jects d ling 5 y s expe ast five utages	f lines dition c ustainr n to im ne ant uring tl ear per erience years	(appro of the li nent pr prove ticipate ne 5-ye iod. d a nu . The f	ximate nes/fee rojects or sust s exp ar plan	ly 3200 eders is will be ain the ending period of line			
ef (d) state Hydr feedd perfo perfo appr com Hydr equi sum	Ref o One ers). Ar ormed l ormed c ormanc oximate pared te pared te	owns n ongo by Hyc over th e of ely \$30 o \$155 's dist related s the nu	over 1 ing ass fro One cour the 07 million 07 million tributio 1 outag umber	20,000 sessme e. Sma rse of t system on on l n in the n syst jes ove of histo	circuit ent of ti ll and l he 5-ye ine pro preced em ha er the la prical o	km of he cond large s ear plan ro Or jects du ling 5 y s expense ast five utages	f lines dition c ustainn n to im ne ant uring tl ear per erience years	(appro of the li nent pr prove ticipate ne 5-ye iod. d a nu . The f	ximate nes/fee rojects or sust s exp ar plan	ly 3200 eders is will be ain the ending period of line			

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

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- a) How did Hydro One come up with the 2015-2019 targets for each of the three types
 of interruption, i.e., vegetation, substation, and distribution line equipment caused
 interruptions?
- b) In Ref (b), what would the level of vegetation caused interruption be for the test years
 assuming the level of vegetation management activities in the historical years is
 maintained? Specifically, would the level of interruption increase, decrease or remain
 unchanged in comparison to historical level of interruptions?
- c) In Ref(c), Table 4, why do the targets for the substation caused interruption in the test
 years remain unchanged (155), i.e., why do the targets not reflect better performance
 year over year?
- d) In Ref (c), Table 4, what would the level of substation caused interruption be for the
 test years assuming the level of substation refurbishment in the historical years is
 maintained? Specifically, would the level of interruption increase, decrease or remain
 unchanged in comparison to historical level of interruptions?
- e) With regard to Ref (d), Table 5, please explain why the distribution line caused interruption target for the year 2016 is 8300 whereas for all the other test years the corresponding number is 7300? Does Hydro One expect a spike in interruption level for 2016, and if so, why?
- 23

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f) In Ref (d), Table 5, why do the targets for the distribution line caused interruption in
the test years remain unchanged and not much different from the historical levels of
interruption in spite of the higher level of planned spending in the test years? Why do
the targets not reflect better performance year over year?

- 28
- g) In Ref (d), Table 6, what would the level of distribution line caused interruption be
 for the test years assuming the level of distribution line replacement or refurbishment
 in the historical years is maintained? Specifically, would the level of interruption
 increase, decrease or remain unchanged in comparison to historical level of
 interruptions?
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- 35 36
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- 1 **Response**
- 2 3

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a) Hydro One's proposed spending levels are a balance between system needs and rate impacts. Hydro One is proposing the minimum spending increase to maintain current reliability service levels. Therefore, 2015-2019 targets for substation and distribution line equipment interruptions are equal to the average number of interruptions from 2009-2013.

The target number of vegetation related interruptions from 2014-2016 is equal to the average number of vegetation related interruption from 2009-2013. Hydro One Distribution expects that the number of vegetation related interruptions will slightly decrease beginning in 2017 due to the reduction in the number of backlogged feeders.

- b) Please see Exhibit I, Tab 2.04, Schedule 1 Staff 27, Part d.
- 16 c) Please see the response to part a)
- d) Please see Exhibit I, Tab 2.04, Schedule 1 Staff 27, Part d.
- e) Table 5 contains a typographical error. The target in 2016 is 7,300 interruptions.
- f) Due to the increasing age and deteriorating condition of assets in the distribution
 system, Hydro One Distribution anticipates that maintaining historical spending will
 not be sufficient to maintain current reliability. Hydro One is proposing the minimum
 spending increase that will maintain this reliability.
- 26 27
- g) Please see Exhibit I, Tab 2.04, Schedule 1 Staff 27, Part d.
- 28

Filed: 2014-07-04 EB-2013-0416 Exhibit I Tab 2.02 Schedule 6 VECC 29 Page 1 of 1

1	Vulnera	uble Energy Consumers Coalition (VECC) INTERROGATORY #29
2 3 4 5 6	Issue 2.2	Does Hydro One Distribution's Custom Application promote and incent acceptable outcomes for existing and future customers (including, for example, cost control, system reliability, service quality, bill impacts)?
7 8	Interrogatory	
9 10	Reference:	A/T3/S2
11 12 13 14 15 16 17 18 19	risk by for underspend actual retu incentive t aggressive	The one has better knowledge of its costs than anyone else it can reduce its recasting each year's OM&A and on capital expenditures. If the Utility ds during any given year of the Plan it will have a better than expected urn. Given this why is not reasonable to assume that Hydro One has an to over forecast (be more cautious) its costs and to underspend (be more erse incentives?
20 21	<u>Response</u>	

a) It is not reasonable to assume that Hydro One has an incentive to over-forecast its
 costs. Please see Hydro One's historical return on equity set out in its response to
 Exhibit I, Tab 6.3, Schedule 6 VECC 76.

Filed: 2014-07-04 EB-2013-0416 Exhibit I Tab 2.03 Schedule 6 VECC 30 Page 1 of 2

1	Vulnerable Energy Consumers Coalition (VECC) INTERROGATORY #30				
2 3 4 5 6 7	Issue 2.3		Does Hydro One Distribution's Custom Application promote and incent acceptable outcomes for existing and future customers (including, for example, cost control, system reliability, service quality, bill impacts)?		
8	Int	errogatory	:		
9 10 11	Re	ference:	A/T6/S1/pg. 19-20 & A/T18/S1		
12 13	a)	Please exp majeure e	plain why 10% of customers were chosen as the definition for a force vent.		
14 15 16 17	b)	"affecting the number	scription of force majeure events it is not clear if the definition of 10% of customers" means the number of customers with an outage or er of customers in an area with outages (see for example pages 15 of 18). rify the meaning of "affected customers.		
18 19	c)	Does the common of	10% of customers need to be in contiguous service areas and related to a cause?		
20 21 22	d)	other than	majeure events include service interruptions that are caused by anything weather (i.e. are all the force majeure events shown in figure 6 at page to the impact of weather on equipment and plant)?		
23 24 25	<u>Re</u>	sponse			
26 27 28 29 30 31	a)	recognize have been	a need to recognize unusual events outside of management's control is well d in the industry there is as yet no standard for its measurement. Attempts a made to establish statistical formulae but no consensus is in place. Hydro others have adopted the 10% of customers as an indicator of a significant		
32 33 34		In 2009 to events: • Pacifie	he following utilities were using the 10% guide to identify force majeure Corp		
35 36 37 38 39 40 41		 Pennsy Califo Oklah State o (MidA) 	onsin Public Service Commission ylvania Public Service Commission ornia Public Service Commission oma Corporate commission of Iowa /Department of Commerce Utilities Board American Energy, North East Missouri Electric Power Co-operative, tate Power and Light Company)		

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1		Public Utility Commission of Texas
2		
3		Since that time no new industry measure has been adopted. While some statistical
4		formulae have been proposed none gained industry wide acceptance.
5		
6	b)	An event is considered a <i>force majeure</i> when it impacts or "affects" more than 10%
7		of customers served by Hydro One. "Affected" customers are customers that have
8		their power interrupted; therefore there is no supply of electricity to their premises.
9		
10	c)	No. It is the total percentage of customers impacted that are served by Hydro One and
11		the impact is caused by a specific event.
12		
13	d)	As noted on page 15 of 18, in 2012, there were four <i>force majeure</i> events that met the
14		10% of customers served criteria. All were storms. However any significant event
15		such as the loss of supply that affects 10% or more of Hydro One's customers is
16		declared a <i>force majeure</i> .

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1		<u>Vulner</u>	able Energy Consumers Coalition (VECC) INTERROGATORY #31
2	-	2.2	
3 4	ISS	ue 2.2	Does Hydro One Distribution's Custom Application promote and incent acceptable outcomes for existing and future customers
5			(including, for example, cost control, system reliability, service
6			quality, bill impacts)?
7	_		
8	Int	<u>errogatory</u>	
9 10	Re	ference:	A/T18/S1
11	-)	A	united with the indicator frances to fam. 2014 there is 2010 an anti-
12	a)		ervice reliability indicator forecasts for 2014 through 2019 operational
13		-	the rate plan? If so please indicate what the consequences of exceeding are. If Hydro One has not incorporated SAIDI, SAIFI or CAIDI
14 15		e	as plan targets please explain why not.
15 16		mulcators	as plan targets please explain why not.
10	Re	<u>sponse</u>	
18			
19	a)	The servic	ce reliability indicator forecasts for 2014 through 2019 are operational
20		targets of	the rate plan.
21			
22		e	is to show continuous improvement over the five test years taking into
23			unding and contractual commitments and the minimum OEB targets
24			d for the identified measures. Meeting or exceeding our targets would
25		demonstra	te continuous improvement.
26		0	
27			measures affecting unplanned outages such as vegetation management,
28			acement, substation refurbishment and distribution line equipment nt all contribute to the overall SAIDI and SAIFI SQI measures.
29 20		replaceme	in an contribute to the overall SAIDI and SAIFI SQI measures.
30 31			
51			

Filed: 2014-07-04 EB-2013-0416 Exhibit I Tab 2.02 Schedule 9 SEC 2 Page 1 of 1

1		<u>School Energy Coalition (SEC) INTERROGATORY #2</u>
2		
3	Issue #2.2	Does Hydro One Distribution's Custom Application promote and incent
4		acceptable outcomes for existing and future customers (including, for
5		example, cost control, system reliability, service quality, bill impacts)?
6		
7	.	
8	Interrogatory	
9		
10	Reference:	
11		
12	Please provide	e details about what other outcome measures the Applicant considered and
13	why they are n	not being proposed.
14		
15	<u>Response</u>	
16		
17	Outcome mea	sures regarding Investments Driven by Load Growth and Smart Grid were
18	proposed. Ho	wever specific performance targets could not be determined because:
19		
20	 load gr 	rowth investments are made in accordance with customer demand; and
21	• Smart	Grid deployment opportunities are continually being sought as new
22	techno	logy is developed and strategically integrated into the replacement and
23	refurbi	shment programs and projects.

Filed: 2014-07-04 EB-2013-0416 Exhibit I Tab 2.02 Schedule 9 SEC 3 Page 1 of 1

School Energy Coalition (SEC) INTERROGATORY #3
Issue 2.2 Does Hydro One Distribution's Custom Application promote and incent acceptable outcomes for existing and future customers (including, for example, cost control, system reliability, service quality, bill impacts)?
Interrogatory
Reference: Exhibit A/Tab 4/Schedule 4/p.8
Please explain why the Applicant considers the number of poles replaced an outcome.
<u>Response</u>
Number of a large land is social and an entropy working here it to be an
Number of poles replaced is considered an outcome metric because it targets an area
where Hydro One is proposing to increase Capital expenditures over the five year test
period. The metric demonstrates the impact of the increased expenditures.
While pole failures can impact reliability, they pose a greater public safety risk that must
be managed and are more costly to replace in an unplanned manner. Unplanned outages
can be up to four times the duration of a planned outage. This will affect customer

reliability and satisfaction.

Filed: 2014-07-04 EB-2013-0416 Exhibit I Tab 2.02 Schedule 9 SEC 4 Page 1 of 1

1		School Energy Coalition (SEC) INTERROGATORY #4
2		
3	Issue 2.2	Does Hydro One Distribution's Custom Application promote and
4		incent acceptable outcomes for existing and future customers
5		(including, for example, cost control, system reliability, service
6		quality, bill impacts)?
7		
8	Interrogatory	
9		
10	Reference:	
11		
12	Please explain	the Applicant's approach to benefit sharing with ratepayers through the
13	test period.	
14		
15	<u>Response</u>	
16		
17	Please see Hyd	dro One's response to Exhibit I, Tab 2.2, Schedule 1 Staff 11.

Filed: 2014-07-04 EB-2013-0416 Exhibit I Tab 2.02 Schedule 10 CCC 10 Page 1 of 1

1	<u>Co</u>	nsumers Council of Canada (CCC) INTERROGATORY #10
2 3 4 5 6	i	Does Hydro One Distribution's Custom Application promote and incent acceptable outcomes for existing and future customers (including, for example, cost control, system reliability, service quality, bill impacts)?
7 8	Interrogatory	
9 10	Reference:	
11 12 13 14 15 16 17 18	recovery of the assesses what a average basis o distribution fac	posal to provide rate mitigation throughout the plan by smoothing revenue requirement over the term of the plan. Please explain how HON re "acceptable" bill impacts for customers? Is this done on a class r does HON consider impacts on all customers? To what extent do non- tors get incorporated into that analysis? Please provide any strategies, ding how HON intends to communicate the implementation of its multi- customers.
19 20	<u>Response</u>	
 21 22 23 24 25 26 	customers at or the Board is to This avoids cus	business plan target was to keep the average total bill impact across all r near the rate of inflation. Another ongoing objective of Hydro One and pace the level of rate changes over time to as smooth a path as possible. stomers experiencing larger rate changes in any one year and is deemed to able to customers.
27 28 29	The company h can be in line w	has smoothed the distribution bill impacts so that the impact on total bill vith inflation.
30 31 32 33	•	culates the average impact across all classes on a business plan basis. e total bill impact less than 10% is done on a customer class basis.
34 35 36	For the purpos filing requirement	e of this analysis, all other bill items are held constant per the Board's ents.
 30 37 38 39 40 	this application	ons strategy will be developed and finalized after the Board's Decision on a. As per normal practice, Hydro One will inform customers about key Board's Decision, including details related to the multi-year nature of its apacts.

Filed: 2014-07-04 EB-2013-0416 Exhibit I Tab 2.02 Schedule 11 EP 12 Page 1 of 2

1	Energy Probe Research Foundation (EP) INTERROGATORY #12					
2 3 4 5 6 7	Iss	ue 2.2	Does Hydro One Distribution's Custom Application promote and incent acceptable outcomes for existing and future customers (including, for example, cost control, system reliability, service quality, bill impacts)?			
8	Int	t <u>errogator</u>	<u>v</u>			
9 10 11	Re	ference:	Exhibit A, Tab 5, Schedule 1, Alignment of Customer Expectations with Performance Measures and Outcomes			
12 13	Pre	eamble:				
14		e Schedul	e shows:			
15	1.	Maintain	or reduce their Total Bill; Assist in managing the customer's bill.			
16	2.	Meet con	mmitments and timelines for planned outages and ensure accurate and timely			
17			d Time of power Returning (ETR) for unplanned outages.			
18	3.		reliability for residential customers and address power quality for large			
19		customer				
20	4.		he customer is the focus in planning work programs by making the link			
21	~		investments and the levels of service our customers tell us they expect.			
22	5.		trate value; become the customer's trusted advisor; Communicate effectively;			
23		and be p	resent in their communities.			
24 25		a) Pleas	se provide any analysis of the Alignment of customer needs with HO			
25 26		,	osed Performance Measures and Outcomes.			
20		prop				
28		b) Prov	ide/Explain in detail all initiatives that will (maintain)/reduce customer bills.			
29		,				
30	Re	sponse				
31						
32	Ple	ease see th	tables below in response to (a) and (b):			

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1 a)

H	ydro One determined Customer Want:	Alignment to Performance and Outcome Measures:				
1	Maintain or reduce their Total Bill; Assist in managing the customer's bill.		Overall plan is oriented to keep bill impacts low and maintain current overall levels of reliability. Also see Exhibit A-19-1 for Cost Efficiencies/Productivity			
2	Meet commitments and timelines for planned outages and ensure accurate and timely Estimated Time of power Returning (ETR) for unplanned outages.		6. Customer Experience7. Handling of Unplanned Outages			
3	Maintain reliability for residential customers and address power quality for large customers.		 Vegetation Management Pole Replacement Substation Refurbishments Distribution Line Equipment Refurbishments 			
4	Ensure the customer is the focus in planning work programs by making the link between investments and the levels of service our customers tell us they expect.		 Vegetation Management Pole Replacement PCB Line Equipment Substation Refurbishments Distribution Line Equipment Refurbishments Customer Experience 			
5	Demonstrate value; become the customer's trusted advisor; Communicate effectively; and be present in their communities.		6. Customer Experience7. Handling of Unplanned Outages8. Estimated Bills			

2

3

4

b)

	Initiatives Reducing/Maintaining Bills	Reference	2010-2014	2015-1019	Delta
1	Customer Service Operations (CIS benefits; Outsource Retender)	C1-2-5; Table 2	\$211.9	\$172.9	(\$39.0)
2	Meter Reading (CIS Benefits/Meter Network Tuning)	C1-2-5; Table 2	\$76.5	\$71.3	(\$5.2)
3	Field Support (Remote Cut-out/Cut-in)	C1-2-5; Table 2	\$41.7	\$37.0	(\$4.7)
4	Bad Debt (CIS Benefits)	C1-2-5; Table 2	\$103.2	\$73.1	(\$30.1)
	Total Reductions				(\$79.0)

5

6

Filed: 2014-07-04 EB-2013-0416 Exhibit I Tab 2.02 Schedule 11 EP 13 Page 1 of 1

	Energy Probe Research Foundation (EP) INTERROGATORY #13						
Iss	sue 2.2	Does Hydro One Distribution's Custom Application promote and incent acceptable outcomes for existing and future customers (including, for example, cost control, system reliability, service quality, bill impacts)?					
In	terrogatory	2					
Re	ference:	Exhibit D1, Tab 2, Schedule 1, Page 24					
Dm	eamble:						
Hy ful and rep	dro One c ly replace nually. Yet placement j	urrently has around 1.6 million poles with an expected life of 62 years. To that fleet over 62 years, Hydro One should be replacing around 25,000 poles t in Exhibit D1, Tab 2, Schedule 1 Hydro One says it will ramp up its pole program to 15,200 poles annually. Doing so would ensure a backlog of poles to be replaced at a future date.					
a)	Can Hvdr	o One explain why it is not replacing a greater number of poles?					
	j						
b)	Under suc pole repla	ch a program is Hydro One not laying the foundation for a future backlog in acement?					
Re	<u>sponse</u>						
a)	wood pole poles in 2 to minim	ne is proposing a greater number of poles for replacement as part of the e replacement program; increasing the number of replacements from 11,000 2014 to 15,200 poles in 2019. Hydro One is proposing this gradual increase hize the financial impact to the customers and ensure the plan can be ly resourced.					
	or replace such as: o growth, jo	on to the annual wood pole replacement program, wood poles are also added ed on the distribution system through Hydro One's other work programs capital trouble calls and storm demand response, upgrades driven by load point use and line relocations, and lines sustainment initiatives. Historically, er work programs result in approximately 13,000 additional poles being					
	added or	replaced on the system annually. Therefore by the end of the test years, ne should be at a sustainable replacement rate.					
b)	over the t	log of wood poles beyond the expected service life will continue to increase test years. However as stated above in part (a), by the end of the test years ne should be at a sustainable replacement rate and in the meantime Hydro					

43 One will continue to manage this backlog by prioritizing pole replacements.

Filed: 2014-07-04 EB-2013-0416 Exhibit I Tab 2.02 Schedule 11 EP 14 Page 1 of 1

Issue 2.2	Does Hydro One Distribution's Custom Application promote and incent acceptable outcomes for existing and future customers (including, for example, cost control, system reliability, service quality, bill impacts)?					
Interrogatory	2					
Reference:	Exhibit A, Tab 18, Schedule 1, Appendix A, Table 1					
regarding mis 100% of the t Can Hydro O A-18-1, Appe	Tab 2, Schedule 1, Hydro One requests that it be exempted from obligations ased or rescheduled appointments – which currently states that they be met ime on a yearly basis. ne explain why its Missed Appointment record has been declining (Exhibit endix A, Table 1) and whether a penalty should be applied should it fail to osed 90% threshold?					
<u>Response</u>						
Table 1 indic	ates a decline in 2011 from 2010 and a decline in 2013 from 2012.					
"rescheduling	it was determined that "missed appointments" should be included in the g" calculation. This in effect lowered the 2011 measure. The 2010 data did ne "missed appointments" in the "Rescheduling" measure.					
system (SAP Due to these	from 2013 to 2012 is attributed to the implementation of a new computer CIS) and the de-commissioning of CSS and Cognos (old reporting system). activities, adjustments due to clerical errors, etc. could not be processed lower measure.					
-	Actuals					

		Actuals			
OEB Requirement	Year	2010	2011	2012	2013
100%	%	98	79	98	87

34 35

³⁶ In regards to a penalty being applied for a missed target, please see response to Exhibit I,

Tab 2.2, Schedule 1 Staff 13, part (b).

Filed: 2014-07-04 EB-2013-0416 Exhibit I Tab 2.02 Schedule 11 EP 15 Page 1 of 1

1		Ene	ergy Probe Research Foundation (EP) INTERROGATORY #15
2 3 4 5 6	Iss	ue 2.2	Does Hydro One Distribution's Custom Application promote and incent acceptable outcomes for existing and future customers (including, for example, cost control, system reliability, service quality, bill impacts)?
7 8	<u>Int</u>	<u>errogatory</u>	
9 10	Re	ference:	Exhibit A, Tab 4, Schedule 4, Table 7
11 12 13 14 15 16	In 1	h the Hand	Tab 4, Schedule 4, Table 7, Hydro One shows that Customer Satisfaction ling of Unplanned Outages has been a downward trend over the past five
17	a)	Does Hydi	ro One expect to rectify this trend?
18 19 20	b)	If it fails to	o do so, would it be fair for Hydro One to pay a penalty of some sort?
20 21 22	Reg	sponse	
22 23 24 25 26 27	a)	there has expects to	s are satisfied with how Hydro One handles unplanned outages. However, indeed been a decline in satisfaction over the past 4 years. Hydro One rectify this trend as shown in the Table 7 targets for future years. Initiatives handling of unplanned outages are discussed in Exhibit A, Tab 5, Schedule

b) See response to 2.2 Staff 13 (b).

Filed: 2014-07-04 EB-2013-0416 Exhibit I Tab 2.02 Schedule 11 EP 16 Page 1 of 1

1		En	ergy Probe Research Foundation (EP) INTERROGATORY #16
2 3 4 5 6 7	Iss	ue 2.2	Does Hydro One Distribution's Custom Application promote and incent acceptable outcomes for existing and future customers (including, for example, cost control, system reliability, service quality, bill impacts)?
8	Int	terrogatory	
9 10 11	Re	ference:	Exhibit A, Tab 6, Schedule 1, Figure 4
11	Pre	eamble:	
13 14	In		Tab 6, Schedule 1, Figure 4, Hydro One shows that force majeure events ce 2010.
15 16 17	a)	Does Hyd	ro One have an explanation for that rise?
17 18 19 20	b)		pect its increase in pole replacement and vegetation spending to result in ce majeure events?
20	Re	sponse	
22			
23 24 25 26	a)	impacts v	shows the impact of weather-related <i>force majeure</i> events. The weather vary both in intensity and magnitude and while a definitive answer on s impossible, it has been noted in other jurisdictions that weather influences sing.
27 28		Hydro Or	he has a strict definition of classifying certain events as <i>force majeure</i> . For
28 29			<i>ieure</i> events that are caused by weather related factors and meet Hydro
30 31			teria; the occurrence of the <i>force majeure</i> event is beyond Hydro One's
32 33		Starting f	from 2011, the numbers of <i>force majeure</i> events have increased, hence
34			the increasing trend of the contributions of <i>force majeure</i> events to the
35		-	d SAIFI performance as well.
36			1
37	b)	No, forced	d majeure events are primarily driven by severe weather (i.e. high winds and
38			would not be noticeably impacted by the extent of the vegetation
39		0	ent or pole replacement programs. While the pole replacement and the
40			n management spending may mitigate some of the impacts of force majeure
41		events it v	vould not be expected to reduce the number of weather events.

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1	<u>Ei</u>	nergy Probe Res	earch Foi	Indation	(EP) IN	TERRO	<u>GATORY #17</u>	
2								
3	Issue 2.2	v				-	plication pron	
4		-				0	and future c	
5 6		(including, f quality, bill in		ple, cost	contr	ol, syst	em reliability	, service
7 8	Interrogator	<u>v</u>						
9	Df			1145				
10	Reference:	Exhibit A, Ta	ib 6, Sche	dule 1, Fi	gure 6			
11	Preamble:							
12		, Tab 6, Schedule	1 Figure	6 Hydro	One pr	econte ti	ne nercentage	
13 14		to SAIDI over t	, 0		one pi	csents ti	ic percentage	
	contributions		ine last lot	ii years.				
15 16 17	· •	ro One provide e d over the last fo		f what co	ntributo	rs to SA	IDI have increa	sed or
18			5					
19	b) If Hydro	One should exce	eed or fall	short in it	s produ	ctivity p	lan, how will cu	istomers
20	be positiv	vely or negativel	y impacted	d?	-	• -		
21	-							
22	Response							
23	a)							
24	,			Table	1:			
25	Cor	tributions to Sy	ystem Ave	erage Inte	erruptio	on Dura	tion Index (SA	IDI)
26		•		cording t	-			
27				U				
28								
			2010	2011	2012	2012	2010 - 2013	3

Causes	2010	2011	2012	2013	2010 – 2013 Trend
Force Majeure – Tree Contacts	15%	45%	18%	46%	Increased
Force Majeure - Defective Equipment	3%	11%	7%	17%	Increased
Force Majeure – Others	2%	11%	9%	10%	Increased
Tree Contacts	25%	9%	20%	7%	Decreased
Defective Equipment	16%	9%	16%	7%	Decreased
Loss of Supply	4%	2%	4%	1%	Decreased
Scheduled	16%	6%	12%	5%	Decreased
Foreign Interference	3%	2%	4%	1%	Decreased
Unknown/Other	16%	6%	11%	5%	Decreased

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b) The goal is to show continuous improvement over the five test years taking into
account funding, contractual commitments and the minimum OEB targets established
for the identified measures. With respect to the measures with an unplanned outage
aspect, they roll up into the overall SAIDI and SAIFI SQI measures. Therefore
exceeding these targets would positively affect customers in regards to reliability.
Equally, falling short would impact the customers adversely.

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Issue 2.2	Does Hydro One Distribution's Custom Application promote and incent acceptable outcomes for existing and future customers (including, for example, cost control, system reliability, service quality, bill impacts)?
<u>Interrogato</u>	<u>ry</u>
Reference:	Exhibit A/Tab 6/Schedule 1/p.20
	Figure 6 provides the factors that contribute to SAIDI. Figure 6 shows uppend contributes 14% to SAIDI.
-	vide a further breakdown of the causes and percentages that contribute to juipment.

Outage Cause	Sum of SAIDI	Percentage
Abnormal Voltage	0.0079	0.1%
Equip./ Material Failure	7.0358	97.1%
Equipment Overload	0.1081	1.5%
Low Wires non H1	0.0002	0.0%
Rot/Corrosion (equipment)	0.0952	1.3%

21

Note: In figure 6, the chart illustrates defective equipment has 10% of total SAIDI 22 contribution. 23

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<u>Associatio</u>	on of Major Power Consumers	<u>s in Ontario (AMPC</u>	O) INTERROGATOR
Issue 2.2	Does Hydro One Distr incent acceptable outc (including, for exampl quality, bill impacts)?	comes for existing	g and future custor
<u>Interroga</u>	t <u>ory</u>		
Reference	e: Exhibit A/Tab 6/Schedule 1	/ p.2 1	
		1	
Preamble:	Figure 7 provides the factor	rs that contribute t	o SAIFI. Figure 7 sl
defective of	equipment contributes 16% to S	SAIFI.	
to <u>Response</u>	defective equipment.		
a)			
Defect	ive Equipment SAIFI Contri	bution Breakdown	
	Outage Cause	Sum of SAIFI	Percentage
	Abnormal Voltage	0.0097	0.4%
	Equip./ Material Failure	2.2405	97.1%
	Equipment Overload	0.0332	1.4%
	Low Wires non H1	0.0002	0.0%
	Rot/Corrosion (equipment)	0.0226	1.0%
E	· • • · · ·	·	

Note: In figure 7, the chart illustrates defective equipment has 14% of total SAIFI contribution.

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1	Association of Major Power Consumers in Ontario (AMPCO) INTERROGATORY #6
2	
3	Issue 2.2 Does Hydro One Distribution's Custom Application promote and
4	incent acceptable outcomes for existing and future customers
5	(including, for example, cost control, system reliability, service
6	quality, bill impacts)?
7	
8	<u>Interrogatory</u>
9 10	Reference: Exhibit A/Tab 6/Schedule 1/p.20-21
10	Kererence: Exhibit A/1 ab 0/Schedule 1/p.20-21
12	a) Please provide a further explanation of factors that contribute to "Other" in Figures 6 &
13	7.
14	
15	<u>Response</u>
16	
17	a) Factors that contribute to 'Other' are:
18	
19	Building Fire
20	Distribution Line Locate
21	• Other
22	Radio Interference

• TV Interference

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1	Association of Major Power Consumers in Ontario (AMPCO) INTERROGATORY #7
2	
3	Issue 2.2 Does Hydro One Distribution's Custom Application promote and
4	incent acceptable outcomes for existing and future customers
5	(including, for example, cost control, system reliability, service
6	quality, bill impacts)?
7	
8	<u>Interrogatory</u>
9	
10	Reference: Exhibit A/Tab 4/Schedule 1/p.2
11	
12	Preamble: Hydro One indicates it recognizes that there are still risks associated with
13	forecasting over a longer period. Changes in the industry may alter the investment needs
14	or require changes to rate setting that could result in a significant impact on Hydro One's
15	capability to execute its plan.
16	
17	a) In Hydro One's view, what are the potential risks to ratepayers associated with its
18	5 year custom application and forecasting over a longer period of time?
19	
20	
21	<u>Response</u>
22	

a) Please refer to response to Exhibit I, Tab 1.1, Schedule 6 VECC 4.

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1	As	<u>sociation o</u>	f Major Power Consumers in Ontario (AMPCO) INTERROGATORY #8
2			
3	Iss	ue 2.2	Does Hydro One Distribution's Custom Application promote and incent accentable autoemes for aviating and future autoemers
4			incent acceptable outcomes for existing and future customers
5 6			(including, for example, cost control, system reliability, service quality, bill impacts)?
7			
8	Int	t <u>errogatory</u>	
9			
10	Re	ference: Ex	xhibit A/Tab 4/Schedule 4/p.3
11			
12		· ·	dro One indicates stakeholders were sensitive to the costs of performance
13			which should be considered in relation to the value of the information
14	gai	ned and rep	ported.
15			
16	a)		cuss how this was considered by Hydro One in determining the eight
17		proposed of	outcome metrics.
18	_		
19	<u>Re</u>	sponse	
20			
21	a)	-	e costs, information already collected by the Company was used in the
22			netrics and has been tracked by the Company historically. Therefore the
23			of the Outcome Measures already has an established measurement process
24		0	sh data for trending and forecasting purposes. This will ease the effort of
25		producing	regular monthly and year-end reports.
26			
27		Also refer	r to Exhibit I, Tab 1.1, Schedule 11 EP 2 for additional details and
28		comments	on the eight outcome metrics.

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Issue 2.2	Does Hydro One Distribution's Custom Application promote and incent acceptable outcomes for existing and future customers (including, for example, cost control, system reliability, service quality, bill impacts)?
<u>Interrogato</u>	<u>ry</u>
Reference:	Exhibit A/Tab 4/Schedule 4/p.5
tracked by	Hydro One indicates the areas to be measured have, for the most part, been the company historically so data is available against which to measure Hydro rmance in each area.
	there any specific outcome metrics proposed where historical data is not lable? If yes, what are the implications?
<u>Response</u>	
Remova for pad	y outcome measure where there is no historical information is the Testing and all of Pole Mount Transformers due to PCBs. Prior to 2014 the program was mount transformers. Therefore it will not be possible to show historical sons or changes.
experier assume	tions are that the targets will have to be re-set in the first year based on the because current results cannot be compared to the past. It has been at that 8% of tested transformers require replacement. The forecasted targets missed if the failure rate is found to be lower or higher than expected, in

³⁰ which case the targets would be re-set.

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Association of Major Power Consumers in Ontario (AMPCO) INTERROGATORY #10 1 2 Does Hydro One Distribution's Custom Application promote and Issue 2.2 3 incent acceptable outcomes for existing and future customers 4 (including, for example, cost control, system reliability, service 5 quality, bill impacts)? 6 7 *Interrogatory* 8 9 Reference: Exhibit A/Tab 4/Schedule 4/p.6-16 10 11 a) The Table below lists Hydro One's Outcome Metrics and the stated goal as provided 12 in the evidence. For outcome #1, #2, #3, #5 and #7, the goal of the metric is not 13 specifically stated in the evidence. Please fill in the "Goal" Column in the Table to 14 confirm outcome the goal for these metrics. 15 16 b) Please discuss the process of how the outcome measures will be annually tracked and 17 reported to the Board. 18

19

	Outcome Areas	Metric	Goal
1	Vegetation Management (Sustaining OM&A)	Reduction in vegetation related customer outages	
2	Pole Replacement (Sustaining capital)	Poles replaced per year	
3	PCB Line Equipment (Sustaining capital)	Number of pole top transformers with PCB oil replaced	
4	Substation Refurbishments (Sustaining capital)	Number of substation interruptions over 5 year period	Page 10 - goal to reduce # of substation interruptions during 5 yr plan
5	Distribution Line Equipment	Number of distribution line equipment interruptions over 5 years	
6	Customer Experience (OM&A)	Overall customer satisfaction	Page 13 - goal to move HONI towards a 85% customer satisfaction target in 5 yrs

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7	Handling of Unplanned Outages	Percent of customers satisfied with the way H1 handled the unplanned outage	
8	Estimated Bills	Percent of estimated bills issued	Page 16 - goal to reduce the percent of estimated bills during 5 year plan

1

2 **Response**

- 3
- 4 a)

	Outcome Areas	Metric	Goal
1	Vegetation Management (Sustaining OM&A)	Reduction in vegetation related customer outages	Page 6 – goal to reduce # vegetation caused interruptions to 6,000 in year 5.
2	Pole Replacement (Sustaining capital)	Poles replaced per year	Page 8 – goal to replace 15,200 poles in year 5.
3	PCB Line Equipment (Sustaining capital)	Number of pole top transformers with PCB oil replaced	Page 8 – goal to replace 2,200 pole top transformers in year 5.
4	Substation Refurbishments (Sustaining capital)	Number of substation interruptions over 5 year period	Page 10 - goal to reduce # of substation interruptions during 5 yr plan
5	Distribution Line Equipment	Number of distribution line equipment interruptions over 5 years	Page 11 – goal to maintain distribution line equipment interruptions at 7,300 in year 5.
6	Customer Experience (OM&A)	Overall customer satisfaction	Page 13 - goal to move HONI towards a 85% customer satisfaction target in 5 yrs
7	Handling of Unplanned Outages	Percent of customers satisfied with the way H1 handled the unplanned outage	Page 14 – goal is to increase customer satisfaction for unplanned outages to 83% in year 5.

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8	Estimated Bills	Percent of estimated bills issued	Page 16 - goal to reduce the percent of estimated bills during 5 year plan
---	-----------------	--------------------------------------	--

1

b) This is part of the Performance Management reporting system. Results for the
 outcome measures are reported by the accountable business unit to the Performance
 Management unit. These results are tabulated and reported to senior executives and
 to the OEB as required.

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Association	<u>of Major P</u>	ower Consun	ners in Onta	rio (AMPCO) INTERRO	<u>GATORY #11</u>
Issue 2.2	incent ac (includin	ceptable out	tcomes for ex ple, cost cont	Custom Appl xisting and f trol, system i	uture custon	ners
Interrogator	<u>v</u>					
Reference: 1	Exhibit A/I	Tab 4/Schedu	ule 4/p.6 Tab	ole 1 Vegetat	ion Caused	Interruptions
events) for th compared to a) Pleas targe b) Pleas <u>Response</u> a) The dec	ne years 200 6,300 in the e explain t t setting. e explain th rease in v	9 to 2019. If e years 2014 he decrease e trend and h regetation ca	For 2013, the and 2015 and in interruption now annual ta	e actual numb 1 6,953 in 201 ons for 2013 argets for 201 uptions for	er of interrup 12. actual and 4 to 2019 we	force majeure otions is 5,791 its impact on re developed. (with force
				getation caus crease in 2013	1	ons <u>including</u>
		T 7				
Vegetation Caused Interruptions (Including Force Majeure Events)						
Yea	r	2009	2010	2011	2012	2013
Nur	nber of erruptions	8,572	7,747	14,047	9,797	17,279
The r	esult is that	targets were	set with FM	being exclud	ed	
average Distribut	number of ion expects	vegetation that the num	related intern nber of vege	ruption from tation related	2009-2013. interruption	is equal to the Hydro One s will slightly "backlogged"

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incent (includ	Iydro One Dis acceptable ou ing, for examj , bill impacts)?	tcomes for	existing	and futur	e custon
nterrogatory					
Reference: Exhibit A	/Tab 4/Schedule	e 4/p.7 Table	e 2 Pole Rep	lacement	
		-	-		
Preamble: Hydro one		-	-		
performance with rega	rus to pole replac	cement, notii	ig poies can	cause custor	ner outag
) Please provide the	number of pole	failure relate	d customer	interruptions	for the y
2009 to 2013.	-			1	•
 Please discuss if H pole failures as a p 				erruptions pe	er year du
c) Please provide the pole failure related customer interruption forecast for the years 2015 to 2019 as a result of the pole replacement program.					
<u>Response</u>					
、 、					
a)		Table 1:			
Numl	ber of Forced In		Due to Pole	e Failure	
(Excluding Force Majeure Events)					
	2009	2010	2011	2012	2013
Year			+		

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- b) Please refer to Exhibit I, Tab 2.04, Schedule 1 Staff 22.
 - c) Forecast for year 2015 to 2019:

Table 2:Number of Forced Interruptions Due to Pole Failure
(Excluding Force Majeure Events)

Year	2015	2016	2017	2018	2019
Number of Interruptions	533	533	533	533	533

10

1

2 3

4 5

6

7

8 9

11

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1	A	ssociation of Major Power Consumers in Ontario (AMPCO) INTERROGATORY
2		<u>#13</u>
3 4 5 6 7	Iss	Does Hydro One Distribution's Custom Application promote and incent acceptable outcomes for existing and future customers (including, for example, cost control, system reliability, service quality, bill impacts)?
8 9	Int	errogatory
10 11 12	Re	ference: Exhibit A/Tab 4/Schedule 4/p.8 PCB Line Equipment
13 14 15	wit	amble: Hydro One proposes a new measure related to number of pole top transformers h PCB oil that have been replaced. Approximately \$4 million has been spent lacing PCB pad-mount transformers in the previous 5-year period.
16 17 18	a)	Please provide the total number of pole top Transformers with PCB oil.
19 20 21	b)	Please provide the number of pole top Transformers with PCB oil replaced in the previous 5-year period by year.
21 22 23	c)	Please confirm the years in the previous 5-year period.
24 25 26	<u>Re</u>	ponse
 27 28 29 30 31 32 33 34 35 36 	a)	The total population of pole top transformers on Hydro One's distribution system is approximately 450,000 units. Hydro One is currently undertaking inspection and testing of its pole top transformers population, as outlined in Exhibit C1, Tab 2, Section 2 page 23 to 24, to determine the level of PCB contamination of these assets. Therefore at this time, Hydro One does not have a total count of the number of pole top transformers with PCB oil. However, as outlined in Exhibit D1, Tab 2, Schedule 1 page 31, approximately 53% of the pole top transformers were manufactured prior to 1985 and have the potential of containing PCB contaminated oil. These will require inspection and testing to confirm PCB oil content.
37 38 39	b)	In the previous 5-year period no PCB contaminated pole top transformers were replaced under the PCB Equipment Replacement program.
40	c)	Previous 5-year period represents the period from 2010 to 2014.

Filed: 2014-07-04 EB-2013-0416 Exhibit I Tab 2.02 Schedule 14 AMPCO 14 Page 1 of 1

Issue 2.2	Does Hydro One Distribution's Custom Application promote and incent acceptable outcomes for existing and future customers (including, for example, cost control, system reliability, service quality, bill impacts)?
Interrogato	<u>ry</u>
Reference: Interruptic	Exhibit A/Tab 4/Schedule 4/p.10 Table 4 Substation Caused
years 2015- over the per	Table 4 shows the number of substation caused interruptions per year. For the 2019 the forecast total is 775 (155 per year) and the projected total spending riod is \$203 M. For the preceding 5 year period the spending was \$46 M and of substation caused interruptions is 775 (over the period 2009-2013).
	explain why the number of interruptions annual target isn't decreasing over the 019 period given the over 440% increase in proposed spending.
<u>Response</u>	
	distribution system continues to age and deteriorate in condition, the number tation component failures and resulting equipment outages is expected to

- selected in order to sustain the condition, demographics and resulting performance of
 stations as it is today and hence the level of outages is expected to remain consistent
- 29 with historical years.

Filed: 2014-07-04 EB-2013-0416 Exhibit I Tab 2.02 Schedule 14 AMPCO 15 Page 1 of 1

Issue 2.2	Does Hydro One Distribution's Custom Application promote and incent acceptable outcomes for existing and future customers (including, for example, cost control, system reliability, service quality, bill impacts)?
Interrogato	
Reference:	Exhibit A/Tab 4/Schedule 4/p.11 Table 5 Distribution Line Equipment
	Table 5 provides the number of interruptions caused by Distribution LineFor the years 2009-2019.
,	se explain the forecast increase in interruptions in 2016 of 8,300 compared to 0 in 2015.
<u>Response</u>	

a) This appears to be an error when the table was compiled. The number of forecasted
 interruptions in 2016 should be 7,300.

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As	ociation of Major Power Consumers in Ontario (AMPCO) INTERROGATORY #16
	Does Hydro One Distribution's Custom Application promote and incent acceptable outcomes for existing and future customers (including, for example, cost control, system reliability, service quality, bill impacts)?
In	<u>rrogatory</u>
Ha	erence: Exhibit A/Tab 4/Schedule 4/p.14 Table 7 Customer Satisfaction with adling of Unplanned Outages
mo	amble: Table 7 shows targets for satisfaction levels for the period 2009 to 2019, ving from 78 in 2013 to 83 in 2019.
,	Is the cost to achieve this metric included in the \$21 M proposed spending on the Customer Experience? Please provide the total cost to address this metric.
<u>Re</u>	<u>ponse</u>
a)	Hydro One's ability to achieve the Satisfaction with Unplanned Outages targets is dependent on many initiatives and factors some of which are outlined in Exhibit A, Tab 4, Schedule 4, page 13-14 as well as Exhibit A, Tab 5, Schedule 1, section 6.2, page 16-17. There is a plan for \$0.5 million as part of the Customer Experience spending to investigate opportunities to leverage workflow and technology as a way to increase timeliness, accuracy and options for outage related notifications and alerts.
b)	Hydro One considers customer satisfaction and preference in the planning of all its initiatives and investments. Investments in many planned areas will assist in increasing customer satisfaction of the handling of unplanned outages including but not limited to replacing the current Outage Response Management System and the Integrated Voice Communications and Telephony System outlined in Exhibit A, Tab 5, Schedule 1 and improving self-service features associated with the Hydro One Call Centre. However the costs of these initiatives are not solely for the purpose of addressing this metric.

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1	As	sociation of Major Power Consumers in Ontario (AMPCO) INTERROGATORY #17
2 3 4 5 6 7	Iss	Does Hydro One Distribution's Custom Application promote and incent acceptable outcomes for existing and future customers (including, for example, cost control, system reliability, service quality, bill impacts)?
8	In	terrogatory
9 10	Re	ference: Exhibit A/Tab 4/Schedule 4/p.16 Table 8 Estimated Bills
11 12 13 14	-	eamble: Table 8 shows targets for % of Estimated Bills Issued. Hydro One proposes to luce the percentage from 10.8 in 2013 to 3.5 in 2019.
14 15 16 17	a)	Please confirm the cost over the period 2015 to 2019 to achieve the proposed targets over this period.
18	<u>Re</u>	<u>sponse</u>
 19 20 21 22 23 24 25 26 27 28 29 30 31 32 	a)	 Hydro One expects to achieve a reduction in the number of estimated bills through network tuning, change in cellular technology (CDMA end-of-life), the maturity of the smart meter network, and manual meter reads. Hydro One is also investing in improved equipment and replacing meters where appropriate to reduce the volume of estimated bills. The costs associated with achieving this reduction are incorporated in this rate filing in the following sustainment program exhibits: 1. Customer Service OM&A Exhibit (C1, Tab 2, Schedule 5, Page 5, Table 2) under Meter Reading 2. Sustaining OM&A Exhibit (C1, Tab 2, Schedule 2, Page 29, Table 9) under Retail Revenue Meters and Telecom, Monitoring and Control 3. Sustaining Capital Exhibit (D1, Tab 3, Schedule 2, Page 32, Table 6) under Customer Retail Meters and Smart Meter Project.
33		See also response to Exhibit I, Tab 2.3, Schedule 6 VECC 41.

Filed: 2014-07-04 EB-2013-0416 Exhibit I Tab 2.03 Schedule 1 Staff 14 Page 1 of 1

1	<u>Ontario Energy Board (Board Staff) INTERROGATORY #14</u>
2	
3	Issue 2.3 Does the Custom Application adequately incorporate and reflect
4	the four outcomes identified in the RRFE Report: customer focus,
5 6	operational effectiveness, public policy responsiveness and financial performance?
0 7	performance.
8	Interrogatory
9	
10	Ref: Exhibit A/Tab4/Schedule 4 (Monetization of Benefits)
11	
12	Preamble:
13	Hydro One proposes eight areas of focus for assessing its performance on specific areas
14	of spend included in the five-year plan.
15	
16	Has Hydro One put a value on the anticipated benefits that will accrue to customers in
17	relation to the eight areas of focus and factored them into net-present-value analyses? If
18	yes, how have these analyses been used to derive the total costs underpinning rates over
19	the term of the plan? If not, why has no net present value analysis been undertaken?
20	
21	<u>Response</u>
22	
23	A net present value analysis would not suitably capture the value to customers that these
24	eight areas of focus strive to provide. Hydro One develops its plan based on the planning
25	process described in Exhibit A, Tab 17, Schedule 1 and the plan that is put forward aligns
26	with Hydro One's strategic objective to satisfy our customers. The needs of the customers
27	are to maintain and reduce customer bills, improve outage handling and restoration
28	efforts, maintain reliability for residential customers, and improve customer service
29	communication as identified on page 4 of Exhibit A, Tab 17, Schedule 3. Investments
30	associated with the programs in the eight areas of focus were determined so as to meet
31	these needs in the long term.

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	Ontario Energy Board (Board Staff) INTERROGATORY #15
Issue 2.3	Does the Custom Application adequately incorporate and reflect
	the four outcomes identified in the RRFE Report: customer focus,
	operational effectiveness, public policy responsiveness and financial
	performance?
T , ,	
Interrogat	<u>ory</u>
Ref: Exhil	bit A/Tab12/Schedule1/Attachment 3 (Financial Statements)
Please file	the 2013 financial statements for Hydro One Networks Inc.
<u>Response</u>	
The 2013	Hydro One Networks financial statements (unaudited) can be found in

16 Attachment 1 of this interrogatory response.

Filed: 2014-07-04 EB-2013-0416 Exhibit I-2.3-1 Staff 15 Attachment 1 Page 1 of 36

HYDRO ONE NETWORKS INC.

FINANCIAL STATEMENTS (unaudited)

DECEMBER 31, 2013

HYDRO ONE NETWORKS INC. STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (unaudited) For the years ended December 31, 2013 and 2012

Year ended December 31 (millions of Canadian dollars, except per share amounts)	2013	2012
Revenues		
Distribution (Note 19)	3,971	3,714
Transmission (Note 19)	1,531	1,483
	5,502	5,197
Costs		
Purchased power (Note 19)	2,620	2,413
Operation, maintenance and administration (Note 19)	1,002	969
Depreciation and amortization (Note 4)	648	628
	4,270	4,010
Income before financing charges and provision for		
payments in lieu of corporate income taxes	1,232	1,187
Financing charges (Notes 5, 19)	352	349
Income before provision for payments in lieu		
of corporate income taxes	880	838
Provision for payments in lieu of corporate income taxes (Notes 6, 19)	102	123
Net income		
	778	715
Other comprehensive income	_	-
Comprehensive income	778	715
Basic and fully diluted earnings per common share (Canadian dollars) (Note 17)	5.09	4.67
Dividends per common share declared (Canadian dollars) (Note 18)	1.34	1.68

See accompanying notes to Financial Statements (unaudited).

HYDRO ONE NETWORKS INC. BALANCE SHEETS (unaudited) At December 31, 2013 and 2012

December 31 (millions of Canadian dollars)	2013	2012
Assets		
Current assets:		
Inter-company demand facility (Notes 12, 13, 19)	369	_
Accounts receivable (net of allowance for doubtful accounts - \$34; 2012 - \$22) (Notes 7, 19)	1,046	934
Regulatory assets (Note 10)	43	26
Materials and supplies	19	20
Deferred income tax assets (Note 6)	18	18
Derivative instruments	3	-
Other	19	19
	1,517	1,018
Property, plant and equipment (Note 8):		
Property, plant and equipment in service	23,015	21,896
Less: accumulated depreciation	8,234	7,779
	14,781	14,117
Construction in progress	1,060	1,026
Future use land, components and spares	136	136
	15,977	15,279
Other long-term assets:		
Regulatory assets (Note 10)	1,771	1,569
Intangible assets (net of accumulated amortization – \$249; 2012 – \$302) (Note 9)	320	266
Goodwill	73	73
Deferred debt costs	35	33
Derivative instruments (Note 12)	5	14
	2,204	1,955
Total assets	19,698	18,251

See accompanying notes to Financial Statements (unaudited).

HYDRO ONE NETWORKS INC. BALANCE SHEETS (unaudited) (continued) At December 31, 2013 and 2012

December 31 (millions of Canadian dollars)	2013	2012
Liabilities		
Current liabilities:		
Inter-company demand facility (Notes 12, 13, 19)	-	8
Accounts payable	119	123
Accrued liabilities (Notes 6, 14, 15, 19)	811	774
Accrued interest (Note 19)	99	93
Regulatory liabilities (Note 10)	81	39
Long-term debt payable within one year (Notes 11, 12, 13, 19)	503	600
	1,613	1,637
Long-term debt (Notes 11, 12, 13, 19)	8,094	7,418
Other long-term liabilities:		,
Post-retirement and post-employment benefit liability (Note 14)	1,460	1,390
Deferred income tax liabilities (Note 6)	1,112	928
Environmental liabilities (Note 15)	228	216
Regulatory liabilities (Note 10)	153	168
Net unamortized debt premiums	20	23
Asset retirement obligations (Note 16)	14	15
Long-term accounts payable and other liabilities	9	19
	2,996	2,759
Total liabilities	12,703	11,814
Contingencies and commitments (Notes 21, 22)		
Preferred shares (authorized: unlimited; issued: 14,875,720) (Notes 13, 17, 18)	372	372
Shareholder's Equity		
Common shares (authorized: unlimited; issued: 148,821,741) (Notes 13, 17, 18)	2,991	2,991
Retained earnings (Note 13)	3,637	3,079
Contributed surplus (Note 13)	4	4
Accumulated other comprehensive loss	(9)	(9)
Total shareholder's equity	6,623	6,065
Total liabilities, preferred shares and shareholder's equity	19,698	18,251

See accompanying notes to Financial Statements.

On behalf of the Board of Directors:

Camine Maulto

Carmine Marcello Chair

Sandy Struthers Director

HYDRO ONE NETWORKS INC. STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY (unaudited) For the years ended December 31, 2013 and 2012

Year ended December 31, 2013		Retained	Contributed	Accumulated other comprehensive	Total shareholder's
(millions of Canadian dollars)	Common shares	earnings	surplus	income (loss)	equity
January 1, 2013	2,991	3,079	4	(9)	6,065
Net income	_	778	_	_	778
Other comprehensive income	-	_	_	_	_
Dividends on preferred shares	_	(20)	_	_	(20)
Dividends on common shares	-	(200)	-	_	(200)
December 31, 2013	2,991	3,637	4	(9)	6,623

				Accumulated other	Total
Year ended December 31, 2012		Retained	Contributed	comprehensive	shareholder's
(millions of dollars)	Common shares	earnings	surplus	income (loss)	equity
January 1, 2012	2,991	2,634	4	(9)	5,620
Net income	-	715	_	_	715
Other comprehensive income	_	_	_	_	_
Dividends on preferred shares	_	(20)	_	_	(20)
Dividends on common shares	-	(250)	_	_	(250)
December 31, 2012	2,991	3,079	4	(9)	6,065

See accompanying notes to Financial Statements (unaudited).

HYDRO ONE NETWORKS INC. STATEMENTS OF CASH FLOWS (unaudited) For the years ended December 31, 2013 and 2012

Year ended December 31 (millions of Canadian dollars)	2013	2012
Operating activities		
Net income	778	715
Environmental expenditures	(15)	(15)
Adjustments for non-cash items:		
Depreciation and amortization (excluding removal costs)	572	560
Regulatory assets and liabilities	2	17
Deferred income taxes	(2)	(10)
Asset retirement obligations	(1)	-
Other	10	6
Changes in non-cash balances related to operations (Note 20)	16	(32)
Net cash from operating activities	1,360	1,241
Financing activities		
Long-term debt issued	1.185	1.065
Long-term debt retired	(600)	(600)
Dividends paid	(220)	(270)
Other	(5)	(1)
Net cash from financing activities	360	194
Investing activities		
Capital expenditures (Note 20)		
Property, plant and equipment	(1,299)	(1,331)
Intangible assets	(70)	(90)
Other	26	19
Net cash used in investing activities	(1,343)	(1,402)
Net change in inter-company demand facility	377	33
Inter-company demand facility, beginning of year	(8)	(41)
Inter-company demand facility, end of year	369	(41) (8)

See accompanying notes to Financial Statements (unaudited).

1. DESCRIPTION OF THE BUSINESS

Hydro One Inc. (Hydro One) was incorporated on December 1, 1998, under the *Business Corporations Act (Ontario)* and is wholly owned by the Province of Ontario (Province). The principal businesses of Hydro One are the transmission and distribution of electricity to customers within Ontario.

Hydro One Networks Inc. (Hydro One Networks or the Company) was incorporated on March 4, 1999 under the *Business Corporations Act (Ontario)* and is a wholly-owned subsidiary of Hydro One. The Company owns and operates Hydro One's regulated transmission and distribution businesses. The regulated transmission business (Transmission Business) operates a high-voltage electrical transmission network that represents almost all of the licensed transmission capacity in Ontario. The regulated distribution business (Distribution Business) operates a low-voltage electrical distribution network that distributes electricity from the transmission system, or directly from generators, to customers within Ontario. These businesses are regulated by the Ontario Energy Board (OEB).

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

These Financial Statements are prepared and presented in accordance with United States (US) Generally Accepted Accounting Principles (GAAP) and in Canadian dollars. Certain comparative figures have been reclassified to conform to the presentation of these Financial Statements (see Note 20 – Statements of Cash Flows). In the opinion of management, these Financial Statements include all adjustments that are necessary to fairly state the financial position and results of operations of Hydro One Networks as at, and for the year ended December 31, 2013.

These Financial Statements have been prepared for the purpose of filing the Company's income tax return. As these Financial Statements have not been prepared for general purposes, some users may require additional information. Consolidated Financial Statements of Hydro One for the year ended December 31, 2013 have been prepared and are publicly available.

Hydro One Networks performed an evaluation of subsequent events through to March 26, 2014, the date these Financial Statements were available to be issued, to determine whether any events or transactions warranted recognition and disclosure in these Financial Statements. See Note 24 – Subsequent Events.

Use of Management Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains and losses during the reporting periods. Management evaluates these estimates on an on-going basis based upon: historical experience; current conditions; and assumptions believed to be reasonable at the time the assumptions are made with any adjustments being recognized in results of operations in the period they arise. Significant estimates relate to regulatory assets and regulatory liabilities, environmental liabilities, post-retirement and post-employment benefits, asset retirement obligations (AROs), goodwill and asset impairments, contingencies, unbilled revenues, allowance for doubtful accounts, derivative instruments, and deferred income tax assets and liabilities. Actual results may differ significantly from these estimates, which may be impacted by future decisions made by the OEB or the Province.

Rate Setting

The OEB has approved the Company's request to use US GAAP for rate setting and regulatory accounting and reporting by the Company's Distribution and Transmission Businesses, beginning with the year 2012.

Transmission

In May 2010, Hydro One Networks filed a cost-of-service application with the OEB for 2012 transmission rates. The OEB approved a revenue requirement of \$1,418 million for 2012, along with new 2012 uniform transmission rates, with an effective date of January 1, 2012. In May 2012, Hydro One Networks filed a cost-of-service application with the OEB for

2013 transmission rates, seeking approval for a 2013 revenue requirement of \$1,465 million. In December 2012, the OEB approved a revenue requirement of \$1,438 million for 2013. The reduced approved revenue requirement included reductions to proposed operation, maintenance and administration costs, and capital expenditures.

Distribution

In 2010, the OEB approved a revised 2011 revenue requirement of \$1,218 million and 2011 distribution rates. Hydro One Networks elected to retain the same distribution rates for 2012 as approved by the OEB for the 2011 rate year. In June 2012, Hydro One Networks filed an Incentive Regulation Mechanism (IRM) application with the OEB for 2013 distribution rates. In December 2012, the OEB approved an increase in average distribution rates of approximately 1.3%, with an effective date of January 1, 2013.

Regulatory Accounting

The OEB has the general power to include or exclude revenues, costs, gains or losses in the rates of a specific period, resulting in a change in the timing of accounting recognition from that which would have applied in an unregulated company. Such change in timing involves the application of rate-regulated accounting, giving rise to the recognition of regulatory assets and liabilities. The Company's regulatory assets represent certain amounts receivable from future customers and costs that have been deferred for accounting purposes because it is probable that they will be recovered in future rates. In addition, the Company has recorded regulatory liabilities that generally represent amounts that are refundable to future electricity customers. The Company continually assesses the likelihood of recovery of each of its regulatory assets and continues to believe that it is probable that the OEB will factor its regulatory assets and liabilities into the setting of future rates. If, at some future date, the Company judges that it is no longer probable that the OEB will include a regulatory asset or liability in setting future rates, the appropriate carrying amount will be reflected in results of operations in the period that the assessment is made.

Revenue Recognition

Transmission revenues are collected through OEB-approved rates, which are based on an approved revenue requirement that includes a rate of return. Such revenue is recognized as electricity is transmitted and delivered to customers.

Distribution revenues are recognized on an accrual basis and include billed and unbilled revenues. Distribution revenues attributable to the delivery of electricity are based on OEB-approved distribution rates and are recognized as electricity is delivered to customers. The Company estimates monthly revenue for a period based on wholesale electricity purchases because customer meters are not generally read at the end of each month. At the end of each month, the electricity delivered to customers, but not billed, is estimated and revenue is recognized. The unbilled revenue estimate is affected by energy demand, weather, line losses and changes in the composition of customer classes.

Distribution revenue also includes an amount relating to rate protection for rural, residential and remote customers, which is received from the Independent Electricity System Operator (IESO) based on a standardized customer rate that is approved by the OEB. Current legislation provides rate protection for prescribed classes of rural, residential and remote consumers by reducing the electricity rates that would otherwise apply.

Revenues also include amounts related to sales of other services and equipment. Such revenue is recognized as services are rendered or as equipment is delivered.

Revenues are recorded net of indirect taxes.

Accounts Receivable and Allowance for Doubtful Accounts

Billed accounts receivable are recorded at the invoiced amount, net of allowance for doubtful accounts. Unbilled accounts receivable are estimated and recorded based on wholesale electricity purchases. Overdue amounts related to regulated billings bear interest at OEB-approved rates. The allowance for doubtful accounts reflects the Company's best estimate of losses on billed accounts receivable balances. The allowance is based on accounts receivable aging, historical experience and other currently available information. The Company estimates the allowance for doubtful accounts on customer receivables by

applying internally developed loss rates to the outstanding receivable balances by risk segment. Risk segments represent groups of customers with similar credit quality indicators and are computed based on various attributes, including number of days receivables are past due, delinquency of balances and payment history. Loss rates applied to the accounts receivable balances are based on historical average write-offs as a percentage of accounts receivable in each risk segment. An account is considered delinquent if the amount billed is not received within 110 days of the invoiced date. Accounts receivable are written off against the allowance when they are deemed uncollectible. The existing allowance for uncollectible accounts will continue to be affected by changes in volume, prices and economic conditions.

Corporate Income Taxes

Under the *Electricity Act*, 1998, Hydro One Networks is required to make payments in lieu of corporate income taxes (PILs) to the Ontario Electricity Financial Corporation (OEFC). These payments are calculated in accordance with the rules for computing income and other relevant amounts contained in the *Income Tax Act* (Canada) and the *Taxation Act*, 2007 (Ontario) as modified by the *Electricity Act*, 1998, and related regulations.

Current and deferred income taxes are computed based on the tax rates and tax laws enacted at the balance sheet date. Tax benefits associated with income tax positions taken, or expected to be taken, in a tax return are recorded only when the "more-likely-than-not" recognition threshold is satisfied and are measured at the largest amount of benefit that has a greater than 50% likelihood of being realized upon settlement. Management evaluates each position based solely on the technical merits and facts and circumstances of the position, assuming the position will be examined by a taxing authority having full knowledge of all relevant information. Significant management judgment is required to determine recognition thresholds and the related amount of tax benefits to be recognized in the Financial Statements. Management re-evaluates tax positions each period in which new information about recognition or measurement becomes available.

Current Income Taxes

The provision for current taxes and the assets and liabilities recognized for the current and prior periods are measured at the amounts receivable from, or payable to, the OEFC.

Deferred Income Taxes

Deferred income taxes are provided for using the liability method. Deferred income taxes are recognized based on the estimated future tax consequences attributable to temporary differences between the carrying amount of assets and liabilities in the Financial Statements and their corresponding tax bases.

Deferred income tax liabilities are generally recognized on all taxable temporary differences. Deferred tax assets are recognized to the extent that it is more-likely-than-not that these assets will be realized from taxable income available against which deductible temporary differences can be utilized.

Deferred income taxes are calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on the tax rates and tax laws that have been enacted at the balance sheet date. Deferred income taxes that are not included in the rate-setting process are charged or credited to the Statements of Operations and Comprehensive Income.

If management determines that it is more-likely-than-not that some or all of a deferred income tax asset will not be realized, a valuation allowance is recorded against the deferred income tax asset to report the net asset balance at the amount expected to be realized. Previously unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become more-likely-than-not that the tax benefit will be realized.

The Company records regulatory assets and liabilities associated with deferred income taxes that will be included in the ratesetting process.

The Company uses the flow-through method to account for investment tax credits (ITCs) earned on eligible scientific research and experimental development expenditures, and apprenticeship job creation. Under this method, only non-refundable ITCs are recognized as a reduction to income tax expense.

Inter-company Demand Facility

Hydro One maintains pooled bank accounts for its use and for the use of its subsidiaries, including Hydro One Networks. The balance in the inter-company demand facility represents the cumulative net effect of all deposits and withdrawals made by the Company to and from the pooled bank accounts. Interest is earned on positive inter-company balances based on the average of the bankers' acceptance rate at the beginning and end of the month, less 0.02%. Interest is charged on overdraft inter-company balances based on the same bankers' acceptance rate, plus 0.15%.

Materials and Supplies

Materials and supplies represent consumables, small spare parts and construction materials held for internal construction and maintenance of property, plant and equipment. These assets are carried at average cost less any impairments recorded.

Property, Plant and Equipment

Property, plant and equipment is recorded at original cost, net of customer contributions received in aid of construction and any accumulated impairment losses. The cost of additions, including betterments and replacements of asset components, is included on the Balance Sheets as property, plant and equipment.

The original cost of property, plant and equipment includes direct materials, direct labour (including employee benefits), contracted services, attributable capitalized financing costs, asset retirement costs, and direct and indirect overheads that are related to the capital project or program. Indirect overhead includes a portion of corporate costs such as finance, treasury, human resources, information technology and executive costs. Overhead costs, including corporate functions and field services costs, are capitalized on a fully allocated basis, consistent with an OEB-approved methodology.

Property, plant and equipment in service consists of transmission, distribution, communication, administration and service assets and land easements. Property, plant and equipment also includes future use assets, such as land, major components and spare parts, and capitalized project development costs associated with deferred capital projects.

Transmission

Transmission assets include assets used for the transmission of high-voltage electricity, such as transmission lines, support structures, foundations, insulators, connecting hardware and grounding systems, and assets used to step up the voltage of electricity from generating stations for transmission and to step down voltages for distribution, including transformers, circuit breakers and switches.

Distribution

Distribution assets include assets related to the distribution of low-voltage electricity, including lines, poles, switches, transformers, protective devices and metering systems.

Communication

Communication assets include the fibre-optic and microwave radio system, optical ground wire, towers, telephone equipment and associated buildings.

Administration and Service

Administration and service assets include administrative buildings, personal computers, transport and work equipment, tools and other minor assets.

Easements

Easements include statutory rights of use for transmission corridors and abutting lands granted under the *Reliable Energy and Consumer Protection Act, 2002, as well as other land access rights.*

Intangible Assets

Intangible assets separately acquired or internally developed are measured on initial recognition at cost which comprises purchased software, direct labour (including employee benefits), consulting, engineering, overheads and attributable capitalized financing charges. Following initial recognition, intangible assets are carried at cost net of any accumulated amortization and accumulated impairment losses. The Company's intangible assets primarily represent major administrative computer applications.

Capitalized Financing Costs

Capitalized financing costs represent interest costs attributable to the construction of property, plant and equipment or development of intangible assets. The financing cost of attributable borrowed funds is capitalized as part of the acquisition cost of such assets. The capitalized portion of financing costs is a reduction to financing charges recognized in the Statements of Operations and Comprehensive Income. Capitalized financing costs are calculated using the Company's weighted average effective cost of debt.

Construction and Development in Progress

Construction and development in progress consists of the capitalized cost of constructed assets that are not yet complete and which have not yet been placed in service.

Depreciation and Amortization

The cost of property, plant and equipment and intangible assets is depreciated or amortized on a straight-line basis based on the estimated remaining service life of each asset category, except for transport and work equipment, which is depreciated on a declining balance basis.

The Company periodically initiates an external independent review of its property, plant and equipment and intangible asset depreciation and amortization rates, as required by the OEB. Any changes arising from OEB approval of such a review are implemented on a remaining service life basis, consistent with their inclusion in electricity rates. The last review resulted in changes to rates effective January 1, 2013. A summary of average service lives and depreciation and amortization rates for the various classes of assets is included below:

	Average	Rate (%)	
	Service Life	Range	Average
Transmission	57 years	1% - 2%	2%
Distribution	40 years	1% - 20%	2%
Communication	16 years	1% - 9%	5%
Administration and service	15 years	3% - 10%	7%

The cost of intangible assets is included primarily within the administration and service classification above. Amortization rates for computer applications software assets range from 9% to 10%.

In accordance with group depreciation practices, the original cost of property, plant and equipment, or major components thereof, and intangible assets that are normally retired, is charged to accumulated depreciation and amortization, with no gain or loss being reflected in results of operations. Where a disposition of property, plant and equipment occurs through sale, a gain or loss is calculated based on proceeds and such gain or loss is included in depreciation expense. Depreciation expense also includes the costs incurred to remove property, plant and equipment where no ARO has been recorded.

Goodwill

Goodwill represents the cost of acquired local distribution companies that is in excess of the fair value of the net identifiable assets acquired at the acquisition date. Goodwill is not included in rate-base.

Goodwill is evaluated for impairment on an annual basis, or more frequently if circumstances require. The Company performs a qualitative assessment to determine whether it is more-likely-than-not that the fair value of the applicable reporting unit is less than its carrying amount. If the Company determines, as a result of its qualitative assessment, that it is not more-likely-than-not that the fair value of the applicable reporting unit is less than its carrying amount. If the Company determines, as a result of its qualitative assessment, that it is not more-likely-than-not that the fair value of the applicable reporting unit is less than its carrying amount, no further testing is required. If the Company determines, as a result of its qualitative assessment, that it is more-likely-than-not that the fair value of the applicable reporting unit is less than its carrying amount, a goodwill impairment assessment is performed using a two-step, fair value-based test. The first step compares the fair value of the applicable reporting unit to its carrying amount, including goodwill. If the carrying amount of the applicable reporting unit exceeds its fair value, a second step is performed. The second step requires an allocation of fair value to the individual assets and liabilities using purchase price allocation in order to determine the implied fair value of goodwill. If the implied fair value of goodwill and as a charge to results of operations.

For the year ended December 31, 2013, based on the qualitative assessment performed as at September 30, 2013, the Company has determined that it is not more-likely-than-not that the fair value of each applicable reporting unit assessed is less than its carrying amount. As a result, no further testing was performed, and the Company has concluded that goodwill was not impaired at December 31, 2013.

Long-Lived Asset Impairment

When circumstances indicate the carrying value of long-lived assets may not be recoverable, the Company evaluates whether the carrying value of such assets, excluding goodwill, has been impaired. For such long-lived assets, impairment exists when the carrying value exceeds the sum of the future estimated undiscounted cash flows expected to result from the use and eventual disposition of the asset. When alternative courses of action to recover the carrying amount of a long-lived asset are under consideration, a probability-weighted approach is used to develop estimates of future undiscounted cash flows. If the carrying value of the long-lived asset is not recoverable based on the estimated future undiscounted cash flows, an impairment loss is recorded, measured as the excess of the carrying value of the asset over its fair value. As a result, the asset's carrying value is adjusted to its estimated fair value.

The carrying costs of most of Hydro One Networks' long-lived assets are included in rate base where they earn an OEBapproved rate of return. Asset carrying values and the return are recovered through approved rates. As a result, such assets are only tested for impairment in the event that the OEB disallows recovery, in whole or in part, or if such a disallowance is judged to be probable. As at December 31, 2013, no asset impairment had been recorded.

Costs of Arranging Debt Financing

For financial liabilities classified as other than held-for-trading, the Company defers its proportionate share of the relevant Hydro One external transaction costs related to obtaining debt financing and presents such amounts as deferred debt costs on the Balance Sheets. Deferred debt costs are amortized over the contractual life of the related debt on an effective-interest basis and the amortization is included within financing charges in the Statements of Operations and Comprehensive Income. Transaction costs for items classified as held-for-trading are expensed immediately.

Comprehensive Income

Comprehensive income is comprised of net income and other comprehensive income (OCI). OCI includes the amortization of net unamortized hedging losses on the Company's proportionate share of Hydro One's discontinued cash flow hedges, and the change in fair value on the Company's proportionate share of existing cash flow hedges to the extent that the hedge is effective. The Company amortizes its share of unamortized hedging losses on discontinued cash flow hedges to financing charges using the effective-interest method over the term of the allocated hedged debt. OCI and net income are presented in a single continuous Statement of Operations and Comprehensive Income.

Financial Assets and Liabilities

All financial assets and liabilities are classified into one of the following five categories: held-to-maturity investments; loans and receivables; held-for-trading; other liabilities; or available-for-sale. Financial assets and liabilities classified as held-for-trading are measured at fair value. All other financial assets and liabilities are measured at amortized cost, except accounts

receivable, which are measured at the lower of cost or fair value. Accounts receivable are classified as loans and receivables. The Company considers the carrying amount of accounts receivable to be a reasonable estimate of fair value because of the short time to maturity of these instruments. Provisions for impaired accounts receivable are recognized as adjustments to the allowance for doubtful accounts and are recognized when there is objective evidence that the Company will not be able to collect amounts according to the original terms.

Derivative instruments are measured at fair value. Gains and losses from fair valuation are included within financing charges in the period in which they arise. The Company determines the classification of its financial assets and liabilities at the date of initial recognition. The Company designates certain of its financial assets and liabilities to be held at fair value, when it is consistent with the its risk management policy disclosed in Note 12 – Fair Value of Financial Instruments and Risk Management.

All financial instrument transactions are recorded at trade date.

Derivative Instruments and Hedge Accounting

Hydro One closely monitors the risks associated with changes in interest rates on its operations and, where appropriate, uses various derivative instruments to hedge these risks. Certain of these derivative instruments qualify for hedge accounting and are designated as accounting hedges, while others either do not qualify as hedges or have not been designated as hedges (hereinafter referred to as undesignated contracts) as they are part of economic hedge relationships. Hydro One's derivative instruments, or portions thereof, are mirrored down to Hydro One Networks, and are allocated between the Company's transmission and distribution businesses. The derivative instruments are classified as fair value hedges or undesignated contracts, consistent with Hydro One's derivative instruments classification.

The accounting guidance for derivative instruments requires the recognition of all derivative instruments not identified as meeting the normal purchase and sale exemption as either assets or liabilities recorded at fair value on the Balance Sheets. For derivative instruments that qualify for hedge accounting, Hydro One may elect to designate such derivative instruments as either cash flow hedges or fair value hedges. Hydro One offsets fair value amounts recognized in its Balance Sheets related to derivative instruments executed with the same counterparty under the same master netting agreement.

For derivative instruments that qualify for hedge accounting and which are designated as cash flow hedges, the effective portion of any gain or loss, net of tax, is reported as a component of accumulated OCI (AOCI) and is reclassified to results of operations in the same period or periods during which the hedged transaction affects results of operations. Any gains or losses on the derivative instrument that represent either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in results of operations. For fair value hedges, changes in fair value of both the derivative instrument and the underlying hedged exposure are recognized in the Statement of Operations and Comprehensive Income in the current period. The gain or loss on the derivative instrument is included in the same line item as the offsetting gain or loss on the hedged item in the Statements of Operations and Comprehensive Income. Additionally, Hydro One enters into derivative agreements that are economic hedges that either do not qualify for hedge accounting or have not been designated as hedges. The changes in fair value of these undesignated derivative instruments are reflected in results of operations.

Embedded derivative instruments are separated from their host contracts and carried at fair value on the Balance Sheets when: (a) the economic characteristics and risks of the embedded derivative are not clearly and closely related to the economic characteristics and risks of the host contract; (b) the hybrid instrument is not measured at fair value, with changes in fair value recognized in results of operations each period; and (c) the embedded derivative itself meets the definition of a derivative. Hydro One does not engage in derivative trading or speculative activities and had no embedded derivatives at December 31, 2013.

Hydro One periodically develops hedging strategies taking into account risk management objectives. At the inception of a hedging relationship where Hydro One has elected to apply hedge accounting, Hydro One formally documents the relationship between the hedged item and the hedging instrument, the related risk management objective, the nature of the specific risk exposure being hedged, and the method for assessing the effectiveness of the hedging relationship. Hydro One also assesses, both at the inception of the hedge and on a quarterly basis, whether the hedging instruments are effective in offsetting changes in fair values or cash flows of the hedged items.

Employee Future Benefits

Employee future benefits provided by Hydro One include pension, post-retirement and post-employment benefits. The costs of the pension, post-retirement and post-employment benefit plans are recorded over the periods during which employees render service.

Hydro One recognizes the funded status of its pension, post-retirement and post-employment plans on its Consolidated Balance Sheets and subsequently recognizes the changes in funded status at the end of each reporting year. Pension, post-retirement and post-employment funds are considered to be underfunded when the projected benefit obligation exceeds the fair value of the plan assets. Liabilities are recognized on the Consolidated Balance Sheets of Hydro One for any net underfunded projected benefit obligation. The net underfunded projected benefit obligation may be disclosed as a current liability, long-term liability, or both. The current portion is the amount by which the actuarial present value of benefits included in the benefit obligation payable in the next 12 months exceeds the fair value of plan assets. If the fair value of plan assets exceeds the projected benefit obligation of the plan, an asset is recognized equal to the net overfunded projected benefit obligation. The post-retirement and post-employment benefit plans are unfunded because there are no related plan assets. For the year ended December 31, 2013, the measurement date for the Plans was December 31.

Pension Benefits

Hydro One has a contributory defined benefit pension plan covering all regular employees of Hydro One and its subsidiaries, except Hydro One Brampton Networks Inc. The Hydro One pension plan does not segregate assets in a separate account for individual subsidiaries, nor is the accrual cost of the pension plan allocated to, or funded separately by, entities within the consolidated group. Accordingly, for purposes of these financial statements, the pension plan is accounted for as a defined contribution plan and no deferred pension asset or liability is recorded.

A detailed description of Hydro One pension benefits is provided in Note 15 – Pension and Post-Retirement and Post-Employment Benefits, to the Consolidated Financial Statements of Hydro One for the year ended December 31, 2013.

Post-Retirement and Post-Employment Benefits

Post-retirement and post-employment benefits, are recorded and included in rates on an accrual basis. Costs are determined by independent actuaries using the projected benefit method prorated on service and based on assumptions that reflect management's best estimates. Past service costs from plan amendments are amortized to results of operations based on the expected average remaining service period.

The Company records a regulatory asset equal to the incremental net unfunded projected benefit obligation for postretirement and post-employment plans recorded at each year end based on annual actuarial reports. The regulatory asset for the incremental net unfunded projected benefit obligation for post-retirement and post-employment plans, in absence of regulatory accounting, would be recognized in AOCI. A regulatory asset is recognized because management considers it to be probable that post-retirement and post-employment benefit costs will be recovered in the future through the rate-setting process.

For post-retirement benefits, all actuarial gains or losses are deferred using the "corridor" approach. The amount calculated above the "corridor" is amortized to results of operations on a straight-line basis over the expected average remaining service life of active employees in the plan and over the remaining life expectancy of inactive employees in the plan. The post-retirement benefit obligation is remeasured to its fair value at each year end based on an annual actuarial report, with an offset to associated regulatory asset, to the extent of the remeasurement adjustment.

For post-employment obligations, the actuarial gains and losses that are incurred during the year are recognized immediately to results of operations. The post-employment benefit obligation is remeasured to its fair value at each year end based on an annual actuarial report, with an offset to associated regulatory asset, to the extent of the remeasurement adjustment.

All post-retirement and post-employment future benefit costs are attributed to labour and are either charged to results of operations or capitalized as part of the cost of property, plant and equipment and intangible assets.

A detailed description of Hydro One post-retirement and post-employment benefits is provided in Note 15 – Pension and Post-Retirement and Post-Employment Benefits, to the Consolidated Financial Statements of Hydro One for the year ended December 31, 2013.

Loss Contingencies

Hydro One and its subsidiaries are involved in certain legal and environmental matters that arise in the normal course of business. In the preparation of its Financial Statements, management makes judgments regarding the future outcome of contingent events and records a loss for a contingency based on its best estimate when it is determined that such loss is probable and the amount of the loss can be reasonably estimated. Where the loss amount is recoverable in future rates, a regulatory asset is also recorded. When a range estimate for the probable loss exists and no amount within the range is a better estimate than any other amount, the Company records a loss at the minimum amount within the range.

Management regularly reviews current information available to determine whether recorded provisions should be adjusted and whether new provisions are required. Estimating probable losses may require analysis of multiple forecasts and scenarios that often depend on judgments about potential actions by third parties, such as federal, provincial and local courts or regulators. Contingent liabilities are often resolved over long periods of time. Amounts recorded in the Financial Statements may differ from the actual outcome once the contingency is resolved. Such differences could have a material impact on future results of operations, financial position and cash flows of the Company.

Provisions are based upon current estimates and are subject to greater uncertainty where the projection period is lengthy. A significant upward or downward trend in the number of claims filed, the nature of the alleged injuries, and the average cost of resolving each claim could change the estimated provision, as could any substantial adverse or favorable verdict at trial. A federal or provincial legislative outcome or structured settlement could also change the estimated liability. Legal fees are expensed as incurred.

Environmental Liabilities

Environmental liabilities are recorded in respect of past contamination when it is determined that future environmental remediation expenditures are probable under existing statute or regulation and the amount of the future expenditures can be reasonably estimated. Hydro One Networks records a liability for the estimated future expenditures associated with the contaminated land assessment and remediation (LAR) program and for the phase-out and destruction of polychlorinated biphenyl (PCB)-contaminated mineral oil removed from electrical equipment, based on the present value of these estimated future expenditures. The present value is determined with a discount rate equal to its credit-adjusted risk-free interest rate on financial instruments with comparable maturities to the pattern of future environmental expenditures. As the Company anticipates that the future ecovery of these environmental expenditures from customers. Hydro One Networks reviews its estimates of future environmental expenditures annually or more frequently if there are indications that circumstances have changed.

Asset Retirement Obligations

AROs are recorded for legal obligations associated with the future removal and disposal of long-lived assets. Such obligations may result from the acquisition, construction, development and/or normal use of the asset. Conditional AROs are recorded when there is a legal obligation to perform a future asset retirement activity but where the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the Company. In such a case, the obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and/or method of settlement.

When recording an ARO, the present value of the estimated future expenditures required to complete the asset retirement activity is recorded in the period in which the obligation is incurred, if a reasonable estimate can be made. In general, the present value of the estimated future expenditures is added to the carrying amount of the associated asset and the resulting asset retirement cost is depreciated over the estimated useful life of the asset. Where an asset is no longer in service when an ARO is recorded, the asset retirement cost is recorded in results of operations.

Some transmission and distribution assets, particularly those located on unowned easements and rights-of-way, may have AROs, conditional or otherwise. The majority of the Company's easements and rights-of-way are either of perpetual duration or are automatically renewed annually. Land rights with finite terms are generally subject to extension or renewal. As the Company expects to use the majority of its facilities in perpetuity, no ARO currently exists for these assets. If, at some future date, a particular facility is shown not to meet the perpetuity assumption, it will be reviewed to determine whether an estimable ARO exists. In such a case, an ARO would be recorded at that time.

The Company's AROs recorded to date relate to estimated future expenditures associated with the removal and disposal of asbestos-containing materials installed in some of its facilities and with the decommissioning of specific switching stations located on unowned sites.

3. NEW ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncements

In December 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities. This ASU requires an entity to disclose both gross and net information about financial instruments and transactions eligible for offset on the Balance Sheets as well as financial instruments and transactions executed under a master netting or similar arrangement. The ASU was issued to enable users of financial statements to understand the effects or potential effects of those arrangements on an entity's financial position. This ASU was required to be applied retrospectively and was effective for fiscal years, and interim periods within those years, beginning on or after January 1, 2013. The adoption of this ASU did not have an impact on the Company's Financial Statements.

In February 2013, the FASB issued ASU 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. This ASU requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income, but only if the amount reclassified is required under US GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under US GAAP that provide additional detail about those amounts. This ASU was required to be applied prospectively and was effective for fiscal years, and interim periods within those years, beginning after December 15, 2012. The adoption of this ASU did not have a significant impact on the Company's Financial Statements.

Recent Accounting Guidance Not Yet Adopted

In July 2013, the FASB issued ASU 2013-11, Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. This ASU provides guidance on the presentation of unrecognized tax benefits. This ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013, and should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Retrospective application is permitted. The adoption of this ASU is not anticipated to have a significant impact on the Company's Financial Statements.

4. DEPRECIATION AND AMORTIZATION

Year ended December 31 (millions of Canadian dollars)	2013	2012
Depreciation of property, plant and equipment	510	498
Amortization of intangible assets	47	47
Asset removal costs	76	68
Amortization of regulatory assets	15	15
	648	628

5. FINANCING CHARGES

Year ended December 31 (millions of Canadian dollars)	2013	2012
Interest on long-term debt	397	402
Other	11	17
Less: Interest capitalized on construction and development in progress	(49)	(58)
Gain on interest-rate swap agreements	(7)	(10)
Interest earned on inter-company demand facility	397 11	(2)
	352	349

6. PROVISION FOR PAYMENTS IN LIEU OF CORPORATE INCOME TAXES

The provision for PILs differs from the amount that would have been recorded using the combined Canadian Federal and Ontario statutory income tax rate. The reconciliation between the statutory and the effective tax rates is provided as follows:

Year ended December 31 (millions of Canadian dollars)	2013	2012
Income before provision for PILs	880	838
Canadian Federal and Ontario statutory income tax rate	26.50%	26.50%
Provision for PILs at statutory rate	233	222
Increase (decrease) resulting from:		
Net temporary differences included in amounts charged to customers:		
Capital cost allowance in excess of depreciation and amortization	(72)	(42)
Pension contributions in excess of pension expense	(23)	(23)
Overheads capitalized for accounting but deducted for tax purposes	(14)	(14)
Interest capitalized for accounting but deducted for tax purposes	(13)	(14)
Prior year's adjustment	(8)	_
Environmental expenditures	(4)	(4)
Non-refundable ITCs	(2)	(6)
Post-retirement and post-employment benefit expense in excess of cash payments	4	_
Other	(1)	2
Net temporary differences	(133)	(101)
Net permanent differences	2	2
Total provision for PILs	102	123
Current provision for PILs	104	133
Deferred provision for PILs	(2)	(10)
Total provision for PILs	102	123
Effective income tax rate	11.59%	14.68%

The current provision for PILs is remitted to, or received from, the OEFC. At December 31, 2013, \$28 million receivable from the OEFC was included in accounts receivable on the Balance Sheet (December 31, 2012 - payable of \$11 million included in accrued liabilities).

The total provision for PILs includes deferred recovery of PILs of 2 million (2012 - 10 million) that is not included in the rate-setting process, using the balance sheet liability method of accounting. Deferred PILs balances expected to be included in the rate-setting process are offset by regulatory assets and liabilities to reflect the anticipated recovery or disposition of these balances within future electricity rates.

Deferred Income Tax Assets and Liabilities

Deferred income tax assets and liabilities arise from differences between the carrying amounts and tax bases of the Company's assets and liabilities. At December 31, deferred income tax assets and liabilities consisted of the following:

December 31 (millions of Canadian dollars)	2013	2012
Deferred income tax assets		
Post-retirement and post-employment benefit expense in excess of cash payments	540	514
Environmental expenditures	63	62
Other	2	4
Total deferred income tax assets	605	580
Less: current portion	25	24
	580	556
December 31 (millions of Canadian dollars)	2013	2012
Deferred income tax liabilities		
Capital cost allowance in excess of depreciation and amortization	1,550	1,336
Regulatory amounts not recognized for tax	141	146
Goodwill	8	8
Total deferred income tax liabilities	1,699	1,490
Less: current portion	7	6
	1,692	1,484

The deferred income tax assets and liabilities are presented on the Balance Sheets as follows:

December 31 (millions of Canadian dollars)	2013	2012
Current deferred income tax assets	25	24
Current deferred income tax liabilities	(7)	(6)
Net current deferred income tax assets	18	18
Long-term deferred income tax assets	580	556
Long-term deferred income tax liabilities	(1,692)	(1,484)
Net long-term deferred income tax liabilities	(1,112)	(928)

During 2013, there was no changes in the rate applicable to future taxes (2012 - a change in rate applicable to future rates generated a \$61 million increase).

7. ACCOUNTS RECEIVABLE

December 31 (millions of Canadian dollars)	2013	2012
Accounts receivable – billed	257	215
Accounts receivable – unbilled	823	741
Accounts receivable, gross	1,080	956
Allowance for doubtful accounts	(34)	(22)
Accounts receivable, net	1,046	934

The following table shows the movements in the allowance for doubtful accounts for the years ended December 31, 2013 and 2012:

Year ended December 31 (millions of Canadian dollars)	2013	2012
Allowance for doubtful accounts – January 1	(22)	(17)
Write-offs	23	16
Additions to allowance for doubtful accounts	(35)	(21)
Allowance for doubtful accounts – December 31	(34)	(22)

8. PROPERTY, PLANT AND EQUIPMENT

	Property, Plant	Accumulated	Construction	
December 31, 2013 (millions of Canadian dollars)	and Equipment	Depreciation	in Progress	Total
Transmission	12,406	4,215	671	8,862
Distribution	7,939	2,763	307	5,483
Communication	912	483	44	473
Administration and Service	1,276	696	38	618
Easements	618	77	_	541
	23,151	8,234	1,060	15,977

December 31, 2012 (millions of Canadian dollars)	Property, Plant and Equipment	Accumulated Depreciation	Construction in Progress	Total
Transmission	11,834	3,990	641	8,485
Distribution	7,476	2,603	220	5,093
Communication	889	446	43	486
Administration and Service	1,219	649	122	692
Easements	614	91	_	523
	22,032	7,779	1,026	15,279

Financing charges capitalized on property, plant and equipment under construction were \$46 million in 2013 (2012 – \$55 million).

9. INTANGIBLE ASSETS

	Intangible	Accumulated	Development	
December 31, 2013 (millions of Canadian dollars)	Assets	Amortization	in Progress	Total
Computer applications software	561	245	3	319
Other	5	4	_	1
	566	249	3	320
	Intangible	Accumulated	Development	
December 31, 2012 (millions of Canadian dollars)	Assets	Amortization	in Progress	Total
Computer applications software	447	298	116	265
Other	5	1	_	1
other				1

Financing charges capitalized on intangible assets under development were \$3 million in 2013 (2012 - \$3 million). The estimated annual amortization expense for intangible assets is as follows: 2014 - \$51 million; 2015 - \$51 million; 2016 - \$51 million; 2017 - \$51 million; and 2018 - \$43 million.

10. REGULATORY ASSETS AND LIABILITIES

Regulatory assets and liabilities arise as a result of the rate-making process. Hydro One Networks has recorded the following regulatory assets and liabilities:

December 31 (millions of Canadian dollars)	2013	2012
Regulatory assets:		
Deferred income tax regulatory asset	1,145	954
Post-retirement and post-employment benefits	305	319
Environmental	252	237
Pension cost variance	80	60
OEB cost assessment differential	9	-
DSC exemption	7	-
Long-term project development costs	5	5
Rider 2	_	10
Other	11	10
Total regulatory assets	1,814	1,595
Less: current portion	43	26
	1,771	1,569
December 31 (millions of Canadian dollars)	2013	2012
December 31 (millions of Canadian dollars) Regulatory liabilities:	2013	2012
	2013 81	2012 61
Regulatory liabilities:		
Regulatory liabilities: External revenue variance	81	61
Regulatory liabilities: External revenue variance Rider 8	81 54	61 43
Regulatory liabilities: External revenue variance Rider 8 Retail settlement variance accounts Rider 9	81 54 35	61 43
Regulatory liabilities: External revenue variance Rider 8 Retail settlement variance accounts Rider 9 PST savings deferral	81 54 35 19	61 43 46
Regulatory liabilities: External revenue variance Rider 8 Retail settlement variance accounts Rider 9	81 54 35 19 17	61 43 46 - 13
Regulatory liabilities: External revenue variance Rider 8 Retail settlement variance accounts Rider 9 PST savings deferral Deferred income tax regulatory liability	81 54 35 19 17	61 43 46 - 13 9
Regulatory liabilities: External revenue variance Rider 8 Retail settlement variance accounts Rider 9 PST savings deferral Deferred income tax regulatory liability Rider 3	81 54 35 19 17	61 43 46
Regulatory liabilities: External revenue variance Rider 8 Retail settlement variance accounts Rider 9 PST savings deferral Deferred income tax regulatory liability Rider 3 Rural and remote rate protection variance Other	81 54 35 19 17 14 	61 43 46 13 9 9 6
Regulatory liabilities: External revenue variance Rider 8 Retail settlement variance accounts Rider 9 PST savings deferral Deferred income tax regulatory liability Rider 3 Rural and remote rate protection variance	81 54 35 19 17 14 - - 14	61 43 46 13 9 9 6 20

Deferred Income Tax Regulatory Asset and Liability

Deferred income taxes are recognized on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. The Company has recognized regulatory assets and liabilities that correspond to deferred income taxes that flow through the rate-setting process. In the absence of rate-regulated accounting, the Company's provision for PILs would have been recognized using the liability method and there would be no regulatory accounts established for taxes to be reflected in future rates. As a result, the 2013 provision for PILs would have been higher by approximately \$137 million (2012 - \$134 million).

Post-Retirement and Post-Employment Benefits

The Company recognizes the net unfunded status of post-retirement and post-employment obligations on the Balance Sheets with an incremental offset to the associated regulatory assets. A regulatory asset is recognized because management considers it to be probable that post-retirement and post-employment benefit costs will be recovered in the future through the rate-setting process. The post-retirement and post-employment benefit obligation is remeasured to its fair value at each year end based on an annual actuarial report, with an offset to the associated regulatory asset, to the extent of the remeasurement adjustment. In the absence of rate-regulated accounting, 2013 OCI would have been higher by \$14 million (2012 – lower by \$195 million).

Environmental

Hydro One Networks records a liability for the estimated future expenditures required to remediate past environmental contamination. Because such expenditures are expected to be recoverable in future rates, the Company has recorded an equivalent amount as a regulatory asset. In 2013, the regulatory asset decreased by \$3 million (2012 - \$3 million) to reflect related changes in the Company's PCB liability, and increased by \$23 million (2012 - \$2 million) due to changes in the LAR liability. The environmental regulatory asset is amortized to results of operations based on the pattern of actual expenditures incurred and charged to environmental liabilities. The OEB has the discretion to examine and assess the prudency and the timing of recovery of all of Hydro One Networks' actual environmental expenditures. In the absence of rate-regulated accounting, 2013 operation, maintenance and administration expenses would have been higher by \$20 million (2012 - \$15 million), and 2013 financing charges would have been higher by \$10 million (2012 - \$15 million), and 2013

Pension Cost Variance

A pension cost variance account was established for each of Hydro One Networks' Transmission and Distribution businesses to track the difference between the actual pension expense incurred and estimated pension costs approved by the OEB. The balance in this account reflects the excess of pension costs paid as compared to OEB-approved amounts. In the absence of rate-regulated accounting, 2013 revenue would have been lower by 20 million (2011 - 18 million).

OEB Cost Assessment Differential

In April 2010, the OEB announced its decision regarding the Company's distribution rate application for 2010 and 2011. As part of this decision, the OEB also approved the distribution-related OEB Cost Assessment Differential Account to record the difference between the amounts approved in rates and actual expenditures with respect to the OEB's cost assessments.

DSC Exemption

In June 2010, Hydro One Networks filed an application with the OEB regarding the OEB's new cost responsibility rules contained in the OEB's October 2009 Notice of Amendment to the Distribution System Code (DSC), with respect to the connection of certain renewable generators that were already connected or that had received a connection impact assessment prior to October 21, 2009. The application sought approval to record and defer the unanticipated costs incurred by the Company that resulted from the connection of certain renewable generation facilities. The OEB ruled that expenditures for identified specific expenditures can be recorded in a deferral account, subject to the OEB's review at a future date.

Long-Term Project Development Costs

In May 2009, the OEB approved the creation of a deferral account to record Hydro One Networks' costs of preliminary work to advance certain transmission projects identified in the Company's 2009 and 2010 transmission rate application. In March 2010, the OEB issued a decision amending the scope of the account to include the 20 major transmission projects identified in the September 2009 request from the Ministry of Energy and Infrastructure. In December 2012, the OEB approved the recovery of the December 31, 2012 balance, including accrued interest, to be recovered over a one-year period from January 1, 2014 to December 31, 2014.

Rider 2

In April 2006, the OEB approved the Company's distribution-related deferral account balances. The Rider 2 regulatory asset includes retail settlement and cost variance amounts and distribution low-voltage service amounts, plus accrued interest. In December 2012, as part of Hydro One Networks' 2013 IRM distribution rate application, the OEB approved the balance of the Rider 2 regulatory account for disposition as part of Rider 9, including accrued interest, to be disposed over a 24-month period from January 1, 2013 to December 31, 2014.

External Revenue Variance Account

In May 2009, the OEB approved forecasted amounts related to export service revenue, external revenue from secondary land use and external revenue from station maintenance and engineering and construction work. In November 2012, the OEB again approved forecasted amounts related to these revenue categories and extended the scope to encompass all other external revenue. The external revenue variance account balance reflects the excess of actual external revenues compared to the OEB-approved forecasted amounts.

Rider 8

In April 2010, the OEB requested the establishment of deferral accounts which capture the difference between the revenue recorded on the basis of Green Energy Plan expenditures incurred and the actual recoveries received.

Retail Settlement Variance Accounts (RSVA)

Hydro One Networks has deferred certain retail settlement variance amounts under the provisions of Article 490 of the OEB's Accounting Procedures Handbook. In December 2012, the OEB approved the disposition of the total RSVA balance accumulated from January 2010 to December 2011, including accrued interest, to be disposed over a 24-month period from January 1, 2013 to December 31, 2014. The Company has continued to accumulate a net liability in its RSVAs since December 31, 2011.

Rider 9

In December 2012, as part of Hydro One Networks' 2013 IRM distribution rate application, the OEB approved for disposition certain distribution-related deferral account balances, including RSVA amounts and balances of Rider 2 and Rider 3, accumulated up to December 2011, including accrued interest, to be disposed over a 24-month period from January 1, 2013 to December 31, 2014.

PST Savings Deferral Account

The provincial sales tax (PST) and goods and services tax (GST) were harmonized in July 2010. Unlike the GST, the PST was included in operation, maintenance and administrative expenses or capital expenditures for past revenue requirements approved during a full cost of service hearing. Under the harmonized sales tax (HST) regime, the HST included in operation, maintenance and administrative expenses or capital expenditures is not a cost ultimately borne by the Company and as such, a refund of the prior PST element in the approved revenue requirement is applicable and calculations for tracking and refund were requested by the OEB. For the transmission revenue requirement, PST was included in rates between July 1, 2010 and December 31, 2010 and recorded in a deferral account per direction from the OEB. For the distribution revenue requirement, PST was included in rates between July 1, 2010 and December 31, 2013 and recorded in a deferral account per direction from the OEB.

Rider 3

In December 2008, the OEB approved certain distribution-related deferral account balances sought by Hydro One Networks, including RSVA amounts, deferred tax changes, OEB costs and smart meters. The OEB approved the disposition of the Rider 3 balance accumulated up to April 2008, including accrued interest, to be disposed over a 27-month period from February 1, 2009 to April 30, 2011. In December 2012, as part of Hydro One Networks' 2013 IRM distribution rate application, the OEB approved the balance of Rider 3 for disposition as part of Rider 9.

Rural and Remote Rate Protection Variance (RRRP)

Hydro One Networks receives rural rate protection amounts from the IESO. A portion of these amounts is provided to retail customers of Hydro One Networks who are eligible for rate protection. The OEB has approved a mechanism to collect the RRRP through the Wholesale Market Service Charge. Variances between the amounts remitted by the IESO to Hydro One Networks and the fixed entitlements defined in the regulation, and subsequent OEB utility rate decisions, are tracked by the

Company in the RRRP variance account. At December 31, 2013, the RRRP variance account had a \$2 million debit balance, which is included in Other regulatory assets.

11. DEBT

Hydro One issues notes for long-term financing under its Medium-Term Note Program. The terms of certain issuances are mirrored down to Hydro One Networks through the issuance of inter-company debt.

The following table presents the Company's outstanding long-term debt at December 31, 2013 and 2012:

December 31 (millions of Canadian dollars)	2013	2012
Long-term debt	8,589	8,004
Add: Unrealized marked-to-market loss ¹	8	14
Less: Long-term debt payable within one year	(503)	(600)
Long-term debt	8,094	7,418

¹ The unrealized marked-to-market loss relates to \$250 million of the \$500 million note due 2014, and \$250 million of the \$500 million note due 2015. The unrealized marked-to-market loss is offset by a \$8 million (2012 – \$14 million) unrealized marked-to-market gain on the related fixed-to-floating interest-rate swap agreements, which are accounted for as fair value hedges. See Note 12 – Fair Value of Financial Instruments and Risk Management for details of fair value hedges.

The long-term debt is unsecured and denominated in Canadian dollars. The long-term debt is summarized by the number of years to maturity in Note 12 – Fair Value of Financial Instruments and Risk Management.

12. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value is considered to be the exchange price in an orderly transaction between market participants to sell an asset or transfer a liability at the measurement date. The fair value definition focuses on an exit price, which is the price that would be received in the sale of an asset or the amount that would be paid to transfer a liability.

Hydro One Networks classifies its fair value measurements based on the following hierarchy, as prescribed by the accounting guidance for fair value, which prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that Hydro One Networks has the ability to access. An active market for the asset or liability is one in which transactions for the asset or liability occurs with sufficient frequency and volume to provide ongoing pricing information.

Level 2 inputs are those other than quoted market prices that are observable, either directly or indirectly, for an asset or liability. Level 2 inputs include, but are not limited to, quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs other than quoted market prices that are observable for the asset or liability, such as interest rate curves and yield curves observable at commonly quoted intervals, volatilities, credit risk and default rates. A Level 2 measurement cannot have more than an insignificant portion of the valuation based on unobservable inputs.

Level 3 inputs are any fair value measurements that include unobservable inputs for the asset or liability for more than an insignificant portion of the valuation. A Level 3 measurement may be based primarily on Level 2 inputs.

Non-Derivative Financial Assets and Liabilities

At December 31, 2013 and 2012, the Company's carrying amounts of accounts receivable, inter-company demand facility, and accounts payable are representative of fair value because of the short-term nature of these instruments.

Fair Value Measurements of Long-Term Debt

The fair values and carrying values of the Company's long-term debt at December 31, 2013 and 2012 are as follows:

	2013	2013	2012	2012
December 31 (millions of Canadian dollars)	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt				
\$250 million of \$500 million notes due 2014 ¹	253	253	256	256
\$250 million of \$500 million notes due 2015^2	255	255	258	258
Other notes and debentures ³	8,089	8,767	7,504	8,911
	8,597	9,275	8,018	9,425

¹ The fair value of \$250 million of the \$500 million notes due 2014 subject to hedging is primarily based on changes in the present value of future cash flows due to a change in the yield in the swap market for the related swap (hedged risk).

² The fair value of \$250 million of the \$500 million notes due 2015 subject to hedging is primarily based on changes in the present value of future cash flows due to a change in the yield in the swap market for the related swap (hedged risk).

³ The fair value of other notes and debentures, and the portions of the \$500 million notes due 2014 and \$500 million notes due 2015 that are not subject to hedging, represents the market value of the notes and debentures and is based on unadjusted period-end market prices for the same or similar debt of the same remaining maturities.

Fair Value Measurements of Derivative Instruments

Hydro One enters into interest-rate swaps agreements with respect to its long-term debt. The terms of these interest-rate swap agreements are mirrored down to Hydro One Networks.

At December 31, 2013, interest-rate swaps totaling \$500 million (2012 - \$500 million) were used to convert fixed-rate debt to floating-rate debt. These interest-rate swaps are classified as fair value hedges. The Company's fair value hedge exposure was equal to about 6% (2012 - 6%) of its total long-term debt of \$8,597 million (2012 - \$,018 million). At December 31, 2013, interest-rate swaps designated as fair value hedges were as follows:

- (a) a \$250 million fixed-to-floating interest-rate swap agreement to convert \$250 million of the \$500 million notes maturing November 19, 2014 into three-month variable rate debt; and
- (b) two \$125 million fixed-to-floating interest-rate swap agreements to convert \$250 million of the \$500 million notes maturing September 11, 2015 into three-month variable rate debt.

At December 31, 2013, interest-rate swaps classified as undesignated contracts consisted of the following:

- (c) three \$250 million floating-to-fixed interest-rate swap agreements that lock in the floating-rate the Company pays on a portion of the above fixed-to-floating interest-rate swaps from December 11, 2013 to December 11, 2014, from February 19, 2013 to February 19, 2014, and from February 19, 2014 to November 19, 2014, respectively;
- (d) two \$50 million floating-to-fixed interest-rate swap agreements that lock in the floating-rate the Company pays on the \$50 million floating-rate notes maturing July 24, 2015, from January 24, 2013 to January 24, 2014, and from January 24, 2014 to January 24, 2015, respectively; and
- (e) a \$50 million floating-to-fixed interest-rate swap agreement that locks in the floating-rate the Company pays on the \$50 million floating-rate notes maturing December 3, 2016, from December 3, 2013 to December 3, 2014.

At December 31, 2013 and 2012, the carrying amounts of derivative instruments were representative of fair value.

Fair Value Hierarchy

Fair value hierarchy information for financial assets and liabilities at December 31, 2013 and 2012 was as follows:

	Carrying	Fair			
December 31, 2013 (millions of Canadian dollars)	Value	Value	Level 1	Level 2	Level 3
Assets:					
Inter-company demand facility	369	369	369	_	-
Derivative instruments					
Fair value hedges – interest-rate swaps	8	8	_	8	_
	377	377	369	8	_
Liabilities:					
Long-term debt	8,597	9,275	_	9,275	_
	8,597	9,275	_	9,275	_
	Carrying	Fair			
December 31, 2012 (millions of Canadian dollars)	Value	Value	Level 1	Level 2	Level 3
Assets:					
Derivative instruments					
Fair value hedges – interest-rate swaps	14	14	_	14	-
	14	14	_	14	_
Liabilities:					
Inter-company demand facility	8	8	8	_	_
Long-term debt	8,018	9,425	_	9,425	_
	8,026	9,433	8	9,425	_

The fair value of the derivative instruments is determined using inputs other than quoted prices that are observable for these assets. The fair value is primarily based on the present value of future cash flows using a swap yield curve to determine the assumptions for interest rates.

The fair value of the hedged portion of the long-term debt is primarily based on the present value of future cash flows using a swap yield curve to determine the assumption for interest rates. The fair value of the un-hedged portion of the long-term debt is based on unadjusted period-end market prices for the same or similar debt of the same remaining maturities.

There were no significant transfers between any of the levels during the years ended December 31, 2013 and 2012.

Risk Management

Exposure to market risk, credit risk and liquidity risk arises in the normal course of the Company's business.

Market Risk

Market risk refers primarily to the risk of loss that results from changes in commodity prices, foreign exchange rates and interest rates. The Company does not have commodity risk. The Company does have foreign exchange risk as it enters into agreements to purchase materials and equipment associated with capital programs and projects that are settled in foreign currencies. This foreign exchange risk is not material, although the Company could in the future decide to issue foreign currency-denominated debt which would be hedged back to Canadian dollars consistent with its risk management policy. Hydro One Networks is exposed to fluctuations in interest rates as the regulated rate of return for the Company's transmission and distribution businesses is derived using a formulaic approach that is based on the forecast for long-term Government of Canada bond yields and the spread in 30-year "A"-rated Canadian utility bonds over the 30-year benchmark Government of Canada bond yield. The Company estimates that a 1% decrease in the forecasted long-term Government of Canada bond yield or the "A"-rated Canadian utility spread used in determining the Company's rate of return would reduce

the Transmission Business' results of operations by approximately 19 million (2012 - 18 million) and the Distribution Business' results of operations by approximately 10 million (2012 - 10 million).

Hydro One uses a combination of fixed and variable-rate debt to manage the mix of its debt portfolio. Hydro One also uses derivative financial instruments to manage interest-rate risk. Hydro One utilizes interest-rate swaps, which are typically designated as fair value hedges, as a means to manage its interest rate exposure to achieve a lower cost of debt. In addition, Hydro One may utilize interest-rate derivative instruments to lock in interest rate levels in anticipation of future financing. Hydro One may also enter into derivative agreements such as forward-starting pay fixed-interest-rate swap agreements to hedge against the effect of future interest rate movements on long-term fixed-rate borrowing requirements. Such arrangements are typically designated as cash flow hedges. The Company's derivative instrument policy is consistent with Hydro One. No cash flow hedge agreements were outstanding as at December 31, 2013 or 2012.

A hypothetical 10% increase in the interest rates associated with variable-rate debt would not have resulted in a significant decrease in Hydro One Networks' results of operations for the years ended December 31, 2013 or 2012.

Fair Value Hedges

For derivative instruments that are designated and qualify as fair value hedges, the gain or loss on the derivative instruments as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in the Statements of Operations and Comprehensive Income. The net unrealized loss (gain) on the hedged debt and the related interest-rate swaps for the years ended December 31, 2013 and 2012 are included in financing charges as follows:

Year ended December 31 (millions of Canadian dollars)	2013	2012
Unrealized loss (gain) on hedged debt	(5)	(9)
Unrealized loss (gain) on fair value interest-rate swaps	5	9
Net unrealized loss (gain)	-	-

At December 31, 2013, the notional amount of fair value hedges outstanding related to interest-rate swaps was \$500 million (2012 - 500 million), with assets at fair value of \$8 million (2012 - 514 million). During the years ended December 31, 2013 and 2012, there was no significant impact on the results of operations as a result of any ineffectiveness attributable to fair value hedges.

Credit Risk

Financial assets create a risk that a counterparty will fail to discharge an obligation, causing a financial loss. At December 31, 2013 and 2012, there were no significant concentrations of credit risk with respect to any class of financial assets. Hydro One Networks did not earn a significant amount of revenue from any individual customer. At December 31, 2013 and 2012, there was no significant accounts receivable balance due from any single customer.

At December 31, 2013, the Company's allowance for doubtful accounts was \$34 million (2012 - \$22 million). Adjustments and write-offs are determined on the basis of a review of overdue accounts, taking into consideration historical experience. At December 31, 2013, approximately 3% of the Company's net accounts receivable were aged more than 60 days (2012 - 2%).

Hydro One manages its counterparty credit risk through various techniques including: entering into transactions with highlyrated counterparties; limiting total exposure levels with individual counterparties consistent with Hydro One's Boardapproved Credit Risk Policy; entering into master agreements which enable net settlement and the contractual right of offset; and monitoring the financial condition of counterparties. In addition to payment netting language in master agreements, Hydro One establishes credit limits, margining thresholds and collateral requirements for each counterparty. Counterparty credit limits are based on an internal credit review that considers a variety of factors, including the results of a scoring model, leverage, liquidity, profitability, credit ratings and risk management capabilities. The determination of credit exposure for a particular counterparty is the sum of current exposure plus the potential future exposure with that counterparty. The current exposure is calculated as the sum of the principal value of money market exposures and the market value of all contracts that have a positive mark-to-market position on the measurement date. The Company would only offset the positive market values against negative values with the same counterparty where permitted by the existence of a legal netting agreement such as an International Swap Dealers Association master agreement. The potential future exposure represents a safety margin to

protect against future fluctuations of interest rates, currencies, equities, and commodities. It is calculated based on factors developed by the Bank of International Settlements, following extensive historical analysis of random fluctuations of interest rates and currencies. To the extent that a counterparty's margining thresholds are exceeded, the counterparty is required to post collateral with the Company as specified in each agreement. The Company monitors current and forward credit exposure to counterparties both on an individual and an aggregate basis. The Company's counterparty credit risk policy is consistent with Hydro One. The Company's credit risk for accounts receivable is limited to the carrying amounts on the Balance Sheets.

Liquidity Risk

Liquidity risk refers to the Company's ability to meet its financial obligations as they come due. Hydro One Networks meets its short-term liquidity requirements through the inter-company demand facility with Hydro One and funds from operations. The short-term liquidity available to the Company should be sufficient to fund normal operating requirements.

At December 31, 2013, accounts payable and accrued liabilities in the amount of 930 million (2012 - 8897 million) are expected to be settled in cash at their carrying amounts within the next year.

At December 31, 2013, the principal amount of the Company's long-term debt was 8,589 million (2012 – 8,004 million). Principal outstanding, interest payments and related weighted average interest rates are summarized by the number of years to maturity in the following table:

	Principal Outstanding on Long-term Debt	Interest Payments	Weighted Average Interest Rate
Years to Maturity	(millions of Canadian dollars)	(millions of Canadian dollars)	(%)
1 year	500	403	3.2
2 years	550	387	2.9
3 years	500	361	4.4
4 years	600	350	5.2
5 years	750	318	2.8
	2,900	1,819	3.6
6 – 10 years	880	1,413	3.6
Over 10 years	4,809	4,182	5.5
	8,589	7,414	4.7

13. CAPITAL MANAGEMENT

The Company's objectives with respect to its capital structure are to maintain effective access to capital on a long-term basis at reasonable rates, and to deliver appropriate financial returns. The Company considers its capital structure to consist of shareholder's equity, preferred shares, long-term debt, and the inter-company demand facility. At December 31, 2013 and 2012, the Company's capital structure was as follows:

December 31 (millions of Canadian dollars)	2013	2012
Long-term debt payable within one year	503	600
Inter-company demand facility	(369)	8
	134	608
Long-term debt	8,094	7,418
Preferred shares	372	372
Common shares	2,991	2,991
Retained earnings	3,637	3,079
Contributed Surplus	4	4
	6,632	6,074
Total capital	15,232	14,472

14. PENSION AND POST-RETIREMENT AND POST-EMPLOYMENT BENEFITS

Hydro One has a defined benefit pension plan, a supplementary pension plan, and post-retirement and post-employment benefit plans. The defined benefit pension plan (Pension Plan) is contributory and covers all regular employees of Hydro One and its subsidiaries, except Hydro One Brampton Networks Inc. The supplementary pension plan provides members of the Pension Plan with benefits that would have been earned and payable under the Pension Plan but for the limitations imposed by the *Income Tax Act* (Canada). The supplementary pension plan obligation is included in post-retirement and post-employment benefit liability on the Balance Sheets.

Pension Benefits

The Pension Plan provides benefits based on highest three-year average pensionable earnings. For new management employees who commenced employment on or after January 1, 2004, and for new Society of Energy Professionals-represented staff hired after November 17, 2005, benefits are based on highest five-year average pensionable earnings. After retirement, pensions are indexed to inflation.

Hydro One and employee contributions to the Pension Plan are based on actuarial valuations performed at least every three years. Hydro One's annual Pension Plan contributions for 2013 of \$160 million (2012 - \$163 million) were based on an actuarial valuation effective December 31, 2011 and the level of 2013 pensionable earnings. Hydro One's estimated annual Pension Plan contributions for 2014 are approximately \$160 million, based on the December 31, 2011 valuation and the projected level of pensionable earnings.

At December 31, 2013, based on the December 31, 2011 actuarial valuation, the present value of Hydro One's projected pension benefit obligation was estimated to be 6,576 million (2012 – 6,507 million). The fair value of pension plan assets available for these benefits was 5,731 million (2012 – 4,992 million).

Post-Retirement and Post-Employment Benefits

During the year ended December 31, 2013, the Company charged \$56 million (2012 - \$45 million) of post-retirement and post-employment benefit costs to operations, and capitalized \$71 million (2012 - \$53 million) as part of the cost of property, plant and equipment and intangible assets. Benefits paid in 2013 were \$43 million (2012 - \$44 million). In addition, the associated post-retirement and post-employment benefits regulatory asset was decreased by \$14 million (2012 - increased by \$195 million).

The Company presents its post-retirement and post-employment benefit liabilities on the Balance Sheets as follows:

December 31 (millions of Canadian dollars)	2013	2012
Accrued liabilities	42	42
Post-retirement and post-employment benefit liability	1,460	1,390
	1,502	1,432

15. ENVIRONMENTAL LIABILITIES

The following tables show the movements in environmental liabilities for the years ended December 31, 2013 and 2012:

Year ended December 31, 2013 (millions of Canadian dollars)	РСВ	LAR	Total
Environmental liabilities, January 1	197	40	237
Interest accretion	9	1	10
Expenditures	(2)	(13)	(15)
Revaluation adjustment	(3)	23	20
Environmental liabilities, December 31	201	51	252
Less: current portion	15	9	24
	186	42	228

Year ended December 31, 2012 (millions of Canadian dollars)	РСВ	LAR	Total
Environmental liabilities, January 1	199	43	242
Interest accretion	9	2	11
Expenditures	(8)	(7)	(15)
Revaluation adjustment	(3)	2	(1)
Environmental liabilities, December 31	197	40	237
Less: current portion	13	8	21
	184	32	216

The following table illustrates the reconciliation between the undiscounted basis of the environmental liabilities and the amount recognized on the Balance Sheets after factoring in the discount rate:

December 31, 2013 (millions of Canadian dollars)	РСВ	LAR	Total
Undiscounted environmental liabilities, December 31	237	54	291
Less: discounting accumulated liabilities to present value	(36)	(3)	(39)
Discounted environmental liabilities, December 31	201	51	252
December 31, 2012 (millions of Canadian dollars)	РСВ	LAR	Total
Undiscounted environmental liabilities, December 31	233	41	274
Less: discounting accumulated liabilities to present value	(36)	(1)	(37)
Discounted environmental liabilities, December 31	197	40	237

At December 31, 2013, the estimated future environmental expenditures were as follows:

(millions of Canadian dollars)	
2014	24
2015	26
2016	32
2017	22
2018	20
Thereafter	167
	291

At December 31, 2013, of the total estimated future environmental expenditures, 237 million relate to PCBs (2012 – 233 million) and 54 million relate to LAR (2012 – 41 million).

Hydro One Networks records a liability for the estimated future expenditures for the contaminated LAR and for the phase-out and destruction of PCB-contaminated mineral oil removed from electrical equipment. There are uncertainties in estimating future environmental costs due to potential external events such as changes in legislation or regulations, and advances in remediation technologies. In determining the amounts to be recorded as environmental liabilities, the Company estimates the current cost of completing required work and makes assumptions as to when the future expenditures will actually be incurred, in order to generate future cash flow information. A long-term inflation rate assumption of approximately 2% has been used to express these current cost estimates as estimated future expenditures. Future expenditures have been discounted using factors ranging from approximately 3.3% to 6.3%, depending on the appropriate rate for the period when expenditures are expected to be incurred. All factors used in estimating the Company's environmental liabilities represent management's best estimates of the present value of costs required to meet existing legislation or regulations. However, it is reasonably possible that numbers or volumes of contaminated assets, cost estimates to perform work, inflation assumptions and the assumed pattern of annual cash flows may differ significantly from the Company's current assumptions. In addition, with respect to the PCB environmental liability, the availability of critical resources such as skilled labour and replacement assets and the ability to take maintenance outages in critical facilities may influence the timing of expenditures. Environmental liabilities are reviewed annually or more frequently if significant changes in regulations or other relevant factors occur. Estimate changes are accounted for prospectively. The Company records a regulatory asset reflecting the expectation that future environmental costs will be recoverable in rates.

PCBs

In September 2008, Environment Canada published regulations governing the management, storage and disposal of PCBs, enacted under the *Canadian Environmental Protection Act, 1999*. The regulations impose timelines for disposal of PCBs based on certain criteria, including type of equipment, in-use status, and PCB-contamination thresholds. Under these regulations and Hydro One's approved end-of-use extension, PCBs in concentrations of 500 parts per million (ppm) or more have to be disposed of by the end of 2014, with the exception of specifically exempted equipment, and PCBs in concentrations greater than 50 ppm and less than 500 ppm, or greater than 50 ppm for pole-top transformers, pole-top auxiliary electrical equipment and light ballasts, must be disposed of by the end of 2025. Management judges that the Company currently has very few PCB-contaminated assets in excess of 500 ppm. Contaminated equipment will generally be replaced, or will be decontaminated by removing PCB-contaminated insulating oil and retro filling with replacement oil that contains PCBs in concentrations of less than 2 ppm.

The Company's best estimate of the total estimated future expenditures to comply with current PCB regulations is 237 million. These expenditures are expected to be incurred over the period from 2014 to 2025. As a result of its annual review of environmental liabilities, the Company recorded a revaluation adjustment in 2013 to reduce the PCB environmental liability by 3 million (2012 – 3 million).

LAR

The Company's best estimate of the total estimated future expenditures to complete its LAR program is \$54 million. These expenditures are expected to be incurred over the period from 2014 to 2022. As a result of its annual review of environmental liabilities, the Company recorded a revaluation adjustment in 2013 to increase the LAR environmental liability by \$23 million (2012 - \$2 million).

16. ASSET RETIREMENT OBLIGATIONS

Hydro One records a liability for the estimated future expenditures for the removal and disposal of asbestos-containing materials installed in some of its facilities and for the decommissioning of specific switching stations located on unowned sites. AROs, which represent legal obligations associated with the retirement of certain tangible long-lived assets, are computed as the present value of the projected expenditures for the future retirement of specific assets and are recognized in the period in which the liability is incurred, if a reasonable estimate of fair value can be made. If the asset remains in service at the recognition date, the present value of the liability is added to the carrying amount of the associated asset in the period the liability is incurred and this additional carrying amount is depreciated over the remaining life of the asset. If an ARO is recorded in respect of an out-of-service asset, the asset retirement cost is charged to results of operations. Subsequent to the initial recognition, the liability is adjusted for any revisions to the estimated future cash flows associated with the ARO, which can occur due to a number of factors including, but not limited to, cost escalation, changes in technology applicable to the assets to be retired, changes in legislation or regulations, as well as for accretion of the liability due to the passage of time until the obligation is settled. Depreciation expense is adjusted prospectively for any increases or decreases to the carrying amount of the associated asset.

In determining the amounts to be recorded as AROs, the Company estimates the current fair value for completing required work and makes assumptions as to when the future expenditures will actually be incurred, in order to generate future cash flow information. A long-term inflation assumption of approximately 2% has been used to express these current cost estimates as estimated future expenditures. Future expenditures have been discounted using factors ranging from approximately 3.0% to 5.0%, depending on the appropriate rate for the period when expenditures are expected to be incurred. All factors used in estimating the Company's AROs represent management's best estimates of the costs required to meet existing legislation or regulations. However, it is reasonably possible that numbers or volumes of contaminated assets, cost estimates to perform work, inflation assumptions and the assumed pattern of annual cash flows may differ significantly from the Company's current assumptions. AROs are reviewed annually or more frequently if significant changes in regulation or other relevant factors occur. Estimate changes are accounted for prospectively.

At December 31, 2013, Hydro One Networks had recorded AROs of \$14 million (2012 - \$15 million), consisting of \$7 million (2012 - \$7 million) related to the estimated future expenditures associated with the removal and disposal of

asbestos-containing materials installed in some of its facilities, as well as 7 million (2012 - \$8 million) related to the future decommissioning and removal of two of its switching stations. The amount of interest recorded is nominal and there have been no expenditures associated with these obligations in 2013.

17. SHARE CAPITAL

Preferred Shares

The Company has 14,875,720 issued and outstanding cumulative preferred shares with a redemption value of \$25 per share or \$372 million total value. The company is authorized to issue an unlimited number of preferred shares.

The Company's preferred shares are entitled to an annual cumulative dividend of \$20 million, or \$1.375 per share, which is payable on a quarterly basis. The preferred shares are not subject to mandatory redemption (except on liquidation) but are redeemable in certain circumstances. The shares are redeemable at the option of Hydro One at the redemption value, plus any accrued and unpaid dividends, if the Province sells a number of the common shares of Hydro One which it owns to the public such that the Province's holdings are reduced to less than 50% of the common shares of Hydro One. The Company may elect, under certain conditions, to pay all or part of the redemption price by issuing additional common shares to Hydro One. If Hydro One does not exercise its redemption right, the Company would have the ability to adjust the dividend on the preferred shares to produce a yield that is 0.50% less than the then-current dividend market yield for similarly rated preferred shares. The preferred shares do not carry voting rights, except in limited circumstances, and would rank in priority over the common shares upon liquidation.

These preferred shares have conditions for their redemption that are outside the control of the Company because Hydro One can exercise its right to redeem in the event of change in ownership without approval of the Company's Board of Directors. Because the conditional redemption feature is outside the control of the Company, the preferred shares are classified outside of Shareholder's Equity on the Balance Sheets. Management believes that it is not probable that the preferred shares will become redeemable. No adjustment to the carrying value of the preferred shares has been recognized at December 31, 2013. If it becomes probable in the future that the preferred shares will be redeemed, the redemption value would be adjusted.

Common Shares

The Company has 148,821,741 issued and outstanding common shares. The Company is authorized to issue an unlimited number of common shares. Common share dividends are declared at the sole discretion of the Hydro One Networks Board of Directors, and are recommended by management based on results of operations, maintenance of the deemed regulatory capital structure, financial conditions, cash requirements, and other relevant factors, such as industry practice and shareholder expectations.

Earnings per Share

Earnings per share is calculated as net income for the year, after cumulative preferred dividends, divided by the weighted average number of common shares outstanding during the year.

18. DIVIDENDS

In 2013, preferred share dividends in the amount of 20 million (2012 - 20 million) and common share dividends in the amount of 200 million (2012 - 250 million) were declared.

19. RELATED PARTY TRANSACTIONS

Hydro One Networks is a subsidiary of Hydro One, and Hydro One is owned by the Province. The OEFC, IESO, Ontario Power Authority (OPA), Ontario Power Generation Inc. (OPG) and the OEB are related parties to Hydro One Networks

because they are controlled or significantly influenced by the Province. Transactions between these parties and Hydro One Networks are described below:

The Company receives amounts for transmission services from the IESO, based on uniform transmission rates approved by the OEB. Amounts received for the year ended December 31, 2013 were 1,509 million (2012 – 1,474 million). Consistent with the Company's revenue recognition policy, 1,493 million (2012 – 1,453 million) was recognized in 2013 related to these services.

Hydro One Networks receives amounts for rural rate protection from the IESO. 2013 revenues include \$127 million (2012 – \$127 million) related to this program.

In 2013, Hydro One Networks purchased power in the amount of 2,077 million (2012 - 2,031 million) from the IESO-administered electricity market; 15 million (2012 - 10 million) from OPG; and 8 million (2012 - 7 million) from power contracts administered by the OEFC.

Under the *Ontario Energy Board Act, 1998*, the OEB is required to recover all of its annual operating costs from gas and electricity distributors and transmitters. In 2013, Hydro One Networks incurred \$11 million (2012 – \$11 million) in OEB fees.

The Company has service level agreements with OPG. These services include field and engineering, logistics, corporate, telecommunications and information technology services. In 2013, revenues related to the provision of construction and equipment maintenance services with respect to these service level agreements were \$8 million (2012 - \$8 million), primarily for the Transmission Business. Operation, maintenance and administration costs related to the purchase of services with respect to these service level agreements were less than \$1 million in 2013 (2012 - less than \$2 million).

The OPA funds substantially all of the Company's conservation and demand management programs. The funding includes program costs, incentives, and management fees. In 2013, Hydro One Networks received \$26 million (2012 - \$32 million) from the OPA related to these programs.

The Company pays a \$5 million annual fee to the OEFC for indemnification against adverse claims in excess of \$10 million paid by the OEFC with respect to certain of Ontario Hydro's businesses transferred to Hydro One on April 1, 1999.

PILs and payments in lieu of property taxes were paid or payable to the OEFC.

Sales to and purchases from related parties occur at normal market prices or at a proxy for fair value based on the requirements of the OEB's Affiliate Relationships Code. Outstanding balances at period end are unsecured, interest free and settled in cash.

The amounts due to and from related parties as a result of the transactions referred to above are as follows:

December 31 (millions of Canadian dollars)	2013	2012
Accounts receivable	196	153
Accrued liabilities ¹	(195)	(230)

¹ Included in accrued liabilities at December 31, 2013 are amounts owing to the IESO in respect of power purchases of \$185 million (2012 – \$172 million).

Hydro One and Subsidiaries

The Company provides services to, and receives services from, Hydro One and its other subsidiaries. Amounts due to and from Hydro One and its other subsidiaries are settled through the inter-company demand facility.

The Company has entered into various agreements with Hydro One and its other subsidiaries related to the provision of shared corporate functions and services, such as legal, financial and human resources services, and operational services, such as environmental, forestry, and line services. 2013 revenues include \$6 million (2012 – \$4 million) related to the provision of services to Hydro One and its other subsidiaries. Operation, maintenance and administration costs include \$29 million (2012 – \$27 million) related to the purchase of services from Hydro One and its other subsidiaries.

The Company's long-term debt is due to Hydro One and dividends of \$220 million (2012 - \$270 million) were declared to Hydro One in 2013. In addition, balances payable or receivable under the inter-company demand facility are due to or from Hydro One. Financing charges include interest expense on the long-term debt in the amount of \$397 million (2012 - \$402 million). Interest earned on the inter-company demand facility in 2013 was not significant (2012 - \$270 million). At December 31, 2013, the Company had accrued interest payable to Hydro One totaling \$99 million (2012 - \$93 million).

20. STATEMENTS OF CASH FLOWS

The changes in non-cash balances related to operations consist of the following:

Year ended December 31 (millions of Canadian dollars)	2013	2012
Accounts receivable	(112)	(30)
Materials and supplies	1	-
Other assets	-	(4)
Accounts payable	14	_
Accrued liabilities	33	(70)
Accrued interest	6	10
Long-term accounts payable and other liabilities	(10)	8
Post-retirement and post-employment benefit liability	84	54
	16	(32)

Capital Expenditures

The following table illustrates the reconciliation between investments in property, plant and equipment and the amount presented in the Statements of Cash Flows after factoring in the net change in related accruals:

Year ended December 31 (millions of Canadian dollars)	2013	2012
Capital investments in property, plant and equipment	(1,278)	(1,321)
Net change in accruals included in capital investments in property, plant and equipment	(21)	(10)
Capital expenditures – property, plant and equipment	(1,299)	(1,331)

The following table illustrates the reconciliation between investments in intangible assets and the amount presented in the Statements of Cash Flows after factoring in the net change in related accruals:

Year ended December 31 (millions of Canadian dollars)		2012
Capital investments in intangible assets	(73)	(91)
Net change in accruals included in capital investments in intangible assets	3	1
Capital expenditures – intangible assets	(70)	(90)

Supplementary Information

Year ended December 31 (millions of Canadian dollars)	2013	2012
Net interest paid	385	392
PILs	129	197

21. CONTINGENCIES

Legal Proceedings

Hydro One Networks is involved in various lawsuits, claims and regulatory proceedings in the normal course of business. In the opinion of management, the outcome of such matters will not have a material adverse effect on the Company's financial position, results of operations or cash flows.

Transfer of Assets

The transfer orders by which Hydro One acquired certain of Ontario Hydro's businesses as of April 1, 1999 did not transfer title to some assets located on Reserves (as defined in the *Indian Act* (Canada)). Currently, the OEFC holds these assets. Under the terms of the transfer orders, Hydro One is required to manage these assets until it has obtained all consents necessary to complete the transfer of title of these assets to itself. Hydro One cannot predict the aggregate amount that it may have to pay, either on an annual or one-time basis, to obtain the required consents. In 2013, Hydro One paid approximately 22 million (2012 - \$1 million) in respect of these consents. If Hydro One cannot obtain consents, the OEFC will continue to hold these assets for an indefinite period of time. If Hydro One cannot reach a satisfactory settlement, it may have to relocate these assets to other locations at a cost that could be substantial or, in a limited number of cases, to abandon a line and replace it with diesel-generation facilities. Since the Company is a wholly-owned subsidiary of Hydro One, the costs relating to these assets could have a material adverse effect on the Company's results of operations if they are not able to be recovered in future rate orders.

22. COMMITMENTS

Agreement with Inergi LP (Inergi)

In 2002, Inergi, an affiliate of Capgemini Canada Inc., began providing services to Hydro One, including business processing and information technology outsourcing services, as well as core system support related primarily to SAP implementation and optimization. The current agreement with Inergi will expire in February 2015.

At December 31, 2013, the annual commitments for the Company under the Inergi agreement are as follows: 2014 – \$129 million; 2015 – \$22 million; 2016 and thereafter – \$nil.

Prudential Support

Purchasers of electricity in Ontario, through the IESO, are required to provide security to mitigate the risk of their default based on their expected activity in the market. As at December 31, 2013, Hydro One provided prudential support to the IESO on behalf of Hydro One Networks using parental guarantees of \$250 million (2012 - \$250 million). In addition, as at December 31, 2013, Hydro One has provided letters of credit in the amount of \$20 million (2012 - \$21 million) to the IESO on behalf of Hydro One Networks. The IESO could draw on these guarantees and/or letters of credit if the Company fails to make a payment required by a default notice issued by the IESO. The maximum potential payment is the face value of any letters of credit plus the amount of the parental guarantees.

Retirement Compensation Arrangements

Bank letters of credit have been issued to provide security for Hydro One's liability under the terms of a trust fund established pursuant to the supplementary pension plan for the employees of Hydro One. The supplementary pension plan trustee is required to draw upon these letters of credit if Hydro One is in default of its obligations under the terms of this plan. Such obligations include the requirement to provide the trustee with an annual actuarial report as well as letters of credit sufficient to secure Hydro One's liability under the plan, to pay benefits payable under the plan and to pay the letter of credit fee. The maximum potential payment is the face value of the letters of credit. At December 31, 2013, Hydro One had letters of credit of \$127 million (2012 - \$127 million) outstanding relating to retirement compensation arrangements.

Operating Leases

Hydro One Networks is committed as lessee to irrevocable operating lease contracts for buildings used in administrative and service related functions. These leases have an average life of between one and five years with renewal options for periods ranging from one to five years included in some of the contracts. All leases include a clause to enable upward revision of the rental charge on an annual basis or on renewal according to prevailing market conditions. There are no restrictions placed upon Hydro One Networks by entering into these leases.

At December 31, 2013, the future minimum lease payments under non-cancellable operating leases were as follows:

December 31 (millions of Canadian dollars)	2013	2012
Within one year	10	10
After one year but not more than five years	24	26
More than five years	8	14
	42	50

During the year ended December 31, 2013, the Company made lease payments totaling \$10 million (2012 - \$8 million).

23. SEGMENTED REPORTING

Hydro One Networks has two reportable segments:

- The Transmission Business, which comprises the core business of providing electricity transportation and connection services, is responsible for transmitting electricity throughout the Ontario electricity grid; and
- The Distribution Business, which comprises the core business of delivering and selling electricity to customers.

The designation of segments has been based on a combination of regulatory status and the nature of the products and services provided. Operating segments for the Company are determined based on information used by the chief operating decision maker in deciding how to allocate resources and evaluate the performance at each of the segments. The Company evaluates segment performance based on income before financing charges and provision for PILs from continuing operations (excluding certain allocated corporate governance costs).

The accounting policies followed by the segments are the same as those described in the summary of significant accounting policies (see Note 2 – Significant Accounting Policies). Segment information on the above basis is as follows:

Year ended December 31, 2013 (millions of Canadian dollars)	Transmission	Distribution	Total
Revenues	1,531	3,971	5,502
Purchased power	-	2,620	2,620
Operation, maintenance and administration	388	614	1,002
Depreciation and amortization	327	321	648
Income before financing charges and provision for PILs	816	416	1,232
Financing charges			352
Income before provision for PILs			880
Capital investments	714	637	1,351
Year ended December 31, 2012 (millions of Canadian dollars)	Transmission	Distribution	Total
Revenues	1,483	3,714	5,197
Purchased power	-	2,413	2,413
Operation, maintenance and administration	415	554	969
Depreciation and amortization	320	308	628
Income before financing charges and provision for PILs	748	439	1,187
Financing charges			349
Income before provision for PILs			838
Capital investments	776	636	1,412

December 31 (millions of Canadian dollars)	2013	2012
Total assets		
Transmission	11,805	10,928
Distribution	7,893	7,323
	19,698	18,251

All revenues, costs and assets, as the case may be, are earned, incurred or held in Canada.

24. SUBSEQUENT EVENTS

On January 29, 2014, Hydro One issued \$50 million notes under its MTN Program, with a maturity date of January 29, 2064 and a coupon rate of 4.29%. This issuance was mirrored down to Hydro One Networks through the issuance of intercompany debt.

On March 21, 2014, Hydro One issued \$125 million floating-rate notes under its MTN Program, with a maturity date of March 21, 2019. This issuance was mirrored down to Hydro One Networks through the issuance of inter-company debt.

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1	<u>(</u>	Ontario Energy Board (Board Staff) INTERROGATORY #16
2 3 4 5 6	Issue 2.3	Does the Custom Application adequately incorporate and reflect the four outcomes identified in the RRFE Report: customer focus, operational effectiveness, public policy responsiveness and financial performance?
7 8 9	Interrogatory	
10 11 12		A/Tab13/Hydro One Inc. (Audited Financial Statements) 2013 MD&A and the audited financial statements for Hydro One Inc.
13 14	<u>Response</u>	
15 16	The 2013 MD response.	&A for Hydro One Inc. can be found in Attachment 1 of this interrogatory
17 18	-	ited financial statements for Hydro One Inc. can be found in Attachment 2

19 of this interrogatory response.

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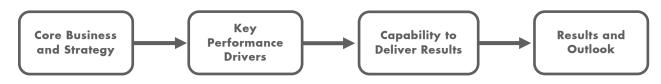
The following Management's Discussion and Analysis (MD&A) of the financial condition and results of operations should be read together with the consolidated financial statements and accompanying notes (the Consolidated Financial Statements) of Hydro One Inc. (the Company) for the year ended December 31, 2013. The Consolidated Financial Statements are presented in Canadian dollars and have been prepared in accordance with United States (US) Generally Accepted Accounting Principles (GAAP). All financial information in this MD&A is presented in Canadian dollars, unless otherwise indicated.

The Company has prepared this MD&A with reference to National Instrument 51-102 – Continuous Disclosure Obligations of the Canadian Securities Administrators. Under the US/Canada Multijurisdictional Disclosure System, the Company is permitted to prepare this MD&A in accordance with the disclosure requirements of Canada, which are different from those of the US. This MD&A provides information for the year ended December 31, 2013.

EXECUTIVE SUMMARY

We are wholly owned by the Province of Ontario (Province), and our transmission and distribution businesses are regulated by the Ontario Energy Board (OEB). Our mission and vision reflects the unique role we play in the economy of the Province and as a provider of critical infrastructure to all our customers. We strive to be an innovative and trusted company, delivering electricity safely, reliably and efficiently to create value for our customers. We operate as a commercial enterprise with an independent Board of Directors. Our strategic plan is driven by our values: health and safety; excellence; stewardship; and innovation. Safety is of utmost importance to us because we work in an environment that can be hazardous. We take our responsibility as stewards of critical provincial assets seriously. We demonstrate sound stewardship by managing our assets in a manner that is commercial, transparent and which values our customers. We strive for excellence by being trained, prepared and equipped to deliver high-quality service. We value innovation because it allows us to increase our productivity and develop enhanced methods to meet the needs of our customers. In 2013, we continued to focus on our core businesses and our commitment to our customers, and made important contributions to the rebuilding of Ontario's core infrastructure while continuing to meet the requirements of the *Green Energy Act* (GEA).

We manage our business using the following framework:



Core Business and Strategy

Our corporate strategy is based on our mission and vision and our values. Our strategic objectives, which are discussed in the section "Our Strategy," encompass the core values that drive our business. Our strategy touches every part of our core business: health and safety; our customers; innovation; the reliability and efficiency of our systems; the environment; our workforce; shareholder value; and productivity.

Key Performance Drivers

Performance drivers have been identified that relate to achieving certain of our company's strategic objectives. We establish specific performance targets for each driver aimed at measuring the achievement of our strategic objectives over time. For example, we track the duration of unplanned customer interruptions per delivery point as an indication of our commitment to provide a reliable transmission system for our customers. We measure transmission and distribution unit costs as an indication of our commitment to increasing productivity. These and other key performance drivers are included in the discussion of our performance measures in the section "Performance Measures and Targets."

Capability to Deliver Results

We continue to use a balanced scorecard approach as we strive to manage our performance and deliver results each and every year. In 2013, we set nine stretch targets and we met or exceeded five of them. In 2012, we also met or exceeded five of nine stretch targets. We met our target for minimizing the duration of unplanned customer interruptions within our Distribution Business. We also met our targets of satisfying our transmission and distribution customers with the service they receive from our company. Our targets, and our 2013 performance relating to these targets, are discussed in the section "Performance Measures and Targets." Our ability to deliver results in each of our strategic areas is limited by risks inherent in our regulatory environment, our business, our workforce, and in the economic environment. These risks, as well as our strategies to mitigate them, are discussed in the section "Risk Management and Risk Factors."

Results and Outlook

During 2013, our financial fundamentals remained strong with net income of \$803 million. In 2013, we issued \$1,185 million of long-term debt, the proceeds of which were used to fund the retirement of \$600 million of long-term debt, and to fund a portion of our capital expenditures and other corporate requirements. A full discussion of our results of operations and financing activities can be found in the sections "Annual Results of Operations" and "Liquidity and Capital Resources."

In 2013, we made capital investments totaling \$1,394 million to improve our transmission and distribution systems' reliability and performance, address our aging power system infrastructure, facilitate new generation, and improve service to our customers. Capital investments for the next few years will include expenditures required to build critical infrastructure identified in the Long-Term Energy Plan (LTEP), which is based on recommendations from the Ontario Power Authority (OPA), and expenditures to address our aging power system infrastructure. Our future capital expenditures are more fully described in the section "Future Capital Investments."

OVERVIEW

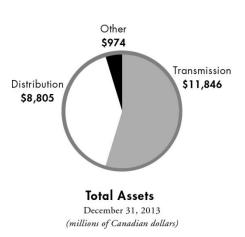
Our Businesses

Our company has three reportable segments:

- Our Transmission Business, which comprises the core business of providing electricity transportation and connection services, is responsible for transmitting electricity throughout the Ontario electricity grid;
- Our Distribution Business, which comprises the core business of delivering and selling electricity to customers; and
- Other, the operations of which primarily consist of those of our telecommunications business.

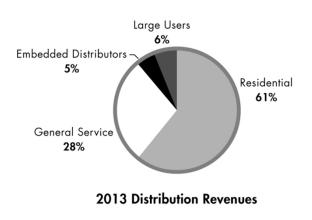
Transmission

Our Transmission Business includes the transmission business of our subsidiary Hydro One Networks, which owns and operates substantially all of Ontario's electricity transmission system. Our transmission system forms an integrated transmission grid that is monitored, controlled and managed centrally from our Ontario Grid Control Centre. Our system operates over relatively long distances and links major sources of generation to transmission stations and larger area load centres. In 2013, we earned total transmission revenues of \$1,529 million, primarily by transmitting approximately 140.7 TWh of electricity, directly or indirectly, to substantially all consumers of electricity in Ontario. Our transmission system is one of the largest in North America, and it is linked to five adjoining jurisdictions through 26 interconnections, through which we can accommodate electricity imports of up to 6,510 MW in the summer and 6,390 MW in the winter, and electricity exports of up to 6,070 MW in the summer and 6,270 MW in the winter. In terms of assets, our Transmission Business is our largest business segment, representing approximately 55% of our total assets at December 31, 2013.





Distribution



Our consolidated Distribution Business includes the distribution business of our subsidiary Hydro One Networks, as well as our subsidiaries Hydro One Brampton Networks Inc. (Hydro One Brampton Networks) and Hydro One Remote Communities Inc. (Hydro One Remote Communities). Our consolidated distribution system is the largest in Ontario and spans roughly 75% of the province. We serve approximately 1.4 million rural and urban customers. Hydro One Remote Communities operates small, regulated generation and distribution systems in a number of remote communities across northern Ontario that are not connected to Ontario's electricity grid. In 2013, we earned total distribution revenues of \$4,484 million, and over half of our distribution revenues were earned from our residential customers. At December 31, 2013, our Distribution Business assets represented approximately 41% of our total assets.

Other

Our Other business segment primarily represents the operations of our subsidiary, Hydro One Telecom Inc. (Hydro One Telecom), which markets fibre-optic capacity to telecommunications carriers and commercial customers with broadband network requirements, including a dedicated optical network providing secure, high-capacity connectivity across numerous health care locations in Ontario. In 2013, our Other business segment contributed revenues of \$61 million, and had assets of \$974 million at December 31, 2013, representing 4% of our total assets.

Our Strategy

Our corporate strategy builds on our strong commitment to the Province and is shaped by our values. It lays out a set of objectives to position our company to achieve our mission and vision, which is to be an innovative and trusted company delivering electricity safely, reliably and efficiently to create value for our customers. Our values represent our core beliefs.

- *Health and safety:* Nothing is more important than the health and safety of our employees, those who work on our property, and the public.
- *Excellence:* We achieve excellence through continuous training, ensuring we are prepared and equipped to deliver high-quality and affordable service, with integrity.
- *Stewardship:* We invest in our assets and people to build a safe, environmentally sustainable electricity network in a commercial manner.
- *Innovation:* We innovate through new processes, people and technology to allow us to find better ways to meet the needs of our customers.

We have eight strategic objectives that are inextricably linked. They drive the fulfillment of our mission and vision and ensure we remain focused on achieving our corporate goal of providing safe, reliable and affordable service to our customers, today and tomorrow, while increasing enterprise value for our shareholder.

- Creating an injury-free workplace and maintaining public safety. Health and safety must be integrated into all that we do as we continue to reinforce that nothing is more important than the health and safety of our employees. We will continue to create a passion for preventing injury, staying safe and keeping each other safe. We will invest in building a culture of accountability to continue our drive to zero injuries in the workplace. In addition, we will continue to strengthen our already strong safety culture through our Journey to Zero initiative and our successful certification to the Occupational Health and Safety Assessment Series (OHSAS) 18001 standard.
- Satisfying our customers. We exist to serve our customers, and serving our customers means reducing costs, improving customer service and meeting their expectations regarding reliable power supply. We will continue to

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focus our efforts to improve our relationship with customers and to improve our customers' satisfaction with us. We will meet our commitments, make customers our focus in all planning discussions, communicate effectively, coordinate across our company, and maximize opportunities to improve our corporate image and every customer interaction. We will develop and deliver targeted customer segment strategies, products and delivery channels that will respond to their unique needs.

- **Continuous innovation.** Innovation represents one of our values and is critical to achieving our mission and vision. We have been using innovation and technology to build the foundation of our company as the utility of the future. Over the next two decades, we will continue to build on that foundation to improve the reliability and efficiency of our transmission and distribution systems and provide our customers with more capability to manage their power costs. The development of the Advanced Distribution System (ADS) is a key element in our investment in innovation, as are the investments we have made, through our Cornerstone project, in next generation business tools to enable us to implement leading industry practices and increase productivity.
- **Building and maintaining reliable, affordable transmission and distribution systems.** Our transmission strategy is to provide a robust and reliable provincial grid that accommodates Ontario's emerging generation profile, manages an aging asset base and meets demand requirements through prudent expansion and effective maintenance. Our distribution strategy is focused on continuing to meet the challenge of providing reliable, affordable service to our customers in a wide range of geographical regions and climate zones; incorporating ADS technology to provide greater visibility; and increased control and improved customer service. We will meet customer expectations regarding reliability, in part through our investment planning process, which starts with the identification of asset and customer needs.
- **Protecting and sustaining the environment for future generations.** Consistent with our value of stewardship, we play a central role in reducing Ontario's carbon footprint through the delivery of clean and renewable energy and through measures that allow our customers to manage and reduce their energy use.
- *Championing people and culture.* We believe our primary strength is the capability of our people. In order to sustain this advantage, we will continue to address the issues of corporate culture, labour demographics, diversity, development of critical core competencies, and skill and knowledge retention. We will continue to develop a culture of accountability and trust as a key component to fostering employee engagement. Our labour strategy is to consolidate and clarify our collective agreements, increase flexibility and reduce costs, and maintain a progressive relationship with our unions.
- *Maintaining a commercial culture that increases value for our shareholder.* For the delivery component of a customer bill, we are committed to maintaining total annual bill impacts for an average residential customer at or below the rate of inflation, and delivering income and dividends to our shareholder. We will pursue growth opportunities through local distribution company (LDC) consolidation to increase the enterprise value of our company by leveraging our existing assets, technologies, capabilities, unparalleled experience in LDC acquisitions and our distribution and transmission footprint.
- Achieving productivity improvements and cost-effectiveness. To achieve our mission and vision, we must constantly strive for productivity through efficiency and effective management of costs. Productivity is key to meeting our other strategic objectives and, in particular, to achieving value for our customers and our shareholder.

Performance Measures and Targets

We target and measure our performance by using a balanced scorecard approach. Key performance drivers are closely monitored throughout the year to ensure that we maintain a focus on our strategic objectives and take mitigating actions as required. In 2013, we met or exceeded five of nine stretch targets. Overall, we are making progress towards achieving many of our strategic goals.

Achieving productivity improvements and cost-effectiveness

One of our strategic objectives is to increase productivity through efficiency improvements and effective management of costs. The measures for this objective for 2013 were transmission unit cost and distribution unit cost. For transmission unit cost, we measured the capital expenditures and operation, maintenance and administration costs per dollar of gross in-service assets (expressed as a percentage). For distribution unit cost, the measure is capital expenditures and operation, maintenance

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and administration costs per kilometre of line (\$'000/km) due to the length of line required to connect our rural customers. Our objective with our ongoing work and investment program is to maintain and improve our assets and monitor our productivity year-over-year. Our transmission unit cost target was set at 9.8%, and we met this target. The distribution unit cost target was set at \$9,800 per kilometre of line. We did not meet this target.

Building and maintaining reliable, cost-effective transmission and distribution systems

We continue to build and retain public confidence and trust in our operations, as stewards of Ontario's electricity grid. In 2013, we continued our focus on this strategic priority by investing in the key assets of the electricity delivery system and by operating the existing system for customers in a safe, reliable and efficient fashion. We are conscious that commercial customers of all sizes require reliable service to allow them to deliver their products and services and that customers' expectations are for a reasonably limited duration when interruptions occur. Transmission and distribution reliability is measured through the duration of customer interruptions.

For the duration of unplanned customer interruptions within our transmission business, the target for 2013 was 9 minutes per delivery point. We did not meet this target.

For the duration of unplanned customer interruptions within our distribution business, the target for 2013 was set at 6.7 hours per customer. While we did not meet this target, our Board of Directors noted that the impact of storms in January and February of 2013 would require our company to change work practices and alter resource levels to simply meet the target and that the cost to do so would be prohibitive and not in the best interests of the ratepayer. Considering the storm impacts and the positive results over the balance of the year, our Board of Directors, in the exercise of its discretion, determined that this target was met.

Satisfying our customers

Customer satisfaction measures the degree to which our transmission and distribution customers are satisfied with the service they receive from our company. Customer satisfaction is based on the results of customer surveys conducted on our behalf by independent third parties. In 2013, for transmission customers we targeted a customer satisfaction rate of 82%. The survey was given to three major groups of transmission customers. Our Board of Directors determined that there was significant improvement in two of the three groups which comprise the survey members and accordingly, in the exercise of its discretion, considered this target met. For our distribution customers, we targeted a satisfaction rate of 86%, and we met this target.

Employee engagement

We continue to focus efforts on increasing employee engagement throughout the Company. An engaged workforce is one in which employees embrace the corporate values of safety, stewardship, excellence and innovation. The employee engagement survey is administered by an independent third party expert. Our goal is to improve the grand mean score year-over-year. The target of improving the grand mean score to 4.06 (out of 5) in 2013 was not met.

Maintaining a commercial culture that increases value for our shareholder

Achievement of strong financial performance is measured by a performance measure of targeted level of net income after tax. Our 2013 target was \$702 million net income after tax, and we exceeded our target.

Creating an injury-free workplace and maintaining public safety

The safety of our employees is paramount. In 2013, we used medical attentions, defined as injuries that require treatment by a medical practitioner (beyond first aid), as the performance measure for this strategic objective. The medical attentions measure reflects incidents that are reported to the Workplace Safety Insurance Board and is calculated as the number of attentions per 200,000 hours worked. In 2013, we set a target of no higher than 1.9 attentions per 200,000 hours worked. We did not meet this target.

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REGULATION

Our electricity transmission and distribution businesses are licensed and regulated by the OEB. Our transmission revenues primarily include our transmission tariff, which is based on the province-wide Uniform Transmission Rates (UTRs) approved by the OEB for all transmitters across Ontario. Our distribution revenues primarily include our distribution tariff, which is also based on OEB-approved rates, and the recovery of the cost of purchased power used by our customers. Transmission and distribution tariff rates are set based on an approved revenue requirement that provides for cost recovery and a return on deemed common equity. In addition, the OEB approves rate riders to allow for the recovery or disposition of specific regulatory accounts over specified timeframes.

The OEB approved the use of US GAAP for rate setting and regulatory accounting and reporting by Hydro One Networks' Transmission and Distribution Businesses, as well as by Hydro One Remote Communities, beginning with the year 2012. Hydro One Brampton Networks currently uses Canadian GAAP for its distribution rate-setting purposes.

Renewed Regulatory Framework

In December 2010, the OEB initiated a coordinated consultation process for the development of a Renewed Regulatory Framework for Electricity. In October 2012, the OEB issued its report *A Renewed Regulatory Framework for Electricity Distributors: A Performance Based Approach*. The report identified three rate-setting models available to provide choices suitable for distributors having varying capital requirements: a fourth generation Incentive Regulation Mechanism (IRM); a custom rate setting; and an Annual Incentive Rate-setting Index method. The report also provided information on performance measurement, continuous improvement and implementation of the new framework.

In late 2013, the OEB issued its *Report of the Board on Rate-Setting Parameters and Benchmarking under the Renewed Regulatory Framework for Ontario's Electricity Distributors*. This report sets out the OEB's policies and approaches to the rate adjustment parameters for incentive rate setting for electricity distributors and the benchmarking of electricity distributor total cost performance. It also includes the OEB's determination on rate adjustment parameter values for 2014 incentive rate setting, which were used to adjust Hydro One Networks' 2014 distribution rates.

Electricity Rates

Under the current market structure, low-volume and designated consumers pay electricity rates established through the Regulated Price Plan (RPP) and wholesale electricity consumers pay a blend of regulated, contract and wholesale spot market prices. The OEB sets prices for RPP customers based on both a two-tiered electricity pricing structure, with seasonal consumption thresholds, and a three-tiered electricity pricing structure with Time of Use (TOU) thresholds. Substantially all of our RPP customers are now on TOU billing. We received an exemption from the OEB, effective until December 31, 2014, from implementing mandatory TOU pricing for approximately 122,000 customers that are currently out of reach of our smart meter telecommunications infrastructure. Unexpected shortfalls or overpayments associated with the RPP are temporarily financed by the OPA. RPP prices are reviewed by the OEB every six months and may change based on an updated OEB forecast and any accumulated differences between the amount that customers paid for electricity and the amount paid to generators in the previous period.

Customers who are not eligible for the RPP and wholesale customers pay the market price for electricity, adjusted for the difference between market prices and prices paid to generators by the Independent Electricity System Operator (IESO) under the *Electricity Act, 1998*. The IESO is responsible for overseeing and operating the wholesale market, as well as ensuring the reliability of the integrated power system. The following is a summary of the RPP for the reporting and comparative periods:

RPP	Tier Threshold (kWh/month)		Tier Rates (cents/kWh)
Effective Date	Residential	Non-Residential	Lower Tier	Upper Tier
November 1, 2011	1,000	750	7.1	8.3
May 1, 2012	600	750	7.5	8.8
November 1, 2012	1,000	750	7.4	8.7
May 1, 2013	600	750	7.8	9.1
November 1, 2013	1,000	750	8.3	9.7



RPP TOU	Rates (cents/kWh)		
Effective Date	On Peak	Mid Peak	Off Peak
November 1, 2011	10.8	9.2	6.2
May 1, 2012	11.7	10.0	6.5
November 1, 2012	11.8	9.9	6.3
May 1, 2013	12.4	10.4	6.7
November 1, 2013	12.9	10.9	7.2

Transmission Rates

In May 2010, we filed a cost-of-service application with the OEB for 2011 and 2012 transmission rates, seeking the approval of revenue requirements of approximately \$1,446 million for 2011 and \$1,547 million for 2012. In December 2010, the OEB approved revenue requirements of \$1,346 million for 2011 and \$1,658 million for 2012. The approved 2012 revenue requirement was higher than that applied for, reflecting OEB direction for our company to adopt a cost capitalization policy based on modified IFRS. This adjustment was subsequently reversed when the OEB approved the use of US GAAP for transmission rate-setting purposes beginning January 1, 2012. Consequently, the OEB approved a revenue requirement of \$1,418 million for 2012, along with new 2012 UTRs, with an effective date of January 1, 2012. The new rates resulted in an approximate 8% transmission rate increase, or 0.6% when considering total bill impact, for a typical residential customer consuming 800 kWh per month. The adoption of US GAAP in lieu of modified IFRS as a basis for rate setting decreased the approved rates by approximately 15%.

In May 2012, we filed a cost-of-service application with the OEB for our 2013 and 2014 transmission rates. The application sought OEB approval for revenue requirement increases of approximately 0.6% in 2013 and 9.1% in 2014, or estimated increases of 0% in 2013 and 0.7% in 2014 on an average customer's total bill. In November 2012, we submitted a draft Rate Order, which included revenue requirements of approximately \$1,438 million and \$1,528 million for 2013 and 2014, respectively. For the transmission portion of the bill, this represents no change from existing 2012 OEB-approved rate levels in 2013 and a 5.8% increase in 2014. For a typical residential customer consuming 800 kWh per month, this represents increases of nil for 2013 and 0.5% for 2014. In December 2012, the OEB approved the 2013 and 2014 transmission revenue requirements of \$1,438 million and \$1,528 million, respectively, and the 2013 Ontario UTRs, which remained unchanged at the 2012 levels.

On December 6, 2013, we submitted a draft Rate Order for our 2014 transmission rates. The 2014 revenue requirement has been increased to \$1,535 million from the originally-approved revenue requirement of \$1,528 million, primarily due to changes in the cost of capital parameters for 2014 released by the OEB in November 2013. On January 9, 2014, the OEB approved the draft Rate Order for 2014 transmission rates as filed. For the transmission portion of a customer's bill, this represents an increase of 6.3% in 2014, or 0.5% when considering total bill impact, for a typical residential customer consuming 800 kWh per month.

Distribution Rates

As a distributor, we are responsible for delivering electricity and billing our customers for our approved distribution rates, purchased power costs and other approved regulatory charges. Substantially all of our purchased power costs and other approved regulatory charges are settled through the IESO, which facilitates payments to other parties, such as generators, the Ontario Electricity Financial Corporation (OEFC), and itself.

• Hydro One Networks

Hydro One Networks elected to retain the same distribution rates for 2012 as approved by the OEB for 2011, with a revenue requirement of \$1,218 million.

In June 2012, Hydro One Networks filed an IRM rate application with the OEB for 2013 distribution rates, to be effective January 1, 2013. In December 2012, the OEB issued a final Rate Order, which resulted in an increase in distribution rates of approximately 1.3% in 2013, or 0.4% when considering total bill impact, for a typical residential customer consuming 800 kWh per month.

On April 26, 2013, Hydro One Networks filed an IRM rate application with the OEB for 2014 distribution rates, to be effective January 1, 2014. On September 26, 2013, the OEB issued a partial decision, approving a rate rider to



recover a 2014 revenue requirement of \$29.3 million for operation, maintenance and administration expenses and inservice capital costs of the ADS Project, which will modernize our distribution system. On December 5, 2013, the OEB issued its final decision, which resulted in an increase of distribution rates of approximately 2.4% in 2014, or 0.85% when considering total bill impact, for a typical residential customer consuming 800 kWh per month.

On December 19, 2013, Hydro One Networks filed a 2015-2019 distribution custom rate application with the OEB, for rates effective January 1 of each test year. This application is a five-year custom rate application which is being submitted under the OEB's Renewed Regulatory Framework for Electricity Distributors. It has been customized to fit Hydro One Networks' specific circumstances, which necessitate significant multi-year investments. The submitted evidence includes the overall business plan, revenue requirements, and rate information necessary to support the issuance of a notice by the OEB. We are seeking OEB approvals for revenue requirements of \$1,411 million for 2015, \$1,515 million for 2016, \$1,571 million for 2017, \$1,615 million for 2018, and \$1,666 million for 2019. If the application is approved as filed, the resulting change to the distribution portion of the average customer bill will be approximately a 1.3% decrease in 2015, 4.2% increase in 2016, 2.6% increase in 2017, 1.9% increase in 2018, and 2.9% increase in 2019, for a typical residential customer consuming 800 kWh per month. When considering total bill impact, the resulting change will be approximately a 1.1% decrease in 2015, 1.5% increase in 2016, 0.9% increase in 2017, 0.7% increase in 2018, and 1.1% increase in 2019.

• Hydro One Brampton Networks

In September 2011, Hydro One Brampton Networks filed an IRM application with the OEB for 2012 distribution rates, with an effective date of January 1, 2012. In January 2012, the OEB released a decision that resulted in a reduction in distribution rates of approximately 13.2% for 2012, or a 1.7% reduction on the average customer's total bill, for a typical residential customer consuming 800 kWh per month. These rate reductions were primarily due to OEB-approved adjustments to depreciation rates.

In August 2012, Hydro One Brampton Networks filed an IRM application with the OEB for 2013 distribution rates, to be effective January 1, 2013. In December 2012, the OEB released a decision that resulted in an increase in distribution rates of approximately 0.3% for 2013, or less than 0.1% on the average customer's total bill, for a typical residential customer consuming 800 kWh per month.

In August 2013, Hydro One Brampton Networks filed an IRM application with the OEB for 2014 distribution rates, to be effective January 1, 2014. On December 5, 2013, the OEB released a decision that resulted in a reduction in distribution rates of approximately 2.5% for 2014, or a 0.5% reduction on the average customer's total bill, for a typical residential customer consuming 800 kWh per month.

• Hydro One Remote Communities

In November 2011, Hydro One Remote Communities filed an IRM application with the OEB for 2012 distribution rates. In March 2012, the OEB approved an increase of approximately 1.08% to basic rates for the distribution and generation of electricity, with an effective date of May 1, 2012, representing an increase of approximately \$1 on the average residential customer's total bill.

In September 2012, Hydro One Remote Communities filed a cost-of-service application with the OEB for 2013 distribution rates, seeking approval for a 2013 revenue requirement of \$53 million. In August 2013, the OEB issued a final decision approving a revenue requirement of \$51 million and rate increase of approximately 3.45%, with an effective date of May 1, 2013.

In October 2013, Hydro One Remote Communities filed an IRM application with the OEB for 2014 distribution, seeking approval for a rate increase of approximately 0.48%, to be effective May 1, 2014.

Recent Industry Developments

Long-Term Energy Plan

In 2010, the Ministry of Energy released Ontario's LTEP, which set out the province's expected electricity needs until 2030 and supported the continued procurement of new, cleaner generation. The 2010 LTEP addressed seven key areas: demand, supply, conservation, transmission, Aboriginal communities, capital investments, and electricity prices.

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On December 2, 2013, the Province released its updated LTEP, *Achieving Balance*, which sets out the Province's plan of action for the energy sector, including strategies for mitigating increases in electricity rates; increased renewable energy procurement; nuclear refurbishment; enhanced regional planning with respect to energy infrastructure; transmission enhancements; encouraging Aboriginal participation in energy development, transmission and conservation projects; and the expansion of natural gas infrastructure. The plans are guided by the goal of balancing five core principles: cost-effectiveness, reliability, clean energy, community engagement, and conservation and demand management (CDM). Pursuant to the updated LTEP, the Province "will encourage Ontario Power Generation Inc. (OPG) and Hydro One to explore new business lines and opportunities inside and outside Ontario. These opportunities will help leverage existing areas of expertise and grow revenues for the benefit of Ontarians." We will continue to work with the Province to develop business plans and efficiency targets that will reduce costs and result in significant ratepayer savings.

In November 2013, the Minister of Energy issued a directive to the OEB, which in turn issued a decision and order on January 9, 2014, to amend the transmission licence of Hydro One Networks to develop and seek approval for the Northwest Bulk Transmission Line Project, an expansion or reinforcement of the transmission system in the area west of Thunder Bay. The scope and timing of the Northwest Bulk Transmission Line Project shall be in accordance with the recommendations of the OPA.

Distribution Sector Consolidation

In April 2012, the Province announced it was launching a comprehensive review of Ontario's electricity sector to explore options to improve efficiencies, including LDC consolidation. As a result, the Province created the Ontario Distribution Sector Review Panel (Panel). In December 2012, the Panel released its report, "Renewing Ontario's Electricity Distribution Sector: Putting the Consumer First" with recommendations for electricity sector consolidation. This report recommended that the 73 LDCs, comprising the focus of the report, be consolidated into eight to 12 larger regional electricity distributors within a two-year timeframe. Specifically, it recommended there be two regional distributors in northern Ontario and between six and ten regional distributors in southern Ontario with a minimum of 400,000 customers each. Given our company's position as the largest LDC, the report recommended that Hydro One Networks be given unambiguous direction to lead and engage in the discussion of the merger of distribution assets with the appropriate interested utilities on a commercial basis. The Minister of Energy subsequently indicated he was supportive of voluntary consolidation and expects all LDCs to pursue innovative partnerships and transformative initiatives that will result in electricity ratepayer savings.

On April 2, 2013, we reached an agreement with Norfolk County to acquire the outstanding shares of Norfolk Power Inc. (Norfolk Power) for \$93 million, subject to final closing adjustments. We will pay Norfolk County approximately \$66 million net after assuming Norfolk Power's existing debt of approximately \$27 million. Norfolk Power is a holding company that owns Norfolk Power Distribution Inc., a local distribution company, and Norfolk Energy Inc., a non-rate regulated energy services company. The selection of our company as successful bidder followed a comprehensive competitive sales process initiated by Norfolk Power. The acquisition is pending a regulatory decision from the OEB, which is anticipated in 2014.

We will continue to pursue growth opportunities through LDC consolidation by leveraging our existing assets, technologies, capabilities, unparalleled experience in LDC acquisitions, and our distribution footprint.

Procurement of New Generation

In 2009, the OPA launched its Feed-in Tariff (FIT) Program which is designed to procure energy from a wide range of renewable energy sources, including wind, solar, photovoltaic, bio-energy, and waterpower up to 50 MW. The FIT program is currently divided into three streams: Micro FIT (projects up to 10 kW), Small FIT (projects between 10 kW and 500 kW) and regular FIT (projects greater than 500 kW), all of which may result in connections to our distribution system. Under the FIT program, the OPA has entered into contracts or conditional contracts with generation proponents pursuant to which the OPA will pay a fixed rate for power produced over a specified period of time. We continue to connect projects for which there are firm contracts.

On May 30, 2013, the Province announced that it would make 900 MW of new capacity available between 2013 and 2018 for the Small FIT and Micro FIT programs. The Province has set annual procurement targets, from 2014 onwards, of 150 MW for Small FIT generation and 50 MW for Micro FIT generation. The Province is working with the OPA to develop a competitive process for renewable energy generation projects above 500 kW. The new process will replace the existing large



project stream of the FIT program. As at December 31, 2013, our company has connected more than 370 FIT and 11,000 Micro FIT projects.

Conservation and Demand Management

In April 2012, the OEB issued its CDM guidelines for all electricity distributors. These guidelines provide guidance on certain provisions in the CDM Code and the type of evidence that should be filed by distributors in support of an application for OEB-approved CDM programs. The guidelines also provide details on the Lost Revenue Adjustment Mechanism (LRAM) related to CDM programs implemented under the CDM Code. LRAM is the mechanism by which LDCs are compensated for lost revenues associated with their respective load reductions resulting from CDM programs. In addition, the guidelines state that savings associated with TOU pricing are eligible to be counted towards the 2011-2014 CDM targets.

In December 2012, the Minister of Energy issued a directive to the OPA to extend funding for the OPA-contracted Ontariowide CDM programs for one additional year, to December 31, 2015. This extension will provide an opportunity for the OPA and LDCs to collaboratively work to strengthen the current framework, and to keep customer programs in place for 2015.

On September 30, 2013, in accordance with the CDM Code, Hydro One Networks and Hydro One Brampton Networks each filed a 2012 Annual CDM Report with the OEB. The reports discussed CDM activities, energy and peak demand savings results achieved in 2012, and plans to reach CDM targets by the end of 2014. Hydro One Networks reported that it expects to reach 100% of its demand target and 80% of its cumulative energy target by 2014. Hydro One Brampton Networks reported that it expects to reach 68% of its demand target and 100% of its cumulative energy target by 2014. The OEB has indicated that there are several LDCs that have a similar issue. The OEB is aware of our situation.

Year ended December 31 (millions of Canadian dollars)	2013	2012	\$ Change	% Change
Revenues	6,074	5,728	346	6
Purchased power	3,020	2,774	246	9
Operation, maintenance and administration	1,106	1,071	35	3
Depreciation and amortization	676	659	17	3
	4,802	4,504	298	7
Income before financing charges and provision for				
payments in lieu of corporate income taxes	1,272	1,224	48	4
Financing charges	360	358	2	1
Income before provision for payments in lieu of corporate income taxes	912	866	46	5
Provision for payments in lieu of corporate income taxes	109	121	(12)	(10)
Net income	803	745	58	8
Revenues				
Year ended December 31 (millions of Canadian dollars)	2013	2012	\$ Change	% Change
Transmission	1,529	1,482	47	3
Distribution	4,484	4,184	300	7
Other	61	62	(1)	(2)
	6,074	5,728	346	6
Average annual Ontario 60-minute peak demand (MW) ¹	21,493	21,132	361	2
Distribution – units distributed to customers (TWh) ¹	29.8	29.2	0.6	2

ANNUAL RESULTS OF OPERATIONS

¹ System-related statistics are preliminary.

Transmission

Transmission revenues primarily consist of our transmission tariff, which is based on the monthly peak electricity demand across our high-voltage network. The tariff is designed to recover revenues necessary to support a transmission system with sufficient capacity to accommodate the maximum expected demand. Demand is primarily influenced by weather and economic conditions. Transmission revenues also include export revenues associated with transmitting excess generation to surrounding markets, ancillary revenues primarily attributable to maintenance services provided to generators, and secondary use of our land rights.

Our 2013 transmission revenues were higher by \$47 million, or 3%, compared to 2012. The average Ontario 60-minute peak demand was higher in 2013, resulting in an increase in transmission revenues of \$26 million, compared to 2012. The higher energy consumption in 2013 mainly resulted from a warmer summer and a colder winter, as compared to 2012. In addition, we experienced higher revenues of \$21 million in 2013, associated with the OEB's approval of export service revenues and ancillary services.

Distribution

Distribution revenues include our distribution tariff and amounts to recover the cost of purchased power used by the customers of our Distribution Business. Accordingly, our distribution revenues are influenced by the amount of electricity we distribute, the cost of purchased power and our distribution tariff rates. Distribution revenues also include minor ancillary distribution service revenues, such as fees related to the joint use of our distribution poles by the telecommunications and cable television industries, as well as miscellaneous charges such as charges for late payments.

Our 2013 distribution revenues were higher by \$300 million, or 7%, compared to 2012. The increase was primarily due to the recovery of higher purchased power costs of \$246 million, as described below under "Purchased Power." In addition, energy consumption was higher by \$29 million in 2013, mainly resulting from a warmer summer and a colder winter, as compared to 2012. Distribution revenues also increased by \$15 million as a result of our placement in service of new smart grid and smart meter investments, which are currently being recovered through separate rate mechanisms.

In December 2012, the OEB approved new tariff rates effective January 1, 2013, based on its third generation IRM process. As part of the IRM decision, the OEB approved our application for an additional rate rider related to an incremental capital module (ICM) adjustment to our rates, reflecting our placement in service of certain specific capital investments. This ICM approval resulted in an increase of \$13 million, compared to 2012. In addition, the OEB's IRM decision resulted in higher distribution revenues of \$10 million, which will support the maintenance and investment requirements of our distribution system and enable the safe and reliable delivery of electricity to our customers throughout Ontario. The 2013 distribution revenue increases were partially offset by lower 2013 ancillary distribution revenues of \$13 million, primarily associated with OEB-approved regulatory accounts.

Purchased Power

Purchased power costs are incurred by our Distribution Business and represent the cost of purchased electricity delivered to customers within our distribution service territory. These costs comprise the wholesale commodity cost of energy, the IESO wholesale market service charges, and transmission charges levied by the IESO. The commodity cost of energy is based on the OEB's RPP, as described above under "Regulation."

Our 2013 purchased power costs increased by \$246 million, or 9%, to \$3,020 million, compared to 2012. The increase in our 2013 purchased power costs was mainly due to a \$104 million increase resulting from higher purchased power costs for customers who are not eligible for the RPP, an \$85 million increase resulting from the impact of changes in the OEB's RPP rates for residential and other eligible customers, a \$44 million increase due to higher electricity demand, a \$9 million increase resulting from the IESO's Smart Metering Entity charge effective May 1, 2013, and a \$4 million reduction in wholesale market service charges levied by the IESO.

Operation, Maintenance and Administration

Our operation, maintenance and administration costs consist of labour, materials, equipment and purchased services which support the operation and maintenance of the transmission and distribution systems. Also included in these costs are property



taxes and payments in lieu thereof related to our transmission and distribution lines, stations and buildings. Our transmission operation, maintenance and administration costs are incurred to sustain our high-voltage transmission stations, lines and rights-of-way. Our distribution operation, maintenance and administration costs are required to maintain our low-voltage distribution system. Our company continues to focus on managing its costs, while continuing to substantially complete our planned work programs for both our Transmission and Distribution Businesses.

Year ended December 31 (millions of Canadian dollars)	2013	2012	\$ Change	% Change
Transmission	375	402	(27)	(7)
Distribution	672	608	64	11
Other	59	61	(2)	(3)
	1,106	1,071	35	3

Transmission

Our 2013 transmission operation, maintenance and administration costs decreased by \$27 million, or 7%, to \$375 million, compared to 2012. Within our work programs, we continued to invest in the safe and reliable operation of our transmission system.

Expenditures in support of our transmission system decreased by \$33 million in 2013, compared to 2012, primarily due to a reduction to our provision for payments in lieu of property taxes related to transmission stations for the years 1999 to 2012, inclusive, following the finalization of the related regulations and receipt of a final assessment of our property tax returns. The decrease in our transmission system support costs was partially offset by an increase of \$6 million in our work program costs, compared to 2012. This increase was primarily due to higher expenditures related to our forestry work program on our transmission rights-of-way resulting from heavy tree densities, power equipment preventive and corrective maintenance, and emergency restoration requirements as a result of severe flooding at our Richview and Manby transmission stations caused by a major rainstorm in July 2013. We also experienced increased cyber security and internal compliance program requirements related to the reliability standards and criteria mandated by the North American Electric Reliability Corporation (NERC). These increases in work program costs were partially offset by lower expenditures related to the OPA's recommendation to increase short circuit and/or transformer capacity at ten of our transmission stations to enable the connection of small renewable projects, as this work was substantially completed by the end of 2012. Expenditures for these station upgrades were recorded within operation, maintenance and administration rather than as capital expenditures, given that recovery was restricted pursuant to a shareholder declaration made in April 2011. No such declarations were issued in 2013. In addition, we experienced lower expenditures within our overhead lines program.

Distribution

Our 2013 distribution operation, maintenance and administration costs increased by \$64 million, or 11%, to \$672 million, compared to 2012. Our work program expenditures increased by \$63 million compared to 2012, mainly as a result of increased power restoration expenditures following major storms in 2013, increased customer-driven work related to trouble calls and cable locates in support of the new One Call Program, higher requirements within the line patrol program, higher expenditures on our customer care programs, higher Information Technology (IT) improvements and enhancements, and continued work on the ADS Project. These impacts were partially offset by lower station corrective and preventive maintenance expenditures, as well as lower line clearing expenditures, compared to 2012. Our expenditures in support of our distribution system increased marginally by \$1 million, compared to 2012.

Depreciation and Amortization

Our 2013 depreciation and amortization costs increased by \$17 million, or 3%, compared to 2012. This increase was attributable to higher 2013 depreciation expense, primarily related to our placement of new assets in service consistent with our ongoing capital work program, as well as higher asset removal costs in 2013.

Financing Charges

Financing charges increased by \$2 million, or 1%, to \$360 million for 2013, compared to 2012. Higher financing costs in 2013 were mainly due to a decrease in interest capitalized, partially offset by a decrease in interest expense on long-term debt due to lower average interest rates.

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Provision for Payments in Lieu of Corporate Income Taxes

The provision for payments in lieu of corporate income taxes (PILs) decreased by \$12 million, or 10%, to \$109 million in 2013, compared to 2012. This decrease primarily resulted from changes in net temporary differences, and a true-up relating to the 2012 research and development tax credits. This reduction was partially offset by the impact of higher levels of pre-tax income in 2013, compared to 2012.

Net Income

Our 2013 net income increased by \$58 million, or 8%, to \$803 million, compared to 2012. We experienced higher distribution revenues in 2013 mainly reflecting increased purchased power costs, primarily related to the OEB's RPP ratesetting process and the IESO's spot market. We also experienced increased transmission revenues in 2013 reflecting a higher peak demand due to intermittent periods of hot weather in the summer of 2013, as well as extreme cold winter weather. Our 2013 net income was also positively impacted by a lower provision for PILs and by a reduction to our provision for payments in lieu of transmission station property taxes, following the finalization of the assessment of certain prior years' property tax returns. This reduction was partially offset by power restoration expenditures following several major storms in 2013.

QUARTERLY RESULTS OF OPERATIONS

The following table sets forth unaudited quarterly information for each of the eight quarters, from the quarter ended March 31, 2012 through December 31, 2013. This information has been derived from our unaudited interim Consolidated Financial Statements and our audited annual Consolidated Financial Statements which include all adjustments, consisting only of normal recurring adjustments, necessary for fair presentation of our financial position and results of operations for those periods. These operating results are not necessarily indicative of results for any future period and should not be relied upon to predict our future performance.

(millions of Canadian dollars)	2013			3 2012				
Quarter ended	Dec. 31	Sept. 30	Jun. 30	Mar. 31	Dec. 31	Sept. 30	Jun. 30	Mar. 31
Total revenue	1,557	1,542	1,403	1,572	1,435	1,466	1,359	1,468
Net income	160	218	168	257	165	201	169	210
Net income to								
common shareholder	155	214	163	253	160	197	164	206

Electricity demand generally follows normal weather-related variations, and consequently, our electricity-related revenues and profit, all other things being equal, would tend to be higher in the first and third quarters than in the second and fourth quarters.

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity and capital resources are funds generated from our operations, debt capital market borrowings and bank financing. These resources will be used to satisfy our capital resource requirements, which continue to include our capital expenditures, servicing and repayment of our debt, and dividends.

Summary of Sources and Uses of Cash

Year ended December 31 (millions of Canadian dollars)	2013	2012
Operating activities	1,404	1,294
Financing activities		
Long-term debt issued	1,185	1,085
Long-term debt retired	(600)	(600)
Dividends paid	(218)	(370)
Investing activities		
Capital expenditures	(1,412)	(1,463)
Other financing and investing activities	11	21
Net change in cash and cash equivalents	370	(33)



Operating Activities

Net cash from operating activities increased by \$110 million to \$1,404 million in 2013, compared to 2012. The increase was primarily due to higher 2013 net income, compared to 2012, as well as changes in accrual balances, mainly related to timing of tax payments and to capital projects. The increase was partially offset by growth in accounts receivable balances, resulting from higher revenues and lower collections in the period.

Financing Activities

Short-term liquidity is provided through funds from operations, our Commercial Paper Program, under which we are authorized to issue up to \$1,000 million in short-term notes with a term to maturity of less than 365 days, our revolving credit facility, and our holding of Province of Ontario Floating-Rate Notes.

Our Commercial Paper Program is supported by our \$1,500 million committed revolving credit facility with a syndicate of banks, which matures in June 2018. In addition, our investment in Province of Ontario Floating-Rate Notes of \$250 million (with a fair value of \$251 million at December 31, 2013) maturing on November 19, 2014 also provides temporary liquidity. The short-term liquidity under this program and anticipated levels of funds from operations should be sufficient to fund our normal operating requirements.

At December 31, 2013, we had \$9,045 million in long-term debt outstanding, including the current portion. Our notes and debentures mature between 2014 and 2062. Long-term financing is provided by our access to the debt markets, primarily through our Medium-Term Note (MTN) Program. The maximum authorized principal amount of medium-term notes issuable under this program is \$3,000 million. At December 31, 2013, \$1,815 million remained available until October 2015.

Cash generated from operations, after payment of expected dividends, will not be sufficient to fund capital expenditures, fund the repayment of our existing indebtedness, and meet other liquidity requirements. We rely on debt financing through our MTN Program and our Commercial Paper Program to repay our existing indebtedness and fund a portion of our capital expenditures.

The credit ratings assigned to our debt securities by external rating agencies are important to our ability to raise capital and funding to support our business operations. Maintaining strong credit ratings allows us to access capital markets on competitive terms. A material downgrade of our credit ratings would likely increase our cost of funding significantly, and our ability to access funding and capital through the capital markets could be reduced. Our corporate credit ratings from approved rating organizations are as follows:

	Rating				
Rating Agency	Short-term Debt	Long-term Debt			
DBRS Limited	R-1 (middle)	A (high)			
Moody's Investors Service Inc.	Prime-1	A1			
Standard & Poor's Rating Services Inc. (S&P) ¹	A-1	A+			

¹ On April 25, 2012, S&P revised their outlook on our company to negative from stable.

We have the customary covenants normally associated with long-term debt. Among other things, our long-term debt covenants limit our permissible debt as a percentage of our total capitalization, limit our ability to sell assets, and impose a negative pledge provision, subject to customary exceptions. The credit agreements related to our credit facilities have no material adverse change clauses that could trigger default. However, the credit agreements require that we provide notice to the lenders of any material adverse change within three business days of the occurrence. The agreements also provide limitations that debt cannot exceed 75% of total capitalization and that third party debt issued by our subsidiaries cannot exceed 10% of the total book value of our assets. We were in compliance with all these covenants and limitations as at December 31, 2013.

In 2013, we issued \$1,185 million of long-term debt under our MTN Program, compared to \$1,085 million of long-term debt issued in 2012. In 2013, we also repaid \$600 million in maturing long-term debt, compared to \$600 million of long-term debt called and redeemed in 2012, prior to its maturity date of November 15, 2012. We had no short-term notes outstanding at December 31, 2013 or 2012.

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Common dividends are declared at the sole discretion of our Board of Directors, and are recommended by management based on results of operations, maintenance of the deemed regulatory capital structure, financial condition, cash requirements, and other relevant factors, such as industry practice and shareholder expectations. Common dividends pertaining to our quarterly financial results are generally declared and paid in the following quarter.

In 2013, we paid dividends to the Province in the amount of \$218 million, consisting of \$200 million in common dividends and \$18 million in preferred dividends. In 2012, we paid dividends to the Province in the amount of \$370 million, consisting of \$352 million in common dividends and \$18 million in preferred dividends. In 2013, cash dividends per common share were \$2,000, compared to \$3,523 per common share in 2012. Cash dividends per preferred share were \$1.375 in each of 2013 and 2012.

Our objectives with respect to our capital structure are to maintain effective access to capital on a long-term basis at reasonable rates and to deliver appropriate financial returns to our shareholder.

Investing Activities

Capital investments consist of cash capital expenditures and related accruals. Capital investments primarily relate to enhancing and reinforcing of our transmission and distribution infrastructure.

Year ended December 31 (millions of Canadian dollars)	2013	2012	\$ Change	% Change
Transmission	714	776	(62)	(8)
Distribution	673	671	2	_
Other	7	7	_	_
Total capital investments	1,394	1,454	(60)	(4)

Transmission

Our 2013 transmission capital investments decreased by \$62 million, or 8%, to \$714 million, compared to 2012. Investments to expand and reinforce our transmission system were \$170 million in 2013, representing a decrease of \$143 million, compared to 2012. The decrease was mainly due to the completion of our Bruce to Milton Transmission Reinforcement Project to connect refurbished nuclear and new wind generation sources in the Huron-Grey-Bruce area. This project was placed in-service in May 2012. In addition, we experienced lower expenditures as a result of completing our Commerce Way Transmission Station, a new load supply station in the City of Woodstock to address load growth issues in the Woodstock area, and the Switchyard Reconstruction Project at our Burlington Transmission Station, where two new 115 kV switchyards were constructed to increase the load supply capacity and to ensure reliability of supply to customers in the area. These projects were placed in-service in February 2013 and December 2012, respectively.

During 2013, we continued to invest in inter-area network projects to support the Province's supply mix objectives for generation, and in load customer connections and local area supply projects to address growing loads. Our local area supply project expenditures include investments in our Midtown Transmission Reinforcement Project, which will provide additional supply capability to meet future load growth in midtown Toronto as well as areas to the west. Work at our Hearn Switching Station was partially completed in December 2013, where we rebuilt an existing switchyard that had reached its end-of-life. This project will also increase short circuit capability to accommodate future connection of renewable generation in central and downtown Toronto. We are also constructing our Lambton to Longwood Transmission Upgrade to increase transmission capability between our Lambton (Sarnia) and Longwood (London) transmission stations. This project is needed to satisfy government policy relating to the incorporation of 10,700 MW of non-hydroelectric renewable generation resources by 2021.

Investments to sustain our existing transmission system were \$481 million in 2013, representing an increase of \$89 million, compared to 2012. In 2013, we made significant investments in the refurbishment and replacement of end-of-life equipment for overhead lines and system re-investments in order to improve reliability, as well as replacement of circuit breakers. In addition, we have experienced higher expenditures associated with the timing of work related to the replacement of end-of-life power transformers. We continued work on replacing end-of-life underground transmission cables between our Strachan Transmission Station and Riverside Junction. These new underground cables will maintain a reliable supply of electricity to downtown Toronto. These increases were partially offset by lower expenditures related to the replacement of protection and control equipment.

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Our other transmission capital investments were \$63 million in 2013, representing a decrease of \$8 million, compared to 2012. The decrease was mainly due to lower requirements associated with IT initiatives, including our entity-wide SAP information system replacement and improvement project, and timing of field facilities improvements. These reductions were partially offset by increased fleet acquisitions and emergency flood restoration work at our Richview transmission station caused by a major rainstorm in July 2013.

Distribution

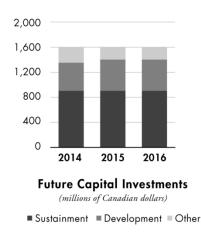
Our 2013 distribution capital investments increased by \$2 million, or less than 1%, to \$673 million, compared to 2012. Investments to expand and reinforce our distribution network were \$235 million in 2013, representing a decrease of \$49 million, compared to 2012. We experienced reduced expenditures related to some of our major projects, including the ADS Project, as we completed the deployment of our Distribution Management System within our Owen Sound pilot area in 2012, and the Smart Metering Project, as most of the network expansion work was completed in 2012. In 2013, we also experienced a lower demand for new customer connections and upgrades. These decreases were partially offset by increased work on upgrading and adding capacity to our system to enable new customer connections and timing of generation connection projects. Given that the OEB has assessed the prudency of the ADS Project, the next phase of this project is anticipated in 2014.

Investments to sustain our distribution system were \$324 million in 2013, representing an increase of \$79 million, compared to 2012. The increase was primarily due to increased expenditures for replacements related to storm restoration work caused by major storms in 2013. We also experienced increased work within our wood pole replacement program and station refurbishment projects. Investments were also impacted by the timing of customer contribution payments received in 2012 relating to work for joint use and relocation of our lines. These increases were partially offset by lower work within our lines programs.

Our other distribution capital investments were \$114 million in 2013, representing a decrease of \$28 million, compared to 2012. The majority of these expenditures were related to the Customer Information System (CIS) phase of our entity-wide information system replacement and improvement project, which was placed into service in May 2013. In addition to replacing end-of-life systems, this implementation will result in process improvements that are expected to provide many benefits including enhancements to customer satisfaction through reduced call times and first call resolution of issues given faster availability of information. Productivity savings are also anticipated to result from performance improvements, consolidation and/or decommissioning of legacy IT systems. In addition, we experienced decreased expenditures associated with IT initiatives, including our entity-wide SAP information system replacement and improvement project, and the timing of field facilities improvements, partially offset by an increase in fleet acquisitions and emergency flood restoration work at our Richview Transmission Station.

Future Capital Investments

Our capital investments for 2014 are budgeted at approximately \$1,600 million. Our 2014 capital budgets for our Transmission and Distribution Businesses are approximately \$950 million and \$650 million, respectively. Consolidated capital investments are expected to be approximately \$1,600 million in each of 2015 and 2016. These investment levels reflect the sustainment requirements of our aging infrastructure. Our sustainment program capital investments are expected to be approximately \$900 million in each of 2014, 2015, and 2016. Our development capital investments are expected to be approximately \$450 million in 2014, \$500 million in 2015, and \$500 million in 2016. Our development projects include the inter-area network upgrades that reflect supply mix policies, local area supply improvements, the ADS, new load and generation connections and requirements to enable Distributed Generation (DG), and customer demand work. Other capital investments are expected to be \$250 million in 2014, \$200 million in 2015, and \$200 million in 2016. This includes investments in operating infrastructure integration, IT, fleet services and facilities, and real estate. Our future capital investments amounts do not include future LDC acquisitions.



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Transmission

Transmission capital investments are incurred to manage the replacement and refurbishment of our aging transmission infrastructure in order to ensure a continued reliable supply of energy to customers throughout the province. Our sustainment program future capital investments include the replacement of air blast circuit breakers and switchgear, high-voltage underground cables, and power transformers. These investments are necessary to ensure that we maintain our current levels of supply to our customers and continue to meet all regulatory, compliance, safety and environmental objectives.

Our development future capital investments include the Clarington Transmission Station Project to install additional autotransformer capacity in east Greater Toronto Area; the Guelph Area Transmission Refurbishment Project, an upgrade of a transmission line and transmission stations in south-central Guelph; investments in ADS; requirements to enable DG; and up to four other transmission station upgrades, which when combined with the new Hearn Switching Station, will collectively enable up to 600 MW of new generation capacity in the Niagara, Toronto and Ottawa areas.

In 2011, the OPA provided the scope and timing to increase short circuit and/or transformer capacity at ten of 15 transmission stations. Seven of these station upgrades have now been completed, and alternate solutions have been determined for the remaining three projects. The Lambton to Longwood Transmission Upgrade has a required in-service date of December 2014, and is included in our budgeted future capital investments. This project is needed to satisfy government policy relating to the incorporation of 10,700 MW of non-hydroelectric renewable generation resources by 2021. In August 2013, the OPA requested us to terminate work related to the Southwestern Ontario Reactive Compensation Priority Project, and an OPA recommendation regarding the third priority specified transmission project, which was not included in the most recent LTEP, is not expected in the foreseeable future. Therefore, these two projects are not included in our budgeted future capital investments.

Based on the OEB's framework for competitive designation for the development of eligible transmission projects, we did not include in our budgeted future capital investments any projects that could meet the definition of expansions. We do not plan to undertake large capital investments without a reasonable expectation of recovering them through our rates.

The actual timing and investments of many development projects are uncertain as they are dependent upon various regulatory approvals, negotiations with customers, neighbouring utilities and other stakeholders, and consultations with First Nations and Métis communities. Projects are also dependent upon the timing and level of generator contributions for enabling facilities.

Distribution

Distribution capital investments include the sustainment of our infrastructure. Our core work will continue to focus on maintaining the performance of our aging distribution asset base through renewal and refurbishment activities. Planned capital investments include the continued replacements of equipment and components that are beyond their expected service life, as well as increased wood pole replacements and distribution station refurbishments. Sustainment capital investments in the Smart Metering project will decrease through 2016.

Distribution development capital investments are expected to be relatively stable through 2016, with the exception of capital contributions for capacity improvements at the Orleans Transmission Station in 2015 and the Hanmer Transmission Station in 2016. We will continue to make investments required to connect new load and DG customers, as well as investments to ensure the system is capable of supplying customer needs. During 2014 to 2016, a number of our projects will address local load growth issues. Generation connection investments will decrease as the volume of connections is expected to decrease. The budgeted capital expenditures only reflect projects with FIT and Micro FIT Program contracts from the OPA that are expected to connect to our distribution system.

In 2014 and 2015, the ADS Project will continue to pilot various technologies and related capital investments will begin to decrease in 2016. Pilot technologies include improvements to outage response management through more effective resource dispatch, automation to isolate faults where needed, and the dynamic regulation of voltage to reduce losses.

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Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements that have, or are reasonably likely to have, a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Summary of Contractual Obligations and Other Commercial Commitments

The following table presents a summary of our debt and other major contractual obligations, as well as other major commercial commitments:

December 31, 2013 (millions of Canadian dollars)	Total	2014	2015/2016	2017/2018	After 2018
Contractual obligations (due by year)					
Long-term debt – principal repayments ¹	9,045	750	1,050	1,350	5,895
Long-term debt – interest payments ¹	7,634	422	770	691	5,751
Pension ²	172	160	12	_	_
Environmental and asset retirement obligations ³	329	32	63	46	188
Inergi LP (Inergi) outsourcing agreement ⁴	152	130	22	_	_
Operating lease commitments	48	11	14	14	9
Total contractual obligations	17,380	1,505	1,931	2,101	11,843
Other commercial commitments (by year of expiry)					
Bank line ⁵	1,500	_	_	1,500	_
Letters of credit ⁶	149	149	_	_	_
Guarantees ⁶	326	326	_	_	_
Total other commercial commitments	1,975	475	_	1,500	_

¹ The "long-term debt – principal repayments" amounts are not charged to our results of operations, but are reflected on our Consolidated Balance Sheets and Consolidated Statements of Cash Flows. Interest associated with the long-term debt is recorded in financing charges on our Consolidated Statements of Operations and Comprehensive Income or as a cost of our capital programs.

² Contributions to the Hydro One Pension Fund are generally made one month in arrears. The 2014 minimum pension contributions are based on an actuarial valuation effective December 31, 2011. Minimum pension contributions beyond 2014 will be based on an actuarial valuation effective no later than December 31, 2014, and will depend on future investment returns, changes in benefits, or actuarial assumptions. Pension contributions beyond 2014 are not estimable at this time. On January 30, 2014, we made contributions of \$140 million.

³ We record a liability for the estimated future expenditures associated with the removal and destruction of polychlorinated biphenyl (PCB)-contaminated insulating oils and related electrical equipment, and for the assessment and remediation of chemically-contaminated lands. We also record a liability for asset retirement obligations associated with the removal and disposal of asbestos-containing materials installed in some of our facilities, as well as the future decommissioning and removal of two of our switching stations. The forecast expenditure pattern reflects our planned work programs for the periods.

⁴ In 2002, Inergi began providing services to our company, including business processing and IT outsourcing services. The current agreement with Inergi will expire in February 2015. We have begun developing a plan of action for end-of-term and issued a request for proposal on November 7, 2013. Based on the September 2013 Shareholder Resolution, the Province requires us to contract only with parties who are employed and physically located in Ontario when providing services to our company. The amounts disclosed include an estimated contractual annual inflation adjustment in the range of 1.5% to 3.0%. Payments in respect of our agreement with Inergi are recorded in operation, maintenance and administration costs on our Consolidated Statements of Operations and Comprehensive Income or as a cost of our capital programs.

⁵ On May 31, 2013, we increased the size of the revolving standby credit facility used to support our liquidity requirements from \$1,250 million to \$1,500 million, and extended the maturity date from June 2017 to June 2018.

⁶ We currently have outstanding bank letters of credit of \$127 million relating to retirement compensation arrangements. We provide prudential support to the IESO in the form of letters of credit, the amount of which is calculated based on forecasted monthly power consumption. At December 31, 2013, we have provided letters of credit to the IESO in the amount of \$21 million to meet our current prudential requirement. In addition, we have approximately \$1 million pertaining to operating letters of credit. We have also provided prudential support to the IESO on behalf of our subsidiaries as required by the IESO's Market Rules, using parental guarantees of up to a maximum of \$325 million, and on behalf of two distributors using guarantees of up to approximately \$1 million.

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RELATED PARTY TRANSACTIONS

We are owned by the Province. The OEFC, IESO, OPA, OPG and the OEB are related parties to our company because they are controlled or significantly influenced by the Province.

Related party transactions primarily consist of our transmission revenues received from, and our power purchases payments made to the IESO. The year-over-year changes related to these amounts are described more fully in the discussion of our transmission revenues and purchased power costs. Other significant related party transactions include our dividends, which are paid to the Province, and our PILs and some of our payments in lieu of property taxes, which are paid to the OEFC. In addition, in January 2010, we purchased \$250 million of Province of Ontario Floating-Rate Notes, maturing on November 19, 2014, as a form of alternate liquidity to supplement our bank credit facilities.

Our company receives revenues for transmission services from the IESO, based on OEB-approved UTRs. Transmission revenues include 1,509 million (2012 – 1,474 million) related to these services. Our company receives amounts for rural rate protection from the IESO. Distribution revenues include 127 million (2012 – 127 million) related to this program. Our company also receives revenues related to the supply of electricity to remote northern communities from the IESO. Distribution (2012 – 28 million) related to these services.

In 2013, our company purchased power in the amount of 2,477 million (2012 - 2,392 million) from the IESO-administered electricity market; 15 million (2012 - 10 million) from OPG; and 8 million (2012 - 7 million) from power contracts administered by the OEFC.

Under the Ontario Energy Board Act, 1998, the OEB is required to recover all of its annual operating costs from gas and electricity distributors and transmitters. In 2013, our company incurred \$12 million (2012 – \$11 million) in OEB fees.

Our company has service level agreements with OPG. These services include field, engineering, logistics and telecommunications services. In 2013, revenues related to the provision of construction and equipment maintenance services with respect to these service level agreements were \$9 million (2012 - \$10 million), primarily for the Transmission Business. Operation, maintenance and administration costs related to the purchase of services with respect to these service level agreements were \$1 million in 2013 (2012 - \$2 million).

The OPA funds substantially all of the Company's CDM programs. The funding includes program costs, incentives, and management fees. In 2013, our company received \$34 million (2012 – \$39 million) from the OPA related to these programs.

Our company pays a \$5 million annual fee to the OEFC for indemnification against adverse claims in excess of \$10 million paid by the OEFC with respect to certain of Ontario Hydro's businesses transferred to our company on April 1, 1999.

Sales to and purchases from related parties occur at normal market prices or at a proxy for fair value based on the requirements of the OEB's Affiliate Relationships Code. Outstanding balances at period end are unsecured, interest free and settled in cash.

The amounts due to and from related parties as a result of the transactions referred to above are as follows:

December 31 (millions of Canadian dollars)	2013	2012
Due from related parties	197	154
Due to related parties ¹	(230)	(261)
Long-term investment	251	251

¹ Included in "due to related parties" at December 31, 2013 are amounts owing to the IESO in respect of power purchases of \$217 million (2012 – \$199 million).



CONSIDERATIONS OF CURRENT ECONOMIC CONDITIONS

Effect of Load on Revenue

Our load, based on normal weather patterns, is expected to decline in 2014 due to the impact of CDM and embedded generation, partially offset by load growth associated with economic growth in all sectors of the Ontario economy. Overall load growth due to the economy alone is forecasted to be approximately 1.6%, with the commercial and industrial sectors slightly outperforming the residential sector. The load impacts of CDM and embedded generation are expected to have a negative impact on load growth of approximately 0.4% and 3.5%, respectively. On the whole, our load is expected to decline by about 2.3% in 2014. Our approved revenue requirement for 2014 has taken the expected load decline into account. A reduction in load, beyond our load forecast included in our approved revenue requirement, would negatively impact our financial results.

Effect of Interest Rates

Changes in interest rates will impact the calculation of the revenue requirements upon which our rates are based. The first component impacted by interest rates is our return on equity (ROE). The OEB-approved adjustment formula for calculating ROE will increase or decrease by 50% of the change between the current Long Canada Bond Forecast and the risk-free rate established at 4.25% and 50% of the change in the spread in 30-year "A"-rated Canadian utility bonds over the 30-year benchmark Government of Canada bond yield established at 1.415%. All other things being equal, we estimate that a 1% decrease in the forecasted long-term Government of Canada bond yield used in determining our ROE would reduce Hydro One Networks' transmission and distribution businesses' 2014 results of operations by approximately \$20 million and \$10 million, respectively. As interest rates decline, there is more risk of a decline in our net income. The second component of revenue requirement that would be impacted by interest rates is the return on debt. The difference between actual interest rates on new debt issuances and those approved for return by the OEB would impact our results of operations.

Input Costs and Commodity Pricing

In support of our ongoing work programs, we are required to procure materials, supplies and services. To manage our total costs, we regularly establish security of supply, strategic material and services contracts, general outline agreements, and vendor alliances and we also manage a stock of commonly used items. Such arrangements are for a defined period of time and are monitored. Where advantageous, we develop long-term contractual relationships with suppliers to optimize the cost of goods and services and to ensure the availability and timely supply of critical items. As a result of our strategic sourcing practices, we do not foresee any adverse impacts on our business from current economic conditions in respect of adequacy and timing of supply and credit risk of our counterparties. Further, we have been able to realize significant savings through our strategic sourcing initiatives.

Pension Plan

In 2013, we contributed approximately \$160 million to our pension plan and incurred \$287 million in net periodic pension benefit costs, based on an actuarial valuation effective December 31, 2011. Actuarial valuations are minimally required to be filed every three years. We currently estimate our total annual pension contributions to be approximately \$160 million for 2014, based on the projected level of pensionable earnings and the same actuarial valuation effective December 31, 2011. Future minimum contributions beyond 2014 will be based on an actuarial valuation effective no later than December 31, 2014. Our pension plan experienced positive returns of approximately 17.91% in 2013. Our pension obligation is impacted by interest rates. The 0.5% increase in the discount rate, from 4.25% at December 31, 2012 to 4.75% at December 31, 2013, resulted in a decrease in the pension obligation of \$443 million and an increase to our post-retirement and post-employment benefit obligation of \$126 million. Our pension obligation is also impacted by mortality assumptions. The changes in mortality assumptions at December 31, 2013, compared to December 31, 2012, resulted in an increase in the pension obligation of \$136 million. Contribution increases are being implemented for all segments of our company's active employees.

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RISK MANAGEMENT AND RISK FACTORS

We have an Enterprise Risk Management (ERM) Program that aims at balancing business risks and returns. An enterprisewide approach enables regulatory, strategic, operational and financial risks to be managed and aligned with our strategic goals. Our ERM program helps us to better understand uncertainty and its potential impact on our strategic goals. It sets out the uniform principles, processes and criteria for identifying, assessing, evaluating, treating, monitoring and communicating risks across all lines of business. It supports our Board of Directors' corporate governance needs and the due diligence responsibilities of senior management.

While our philosophy is that risk management is the responsibility of all employees, the Board of Directors annually reviews our company's risk tolerances, risk management policies, processes and accountabilities. Twice per year, the Board of Directors reviews our risk profile, which is the list of key risks prepared by senior management, and represents the greatest threats to meeting our strategic objectives. The Board of Directors' committees review risks relevant to their mandate at every meeting. The Audit and Finance Committee of our Board of Directors annually reviews the status of our internal control framework.

Our President and Chief Executive Officer (CEO) has ultimate accountability for risk management. Our Leadership Team provides senior management oversight of our risk portfolio and our risk management processes. The leadership team provides direction on the evolution of these processes and identifies priority areas of focus for risk assessment and mitigation planning.

Our Chief Administration Officer and Chief Financial Officer (CAO and CFO) is responsible for ensuring that the risk management program is an integral part of our business strategy, planning and objective setting. The CAO and CFO has specific accountability for ensuring that ERM processes are established, properly documented and maintained by our company.

Our senior managers, line and functional managers are responsible for managing risks within the scope of their authority and accountability. Risk acceptance or mitigation decisions are made within the risk tolerances specified by the head of the subsidiary or function.

The CAO and CFO provides support to the Audit and Finance Committee of our Board of Directors, the President and CEO, the senior management team and key managers within our company. This support includes developing risk management frameworks, policies and processes, introducing and promoting new techniques, establishing risk tolerances, preparing annual corporate risk profiles, maintaining a registry of key business risks and facilitating risk assessments across our company. Our internal audit staff is responsible for performing independent reviews of the effectiveness of risk management policies, processes and systems. Starting in 2013, our Board of Directors has taken on an enhanced role in our governance structure. Each committee of the Board of Directors will take accountability for reviewing specific risks of our company.

Key elements of our ERM Program enable us to identify, assess and monitor our risks effectively. These include having an ERM policy and framework which communicates our philosophy and process for risk management across our company. A discussion of risks is an integral part of each line of business' planning documents on an annual basis. Risk identification is also considered as part of each business case for investments. Finally, discrete risk assessments and workshops are performed for specific lines of business, key projects and various profiles, such as customer relationships and regulatory compliance. In order to drive consistency throughout our risk identification and risk management processes, we use a standard list of risk sources known as our risk universe. These sources are maintained in a single database that provides a consistent basis for risk identification and serves as a repository for our risk assessments. All risk assessments in our company start with this risk universe. We also use standard risk criteria, which establish the metrics and terminology used for assessing and communicating on risks, and help ensure a consistent basis for our risk assessments and risk evaluations across all lines of business. Risk criteria include formally established risk tolerances and standard scales for assessing the probability of a risk materializing and the strength of controls in place to mitigate them.

Ownership by the Province

The Province owns all of our outstanding shares. Accordingly, the Province has the power to determine the composition of our Board of Directors, appoint the Chair, and influence our major business and corporate decisions. We and the Province have entered into a memorandum of agreement relating to certain aspects of the governance of our company. Pursuant to



such agreement, in September 2008 the Province made a declaration removing certain powers from our company's directors pertaining to the off-shoring of jobs under the Inergi Agreement. In 2011, the Province made a declaration preventing our company from seeking cost recovery through the regulatory process for the cost of upgrades required for either Micro FIT or Small FIT generators for costs related to investment and expenditures made. Effective September 30, 2013, the Province made a declaration regarding the outsourcing of services covered by the Inergi Agreement.

In 2009, the Province required our company, among other entities, to adhere to certain accountability measures regarding consulting contracts and employee travel, meal and hospitality expenses. The Province may require us to adhere to further accountability measures or may make similar declarations in the future, some of which may have a material adverse effect on our business. Our credit ratings may change with the credit ratings of the Province, to the extent the credit rating agencies link the two ratings by virtue of our company's ownership by the Province.

Conflicts of interest may arise between us and the Province as a result of the obligation of the Province to act in the best interests of the residents of Ontario in a broad range of matters, including the regulation of Ontario's electricity industry and environmental matters, any future sale or other transaction by the Province with respect to its ownership interest in our company, including any potential outcomes arising out of the recommendations of the Ontario Distribution Sector Review Panel's report, the Province's ownership of OPG, and the determination of the amount of dividend or proxy tax payments. We may not be able to resolve any potential conflict with the Province on terms satisfactory to us, which could have a material adverse effect on our business.

Regulatory Risk

We are subject to regulatory risks, including the approval by the OEB of rates for our transmission and distribution businesses that permit a reasonable opportunity to recover the estimated costs of providing safe and reliable service on a timely basis and earn the approved rates of return. The OEB approves our transmission and distribution rates based on projected electricity load and consumption levels. If actual load or consumption materially falls below projected levels, our net income for either, or both, of these businesses could be materially adversely affected. Also, our current revenue requirements for these businesses are based on cost assumptions that may not materialize. There is no assurance that the OEB would allow rate increases sufficient to offset unfavourable financial impacts from unanticipated changes in electricity demand or in our costs.

The OEB's new Renewed Regulatory Framework requires that the term of a custom rate application (distribution business) is a five-year period. There are risks associated with forecasting over a longer period. Changes in the industry may alter the investment needs or require changes to rate setting that could result in a significant impact on our capability to execute its plan. To mitigate the risk of externally driven factors that may impact its plan, Hydro One Networks proposed a number of adjustment mechanisms in the design of its recent custom application to reflect plan changes outside the normal course of business in order for the Company to avoid a regulatory review by the OEB during the five-year custom application period. Hydro One Networks also proposed a set of outcome measures to track its performance and delivery of the plan. There can be no assurance that the OEB will accept these mechanisms or that they will be sufficient to protect our company from unforeseen changes to its plan.

Our load could also be negatively affected by successful CDM programs. We are also subject to risk of revenue loss from other factors, such as economic trends and weather.

We expect to make investments in the coming years to connect new renewable generating stations. There is the possibility that we could incur unexpected capital expenditures to maintain or improve our assets particularly given that new technology is required to support renewable generation and unforeseen technical issues may be identified through implementation of projects. The risk exists that the OEB may not allow full recovery of such investments in the future. To the extent possible, we aim to mitigate this risk by ensuring prudent expenditures, seeking from the regulator clear policy direction on cost responsibility, and pre-approval of the need for capital expenditures. While we expect all of our expenditures to be fully recoverable after OEB review, any future regulatory decision to disallow or limit the recovery of such costs would lead to potential asset impairment and charges to our results of operations, which could have a material adverse effect on our company.

In Ontario, the Market Rules mandate that we comply with the reliability standards established by NERC and Northeast Power Coordinating Council. As a result, we will be required to comply with the Federal Energy Regulatory Commission's

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definition of the Bulk Electric System unless we are granted an exception which will allow the application of the new definition in a cost-effective manner. We plan to submit exception applications and will look for recovery for costs incurred in meeting the definition in our rates; however, an adverse decision on an exception or recovery of costs could have an adverse effect on our company.

Risk of Natural and Other Unexpected Occurrences

Our facilities are exposed to the effects of severe weather conditions, natural disasters, man-made events including cyber and physical terrorist type attacks and, potentially, catastrophic events, such as a major accident or incident at a facility of a third party (such as a generating plant) to which our transmission or distribution assets are connected. Although constructed, operated and maintained to industry standards, our facilities may not withstand occurrences of this type in all circumstances. We do not have insurance for damage to our transmission and distribution wires, poles and towers located outside our transmission and distribution stations resulting from these events. Losses from lost revenues and repair costs could be substantial, especially for many of our facilities that are located in remote areas. We could also be subject to claims for damages caused by our failure to transmit or distribute electricity. Our risk is partly mitigated because our transmission system is designed and operated to withstand the loss of any major element and possesses inherent redundancy that provides alternate means to deliver large amounts of power. In the event of a large uninsured loss, we would apply to the OEB for recovery of such loss; however, there can be no assurance that the OEB would approve any such applications, in whole or in part, which could have a material adverse effect on our net income.

Risk Associated with Information Technology Infrastructure

Our ability to operate effectively in the Ontario electricity market is in part dependent upon us developing, maintaining and managing complex IT systems which are employed to operate our transmission and distribution facilities, financial and billing systems, and business systems. Our increasing reliance on information systems and expanding data networks increases our exposure to information security threats. We mitigate this risk through various methods including the use of security event management tools on our power and business systems, by separating our power system network from our business system network, by performing scans of our systems for known cyber threats and by providing company-wide awareness training to our personnel. We also engage the services of external experts to evaluate the security of our IT infrastructure and controls. We perform vulnerability assessments on our critical cyber assets and we ensure security and privacy controls are incorporated into new IT capabilities. Although these security and system disaster recovery controls are in place, there can be no guarantee that there will not be system failures or security breaches. Upon occurrence, the focus would shift from prevention to isolation, remediation and recovery until the incident has been fully addressed. Any such system failures or security breaches could have a material adverse effect on our company.

Risk Associated with Arranging Debt Financing

We expect to borrow to repay our existing indebtedness and fund a portion of capital expenditures. We have substantial amounts of existing debt, including \$750 million maturing in 2014 and \$550 million maturing in 2015. We plan to incur capital expenditures of approximately \$1,600 million in each of 2014 and 2015. Cash generated from operations, after the payment of expected dividends, will not be sufficient to fund the repayment of our existing indebtedness and capital expenditures. Our ability to arrange sufficient and cost-effective debt financing could be materially adversely affected by numerous factors, including the regulatory environment in Ontario, our results of operations and financial position, market conditions, the ratings assigned to our debt securities by credit rating agencies and general economic conditions. Any failure or inability on our part to borrow substantial amounts of debt on satisfactory terms could impair our ability to repay maturing debt, fund capital expenditures and meet other obligations and requirements and, as a result, could have a material adverse effect on our company.

First Nation and Métis Claims Risk

Some of our current and proposed transmission and distribution lines may traverse lands over which First Nations and Métis have aboriginal, treaty or other legal claims. Although we have a recent history of successful negotiations and consultations with First Nations and Métis communities in Ontario, some communities and/or their citizens have expressed an increasing willingness to assert their claims through the courts, tribunals, or by direct action, which in turn can affect business activities. As a result, there exists uncertainty relating to business operations and project planning which could have an adverse effect on our company.



Risk Associated with Outsourcing Arrangement

Consistent with our strategy of reducing operating costs, we amended and extended our agreement with Inergi, effectively renewing the arrangement until February 28, 2015. If our agreement with Inergi is terminated for any reason or expires before a new supplier is selected, we could be required to incur significant expenses to transfer to another service provider, which could have a material adverse effect on our business, operating results, financial condition or prospects.

Risk Associated with Transmission Projects

The amount of power that can flow through transmission networks is constrained due to the physical characteristics of transmission lines and operating limitations. Within Ontario, new and expected generation facility connections, including those renewable energy generation facilities connecting as a result of the FIT program stemming from the GEA, and load growth have increased such that parts of our transmission and distribution systems are operating at or near capacity. These constraints or bottlenecks limit the ability of our network to reliably transmit power from new and existing generation sources (including expanded interconnections with neighbouring utilities) to load centres or to meet customers' increasing loads. As a result, investments have been initiated to increase transmission capacity and enable the reliable delivery of power from existing and future generation sources to Ontario consumers. In many cases, these investments are contingent upon one or more of the following approvals and/or processes: environmental approval(s); receipt of OEB approvals which can include expropriation; and appropriate consultation processes may also be impacted by opposition to the proposed site of transmission investments, which could adversely affect transmission reliability and/or our service quality, both of which could have a material adverse effect on our company.

With the introduction on August 26, 2010, of the OEB's competitive transmission project development planning process, in the absence of a government directive, all interested transmitters will be required to submit a bid to the OEB for identified enabler facilities and network enhancement projects. Historically, we would have been awarded such projects through our rates and Section 92 applications. The facilitation of competitive transmission could impact our future work program and our ability to expand our current transmission footprint. In addition, bid costs are recoverable only by the successful proponent. This could have a material adverse effect on our company.

Asset Condition

We continually monitor the condition of our assets and maintain, refurbish or replace them to maintain equipment performance and provide reliable service quality. Our capital programs have been increasing to maintain the performance of our aging asset base. Execution of these plans is partially dependent upon external factors, such as outage planning with the IESO and transmission-connected customers, funding approval by the OEB, and supply chain availability for equipment suppliers and consulting services. In addition, opportunities to remove equipment from service to accommodate construction and maintenance are becoming increasingly limited due to customer and generator priorities.

Adjustments to accommodate these external dependencies have been made in our planning process, and we are focused on overcoming these challenges to execute our work programs. However, if we are unable to carry out these plans in a timely and optimal manner, equipment performance will degrade, which may compromise the reliability of the provincial grid, our ability to deliver sufficient electricity and/or customer supply security, and increase the costs of operating and maintaining these assets. This could have a material adverse effect on our company.

Workforce Demographic Risk

By the end of 2013, approximately 16% of our employees were eligible for retirement, and by the end of 2014, there could be up to 20% eligible to retire. Accordingly, our success will be tied to our ability to attract and retain sufficient qualified staff to replace those retiring. This will be challenging as we expect the skilled labour market for our industry to be highly competitive in the future. In addition, many of our employees possess experience and skills that will also be highly sought after by other organizations both inside and outside the electricity sector. We are therefore focused on earlier identification and more rapid development of staff who demonstrate management potential. Moreover, we must also continue to advance our technical training and apprenticeship programs and succession plans to ensure that our future operational staffing needs will be met. If we are unable to attract and retain qualified personnel, it could have a material adverse effect on our business.

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Labour Relations Risk

The substantial majority of our employees are represented by either the Power Workers Union (PWU) or the Society of Professional Energy Workers (Society). Over the past several years, significant effort has been expended to increase our flexibility to conduct operations in a more cost-efficient manner. Although we have achieved improved flexibility in our collective agreements, including a reduction in pension benefits for Society staff hired after November 2005 similar to a previous reduction affecting management staff and increased pension contributions for PWU and Society staff, we may not be able to achieve further improvement. The existing collective agreement with the PWU will expire on March 31, 2015, and the existing Society collective agreement will expire on March 31, 2016. We face financial risks related to our ability to negotiate collective agreements consistent with our rate orders. In addition, in the event of a labour dispute, we could face operational risk related to continued compliance with our licence requirements of providing service to customers. Any of these could have a material adverse effect on our company.

Pension Plan Risk

We have a defined benefit registered pension plan for the majority of our employees. Contributions to the pension plan are established by actuarial valuations which are minimally required to be filed with the Financial Services Commission of Ontario on a triennial basis. The most recently filed valuation was prepared as at December 31, 2011, and was filed in May 2012. Our company contributed approximately \$160 million in respect of 2012 and approximately \$160 million in respect of 2013 to its pension plan to satisfy minimum funding requirements. Contributions beyond 2013 will depend on investment returns, changes in benefits and actuarial assumptions and may include additional voluntary contributions from time to time. Nevertheless, future contributions are expected to be significant. A determination by the OEB that some of our pension expenditures are not recoverable from customers could have a material adverse effect on our company, and this risk may be exacerbated as the quantum of required pension contributions increases.

Environmental Risk

Our health, safety and environmental management system is designed to ensure hazards and risks are identified and assessed, and controls are implemented to mitigate significant risks. This system includes a standing committee of our Board of Directors that has governance over environmental matters. However, given the territory that our system encompasses and the amount of equipment that we own, we cannot guarantee that all such risks will be identified and mitigated without significant cost and expense to our company. The following are some of the areas that may have a significant impact on our operations.

We are subject to extensive Canadian federal, provincial and municipal environmental regulation. Failure to comply could subject us to fines and other penalties. In addition, the presence or release of hazardous or other harmful substances could lead to claims by third parties and/or governmental orders requiring us to take specific actions such as investigating, controlling and remediating the effects of these substances. We are currently undertaking a voluntary land assessment and remediation (LAR) program covering most of our stations and service centres. This program involves the systematic identification of any contamination at or from these facilities, and, where necessary, the development of remediation plans for our company and adjacent private properties. Any contamination of our properties could limit our ability to sell these assets in the future.

We record a liability for our best estimate of the present value of the future expenditures required to comply with Environment Canada's PCB regulations and for the present value of the future expenditures to complete our LAR program. The future expenditures required to discharge our PCB obligation are expected to be incurred over the period ending 2025, while our LAR expenditures are expected to be incurred over the period ending 2020. Actual future environmental expenditures may vary materially from the estimates used in the calculation of the environmental liabilities on our balance sheet. We do not have insurance coverage for these environmental expenditures. Under applicable regulations, we expect to incur future expenditures to identify, remove and dispose of asbestos-containing materials installed in some of our facilities. We record an asset retirement obligation for the present value of the estimated future expenditures. The estimates are based on an external, expert study of the current expenditures associated with removing such materials from our facilities. Actual future expenditures may vary materially from the estimates used for the amount of the asset retirement obligation.

There is also risk associated with obtaining governmental approvals, permits, or renewals of existing approvals and permits related to constructing or operating facilities. This may require environmental assessment or result in the imposition of conditions, or both, which could result in delays and cost increases. We anticipate that all of our future environmental



expenditures will continue to be recoverable in future electricity rates. However, any future regulatory decision to disallow or limit the recovery of such costs could have a material adverse effect on our company.

Scientists and public health experts have been studying the possibility that exposure to electric and magnetic fields emanating from power lines and other electric sources may cause health problems. If it were to be concluded that electric and magnetic fields present a health risk, or governments decide to implement exposure limits, we could face litigation, be required to take costly mitigation measures such as relocating some of our facilities or experience difficulties in locating and building new facilities. Any of these could have a material adverse effect on our company.

Market and Credit Risk

Market risk refers primarily to the risk of loss that results from changes in commodity prices, foreign exchange rates and interest rates. We do not have commodity price risk. We do have foreign exchange risk as we enter into agreements to purchase materials and equipment associated with our capital programs and projects that are settled in foreign currencies. This foreign exchange risk is not material. We could in the future decide to issue foreign currency denominated debt which we would anticipate hedging back to Canadian dollars, consistent with our company's risk management policy. We are exposed to fluctuations in interest rates as our regulated rate of return is derived using a formulaic approach.

The OEB-approved adjustment formula for calculating ROE in a deemed regulatory capital structure of 40% common equity and 60% debt will increase or decrease by 50% of the change between the current Long Canada Bond Forecast and the risk-free rate established at 4.25% and 50% of the change in the spread in 30-year "A"-rated Canadian utility bonds over the 30-year benchmark Government of Canada bond yield established at 1.415%. We estimate that a 1% decrease in the forecasted long-term Government of Canada bond yield used in determining our rate of return would reduce our Transmission Business' 2014 net income by approximately \$20 million and our Hydro One Networks distribution business' 2014 net income by approximately \$10 million. Our net income is adversely impacted by rising interest rates as our maturing long-term debt is refinanced at market rates. We periodically utilize interest-rate swap agreements to mitigate elements of interest rate risk.

Financial assets create a risk that a counterparty will fail to discharge an obligation, causing a financial loss. Derivative financial instruments result in exposure to credit risk, since there is a risk of counterparty default. We monitor and minimize credit risk through various techniques, including dealing with highly-rated counterparties, limiting total exposure levels with individual counterparties, and by entering into master agreements which enable net settlement and by monitoring the financial condition of counterparties. We do not trade in any energy derivatives. We do, however, have interest-rate swap contracts outstanding from time to time. Currently, there are no significant concentrations of credit risk with respect to any class of financial assets. We are required to procure electricity on behalf of competitive retailers and embedded LDCs for resale to their customers. The resulting concentrations of credit risk are mitigated through the use of various security arrangements, including letters of credit, which are incorporated into our service agreements with these retailers in accordance with the OEB's Retail Settlements Code. The failure to properly manage these risks could have a material adverse effect on our company.

Risk from Transfer of Assets Located on Reserves

The transfer orders by which we acquired certain of Ontario Hydro's businesses as of April 1, 1999, did not transfer title to some assets located on Reserves. Currently, OEFC holds legal title to these assets and we manage them until we have obtained necessary authorizations to complete the title transfer. To occupy Reserves, we must have valid permits issued by Her Majesty the Queen in the Right of Canada. For each permit, we must negotiate an agreement (in the form of a Memorandum of Understanding) with the First Nation, OEFC and any members of the First Nation who have occupancy rights. The agreement includes provisions whereby the First Nation consents to the federal Department of Aboriginal Affairs and Northern Development issuing a permit. Where the agreement and permit are for transmission assets, we must negotiate rental terms. It is difficult to predict the aggregate amount that we may have to pay, either on an annual or one-time basis, to obtain the required agreements from First Nations. In 2013, we paid approximately \$2 million to First Nations in respect of these agreements. OEFC will continue to hold these assets until we are able to negotiate agreements with First Nations and occupants. If we cannot reach satisfactory agreements and obtain federal permits, we may have to relocate these assets to other locations at a cost that could be substantial. In a limited number of cases, it may be necessary to abandon a line and replace it with diesel generation facilities. In either case, the costs relating to these assets could have a material adverse effect on our net income if we are not able to recover them in future rate orders.



Risk from Provincial Ownership of Transmission Corridors

Pursuant to the Reliable Energy and Consumer Protection Act, 2002, the Province acquired ownership of our transmission corridor lands underlying our transmission system. Although we have the statutory right to use the transmission corridors, we may be limited in our ability to expand our systems. Also, other uses of the transmission corridors by third parties in conjunction with the operation of our systems may increase safety or environmental risks, which could have an adverse effect on our company.

CRITICAL ACCOUNTING ESTIMATES

The preparation of our Consolidated Financial Statements requires us to make estimates and judgements that affect the reported amounts of assets, liabilities, revenues and costs, and related disclosures of contingencies. We base our estimates and judgements on historical experience, current conditions and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about the carrying values of assets and liabilities, as well as identifying and assessing our accounting treatment with respect to commitments and contingencies. Actual results may differ from these estimates and judgements. We have identified the following critical accounting estimates used in the preparation of our Consolidated Financial Statements:

Revenues

Our monthly distribution revenue is estimated based on wholesale electricity purchases. At the end of each month, the electricity delivered to customers, but not billed, is estimated and revenue is recognized. The newly implemented CIS phase of our entity-wide system improvement project will allow us to use historical trends at a customer level to better estimate our unbilled revenue each period. This change in methodology for estimating revenue is anticipated to be implemented in 2014. Any changes in estimate will be accounted for prospectively.

Regulatory Assets and Liabilities

Our regulatory assets represent certain amounts receivable from future customers and costs that have been deferred for accounting purposes because it is probable that they will be recovered in future rates. Our regulatory assets mainly include costs related to the pension benefit liability, deferred income tax liabilities, post-retirement and post-employment benefit liability, and environmental liabilities. Our regulatory liabilities represent certain amounts that are refundable to future electricity customers, and pertain primarily to OEB deferral and variance accounts. The regulatory assets and liabilities can be recognized for rate-setting and financial reporting purposes only if the amounts have been approved for inclusion in the rates by the OEB, or if such approval is judged to be probable by management. If management judges that it is no longer probable that the OEB will allow the inclusion of a regulatory asset or liability in future rates, the applicable carrying amount of the regulatory asset or liability will be reflected in results of operations in the period that the judgement is made by management.

Environmental Liabilities

We record a liability for the estimated future expenditures for the contaminated LAR and for the phase-out and destruction of PCB-contaminated mineral oil removed from electrical equipment. There are uncertainties in estimating future environmental costs due to potential external events such as changes in legislation or regulations and advances in remediation technologies. In determining the amounts to be recorded as environmental liabilities, the Company estimates the current cost of completing required work and makes assumptions as to when the future expenditures will actually be incurred, in order to generate future cash flow information. All factors used in estimating the Company's environmental liabilities represent management's best estimates of the present value of costs required to meet existing legislation or regulations. However, it is reasonably possible that numbers or volumes of contaminated assets, cost estimates to perform work, inflation assumptions and the assumed pattern of annual cash flows may differ significantly from the Company's current assumptions. Environmental liabilities are reviewed annually or more frequently if significant changes in regulations or other relevant factors occur. Estimate changes are accounted for prospectively.

In June 2013, Environment Canada issued Canada Gazette I, which included a proposed amendment to the existing PCB regulations. The proposed amendment would extend the end-of-use deadline for our company's PCBs in concentrations of



500 parts per million or more from December 31, 2014 to December 31, 2025. The proposed amendment is subject to final approvals before the enacted regulation is published in Canada Gazette II. Canada Gazette II is anticipated to be issued in the first half of 2014. An environmental liability is recorded based on regulations as currently enacted, and as such, our environmental liability as at December 31, 2013 is based on the current compliance date of December 31, 2014.

Employee Future Benefits

We provide future benefits to our current and retired employees, including pension, group life insurance, health care and long-term disability.

The discount rate used to calculate the accrued benefit obligation is determined each year end by referring to the most recently available market interest rates based on "AA"-rated corporate bond yields reflecting the duration of the applicable employee future benefit plan. The discount rates at December 31, 2013 increased to 4.75% from 4.25% used at December 31, 2012, in conjunction with increases in bond yields over this period. The increase in discount rates has resulted in a corresponding decrease in liabilities for accounting purposes. The accrual costs are determined by independent actuaries using the projected benefit method prorated on service and based on assumptions that reflect management's best estimates.

The assumed return on pension plan assets is based on expectations of long-term rates of return at the beginning of the fiscal year and reflects a pension asset mix consistent with the pension plan's investment policy. Returns on the respective portfolios are determined with reference to published Canadian and US stock indices and long-term bond and treasury bill indices. The assumed rate of return on pension plan assets reflects our long-term expectations. We believe that this assumption is reasonable because, with the Fund's balanced investment approach, the higher volatility of equity investment returns is intended to be offset by the greater stability of fixed-income and short-term investment returns. The net result, on a long-term basis, is a somewhat lower return than might be expected by investing in equities alone. In the short term, the plan can experience aberrations in actual return.

Further, based on differences between long-term Government of Canada nominal bonds and real return bonds, the implied inflation rate has decreased from 1.9% per annum as at December 31, 2012 to approximately 1.2% per annum as at December 31, 2013. Given the Bank of Canada's commitment to keep long-term inflation between 1.00% and 3.00%, management believes that the current implied rate is reasonable to use as a long-term assumption and as such, has used a 2.0% per annum inflation rate for liability valuation purposes as at December 31, 2013.

Our pension and post-retirement and post-employment obligations are also impacted by changes in life expectancies used in mortality assumptions. Increases in life expectancies of plan members result in increases in pension and post-retirement and post-employment benefit obligations.

The costs of post-retirement and post-employment benefits are determined at the beginning of the year. The costs are based on assumptions for expected claims experience and future health care cost inflation. A 1% increase in the health care cost trends would result in an increase in service cost and interest cost of approximately \$21 million per year and an increase in the year-end obligation of about \$258 million.

Employee future benefits are included in labour costs that are either charged to results of operations or capitalized as part of the cost of property, plant and equipment and intangible assets. Changes in assumptions will affect the accrued benefit obligation of the employee future benefits and the future years' amounts that will be charged to our results of operations or capitalized as part of the cost of property, plant and equipment and intangible assets.

Asset Impairment

Within our regulated businesses, the carrying costs of most of our long-lived assets are included in rate base where they earn an OEB-approved rate of return. Asset carrying values and the related return are recovered through approved rates. As a result, such assets are only tested for impairment in the event that the OEB disallows recovery, in whole or in part, or if such a disallowance is judged to be probable. We regularly monitor the assets of our unregulated Hydro One Telecom subsidiary for indications of impairment. As at December 31, 2013, no asset impairment had been recorded for assets within our regulated or unregulated businesses.

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Goodwill represents the cost of acquired LDCs that is in excess of the fair value of the net identifiable assets acquired at the acquisition date. Goodwill is evaluated for impairment on an annual basis, or more frequently if circumstances require. We have concluded that goodwill was not impaired at December 31, 2013.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

To optimize our customer service operations, we implemented the CIS module of SAP. This new system replaced multiple legacy applications which provided service to our distribution customers and key constituents for billing, customer contacts, field services, settlements, and customer choice administration. Internal controls have been documented and tested for adequacy and effectiveness, and continue to be refined.

In compliance with the requirements of National Instrument 52-109, our Certifying Officers have reviewed and certified the Consolidated Financial Statements for the year ended December 31, 2013, together with other financial information included in our securities filings. Our Certifying Officers have also certified that disclosure controls and procedures (DC&P) have been designed to provide reasonable assurance that material information relating to our company is made known within our company. Further, our Certifying Officers have certified that internal controls over financial reporting (ICFR) have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Consolidated Financial Statements. Based on the evaluation of the design and operating effectiveness of our company's DC&P and ICFR, our Certifying Officers concluded that our company's DC&P and ICFR were effective as at December 31, 2013.

SELECTED ANNUAL INFORMATION

Consolidated Statements of Operations and Comprehensive Income

Year ended December 31 (millions of Canadian dollars, except amounts per share)	2013	2012	2011
Revenue	6,074	5,728	5,471
Net income	803	745	641
Basic and fully diluted earnings per common share	7,850	7,280	6,228
Cash dividends per common share	2,000	3,523	1,500
Cash dividends per preferred share	1.375	1.375	1.375
Consolidated Balance Sheets			
December 31 (millions of Canadian dollars)	2013	2012	2011
Total assets	21,625	20,811	18,836
Total long-term debt	9,057	8,479	8,008
Preferred shares	323	323	323
Other			
	2013	2012	2011
Year ended December 31 (millions of Canadian dollars)			

NEW ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncements

In December 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities. This ASU requires an entity to disclose both gross and net information about financial instruments and transactions eligible for offset on the Consolidated Balance Sheets as well as financial instruments and transactions executed under a master netting or similar arrangement. The ASU was issued to enable users of financial statements to understand the effects or potential effects of those arrangements on an entity's financial position. This ASU was required to be applied retrospectively and was effective for fiscal years, and interim

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periods within those years, beginning on or after January 1, 2013. The adoption of this ASU did not have an impact on our Consolidated Financial Statements.

In February 2013, the FASB issued ASU 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. This ASU requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income, but only if the amount reclassified is required under US GAAP to be reclassified in their entirety in the same reporting period. For other amounts that are not required under US GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under US GAAP that provide additional detail about those amounts. This ASU was required to be applied prospectively and was effective for fiscal years, and interim periods within those years, beginning after December 15, 2012. The adoption of this ASU did not have a significant impact on our Consolidated Financial Statements.

Recent Accounting Guidance Not Yet Adopted

In July 2013, the FASB issued ASU 2013-11, Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. This ASU provides guidance on the presentation of unrecognized tax benefits. This ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013, and should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Retrospective application is permitted. The adoption of this ASU is not anticipated to have a significant impact on our Consolidated Financial Statements.

OUTLOOK

We will achieve our mission and vision and remain focused on achieving our corporate goal of providing safe, reliable and affordable service to our customers, today and tomorrow, while increasing enterprise value for our shareholder. We will do this by continuing to concentrate on our strategic objectives of safety, customer satisfaction, continuous innovation, reliability, protection of the environment, championing people and culture, shareholder value and productivity and cost-effectiveness.

Given the nature of the work undertaken by our employees and contractors, safety remains our top priority. We will continue to focus on creating an injury-free workplace and maintaining public safety through several health and safety initiatives, including maintaining our OHSAS 18001 standing.

We are focused on achieving our long-term vision of improving customer satisfaction, maintaining affordable rates for the portion of the customers' bill within our control and building a trusted partner relationship with our customers. Our plan has taken into account discussions with our customers and reflects the planned development and delivery of targeted customer segment strategies, products and services which respond to our customers' unique needs. This includes realizing value from our new customer information system, simplifying and shortening timeframes for the delivery of services, enhancing accessibility in person, by phone or through our web portal and/or our mobile application to ensure effective self-service for simple transactions and delivering programs which help customers better manage their energy consumption.

We will continue to focus on driving our transformation to a culture that is accountability-based. All of our management staff received training under our Craft of Management program. This program will serve as the foundation for establishing that culture of accountability. Investments in this program, coupled with existing programs which enhance employee skills and ability, will help us deliver best-in-class service to our customers, continue the drive to zero workplace injuries and create a great workplace that will lead to improved employee engagement. We remain focused on managing the resourcing requirements of an increasing work program through appropriate compensation policies, labour negotiations, use of outsourced multi-skilled staff and support of internal and external college and university training programs. Aging workforce demographics provide opportunities, through retirements, to restructure and transform the workforce.

Our assets are in the midst of a demographic change with an increasing proportion of assets reaching the end of their expected service life and an increasing average asset age. To ensure the electricity system's reliability in the public interest, we have planned for significant investments in transmission and distribution infrastructure. Our plan includes targeted, risk-



based investments to maintain, refurbish and replace existing assets that are in poor condition and beyond their expected service life, within the policy set by the OEB. Investments in technology, such as the successful implementation of Asset Analytics, has provided us with real-time asset condition and performance data giving us the visibility to make asset optimization life-cycle decisions, and opportunities through planning and scheduling data to improve materials procurement and to deploy work crews to better manage work programs to meet customer needs.

The actual timing and expenditures in our business plan are predicated on obtaining various approvals including: OEB approvals and environmental assessment approvals; successful negotiations with customers, neighbouring utilities and other stakeholders; and consultations with First Nations and Métis communities.

We continue to seek to strike the right balance between making prudent risk-based reliability investments and keeping customers' rates low. Effectively and efficiently managing costs is an important part of achieving this balance. Over the last five years, we have replaced most of our core IT systems with an enterprise-wide IT system. Further development of the existing IT platform will provide tools which are being developed to allow us to effectively plan and reprioritize work and integrate customers' needs into multi-year investment plans. This outcome is consistent with the OEB's direction in its new Outcomes-Based Approach to regulation.

Our plan is focused on delivering integrated asset-to-work planning, optimized scheduling and dispatch as well as field mobility. Through our investment in our Workflow of the Future initiative we will bring together data, analytics and mobility to allow our employees, especially those in the field, to do more at the job site with their mobile devices.

Significant opportunity resides with smart meters and the proliferation of an ADS including energy efficiency, demand response and distributed-resource technologies. We will continue to invest in the development of an ADS and related grid modernization standards, customer demand work (connections and upgrades), smart meters, DG connections, including station upgrades, protection and control, new lines and some contestable work, for which we will receive customer capital contributions. There is little flexibility to reduce this work as most of it is customer demand driven.

As stewards of significant electricity assets, we are committed to the protection and sustainment of the environment for future generations. We are working towards being an environmental leader in our industry, by distributing clean and renewable energy, by upgrading our electricity grid, by minimizing the impacts of our own operations, and by ensuring that environmental factors are considered in making our business decisions.

Consistent with our corporate strategy, we will pursue an LDC consolidation approach that is robust but prudent, to facilitate the consolidation of Ontario's distribution sector. This is consistent with the Ontario Distribution Sector Panel's assessment that there are substantial efficiencies to be found through consolidation of Ontario LDCs and we are key to the solution. Our plan does not include funding for LDC acquisitions or assume any disposition of our service territory. These opportunities will be managed as they arise. Our plan also does not incorporate any projects related to competitive transmission. However, as leaders in the sector, we plan to bid on key projects. The OEB notes in its *Framework for Transmission Project Development Plans* that where projects are otherwise equivalent or close in other factors, information such as socio-economic benefits, including First Nations involvement, could prove decisive in a competitive bid. As such, First Nations involvement in competitive bids is likely to become more prevalent.

APPOINTMENT OF CARMINE MARCELLO

On November 14, 2012, our Board of Directors appointed Carmine Marcello to the role of President and CEO, effective January 1, 2013. Mr. Marcello assumed his responsibilities following the planned retirement of outgoing President and CEO Laura Formusa. Mr. Marcello has over 25 years of experience with our company as a senior executive, strategic planner and advisor on transmission and distribution utility processes in the electric utility industry.

CHANGES TO OUR BOARD OF DIRECTORS

On November 20, 2013, Sandra Pupatello was appointed to our Board of Directors. Ms. Pupatello is the Director of Business Development and Global Markets at PricewaterhouseCoopers Canada. She is also the Chief Executive Officer of the WindsorEssex Economic Development Corporation.

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On November 27, 2013, Catherine Karakatsanis was appointed to our Board of Directors. Ms. Karakatsanis is the Chief Operating Officer of Morrison Hershfield Group Inc. and also serves as Director and Secretary of the Toronto-based consulting engineering firm.

On August 12, 2013, Janet Holder resigned from our Board of Directors. Ms. Holder has been a member of our Board of Directors since July 2010.

FORWARD-LOOKING STATEMENTS AND INFORMATION

Our oral and written public communications, including this document, often contain forward-looking statements that are based on current expectations, estimates, forecasts and projections about our business and the industry in which we operate, and include beliefs and assumptions made by the management of our company. Such statements include, but are not limited to: expectations regarding energy-related revenues and profit and their trend; statements regarding our transmission and distribution rates and customer bills resulting from our rate applications; statements related to the FIT program; statements about CDM; statements about our strategy, including our strategic objectives; statements regarding considerations of current economic conditions; statements related to employee future benefits; expectations regarding First Nation involvement in competitive bids; statements regarding our liquidity and capital resources and operational requirements; statements about our standby credit facility; expectations regarding our financing activities; statements regarding our maturing debt; statements regarding our ongoing and planned projects and/or initiatives including the expected results of these projects and/or initiatives (including productivity savings, process improvements, and customer satisfaction) and their completion dates; expectations regarding the recoverability of large capital investments; expectations regarding generation connection investments; statements regarding expected future capital and development investments, the timing of these expenditures and our investment plans; expectations regarding OPA recommendations; statements regarding contractual obligations and other commercial commitments; statements related to the OEB; statements regarding future pension contributions, our pension plan and actuarial valuation; statements about our outsourcing arrangement with Inergi and such future outsourcing arrangements; expectations regarding work and costs of compliance with environmental and health and safety regulations; statements related to the LTEP; and statements related to LDC consolidation including our acquisition of Norfolk Power. Words such as "expect", "anticipate", "intend", "attempt", "may", "plan", "will", "believe", "seek", "estimate", "goal", "aim", "target", and variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve assumptions and risks and uncertainties that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed, implied or forecasted in such forward-looking statements. We do not intend, and we disclaim any obligation, to update any forwardlooking statements, except as required by law.

These forward-looking statements are based on a variety of factors and assumptions including, but not limited to, the following: no unforeseen changes in the legislative and operating framework for Ontario's electricity market; favourable decisions from the OEB and other regulatory bodies concerning outstanding rate and other applications; no delays in obtaining the required approvals; no unforeseen changes in rate orders or rate structures for our distribution and transmission businesses; continued use of US GAAP; a stable regulatory environment; no unfavourable changes in environmental regulation; and no significant event occurring outside the ordinary course of business. These assumptions are based on information currently available to us, including information obtained from third-party sources. Actual results may differ materially from those predicted by such forward-looking statements. While we do not know what impact any of these differences may have, our business, results of operations, financial condition and our credit stability may be materially adversely affected. Factors that could cause actual results or outcomes to differ materially from the results expressed or implied by forward-looking statements include, among other things:

- the risk that unexpected capital investments may be needed to support renewable generation or resolve unforeseen technical issues;
- the risk that previously granted regulatory approvals may be subsequently challenged, appealed or overturned;
- the inability to prepare financial statements in US GAAP;
- the impact of the 2010 LTEP and the 2013 LTEP on our company and the costs and expenses arising therefrom;
- the risk that future environmental expenditures are not recoverable in future electricity rates;



- the risk that the presence of release of hazardous or harmful substances could lead to claims by third parties and/or governmental orders;
- the risk that assumptions that form the basis of our recorded environmental liabilities and related regulatory assets may change;
- the risks associated with information system security, with maintaining a complex information technology system infrastructure, and with transitioning most of our financial and business processes to an integrated business and financial reporting system;
- the risks associated with changes in the forecast long-term Government of Canada bond yield;
- the risks related to our workforce demographic and our potential inability to attract and retain qualified personnel;
- public opposition to and delays or denials of the requisite approvals and accommodations for our planned projects;
- the risks associated with being controlled by the Province including the possibility that the Province may make declarations pursuant to the memorandum of agreement, as well as potential conflicts of interest that may arise between us, the Province and related parties;
- the risks associated with being subject to extensive regulation including risks associated with OEB action or inaction, including regulatory decisions regarding our revenue requirements, cost recovery, rates, acquisitions and divestitures;
- unanticipated changes in electricity demand or in our costs;
- the risk that we are not able to arrange sufficient cost-effective financing to repay maturing debt and to fund capital investments and other obligations;
- the risks associated with the execution of our capital and operation, maintenance and administration programs necessary to maintain the performance of our aging asset base;
- the risk to our facilities posed by severe weather conditions, natural disasters or catastrophic events and our limited insurance coverage for losses resulting from these events;
- future interest rates, future investment returns, inflation, changes in benefits and changes in actuarial assumptions;
- the risks of counterparty default on our outstanding derivative contracts;
- the risks associated with current economic uncertainty and financial market volatility;
- the risk that our long-term credit rating would deteriorate;
- the risk that we may incur significant costs associated with transferring assets located on Reserves (as defined in the *Indian Act* (Canada));
- the potential that we may incur significant expenses to replace some or all of the functions currently outsourced if our agreement with Inergi is terminated or expires before a new service provider is selected;
- the impact of the ownership by the Province of lands underlying our transmission system; and
- the ability to negotiate appropriate collective agreements.

We caution the reader that the above list of factors is not exhaustive. Some of these and other factors are discussed in more detail in the section Risk Management and Risk Factors in this MD&A. You should review this section in detail.

In addition, we caution the reader that information provided in this MD&A regarding our outlook on certain matters, including potential future expenditures, is provided in order to give context to the nature of some of our future plans and may not be appropriate for other purposes.

Additional information about the Company, including the Company's Annual Information Form, can be found on SEDAR at www.sedar.com and on the US Securities and Exchange Commission's website at www.sec.gov.



HYDRO ONE INC. MANAGEMENT'S REPORT

Filed: 2014-07-04 EB-2013-0416 Exhibit I-2.3-1 Staff 16 Attachment 2 Page 1 of 47

The Consolidated Financial Statements, Management's Discussion and Analysis (MD&A) and related financial information have been prepared by the management of Hydro One Inc. (Hydro One or the Company). Management is responsible for the integrity, consistency and reliability of all such information presented. The Consolidated Financial Statements have been prepared in accordance with United States Generally Accepted Accounting Principles and applicable securities legislation. The MD&A has been prepared in accordance with National Instrument 51-102, Part 5.

The preparation of the Consolidated Financial Statements and information in the MD&A involves the use of estimates and assumptions based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Estimates and assumptions are based on historical experience, current conditions and various other assumptions believed to be reasonable in the circumstances, with critical analysis of the significant accounting policies followed by the Company as described in Note 2 to the Consolidated Financial Statements. The preparation of the Consolidated Financial Statements and the MD&A includes information regarding the estimated impact of future events and transactions. The MD&A also includes information regarding sources of liquidity and capital resources, operating trends, risks and uncertainties. Actual results in the future may differ materially from the present assessment of this information because future events and circumstances may not occur as expected. The Consolidated Financial Statements and circumstances may not occur as expected. The Consolidated Financial Statements and mD&A have been properly prepared within reasonable limits of materiality and in light of information up to February 13, 2014.

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. In meeting its responsibility for the reliability of financial information, management maintains and relies on a comprehensive system of internal control and internal audit. The system of internal control includes a written corporate conduct policy; implementation of a risk management framework; effective segregation of duties and delegation of authorities; and sound and conservative accounting policies that are regularly reviewed. This structure is designed to provide reasonable assurance that assets are safeguarded and that reliable information is available on a timely basis. In addition, management has assessed the design and operating effectiveness of the Company's internal control over financial reporting in accordance with the criteria set forth in Internal Control – Integrated Framework (1992), issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concluded that the Company maintained effective internal control over financial reporting as of December 31, 2013. The effectiveness of these internal controls and findings is reported to the Audit and Finance Committee of the Hydro One Board of Directors, as required.

The Consolidated Financial Statements have been examined by KPMG LLP, independent external auditors appointed by the Shareholder. The external auditors' responsibility is to express their opinion on whether the Consolidated Financial Statements are fairly presented in accordance with United States Generally Accepted Accounting Principles. The Independent Auditors' Report outlines the scope of their examination and their opinion.

The Hydro One Board of Directors, through its Audit and Finance Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Audit and Finance Committee of Hydro One met periodically with management, the internal auditors and the external auditors to satisfy itself that each group had properly discharged its respective responsibility and to review the Consolidated Financial Statements before recommending approval by the Board of Directors. The external auditors had direct and full access to the Audit and Finance Committee, with and without the presence of management, to discuss their audit findings.

The President and Chief Executive Officer and the Chief Administration Officer and Chief Financial Officer have certified Hydro One's annual Consolidated Financial Statements and annual MD&A, related disclosure controls and procedures and the design and effectiveness of related internal controls over financial reporting.

On behalf of Hydro One Inc.'s management:

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Carmine Marcello President and Chief Executive Officer

Sandy Struthers Chief Administration Officer and Chief Financial Officer



HYDRO ONE INC. INDEPENDENT AUDITORS' REPORT

To the Shareholder of Hydro One Inc.

We have audited the accompanying Consolidated Financial Statements of Hydro One Inc., which comprise the consolidated balance sheets as at December 31, 2013 and December 31, 2012, the consolidated statements of operations and comprehensive income, changes in shareholder's equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these Consolidated Financial Statements in accordance with United States Generally Accepted Accounting Principles, and for such internal control as management determines is necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Consolidated Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the Consolidated Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Consolidated Financial Statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Consolidated Financial Statements present fairly, in all material respects, the consolidated financial position of Hydro One Inc. as at December 31, 2013 and December 31, 2012, and its consolidated results of operations and its consolidated cash flows for the years then ended in accordance with United States Generally Accepted Accounting Principles.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada February 13, 2014



HYDRO ONE INC. CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME For the years ended December 31, 2013 and 2012

Year ended December 31 (millions of Canadian dollars, except per share amounts)	2013	2012
Revenues		
Distribution (includes \$160 related party revenues; 2012 - \$155) (Note 20)	4,484	4,184
Transmission (includes \$1,517 related party revenues; 2012 - \$1,482) (Note 20)	1,529	1,482
Other	61	62
	6,074	5,728
Costs		
Purchased power (includes \$2,500 related party costs; 2012 – \$2,409) (Note 20)	3,020	2,774
Operation, maintenance and administration (Note 20)	1,106	1,071
Depreciation and amortization (Note 5)	676	659
	4,802	4,504
Income before financing charges and provision for	1.050	1.004
payments in lieu of corporate income taxes	1,272	1,224
Financing charges (Note 6)	360	358
Income before provision for payments in lieu of corporate income taxes	912	866
Provision for payments in lieu of corporate income taxes (Notes 7, 20)	109	121
Net income	803	745
Other comprehensive income	_	1
Comprehensive income	803	746
Basic and fully diluted earnings per common share (dollars) (Note 18)	7,850	7,280
Dividends per common share declared (dollars) (Note 19)	2,000	3,523

See accompanying notes to Consolidated Financial Statements.



HYDRO ONE INC. CONSOLIDATED BALANCE SHEETS At December 31, 2013 and 2012

December 31 (millions of Canadian dollars)	2013	2012
Assets		
Current assets:		
Cash and cash equivalents (Note 13)	565	195
Accounts receivable (net of allowance for doubtful accounts - \$36; 2012 - \$23) (Note 8)	923	845
Due from related parties (Note 20)	197	154
Regulatory assets (Note 11)	47	29
Materials and supplies	23	23
Deferred income tax assets (Note 7)	18	18
Derivative instruments (Note 13)	6	-
Investment (Notes 13, 20)	251	-
Other	28	22
	2,058	1,286
Property, plant and equipment (Note 9):		
Property, plant and equipment in service	23,820	22,650
Less: accumulated depreciation	8,615	8,145
	15,205	14,505
Construction in progress	1,078	1,055
Future use land, components and spares	148	147
	16,431	15,707
Other long-term assets:		
Regulatory assets (Note 11)	2,636	3,098
Investment (Notes 13, 20)	_	251
Intangible assets (net of accumulated amortization - \$252; 2012 - \$305) (Note 10)	313	267
Goodwill	133	133
Deferred debt costs	36	34
Derivative instruments (Note 13)	6	19
Deferred income tax assets (Note 7)	11	14
Other	1	2
	3,136	3,818
Total assets	21,625	20,811

See accompanying notes to Consolidated Financial Statements.



HYDRO ONE INC. CONSOLIDATED BALANCE SHEETS (continued) At December 31, 2013 and 2012

December 31 (millions of Canadian dollars, except number of shares)	2013	2012
Liabilities		
Current liabilities:		
Bank indebtedness (Note 13)	31	42
Accounts payable	62	140
Accrued liabilities (Notes 7, 15, 16)	733	578
Due to related parties (Note 20)	230	261
Accrued interest	100	95
Regulatory liabilities (Note 11)	85	40
Long-term debt payable within one year (includes \$506 measured at fair value;		
2012 – \$0) (Notes 12, 13)	756	600
	1,997	1,756
	0.001	
Long-term debt (includes \$256 measured at fair value; 2012 – \$769) (<i>Notes 12, 13</i>)	8,301	7,879
Other long-term liabilities:	1 400	
Post-retirement and post-employment benefit liability (<i>Note 15</i>)	1,488	1,416
Deferred income tax liabilities (<i>Note</i> 7)	1,129	944
Pension benefit liability (Note 15)	845	1,515
Environmental liabilities (Note 16)	239	227
Regulatory liabilities (Note 11)	163	181
Net unamortized debt premiums	20	23
Asset retirement obligations (Note 17)	14	15
Long-term accounts payable and other liabilities	14	25
	3,912	4,346
Total liabilities	14,210	13,981
Contingencies and commitments (Notes 22, 23)		
Preferred shares (authorized: unlimited; issued: 12,920,000) (Notes 18, 19)	323	323
Shareholder's equity		
Common shares (authorized: unlimited; issued: 100,000) (Notes 18, 19)	3,314	3,314
Retained earnings	3,787	3,202
Accumulated other comprehensive loss	(9)	(9)
Total shareholder's equity	7,092	6,507
Total liabilities, preferred shares and shareholder's equity	21,625	20,811

See accompanying notes to Consolidated Financial Statements.

On behalf of the Board of Directors:

Jan Sinie

James Arnett Chair

Michael J. Mueller Chair, Audit and Finance Committee



HYDRO ONE INC. CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY For the years ended December 31, 2013 and 2012

Year ended December 31, 2013 (millions of Canadian dollars)	Common Shares	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholder's Equity
January 1, 2013	3,314	3,202	(9)	6,507
Net income	-	803	_	803
Other comprehensive income	-	_	_	-
Dividends on preferred shares	-	(18)	_	(18)
Dividends on common shares	_	(200)	_	(200)
December 31, 2013	3,314	3,787	(9)	7,092

Year ended December 31, 2012 (millions of Canadian dollars)	Common Shares	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholder's Equity
January 1, 2012	3,314	2,827	(10)	6,131
Net income	_	745	-	745
Other comprehensive income	-	_	1	1
Dividends on preferred shares	_	(18)	_	(18)
Dividends on common shares	-	(352)	-	(352)
December 31, 2012	3,314	3,202	(9)	6,507

See accompanying notes to Consolidated Financial Statements.



HYDRO ONE INC. CONSOLIDATED STATEMENTS OF CASH FLOWS For the years ended December 31, 2013 and 2012

Year ended December 31 (millions of Canadian dollars)	2013	2012
Operating activities		
Net income	803	745
Environmental expenditures	(16)	(18)
Adjustments for non-cash items:		
Depreciation and amortization (excluding removal costs)	597	589
Regulatory assets and liabilities	3	12
Deferred income taxes	(2)	(9)
Other	8	6
Changes in non-cash balances related to operations (Note 21)	11	(31)
Net cash from operating activities	1,404	1,294
Financing activities		
Financing activities Long-term debt issued	1,185	1,085
Long-term debt retired	,	,
6	(600)	(600)
Dividends paid	(218)	(370)
Change in bank indebtedness Other	(11)	-
Net cash from financing activities	(5)	(1) 117
	551	117
Investing activities		
Capital expenditures (Note 21)		
Property, plant and equipment	(1,333)	(1,373)
Intangible assets	(79)	(90)
Other	27	19
Net cash used in investing activities	(1,385)	(1,444)
Net change in cash and cash equivalents	370	(33)
Cash and cash equivalents, beginning of year	195	228
Cash and cash equivalents, end of year	565	195

See accompanying notes to Consolidated Financial Statements.



1. DESCRIPTION OF THE BUSINESS

Hydro One Inc. (Hydro One or the Company) was incorporated on December 1, 1998, under the *Business Corporations Act* (Ontario) and is wholly owned by the Province of Ontario (Province). The principal businesses of Hydro One are the transmission and distribution of electricity to customers within Ontario. The electricity rates of these businesses are regulated by the Ontario Energy Board (OEB).

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

These Consolidated Financial Statements include the accounts of the Company and its wholly owned subsidiaries: Hydro One Networks Inc. (Hydro One Networks), Hydro One Remote Communities Inc. (Hydro One Remote Communities), Hydro One Brampton Networks Inc. (Hydro One Brampton Networks), Hydro One Telecom Inc. (Hydro One Telecom), Hydro One Lake Erie Link Management Inc., and Hydro One Lake Erie Link Company Inc.

Intercompany transactions and balances have been eliminated.

Basis of Accounting

These Consolidated Financial Statements are prepared and presented in accordance with United States (US) Generally Accepted Accounting Principles (GAAP) and in Canadian dollars. Certain comparative figures have been reclassified to conform to the presentation of these Consolidated Financial Statements (see Note 21 – Consolidated Statements of Cash Flows). In the opinion of management, these Consolidated Financial Statements include all adjustments that are necessary to fairly state the financial position and results of operations of Hydro One as at, and for the year ended December 31, 2013.

Hydro One performed an evaluation of subsequent events through to February 13, 2014, the date these Consolidated Financial Statements were issued, to determine whether any events or transactions warranted recognition and disclosure in these Consolidated Financial Statements. See Note 25 – Subsequent Event.

Use of Management Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains and losses during the reporting periods. Management evaluates these estimates on an ongoing basis based upon: historical experience; current conditions; and assumptions believed to be reasonable at the time the assumptions are made with any adjustments being recognized in results of operations in the period they arise. Significant estimates relate to regulatory assets and regulatory liabilities, environmental liabilities, pension benefits, post-retirement and post-employment benefits, asset retirement obligations (AROs), goodwill and asset impairments, contingencies, unbilled revenues, allowance for doubtful accounts, derivative instruments, and deferred income tax assets and liabilities. Actual results may differ significantly from these estimates, which may be impacted by future decisions made by the OEB or the Province.

Rate Setting

The Company's Transmission Business includes the separately regulated transmission business of Hydro One Networks. The Company's consolidated Distribution Business includes Hydro One Brampton Networks, Hydro One Remote Communities, as well as the separately regulated distribution business of Hydro One Networks.

The OEB has approved the use of US GAAP for rate setting and regulatory accounting and reporting by Hydro One Networks' transmission and distribution businesses, as well as by Hydro One Remote Communities, beginning with the year 2012. Hydro One Brampton Networks currently uses Canadian GAAP for its distribution rate-setting purposes.



Transmission

In May 2010, Hydro One Networks filed a cost-of-service application with the OEB for 2012 transmission rates. The OEB approved a revenue requirement of \$1,418 million for 2012, along with new 2012 uniform transmission rates, with an effective date of January 1, 2012. In May 2012, Hydro One Networks filed a cost-of-service application with the OEB for 2013 transmission rates, seeking approval for a 2013 revenue requirement of \$1,465 million. In December 2012, the OEB approved a revenue requirement of \$1,438 million for 2013. The reduced approved revenue requirement included reductions to proposed operation, maintenance and administration costs, and capital expenditures.

Distribution

In 2010, the OEB approved a revised 2011 revenue requirement of \$1,218 million and 2011 distribution rates. Hydro One Networks elected to retain the same distribution rates for 2012 as approved by the OEB for the 2011 rate year. In June 2012, Hydro One Networks filed an Incentive Regulation Mechanism (IRM) application with the OEB for 2013 distribution rates. In December 2012, the OEB approved an increase in average distribution rates of approximately 1.3%, with an effective date of January 1, 2013.

In September 2011, Hydro One Brampton Networks filed an IRM application with the OEB for 2012 distribution rates. In January 2012, the OEB approved a reduction in distribution rates of approximately 13.2%, with an effective date of January 1, 2012. These rate reductions were primarily due to OEB-approved adjustments to depreciation rates. In August 2012, Hydro One Brampton Networks filed an IRM application with the OEB for 2013 distribution rates. In December 2012, the OEB approved an increase in average distribution rates of approximately 0.3%, with an effective date of January 1, 2013.

In November 2011, Hydro One Remote Communities filed an IRM application with the OEB for 2012 rates. In March 2012, the OEB approved an increase of approximately 1.1% to basic rates for the distribution and generation of electricity, with an effective date of May 1, 2012. In September 2012, Hydro One Remote Communities filed a cost-of-service application with the OEB for 2013 rates, seeking approval for a 2013 revenue requirement of \$53 million. In June 2013, the OEB approved a revenue requirement of \$51 million for 2013.

Regulatory Accounting

The OEB has the general power to include or exclude revenues, costs, gains or losses in the rates of a specific period, resulting in a change in the timing of accounting recognition from that which would have been applied in an unregulated company. Such change in timing involves the application of rate-regulated accounting, giving rise to the recognition of regulatory assets and liabilities. The Company's regulatory assets represent certain amounts receivable from future customers and costs that have been deferred for accounting purposes because it is probable that they will be recovered in future rates. In addition, the Company has recorded regulatory liabilities that generally represent amounts that are refundable to future customers. The Company continually assesses the likelihood of recovery of each of its regulatory assets and continues to believe that it is probable that the OEB will factor its regulatory assets and liabilities into the setting of future rates. If, at some future date, the Company judges that it is no longer probable that the OEB will include a regulatory asset or liability in setting future rates, the appropriate carrying amount will be reflected in results of operations in the period that the assessment is made.

Cash and Cash Equivalents

Cash and cash equivalents include cash and short-term investments with an original maturity of three months or less.

Revenue Recognition

Transmission revenues are collected through OEB-approved rates, which are based on an approved revenue requirement that includes a rate of return. Such revenue is recognized as electricity is transmitted and delivered to customers.

Distribution revenues are recognized on an accrual basis and include billed and unbilled revenues. Distribution revenues attributable to the delivery of electricity are based on OEB-approved distribution rates and are recognized as electricity is delivered to customers. The Company estimates monthly revenue for a period based on wholesale electricity purchases



because customer meters are not generally read at the end of each month. At the end of each month, the electricity delivered to customers, but not billed, is estimated and revenue is recognized. The unbilled revenue estimate is affected by energy demand, weather, line losses and changes in the composition of customer classes.

Distribution revenue also includes an amount relating to rate protection for rural, residential and remote customers, which is received from the Independent Electricity System Operator (IESO) based on a standardized customer rate that is approved by the OEB. Current legislation provides rate protection for prescribed classes of rural, residential and remote consumers by reducing the electricity rates that would otherwise apply.

Revenues also include amounts related to sales of other services and equipment. Such revenue is recognized as services are rendered or as equipment is delivered.

Revenues are recorded net of indirect taxes.

Accounts Receivable and Allowance for Doubtful Accounts

Billed accounts receivable are recorded at the invoiced amount, net of allowance for doubtful accounts. Unbilled accounts receivable are estimated and recorded based on wholesale electricity purchases. Overdue amounts related to regulated billings bear interest at OEB-approved rates. The allowance for doubtful accounts reflects the Company's best estimate of losses on billed accounts receivable balances. The allowance is based on accounts receivable aging, historical experience and other currently available information. The Company estimates the allowance for doubtful accounts on customer receivables by applying internally developed loss rates to the outstanding receivable balances by risk segment. Risk segments represent groups of customers with similar credit quality indicators and are computed based on various attributes, including number of days receivables are past due, delinquency of balances and payment history. Loss rates applied to the accounts receivable balances are based on historical average write-offs as a percentage of accounts receivable in each risk segment. An account is considered delinquent if the amount billed is not received within 110 days of the invoiced date. Accounts receivable are written off against the allowance when they are deemed uncollectible. The existing allowance for uncollectible accounts will continue to be affected by changes in volume, prices and economic conditions.

Corporate Income Taxes

Under the *Electricity Act, 1998*, Hydro One is required to make payments in lieu of corporate income taxes (PILs) to the Ontario Electricity Financial Corporation (OEFC). These payments are calculated in accordance with the rules for computing income and other relevant amounts contained in the *Income Tax Act* (Canada) and the *Taxation Act, 2007* (Ontario) as modified by the *Electricity Act, 1998* and related regulations.

Current and deferred income taxes are computed based on the tax rates and tax laws enacted at the balance sheet date. Tax benefits associated with income tax positions taken, or expected to be taken, in a tax return are recorded only when the "more-likely-than-not" recognition threshold is satisfied and are measured at the largest amount of benefit that has a greater than 50% likelihood of being realized upon settlement. Management evaluates each position based solely on the technical merits and facts and circumstances of the position, assuming the position will be examined by a taxing authority having full knowledge of all relevant information. Significant management judgement is required to determine recognition thresholds and the related amount of tax benefits to be recognized in the Consolidated Financial Statements. Management re-evaluates tax positions each period in which new information about recognition or measurement becomes available.

Current Income Taxes

The provision for current taxes and the assets and liabilities recognized for the current and prior periods are measured at the amounts receivable from, or payable to, the OEFC.

Deferred Income Taxes

Deferred income taxes are provided for using the liability method. Deferred income taxes are recognized based on the estimated future tax consequences attributable to temporary differences between the carrying amount of assets and liabilities in the Consolidated Financial Statements and their corresponding tax bases.



Deferred income tax liabilities are generally recognized on all taxable temporary differences. Deferred tax assets are recognized to the extent that it is more-likely-than-not that these assets will be realized from taxable income available against which deductible temporary differences can be utilized.

Deferred income taxes are calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on the tax rates and tax laws that have been enacted at the balance sheet date. Deferred income taxes that are not included in the rate-setting process are charged or credited to the Consolidated Statements of Operations and Comprehensive Income.

If management determines that it is more-likely-than-not that some or all of a deferred income tax asset will not be realized, a valuation allowance is recorded against the tax asset to report the net balance at the amount expected to be realized. Previously unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become more-likely-than-not that the tax benefit will be realized.

The Company records regulatory assets and liabilities associated with deferred income taxes that will be included in the ratesetting process.

The Company uses the flow-through method to account for investment tax credits (ITCs) earned on eligible scientific research and experimental development expenditures, and apprenticeship job creation. Under this method, only non-refundable ITCs are recognized as a reduction to income tax expense.

Materials and Supplies

Materials and supplies represent consumables, small spare parts and construction materials held for internal construction and maintenance of property, plant and equipment. These assets are carried at average cost less any impairments recorded.

Property, Plant and Equipment

Property, plant and equipment is recorded at original cost, net of customer contributions received in aid of construction and any accumulated impairment losses. The cost of additions, including betterments and replacement asset components, is included on the Consolidated Balance Sheets as property, plant and equipment.

The original cost of property, plant and equipment includes direct materials, direct labour (including employee benefits), contracted services, attributable capitalized financing costs, asset retirement costs, and direct and indirect overheads that are related to the capital project or program. Indirect overheads include a portion of corporate costs such as finance, treasury, human resources, information technology and executive costs. Overhead costs, including corporate functions and field services costs, are capitalized on a fully allocated basis, consistent with an OEB-approved methodology.

Property, plant and equipment in service consists of transmission, distribution, communication, administration and service assets and land easements. Property, plant and equipment also includes future use assets, such as land, major components and spare parts, and capitalized project development costs associated with deferred capital projects.

Transmission

Transmission assets include assets used for the transmission of high-voltage electricity, such as transmission lines, support structures, foundations, insulators, connecting hardware and grounding systems, and assets used to step up the voltage of electricity from generating stations for transmission and to step down voltages for distribution, including transformers, circuit breakers and switches.

Distribution

Distribution assets include assets related to the distribution of low-voltage electricity, including lines, poles, switches, transformers, protective devices and metering systems.



Communication

Communication assets include the fibre-optic and microwave radio system, optical ground wire, towers, telephone equipment and associated buildings.

Administration and Service

Administration and service assets include administrative buildings, personal computers, transport and work equipment, tools and other minor assets.

Easements

Easements include statutory rights of use for transmission corridors and abutting lands granted under the *Reliable Energy and Consumer Protection Act, 2002, as well as other land access rights.*

Intangible Assets

Intangible assets separately acquired or internally developed are measured on initial recognition at cost, which comprises purchased software, direct labour (including employee benefits), consulting, engineering, overheads and attributable capitalized financing charges. Following initial recognition, intangible assets are carried at cost, net of any accumulated amortization and accumulated impairment losses. The Company's intangible assets primarily represent major administrative computer applications.

Capitalized Financing Costs

Capitalized financing costs represent interest costs attributable to the construction of property, plant and equipment or development of intangible assets. The financing cost of attributable borrowed funds is capitalized as part of the acquisition cost of such assets. The capitalized portion of financing costs is a reduction to financing charges recognized in the Consolidated Statements of Operations and Comprehensive Income. Capitalized financing costs are calculated using the Company's weighted average effective cost of debt.

Construction and Development in Progress

Construction and development in progress consists of the capitalized cost of constructed assets that are not yet complete and which have not yet been placed in service.

Depreciation and Amortization

The cost of property, plant and equipment and intangible assets is depreciated or amortized on a straight-line basis based on the estimated remaining service life of each asset category, except for transport and work equipment, which is depreciated on a declining balance basis.

The Company periodically initiates an external independent review of its property, plant and equipment and intangible asset depreciation and amortization rates, as required by the OEB. Any changes arising from OEB approval of such a review are implemented on a remaining service life basis, consistent with their inclusion in electricity rates. The last review resulted in changes to rates effective January 1, 2013. A summary of average service lives and depreciation and amortization rates for the various classes of assets is included below:

	Average	Rate	e (%)
	Service Life	Range	Average
Transmission	57 years	1% - 2%	2%
Distribution	42 years	1% - 20%	2%
Communication	19 years	1% - 15%	5%
Administration and service	15 years	3% - 20%	6%



The cost of intangible assets is included primarily within the administration and service classification above. Amortization rates for computer applications software and other intangible assets range from 9% to 10%.

In accordance with group depreciation practices, the original cost of property, plant and equipment, or major components thereof, and intangible assets that are normally retired, is charged to accumulated depreciation, with no gain or loss being reflected in results of operations. Where a disposition of property, plant and equipment occurs through sale, a gain or loss is calculated based on proceeds and such gain or loss is included in depreciation expense. Depreciation expense also includes the costs incurred to remove property, plant and equipment where no ARO has been recorded.

Goodwill

Goodwill represents the cost of acquired local distribution companies that is in excess of the fair value of the net identifiable assets acquired at the acquisition date. Goodwill is not included in rate base.

Goodwill is evaluated for impairment on an annual basis, or more frequently if circumstances require. The Company performs a qualitative assessment to determine whether it is more-likely-than-not that the fair value of the applicable reporting unit is less than its carrying amount. If the Company determines, as a result of its qualitative assessment, that it is not more-likely-than-not that the fair value of the applicable reporting unit is less than its carrying amount, no further testing is required. If the Company determines, as a result of its qualitative assessment, that it is more-likely-than-not that the fair value of the applicable reporting unit is less than its carrying amount, no further testing is required. If the Company determines, as a result of its qualitative assessment, that it is more-likely-than-not that the fair value of the applicable reporting unit is less than its carrying amount, a goodwill impairment assessment is performed using a two-step, fair value-based test. The first step compares the fair value of the applicable reporting unit to its carrying amount, including goodwill. If the carrying amount of the applicable reporting unit exceeds its fair value, a second step is performed. The second step requires an allocation of fair value to the individual assets and liabilities using purchase price allocation in order to determine the implied fair value of goodwill. If the implied fair value of goodwill is less than the carrying amount, an impairment loss is recorded as a reduction to goodwill and as a charge to results of operations.

For the year ended December 31, 2013, based on the qualitative assessment performed as at September 30, 2013, the Company has determined that it is not more-likely-than-not that the fair value of each applicable reporting unit assessed is less than its carrying amount. As a result, no further testing was performed, and the Company has concluded that goodwill was not impaired at December 31, 2013.

Long-Lived Asset Impairment

When circumstances indicate the carrying value of long-lived assets may not be recoverable, the Company evaluates whether the carrying value of such assets, excluding goodwill, has been impaired. For such long-lived assets, impairment exists when the carrying value exceeds the sum of the future estimated undiscounted cash flows expected to result from the use and eventual disposition of the asset. When alternative courses of action to recover the carrying amount of a long-lived asset are under consideration, a probability-weighted approach is used to develop estimates of future undiscounted cash flows. If the carrying value of the long-lived asset is not recoverable based on the estimated future undiscounted cash flows, an impairment loss is recorded, measured as the excess of the carrying value of the asset over its fair value. As a result, the asset's carrying value is adjusted to its estimated fair value.

Within its regulated business, the carrying costs of most of Hydro One's long-lived assets are included in rate base where they earn an OEB-approved rate of return. Asset carrying values and the related return are recovered through approved rates. As a result, such assets are only tested for impairment in the event that the OEB disallows recovery, in whole or in part, or if such a disallowance is judged to be probable.

Hydro One regularly monitors the assets of its unregulated Hydro One Telecom subsidiary for indications of impairment. Management assesses the fair value of such long-lived assets using commonly accepted techniques, and may use more than one. Techniques used to determine fair value include, but are not limited to, the use of recent third party comparable sales for reference and internally developed discounted cash flow analysis. Significant changes in market conditions, changes to the condition of an asset, or a change in management's intent to utilize the asset are generally viewed by management as triggering events to reassess the cash flows related to these long-lived assets. As at December 31, 2013, no asset impairment had been recorded for assets within either the Company's regulated or unregulated businesses.



Costs of Arranging Debt Financing

For financial liabilities classified as other than held-for-trading, the Company defers the external transaction costs related to obtaining debt financing and presents such amounts as deferred debt costs on the Consolidated Balance Sheets. Deferred debt costs are amortized over the contractual life of the related debt on an effective-interest basis and the amortization is included within financing charges in the Consolidated Statements of Operations and Comprehensive Income. Transaction costs for items classified as held-for-trading are expensed immediately.

Comprehensive Income

Comprehensive income is comprised of net income and other comprehensive income (OCI). OCI includes the amortization of net unamortized hedging losses on the Company's discontinued cash flow hedges, and the change in fair value on the existing cash flow hedges to the extent that the hedge is effective. The Company amortizes its unamortized hedging losses on discontinued cash flow hedges to financing charges using the effective-interest method over the term of the allocated hedged debt. Hydro One presents net income and OCI in a single continuous Consolidated Statement of Operations and Comprehensive Income.

Financial Assets and Liabilities

All financial assets and liabilities are classified into one of the following five categories: held-to-maturity; loans and receivables; held-for-trading; other liabilities; or available-for-sale. Financial assets and liabilities classified as held-for-trading are measured at fair value. All other financial assets and liabilities are measured at amortized cost, except accounts receivable and amounts due from related parties, which are measured at the lower of cost or fair value. Accounts receivable and amounts due from related parties are classified as loans and receivables. The Company considers the carrying amounts of accounts receivable and amounts due from related parties to be reasonable estimates of fair value because of the short time to maturity of these instruments. Provisions for impaired accounts receivable are recognized as adjustments to the allowance for doubtful accounts and are recognized when there is objective evidence that the Company will not be able to collect amounts according to the original terms.

Derivative instruments are measured at fair value. Gains and losses from fair valuation are included within financing charges in the period in which they arise. The Company determines the classification of its financial assets and liabilities at the date of initial recognition. The Company designates certain of its financial assets and liabilities to be held at fair value, when it is consistent with the Company's risk management policy disclosed in Note 13 – Fair Value of Financial Instruments and Risk Management.

The Company's investment in Province of Ontario Floating-Rate Notes, which is held as an alternate form of liquidity to supplement the bank credit facilities, is classified as held-for-trading and is measured at fair value.

All financial instrument transactions are recorded at trade date.

Derivative Instruments and Hedge Accounting

The Company closely monitors the risks associated with changes in interest rates on its operations and, where appropriate, uses various instruments to hedge these risks. Certain of these derivative instruments qualify for hedge accounting and are designated as accounting hedges, while others either do not qualify as hedges or have not been designated as hedges (hereinafter referred to as undesignated contracts) as they are part of economic hedging relationships.

The accounting guidance for derivative instruments requires the recognition of all derivative instruments not identified as meeting the normal purchase and sale exemption as either assets or liabilities recorded at fair value on the Consolidated Balance Sheets. For derivative instruments that qualify for hedge accounting, the Company may elect to designate such derivative instruments as either cash flow hedges or fair value hedges. The Company offsets fair value amounts recognized in its Consolidated Balance Sheets related to derivative instruments executed with the same counterparty under the same master netting agreement.



For derivative instruments that qualify for hedge accounting and which are designated as cash flow hedges, the effective portion of any gain or loss, net of tax, is reported as a component of accumulated OCI (AOCI) and is reclassified to results of operations in the same period or periods during which the hedged transaction affects results of operations. Any gains or losses on the derivative instrument that represent either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in results of operations. For fair value hedges, changes in fair value of both the derivative instrument and the underlying hedged exposure are recognized in the Consolidated Statement of Operations and Comprehensive Income in the current period. The gain or loss on the derivative instrument is included in the same line item as the offsetting gain or loss on the hedged item in the Consolidated Statements of Operations and Comprehensive Income. Additionally, the Company enters into derivative agreements that are economic hedges that either do not qualify for hedge accounting or have not been designated as hedges. The changes in fair value of these undesignated derivative instruments are reflected in results of operations.

Embedded derivative instruments are separated from their host contracts and carried at fair value on the Consolidated Balance Sheets when: (a) the economic characteristics and risks of the embedded derivative are not clearly and closely related to the economic characteristics and risks of the host contract; (b) the hybrid instrument is not measured at fair value, with changes in fair value recognized in results of operations each period; and (c) the embedded derivative itself meets the definition of a derivative. The Company does not engage in derivative trading or speculative activities and had no embedded derivatives at December 31, 2013 or 2012.

Hydro One periodically develops hedging strategies taking into account risk management objectives. At the inception of a hedging relationship where the Company has elected to apply hedge accounting, Hydro One formally documents the relationship between the hedged item and the hedging instrument, the related risk management objective, the nature of the specific risk exposure being hedged, and the method for assessing the effectiveness of the hedging relationship. The Company also assesses, both at the inception of the hedge and on a quarterly basis, whether the hedging instruments are effective in offsetting changes in fair values or cash flows of the hedged items.

Employee Future Benefits

Employee future benefits provided by Hydro One include pension, post-retirement and post-employment benefits. The costs of the Company's pension, post-retirement and post-employment benefit plans are recorded over the periods during which employees render service.

The Company recognizes the funded status of its pension, post-retirement and post-employment plans on its Consolidated Balance Sheets and subsequently recognizes the changes in funded status at the end of each reporting year. Pension, post-retirement and post-employment plans are considered to be underfunded when the projected benefit obligation exceeds the fair value of the plan assets. Liabilities are recognized on the Consolidated Balance Sheets for any net underfunded projected benefit obligation. The net underfunded projected benefit obligation may be disclosed as a current liability, long-term liability, or both. The current portion is the amount by which the actuarial present value of benefits included in the benefit obligation payable in the next 12 months exceeds the fair value of plan assets. If the fair value of plan assets exceeds the projected benefit obligation of the plan, an asset is recognized equal to the net overfunded projected benefit obligation. The net asset for an overfunded plan is classified as a long-term asset on the Consolidated Balance Sheets. The post-retirement and post-employment benefit plans are unfunded because there are no related plan assets.

Pension benefits

In accordance with the OEB's rate orders, pension costs are recorded on a cash basis as employer contributions are paid to the pension fund in accordance with the *Pension Benefits Act* (Ontario). Pension costs are recorded on an accrual basis for financial reporting purposes. Pension costs are actuarially determined using the projected benefit method prorated on service and are based on assumptions that reflect management's best estimate of the effect of future events, including future compensation increases. Past service costs from plan amendments and all actuarial gains and losses are amortized on a straight-line basis over the expected average remaining service period of active employees in the plan, and over the estimated remaining life expectancy of inactive employees in the plan. Pension plan assets, consisting primarily of listed equity securities as well as corporate and government debt securities, are fair valued at the end of each year.



Hydro One records a regulatory asset equal to the net underfunded projected benefit obligation for its pension plan. The regulatory asset for the net underfunded projected benefit obligation for the pension plan, in the absence of regulatory accounting, would be recognized in AOCI. A regulatory asset is recognized because management considers it to be probable that pension benefit costs will be recovered in the future through the rate-setting process. The pension regulatory assets are remeasured at the end of each year based on the current status of the pension plan.

All future pension benefit costs are attributed to labour and are either charged to results of operations or capitalized as part of the cost of property, plant and equipment and intangible assets.

Post-retirement and post-employment benefits

Post-retirement and post-employment benefits are recorded and included in rates on an accrual basis. Costs are determined by independent actuaries using the projected benefit method prorated on service and based on assumptions that reflect management's best estimates. Past service costs from plan amendments are amortized to results of operations based on the expected average remaining service period.

Hydro One records a regulatory asset equal to the incremental net unfunded projected benefit obligation for post-retirement and post-employment plans recorded at each year end based on annual actuarial reports. The regulatory asset for the incremental net unfunded projected benefit obligation for post-retirement and post-employment plans, in the absence of regulatory accounting, would be recognized in AOCI. A regulatory asset is recognized because management considers it to be probable that post-retirement and post-employment benefit costs will be recovered in the future through the rate-setting process.

For post-retirement benefits, all actuarial gains or losses are deferred using the "corridor" approach. The amount calculated above the "corridor" is amortized to results of operations on a straight-line basis over the expected average remaining service life of active employees in the plan and over the remaining life expectancy of inactive employees in the plan. The post-retirement benefit obligation is remeasured to its fair value at each year end based on an annual actuarial report, with an offset to the associated regulatory asset, to the extent of the remeasurement adjustment.

For post-employment obligations, the associated regulatory liabilities representing actuarial gains on transition to US GAAP are amortized to results of operations based on the "corridor" approach. Post transition, the actuarial gains and losses on post-employment obligations that are incurred during the year are recognized immediately to results of operations. The post-employment benefit obligation is remeasured to its fair value at each year end based on an annual actuarial report, with an offset to the associated regulatory asset, to the extent of the remeasurement adjustment.

All post-retirement and post-employment future benefit costs are attributed to labour and are either charged to results of operations or capitalized as part of the cost of property, plant and equipment and intangible assets.

Multiemployer Pension Plan

Employees of Hydro One Brampton Networks participate in the Ontario Municipal Employees Retirement System Fund (OMERS), a multiemployer, contributory, defined benefit public sector pension fund. OMERS provides retirement pension payments based on members' length of service and salary. Both participating employers and members are required to make plan contributions. The OMERS plan assets are pooled together to provide benefits to all plan participants and the plan assets are not segregated by member entity. OMERS is registered with the Financial Services Commission of Ontario under Registration #0345983. At December 31, 2012, OMERS had approximately 429,000 members, with approximately 283 members being current employees of Hydro One Brampton Networks.

The OMERS plan is accounted for as a defined contribution plan by Hydro One because it is not practicable to determine the present value of the Company's obligation, the fair value of plan assets or the related current service cost applicable to Hydro One Brampton Networks' employees. Hydro One recognizes its contributions to the OMERS plan as pension expense, with a portion being capitalized. The expensed amount is included in operation, maintenance and administration costs in the Consolidated Statements of Operations and Comprehensive Income.



Loss Contingencies

Hydro One is involved in certain legal and environmental matters that arise in the normal course of business. In the preparation of its Consolidated Financial Statements, management makes judgements regarding the future outcome of contingent events and records a loss for a contingency based on its best estimate when it is determined that such loss is probable and the amount of the loss can be reasonably estimated. Where the loss amount is recoverable in future rates, a regulatory asset is also recorded. When a range estimate for the probable loss exists and no amount within the range is a better estimate than any other amount, the Company records a loss at the minimum amount within the range.

Management regularly reviews current information available to determine whether recorded provisions should be adjusted and whether new provisions are required. Estimating probable losses may require analysis of multiple forecasts and scenarios that often depend on judgements about potential actions by third parties, such as federal, provincial and local courts or regulators. Contingent liabilities are often resolved over long periods of time. Amounts recorded in the Consolidated Financial Statements may differ from the actual outcome once the contingency is resolved. Such differences could have a material impact on future results of operations, financial position and cash flows of the Company.

Provisions are based upon current estimates and are subject to greater uncertainty where the projection period is lengthy. A significant upward or downward trend in the number of claims filed, the nature of the alleged injuries, and the average cost of resolving each claim could change the estimated provision, as could any substantial adverse or favourable verdict at trial. A federal or provincial legislative outcome or structured settlement could also change the estimated liability. Legal fees are expensed as incurred.

Environmental Liabilities

Environmental liabilities are recorded in respect of past contamination when it is determined that future environmental remediation expenditures are probable under existing statute or regulation and the amount of the future expenditures can be reasonably estimated. Hydro One records a liability for the estimated future expenditures associated with the contaminated land assessment and remediation (LAR) and for the phase-out and destruction of polychlorinated biphenyl (PCB)-contaminated mineral oil removed from electrical equipment, based on the present value of these estimated future expenditures. The Company determines the present value with a discount rate equal to its credit-adjusted risk-free interest rate on financial instruments with comparable maturities to the pattern of future environmental expenditures. As the Company anticipates that the future recovery of these environmental expenditures from customers. Hydro One reviews its estimates of future environmental expenditures annually, or more frequently if there are indications that circumstances have changed.

Asset Retirement Obligations

AROs are recorded for legal obligations associated with the future removal and disposal of long-lived assets. Such obligations may result from the acquisition, construction, development and/or normal use of the asset. Conditional AROs are recorded when there is a legal obligation to perform a future asset retirement activity but where the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the Company. In such a case, the obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and/or method of settlement.

When recording an ARO, the present value of the estimated future expenditures required to complete the asset retirement activity is recorded in the period in which the obligation is incurred, if a reasonable estimate can be made. In general, the present value of the estimated future expenditures is added to the carrying amount of the associated asset and the resulting asset retirement cost is depreciated over the estimated useful life of the asset. Where an asset is no longer in service when an ARO is recorded, the asset retirement cost is recorded in results of operations.

Some of the Company's transmission and distribution assets, particularly those located on unowned easements and rights-ofway, may have AROs, conditional or otherwise. The majority of the Company's easements and rights-of-way are either of perpetual duration or are automatically renewed annually. Land rights with finite terms are generally subject to extension or renewal. As the Company expects to use the majority of its facilities in perpetuity, no ARO currently exists for these assets.



If, at some future date, a particular facility is shown not to meet the perpetuity assumption, it will be reviewed to determine whether an estimable ARO exists. In such a case, an ARO would be recorded at that time.

The Company's AROs recorded to date relate to estimated future expenditures associated with the removal and disposal of asbestos-containing materials installed in some of its facilities and with the decommissioning of specific switching stations located on unowned sites.

3. NEW ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncements

In December 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities. This ASU requires an entity to disclose both gross and net information about financial instruments and transactions eligible for offset on the Consolidated Balance Sheets as well as financial instruments and transactions executed under a master netting or similar arrangement. The ASU was issued to enable users of financial statements to understand the effects or potential effects of those arrangements on an entity's financial position. This ASU was required to be applied retrospectively and was effective for fiscal years, and interim periods within those years, beginning on or after January 1, 2013. The adoption of this ASU did not have an impact on the Company's Consolidated Financial Statements.

In February 2013, the FASB issued ASU 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. This ASU requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income, but only if the amount reclassified is required under US GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under US GAAP that provide additional detail about those amounts. This ASU was required to be applied prospectively and was effective for fiscal years, and interim periods within those years, beginning after December 15, 2012. The adoption of this ASU did not have a significant impact on the Company's Consolidated Financial Statements.

Recent Accounting Guidance Not Yet Adopted

In July 2013, the FASB issued ASU 2013-11, Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. This ASU provides guidance on the presentation of unrecognized tax benefits. This ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013, and should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Retrospective application is permitted. The adoption of this ASU is not anticipated to have a significant impact on the Company's Consolidated Financial Statements.

4. BUSINESS ACQUISITION

Norfolk Power Purchase Agreement

On April 2, 2013, Hydro One reached an agreement with The Corporation of Norfolk County to acquire 100% of the common shares of Norfolk Power Inc. (Norfolk Power), an electricity distribution and telecom company located in southwestern Ontario. The acquisition is pending a regulatory decision from the OEB. The purchase price for Norfolk Power will be approximately \$93 million, subject to final closing adjustments. The transaction is anticipated to be completed in 2014. In anticipation of the Norfolk Power acquisition, the Company made a refundable deposit totaling \$5 million, which was recorded in other current assets on the interim Consolidated Balance Sheet.

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5. DEPRECIATION AND AMORTIZATION

Year ended December 31 (millions of Canadian dollars)	2013	2012
Depreciation of property, plant and equipment	533	522
Amortization of intangible assets	48	48
Asset removal costs	79	70
Amortization of regulatory assets	16	19
	676	659

6. FINANCING CHARGES

Year ended December 31 (millions of Canadian dollars)	2013	2012
Interest on long-term debt	416	421
Other	9	12
Less: Interest capitalized on construction and development in progress	(51)	(59)
Gain on interest-rate swap agreements	(11)	(12)
Interest earned on investments	(3)	(4)
	360	358

7. PROVISION FOR PAYMENTS IN LIEU OF CORPORATE INCOME TAXES

The provision for PILs differs from the amount that would have been recorded using the combined Canadian federal and Ontario statutory income tax rate. The reconciliation between the statutory and the effective tax rates is provided as follows:

Year ended December 31 (millions of Canadian dollars)	2013	2012
Income before provision for PILs	912	866
Canadian federal and Ontario statutory income tax rate	26.50%	26.50%
Provision for PILs at statutory rate	242	230
Increase (decrease) resulting from:		
Net temporary differences included in amounts charged to customers:		
Capital cost allowance in excess of depreciation and amortization	(72)	(42)
Pension contributions in excess of pension expense	(23)	(23)
Interest capitalized for accounting but deducted for tax purposes	(13)	(15)
Overheads capitalized for accounting but deducted for tax purposes	(14)	(14)
Prior year's adjustments	(8)	(2)
Non-refundable investment tax credits	(4)	(8)
Environmental expenditures	(4)	(5)
Post-retirement and post-employment benefit expense in excess of cash payments	4	_
Other	(1)	(1)
Net temporary differences	(135)	(110)
Net permanent differences	2	1
Total provision for PILs	109	121

The major components of income tax expense are as follows:

Year ended December 31 (millions of Canadian dollars)	2013	2012
Current provision for PILs	111	130
Deferred recovery of PILs	(2)	(9)
Total provision for PILs	109	121
Effective income tax rate	11.98%	13.96%

The current provision for PILs is remitted to, or received from, the Ontario Electricity Financial Corporation (OEFC). At December 31, 2013, \$29 million due from the OEFC was included in due from related parties on the Consolidated Balance Sheet (December 31, 2012 – \$10 million included in due to related parties).

The total provision for PILs includes deferred recovery of PILs of 2 million (2012 - 9 million) that is not included in the rate-setting process, using the liability method of accounting. Deferred PILs balances expected to be included in the rate-setting process are offset by regulatory assets and liabilities to reflect the anticipated recovery or disposition of these balances within future electricity rates.

Deferred Income Tax Assets and Liabilities

Deferred income tax assets and liabilities arise from differences between the carrying amounts and tax bases of the Company's assets and liabilities. At December 31, 2013 and 2012, deferred income tax assets and liabilities consisted of the following:

December 31 (millions of Canadian dollars)	2013	2012
Deferred income tax assets		
Post-retirement and post-employment benefits expense in excess of cash payments	7	7
Environmental expenditures	5	4
Depreciation and amortization in excess of capital cost allowance	_	3
Other	(1)	-
Total deferred income tax assets	11	14
Less: current portion	_	-
	11	14
December 31 (millions of Canadian dollars)	2013	2012
Deferred income tax liabilities		
Capital cost allowance in excess of depreciation and amortization	(1,556)	(1,344)
Post-retirement and post-employment benefits expense in excess of cash payments	542	519
Environmental expenditures	66	62
Regulatory amounts that are not recognized for tax purposes	(144)	(147)
Goodwill	(20)	(19)
Other	1	3
Total deferred income tax liabilities	(1,111)	(926)
Less: current portion	18	18
	(1,129)	(944)

During 2013, there was no change in the rate applicable to future taxes (2012 - a change in rate applicable to future rates generated a \$60 million increase).



8. ACCOUNTS RECEIVABLE

December 31 (millions of Canadian dollars)	2013	2012
Accounts receivable – billed	268	224
Accounts receivable – unbilled	691	644
Accounts receivable, gross	959	868
Allowance for doubtful accounts	(36)	(23)
Accounts receivable, net	923	845

The following table shows the movements in the allowance for doubtful accounts for the years ended December 31, 2013 and 2012:

Year ended December 31 (millions of Canadian dollars)	2013	2012
Allowance for doubtful accounts – January 1	(23)	(18)
Write-offs	24	17
Additions to allowance for doubtful accounts	(37)	(22)
Allowance for doubtful accounts – December 31	(36)	(23)

9. PROPERTY, PLANT AND EQUIPMENT

	Property, Plant	Accumulated	Construction	T (1
December 31, 2013 (millions of Canadian dollars)	and Equipment	Depreciation	in Progress	Total
Transmission	12,413	4,215	671	8,869
Distribution	8,498	3,046	316	5,768
Communication	1,060	560	53	553
Administration and Service	1,380	716	38	702
Easements	617	78	_	539
	23,968	8,615	1,078	16,431

December 31, 2012 (millions of Canadian dollars)	Property, Plant and Equipment	Accumulated Depreciation	Construction in Progress	Total
Transmission	11,840	3,990	641	8,491
Distribution	8,005	2,879	234	5,360
Communication	1,024	516	57	565
Administration and Service	1,314	668	123	769
Easements	614	92	_	522
	22,797	8,145	1,055	15,707

Financing charges capitalized on property, plant and equipment under construction were \$48 million in 2013 (2012 – \$56 million).

10. INTANGIBLE ASSETS

December 31, 2013 (millions of Canadian dollars)	Intangible Assets	Accumulated Amortization	Development in Progress	Total
Computer applications software	557	249	3	311
Other	5	3	_	2
	562	252	3	313



December 31, 2012 (millions of Canadian dollars)	Intangible Assets	Accumulated Amortization	Development in Progress	Total
Computer applications software	451	301	116	266
Other	5	4	-	1
	456	305	116	267

Financing charges capitalized on intangible assets under development were \$3 million in 2013 (2012 - \$3 million). The estimated annual amortization expense for intangible assets is as follows: 2014 - \$52 million; 2015 - \$52 million; 2016 - \$52 million; 2017 - \$52 million; and 2018 - \$44 million.

11. REGULATORY ASSETS AND LIABILITIES

Regulatory assets and liabilities arise as a result of the rate-setting process. Hydro One has recorded the following regulatory assets and liabilities:

December 31 (millions of Canadian dollars)	2013	2012
Regulatory assets:		
Deferred income tax regulatory asset	1,145	954
Pension benefit regulatory asset	845	1,515
Post-retirement and post-employment benefits	308	320
Environmental	266	249
Pension cost variance	80	61
OEB cost assessment differential	9	6
DSC exemption	7	2
Long-term project development costs	5	5
Rider 2	_	10
Other	18	5
Total regulatory assets	2,683	3,127
Less: current portion	47	29
	2,636	3,098
Regulatory liabilities:		
External revenue variance	81	61
Rider 8	55	45
Retail settlement variance accounts	35	54
Deferred income tax regulatory liability	19	16
Rider 9	19	_
PST savings deferral	17	13
Hydro One Brampton Networks rider	8	_
Rider 3	_	9
Rural and remote rate protection variance	-	6
Other	14	17
Total regulatory liabilities	248	221
Less: current portion	85	40
	163	181

Deferred Income Tax Regulatory Asset and Liability

Deferred income taxes are recognized on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. The Company has recognized regulatory assets and liabilities that correspond to deferred income taxes that flow through the rate-setting process. In the absence of rate-regulated accounting, the Company's provision for PILs would have been recognized using the liability



method and there would be no regulatory accounts established for taxes to be recovered through future rates. As a result, the 2013 provision for PILs would have been higher by approximately \$139 million (2012 – \$136 million).

Pension Benefit Regulatory Asset

The Company recognizes the net unfunded status of pension obligations on the Consolidated Balance Sheets with an offset to the associated regulatory asset. A regulatory asset is recognized because management considers it to be probable that pension benefit costs will be recovered in the future through the rate-setting process. The pension benefit obligation is remeasured to its fair value at each year end based on an annual actuarial report, with an offset to the associated regulatory asset, to the extent of the remeasurement adjustment. In the absence of rate-regulated accounting, 2013 OCI would have been higher by \$670 million (2012 – lower by \$736 million).

Post-Retirement and Post-Employment Benefits

The Company recognizes the net unfunded status of post-retirement and post-employment obligations on the Consolidated Balance Sheets with an incremental offset to the associated regulatory assets. A regulatory asset is recognized because management considers it to be probable that post-retirement and post-employment benefit costs will be recovered in the future through the rate-setting process. The post-retirement and post-employment benefit obligation is remeasured to its fair value at each year end based on an annual actuarial report, with an offset to the associated regulatory asset, to the extent of the remeasurement adjustment. In the absence of rate-regulated accounting, 2013 OCI would have been higher by \$12 million (2012 – lower by \$197 million).

Environmental

Hydro One records a liability for the estimated future expenditures required to remediate environmental contamination. Because such expenditures are expected to be recoverable in future rates, the Company has recorded an equivalent amount as a regulatory asset. In 2013, the environmental regulatory asset decreased by \$3 million (2012 - \$3 million) to reflect related changes in the Company's PCB liability, and increased by \$26 million (2012 - \$2 million) due to changes in the LAR liability. The environmental regulatory asset is amortized to results of operations based on the pattern of actual expenditures incurred and charged to environmental liabilities. The OEB has the discretion to examine and assess the prudency and the timing of recovery of all of Hydro One's actual environmental expenditures. In the absence of rate-regulated accounting, 2013 operation, maintenance and administration expenses would have been higher by \$23 million (2012 - \$18 million), and 2013 financing charges would have been higher by \$10 million (2012 - \$18 million), and 2013

Pension Cost Variance

A pension cost variance account was established for Hydro One Networks' transmission and distribution businesses to track the difference between the actual pension expense incurred and estimated pension costs approved by the OEB. The balance in this regulatory account reflects the excess of pension costs paid as compared to OEB-approved amounts. In the absence of rate-regulated accounting, 2013 revenue would have been lower by \$19 million (2012 – \$18 million).

OEB Cost Assessment Differential

In April 2010, the OEB announced its decision regarding the Company's rate application in respect of Hydro One Networks' distribution business for 2010 and 2011. As part of this decision, the OEB also approved the distribution-related OEB Cost Assessment Differential Account to record the difference between the amounts approved in rates and actual expenditures with respect to the OEB's cost assessments.

DSC Exemption

In June 2010, Hydro One Networks filed an application with the OEB regarding the OEB's new cost responsibility rules contained in the OEB's October 2009 Notice of Amendment to the Distribution System Code (DSC), with respect to the connection of certain renewable generators that were already connected or that had received a connection impact assessment prior to October 21, 2009. The application sought approval to record and defer the unanticipated costs incurred by Hydro One



Networks that resulted from the connection of certain renewable generation facilities. The OEB ruled that expenditures for identified specific expenditures can be recorded in a deferral account, subject to the OEB's review at a future date.

Long-Term Project Development Costs

In May 2009, the OEB approved the creation of a deferral account to record Hydro One Networks' costs of preliminary work to advance certain transmission projects identified in the Company's 2009 and 2010 transmission rate applications. In March 2010, the OEB issued a decision amending the scope of the account to include the 20 major transmission projects identified in the September 2009 request from the Ministry of Energy and Infrastructure. In December 2012, the OEB approved the recovery of the December 31, 2012 balance, including accrued interest, to be recovered over a one-year period from January 1, 2014 to December 31, 2014.

Rider 2

In April 2006, the OEB approved Hydro One Networks' distribution-related deferral account balances. The Rider 2 regulatory asset includes retail settlement and cost variance amounts and distribution low-voltage service amounts, plus accrued interest. In December 2012, as part of Hydro One Networks' 2013 IRM distribution rate application, the OEB approved the balance of the Rider 2 regulatory account for disposition as part of Rider 9, including accrued interest, to be disposed over a 24-month period from January 1, 2013 to December 31, 2014.

External Revenue Variance

In May 2009, the OEB approved forecasted amounts related to export service revenue, external revenue from secondary land use, and external revenue from station maintenance and engineering and construction work. In November 2012, the OEB again approved forecasted amounts related to these revenue categories and extended the scope to encompass all other external revenues. The external revenue variance account balance reflects the excess of actual external revenues compared to the OEB-approved forecasted amounts.

Rider 8

In April 2010, the OEB requested the establishment of deferral accounts which capture the difference between the revenue recorded on the basis of Green Energy Plan expenditures incurred and the actual recoveries received.

Retail Settlement Variance Accounts (RSVAs)

Hydro One has deferred certain retail settlement variance amounts under the provisions of Article 490 of the OEB's Accounting Procedures Handbook. In December 2012, the OEB approved the disposition of the total RSVA balance accumulated from January 2010 to December 2011, including accrued interest, to be disposed over a 24-month period from January 1, 2013 to December 31, 2014. Hydro One has continued to accumulate a net liability in its RSVAs since December 31, 2011.

Rider 9

In December 2012, as part of Hydro One Networks' 2013 IRM distribution rate application, the OEB approved for disposition certain distribution-related deferral account balances, including RSVA amounts and balances of Rider 2 and Rider 3, accumulated up to December 2011, including accrued interest, to be disposed over a 24-month period from January 1, 2013 to December 31, 2014.

PST Savings Deferral Account

The provincial sales tax (PST) and goods and services tax (GST) were harmonized in July 2010. Unlike the GST, the PST was included in operation, maintenance and administrative expenses or capital expenditures for past revenue requirements approved during a full cost-of-service hearing. Under the harmonized sales tax (HST) regime, the HST included in operation, maintenance and administration expenses or capital expenditures is not a cost ultimately borne by the Company and as such, a refund of the prior PST element in the approved revenue requirement is applicable, and calculations for tracking and refund



were requested by the OEB. For Hydro One Networks' transmission revenue requirement, PST was included between July 1, 2010 and December 31, 2010 and recorded in a deferral account, per direction from the OEB. For Hydro One Networks' distribution revenue requirement, PST was included between July 1, 2010 and December 31, 2013 and recorded in a deferral account, per direction from the OEB.

Hydro One Brampton Networks Rider

In December 2013, the OEB issued a decision for Hydro One Brampton Networks' 2014 distribution rates. Included in the OEB's decision was the approval of certain deferral account balances, primarily RSVAs. The OEB ordered that the approved balances be aggregated into a single regulatory account and disposed of through a rate rider over a two-year period from January 1, 2014 to December 31, 2015.

Rider 3

In December 2008, the OEB approved certain distribution-related deferral account balances, including RSVA amounts, deferred tax changes, OEB costs and smart meters. The OEB approved the disposition of the Rider 3 balance accumulated up to April 2008, including accrued interest, to be disposed over a 27-month period from February 1, 2009 to April 30, 2011. In December 2012, as part of Hydro One Networks' 2013 IRM distribution rate application, the OEB approved the balance of Rider 2 for disposition as part of Rider 9.

Rural and Remote Rate Protection Variance (RRRP)

Hydro One receives rural rate protection amounts from the IESO. A portion of these amounts is provided to retail customers of Hydro One Networks who are eligible for rate protection. The OEB has approved a mechanism to collect the RRRP through the Wholesale Market Service Charge. Variances between the amounts remitted by the IESO to Hydro One and the fixed entitlements defined in the regulation, and subsequent OEB utility rate decisions, are tracked by the Company in the RRRP variance account. At December 31, 2013, the RRRP variance account had a \$2 million debit balance, which is included in Other regulatory assets.

12. DEBT AND CREDIT AGREEMENTS

Short-Term Notes

Hydro One meets its short-term liquidity requirements in part through the issuance of commercial paper under its Commercial Paper Program which has a maximum authorized amount of \$1,000 million. These short-term notes are denominated in Canadian dollars with varying maturities not exceeding 365 days. Hydro One had no commercial paper borrowings outstanding as at December 31, 2013 and 2012.

Hydro One has a \$1,500 million committed and unused revolving standby credit facility with a syndicate of banks, maturing in June 2018. If used, interest on the facility would apply based on Canadian benchmark rates. This credit facility is unsecured and supports the Company's Commercial Paper Program. The Company may use the credit facility for general corporate purposes, including meeting short-term funding requirements. The obligation of each lender to make any credit extension to the Company under its credit facility is subject to various conditions including, among other things, that no event of default has occurred or would result from such credit extension.

Long-Term Debt

The Company issues notes for long-term financing under its Medium-Term Note (MTN) Program. The maximum authorized principal amount of notes issuable under this program is \$3,000 million. At December 31, 2013, \$1,815 million remained available for issuance until October 2015.

The following table presents the outstanding long-term debt at December 31, 2013 and 2012:

December 31 (millions of Canadian dollars)	2013	2012
5.00% Series 15 notes due 2013		600
3.13% Series 19 notes due 2014^1	750	750
2.95% Series 21 notes due 2015^1	500	500
Floating-rate Series 22 notes due 2015 ²	50	50
4.64% Series 10 notes due 2016	450	450
Floating-rate Series 27 notes due 2016 ²	50	50
5.18% Series 13 notes due 2017	600	600
2.78% Series 28 notes due 2018	750	_
4.40% Series 20 notes due 2020	300	300
3.20% Series 25 notes due 2022	600	600
7.35% Debentures due 2030	400	400
6.93% Series 2 notes due 2032	500	500
6.35% Series 4 notes due 2034	385	385
5.36% Series 9 notes due 2036	600	600
4.89% Series 12 notes due 2037	400	400
6.03% Series 17 notes due 2039	300	300
5.49% Series 18 notes due 2040	500	500
4.39% Series 23 notes due 2041	300	300
6.59% Series 5 notes due 2043	315	315
4.59% Series 29 notes due 2043	435	-
5.00% Series 11 notes due 2046	325	325
4.00% Series 24 notes due 2051	225	225
3.79% Series 26 notes due 2062	310	310
	9,045	8,460
Add: Unrealized marked-to-market loss ¹	12	19
Less: Long-term debt payable within one year	(756)	(600)
Long-term debt	8,301	7,879

¹ The unrealized marked-to-market loss relates to \$500 million of the Series 19 notes due 2014, and \$250 million of the Series 21 notes due 2015. The unrealized marked-to-market loss is offset by a \$12 million (2012 – \$19 million) unrealized marked-to-market gain on the related fixed-to-floating interest-rate swap agreements, which are accounted for as fair value hedges. See Note 13 – Fair Value of Financial Instruments and Risk Management for details of fair value hedges.

² The interest rates of the floating-rate notes are referenced to the 3-month Canadian dollar bankers' acceptance rate, plus a margin.

In 2013, Hydro One issued \$1,185 million (2012 – \$1,085 million) of long-term debt under the MTN Program, and repaid the \$600 million MTN Series 15 notes (2012 – redeemed \$600 million MTN Series 3 notes).

The long-term debt is unsecured and denominated in Canadian dollars. The long-term debt is summarized by the number of years to maturity in Note 13 – Fair Value of Financial Instruments and Risk Management.

13. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value is considered to be the exchange price in an orderly transaction between market participants to sell an asset or transfer a liability at the measurement date. The fair value definition focuses on an exit price, which is the price that would be received in the sale of an asset or the amount that would be paid to transfer a liability.

Hydro One classifies its fair value measurements based on the following hierarchy, as prescribed by the accounting guidance for fair value, which prioritizes the inputs to valuation techniques used to measure fair value into three levels:

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Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that Hydro One has the ability to access. An active market for the asset or liability is one in which transactions for the asset or liability occur with sufficient frequency and volume to provide ongoing pricing information.

Level 2 inputs are those other than quoted market prices that are observable, either directly or indirectly, for an asset or liability. Level 2 inputs include, but are not limited to, quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs other than quoted market prices that are observable for the asset or liability, such as interest rate curves and yield curves observable at commonly quoted intervals, volatilities, credit risk and default rates. A Level 2 measurement cannot have more than an insignificant portion of the valuation based on unobservable inputs.

Level 3 inputs are any fair value measurements that include unobservable inputs for the asset or liability for more than an insignificant portion of the valuation. A Level 3 measurement may be based primarily on Level 2 inputs.

Non-Derivative Financial Assets and Liabilities

At December 31, 2013 and 2012, the Company's carrying amounts of accounts receivable, due from related parties, cash and cash equivalents, bank indebtedness, accounts payable, and due to related parties are representative of fair value because of the short-term nature of these instruments.

Fair Value Measurements of Long-Term Debt

The fair values and carrying values of the Company's long-term debt at December 31, 2013 and 2012 are as follows:

December 31 (millions of Canadian dollars)	2013 Carrying Value	2013 Fair Value	2012 Carrying Value	2012 Fair Value
Long-term debt				
\$500 million of MTN Series 19 notes ¹	506	506	512	512
\$250 million of MTN Series 21 notes ²	256	256	257	257
Other notes and debentures ³	8,295	9,018	7,710	9,188
	9,057	9,780	8,479	9,957

¹ The fair value of \$500 million of the MTN Series 19 notes subject to hedging is primarily based on changes in the present value of future cash flows due to a change in the yield in the swap market for the related swap (hedged risk).

² The fair value of \$250 million of the MTN Series 21 notes subject to hedging is primarily based on changes in the present value of future cash flows due to a change in the yield in the swap market for the related swap (hedged risk).

³ The fair value of other notes and debentures, and the portions of the MTN Series 19 notes and the MTN Series 21 notes that are not subject to hedging, represents the market value of the notes and debentures and is based on unadjusted period-end market prices for the same or similar debt of the same remaining maturities.

Fair Value Measurements of Derivative Instruments

At December 31, 2013, the Company had interest-rate swaps totaling \$750 million (2012 - \$750 million) that were used to convert fixed-rate debt to floating-rate debt. These swaps are classified as fair value hedges. The Company's fair value hedge exposure was equal to about 8% (2012 - 9%) of its total long-term debt of \$9,057 million (2012 - \$8,479 million). At December 31, 2013, the Company had the following interest-rate swaps designated as fair value hedges:

- (a) two \$250 million fixed-to-floating interest-rate swap agreements to convert \$500 million of the \$750 million MTN Series 19 notes maturing November 19, 2014 into three-month variable rate debt; and
- (b) two \$125 million fixed-to-floating interest-rate swap agreements to convert \$250 million of the \$500 million MTN Series 21 notes maturing September 11, 2015 into three-month variable rate debt.

At December 31, 2013, the Company also had interest-rate swaps with a total notional value of \$900 million (2012 – \$900 million) classified as undesignated contracts. The undesignated contracts consist of the following interest-rate swaps:



- (c) three \$250 million floating-to-fixed interest-rate swap agreements that lock in the floating rate the Company pays on a portion of the above fixed-to-floating interest-rate swaps from December 11, 2013 to December 11, 2014, from February 19, 2013 to February 19, 2014, and from February 19, 2014 to November 19, 2014;
- (d) two \$50 million floating-to-fixed interest-rate swap agreements that lock in the floating rate the Company pays on the \$50 million floating-rate MTN Series 22 notes from January 24, 2013 to January 24, 2014, and from January 24, 2014 to January 24, 2015; and
- (e) a \$50 million floating-to-fixed interest-rate swap agreement that locks in the floating rate the Company pays on the \$50 million floating-rate MTN Series 27 notes from December 3, 2013 to December 3, 2014.

Fair Value Hierarchy

The fair value hierarchy of financial assets and liabilities at December 31, 2013 and 2012 is as follows:

	Carrying	Fair			
December 31, 2013 (millions of Canadian dollars)	Value	Value	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	565	565	565	_	-
Investment	251	251	_	251	_
Derivative instruments					
Fair value hedges – interest-rate swaps	12	12	_	12	_
	828	828	565	263	-
Liabilities:					
Bank indebtedness	31	31	31	_	_
Long-term debt	9,057	9,780	_	9,780	_
¥	9,088	9,811	31	9,780	_
	Carrying	Fair			
December 31, 2012 (millions of Canadian dollars)	Value	Value	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	195	195	195	_	_
Investment	251	251	_	251	_
Derivative instruments					
Fair value hedges – interest-rate swaps	19	19	_	19	_
	465	465	195	270	_
Liabilities:					
Bank indebtedness	42	42	42	_	_
Long-term debt	8,479	9,957	_	9,957	_
<u>_</u>	8,521	9,999	42	9,957	_

Cash and cash equivalents include cash and short-term investments. At December 31, 2013, short-term investments consisted of bankers' acceptances and money market funds totaling 515 million (2012 – 195 million). The carrying values are representative of fair value because of the short-term nature of these instruments.

The investment represents the Province of Ontario Floating-Rate Notes maturing in November 2014. The fair value of the investment is determined using inputs other than quoted prices that are observable for the asset, with unrecognized gains or losses recognized in financing charges. The Company obtains quotes from an independent third party for the fair value of the investment, who uses the market price of similar securities adjusted for changes in observable inputs such as maturity dates and interest rates.

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The fair value of the derivative instruments is determined using inputs other than quoted prices that are observable for these assets. The fair value is primarily based on the present value of future cash flows using a swap yield curve to determine the assumptions for interest rates.

The fair value of the hedged portion of the long-term debt is primarily based on the present value of future cash flows using a swap yield curve to determine the assumption for interest rates. The fair value of the unhedged portion of the long-term debt is based on unadjusted period-end market prices for the same or similar debt of the same remaining maturities.

There were no significant transfers between any of the fair value levels during the years ended December 31, 2013 and 2012.

Risk Management

Exposure to market risk, credit risk and liquidity risk arises in the normal course of the Company's business.

Market Risk

Market risk refers primarily to the risk of loss that results from changes in commodity prices, foreign exchange rates and interest rates. The Company does not have commodity risk. The Company does have foreign exchange risk as it enters into agreements to purchase materials and equipment associated with capital programs and projects that are settled in foreign currencies. This foreign exchange risk is not material, although the Company could in the future decide to issue foreign currency-denominated debt which would be hedged back to Canadian dollars consistent with its risk management policy. Hydro One is exposed to fluctuations in interest rates as the regulated rate of return for the Company's Transmission and Distribution Businesses is derived using a formulaic approach that is based on the forecast for long-term Government of Canada bond yields and the spread in 30-year "A"-rated Canadian utility bonds over the 30-year benchmark Government of Canada bond yield. The Company estimates that a 1% decrease in the forecasted long-term Government of Canada bond yield or the "A"-rated Canadian utility spread used in determining the Company's rate of return would reduce the Transmission Business' annual results of operations by approximately \$19 million (2012 – \$18 million) and Hydro One Networks' distribution business' annual results of operations by approximately \$10 million (2012 – \$10 million).

The Company uses a combination of fixed and variable-rate debt to manage the mix of its debt portfolio. The Company also uses derivative financial instruments to manage interest-rate risk. The Company utilizes interest-rate swaps, which are typically designated as fair value hedges, as a means to manage its interest rate exposure to achieve a lower cost of debt. In addition, the Company may utilize interest-rate derivative instruments to lock in interest rate levels in anticipation of future financing. Hydro One may also enter into derivative agreements such as forward-starting pay fixed-interest-rate swap agreements to hedge against the effect of future interest rate movements on long-term fixed-rate borrowing requirements. Such arrangements are typically designated as cash flow hedges. No cash flow hedge agreements were in existence as at December 31, 2013 or 2012.

A hypothetical 10% increase in the interest rates associated with variable-rate debt would not have resulted in a significant decrease in Hydro One's results of operations for the years ended December 31, 2013 or 2012.

Fair Value Hedges

For derivative instruments that are designated and qualify as fair value hedges, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in the Consolidated Statements of Operations and Comprehensive Income. The net unrealized loss (gain) on the hedged debt and the related interest-rate swaps for the years ended December 31, 2013 and 2012 are included in financing charges as follows:

Year ended December 31 (millions of Canadian dollars)	2013	2012
Unrealized loss (gain) on hedged debt	(8)	(14)
Unrealized loss (gain) on fair value interest-rate swaps	8	14
Net unrealized loss (gain)	_	-

At December 31, 2013, Hydro One had \$750 million (2012 - \$750 million) of notional amounts of fair value hedges outstanding related to interest-rate swaps, with assets at fair value of \$12 million (2012 - \$19 million). During the years



ended December 31, 2013 and 2012, there was no significant impact on the results of operations as a result of any ineffectiveness attributable to fair value hedges.

Credit Risk

Financial assets create a risk that a counterparty will fail to discharge an obligation, causing a financial loss. At December 31, 2013 and 2012, there were no significant concentrations of credit risk with respect to any class of financial assets. The Company's revenue is earned from a broad base of customers. As a result, Hydro One did not earn a significant amount of revenue from any single customer. At December 31, 2013 and 2012, there was no significant accounts receivable balance due from any single customer.

At December 31, 2013, the Company's provision for bad debts was \$36 million (2012 - \$23 million). Adjustments and writeoffs were determined on the basis of a review of overdue accounts, taking into consideration historical experience. At December 31, 2013, approximately 4% of the Company's net accounts receivable were aged more than 60 days (2012 - 3%).

Hydro One manages its counterparty credit risk through various techniques including: entering into transactions with highlyrated counterparties; limiting total exposure levels with individual counterparties consistent with the Company's Boardapproved Credit Risk Policy; entering into master agreements which enable net settlement and the contractual right of offset; and monitoring the financial condition of counterparties. In addition to payment netting language in master agreements, the Company establishes credit limits, margining thresholds and collateral requirements for each counterparty. Counterparty credit limits are based on an internal credit review that considers a variety of factors, including the results of a scoring model, leverage, liquidity, profitability, credit ratings and risk management capabilities. The determination of credit exposure for a particular counterparty is the sum of current exposure plus the potential future exposure with that counterparty. The current exposure is calculated as the sum of the principal value of money market exposures and the market value of all contracts that have a positive marked-to-market position on the measurement date. The Company would offset the positive market values against negative values with the same counterparty only where permitted by the existence of a legal netting agreement such as an International Swap Dealers Association master agreement. The potential future exposure represents a safety margin to protect against future fluctuations of interest rates, currencies, equities, and commodities. It is calculated based on factors developed by the Bank of International Settlements, following extensive historical analysis of random fluctuations of interest rates and currencies. To the extent that a counterparty's margining thresholds are exceeded, the counterparty is required to post collateral with the Company as specified in each agreement. The Company monitors current and forward credit exposure to counterparties both on an individual and an aggregate basis. The Company's credit risk for accounts receivable is limited to the carrying amounts on the Consolidated Balance Sheets.

Derivative financial instruments result in exposure to credit risk since there is a risk of counterparty default. The credit exposure of derivative contracts, before collateral, is represented by the fair value of contracts at the reporting date. At December 31, 2013, the counterparty credit risk exposure on the fair value of these interest-rate swap contracts was \$14 million (2012 – \$22 million). At December 31, 2013, Hydro One's credit exposure for all derivative instruments, and applicable payables and receivables, had a credit rating of investment grade, with four financial institutions as the counterparties. The credit exposure of three of the four counterparties accounted for more than 10% of the total credit exposure of derivative contracts.

Liquidity Risk

Liquidity risk refers to the Company's ability to meet its financial obligations as they come due. Hydro One meets its shortterm liquidity requirements using cash and cash equivalents on hand, funds from operations, the issuance of commercial paper, the revolving standby credit facility of \$1,500 million, and by holding Province of Ontario Floating-Rate Notes. The short-term liquidity under the Commercial Paper Program, the holding of Province of Ontario Floating-Rate Notes and anticipated levels of funds from operations should be sufficient to fund normal operating requirements.

At December 31, 2013, accounts payable and accrued liabilities in the amount of 795 million (2012 - 722 million) were expected to be settled in cash at their carrying amounts within the next 12 months.



At December 31, 2013, Hydro One had issued long-term debt in the principal amount of 9,045 million (2012 – 8,460 million). Principal outstanding, interest payments and related weighted average interest rates are summarized by the number of years to maturity in the following table:

	Principal Outstanding on Long-term Debt	Interest Payments	Weighted Average Interest Rate
Years to Maturity	(millions of Canadian dollars)	(millions of Canadian dollars)	(%)
1 year	750	422	3.1
2 years	550	398	2.8
3 years	500	372	4.3
4 years	600	361	5.2
5 years	750	330	2.8
	3,150	1,883	3.6
6 – 10 years	900	1,470	3.6
Over 10 years	4,995	4,281	5.5
	9,045	7,634	4.7

14. CAPITAL MANAGEMENT

The Company's objectives with respect to its capital structure are to maintain effective access to capital on a long-term basis at reasonable rates, and to deliver appropriate financial returns. In order to ensure ongoing effective access to capital, the Company targets to maintain an "A" category long-term credit rating.

The Company considers its capital structure to consist of shareholder's equity, preferred shares, long-term debt, and cash and cash equivalents. At December 31, 2013 and 2012, the Company's capital structure was as follows:

December 31 (millions of Canadian dollars)	2013	2012
Long-term debt payable within one year	756	600
Less: cash and cash equivalents	565	195
	191	405
Long-term debt	8,301	7,879
Preferred shares	323	323
Common shares	3,314	3,314
Retained earnings	3,787	3,202
	7,101	6,516
Total capital	15,916	15,123

The Company has customary covenants typically associated with long-term debt. Among other things, Hydro One's long-term debt and credit facility covenants limit the permissible debt to 75% of the Company's total capitalization, limit the ability to sell assets and impose a negative pledge provision, subject to customary exceptions. At December 31, 2013 and 2012, Hydro One was in compliance with all of these covenants and limitations.

15. PENSION AND POST-RETIREMENT AND POST-EMPLOYMENT BENEFITS

Hydro One has a defined benefit pension plan, a supplementary pension plan, and post-retirement and post-employment benefit plans. The defined benefit pension plan (Pension Plan) is contributory and covers all regular employees of Hydro One and its subsidiaries, except Hydro One Brampton Networks. Employees of Hydro One Brampton Networks participate in the OMERS plan, a multiemployer public sector pension fund. The supplementary pension plan provides members of the



Pension Plan with benefits that would have been earned and payable under the Pension Plan but for the limitations imposed by the *Income Tax Act* (Canada). The supplementary pension plan obligation is included with other post-retirement and postemployment benefit obligations on the Consolidated Balance Sheets.

The OMERS Plan

Hydro One contributions to the OMERS plan for the year ended December 31, 2013 were \$2 million (2012 - \$2 million). Company contributions payable at December 31, 2013 and included in accrued liabilities on the Consolidated Balance Sheets were \$0.2 million (2012 - \$0.2 million). Hydro One contributions do not represent more than 5% of total contributions to the OMERS plan, as indicated in OMERS's most recently available annual report for the year ended December 31, 2012.

At December 31, 2012, the OMERS plan was 85.6% funded, with an unfunded liability of \$9,924 million. This unfunded liability will likely result in future payments by participating employers and members. Hydro One future contributions could be increased substantially if other entities withdraw from the plan.

Pension Plan, Post-Retirement and Post-Employment Plans

The Pension Plan provides benefits based on highest three-year average pensionable earnings. For new management employees who commenced employment on or after January 1, 2004, and for new Society of Energy Professionals-represented staff hired after November 17, 2005, benefits are based on highest five-year average pensionable earnings. After retirement, pensions are indexed to inflation.

Company and employee contributions to the Pension Plan are based on actuarial valuations performed at least every three years. Annual Pension Plan contributions for 2013 of \$160 million (2012 – \$163 million) were based on an actuarial valuation effective December 31, 2011 and the level of 2013 pensionable earnings. Estimated annual Pension Plan contributions for 2014 are approximately \$160 million, based on the December 31, 2011 valuation and the projected level of pensionable earnings.

Hydro One recognizes the overfunded or underfunded status of the Pension Plan, and post-retirement and post-employment benefit plans (Plans) as an asset or liability on its Consolidated Balance Sheets, with offsetting regulatory assets and liabilities as appropriate. The underfunded benefit obligations for the Plans, in the absence of regulatory accounting, would be recognized in AOCI. The impact of changes in assumptions used to measure pension, post-retirement and post-employment benefit obligations is generally recognized over the expected average remaining service period of the employees. The measurement date for the Plans is December 31.



	Pensio	n Benefits	Post-Retir Post-Employmer	
Year ended December 31 (millions of Canadian dollars)	2013	2012	2013	2012
Change in projected benefit obligation				
Projected benefit obligation, beginning of year	6,507	5,461	1,459	1,206
Current service cost	170	123	40	29
Interest cost	278	285	63	63
Reciprocal transfers	1	1	_	_
Benefits paid	(317)	(291)	(44)	(42)
Net actuarial loss (gain)	(63)	928	13	203
Projected benefit obligation, end of year	6,576	6,507	1,531	1,459
Change in plan assets				
Fair value of plan assets, beginning of year	4,992	4,682	_	-
Actual return on plan assets	887	425	_	-
Reciprocal transfers	1	1	_	-
Benefits paid	(317)	(291)	_	-
Employer contributions	160	163	_	_
Employee contributions	30	27	_	_
Administrative expenses	(22)	(15)	_	_
Fair value of plan assets, end of year	5,731	4,992	_	_
Unfunded status	845	1,515	1,531	1,459

Hydro One presents its benefit obligations and plan assets net on its Consolidated Balance Sheets within the following line items:

				ement and
	Pension Benefits		Post-Employme	nt Benefits
December 31 (millions of Canadian dollars)	2013	2012	2013	2012
Accrued liabilities	-	-	43	43
Pension benefit liability	845	1,515	_	-
Post-retirement and post-employment benefit liability	-	-	1,488	1,416
Unfunded status	845	1,515	1,531	1,459

The funded or unfunded status of the pension, post-retirement and post-employment benefit plans refers to the difference between the fair value of plan assets and the projected benefit obligations for the Plans. The funded/unfunded status changes over time due to several factors, including contribution levels, assumed discount rates and actual returns on plan assets.

The following table provides the projected benefit obligation (PBO), accumulated benefit obligation (ABO) and fair value of plan assets for the Pension Plan:

December 31 (millions of Canadian dollars)	2013	2012
PBO	6,576	6,507
ABO	5,998	6,074
Fair value of plan assets	5,731	4,992

On an ABO basis, the Pension Plan was funded at 96% at December 31, 2013 (2012 - 82%). On a PBO basis, the Pension Plan was funded at 87% at December 31, 2013 (2012 - 77%). The ABO differs from the PBO in that the ABO includes no assumption about future compensation levels.

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Components of Net Periodic Benefit Costs

The following table provides the components of the net periodic benefit costs for the years ended December 31, 2013 and 2012 for the Pension Plan:

Year ended December 31 (millions of Canadian dollars)	2013	2012
Current service cost, net of employee contributions	141	96
Interest cost	278	285
Expected return on plan assets, net of expenses	(309)	(289)
Actuarial loss amortization	175	112
Prior service cost amortization	2	3
Net periodic benefit costs	287	207
Charged to results of operations ¹	72	76

¹ The Company follows the cash basis of accounting consistent with the inclusion of pension costs in OEB-approved rates. During the year ended December 31, 2013, pension costs of \$160 million (2012 – \$163 million) were attributed to labour, of which \$72 million (2012 – \$76 million) was charged to operations, and \$88 million (2012 – \$87 million) was capitalized as part of the cost of property, plant and equipment and intangible assets.

The following table provides the components of the net periodic benefit costs for the years ended December 31, 2013 and 2012 for the post-retirement and post-employment plans:

Year ended December 31 (millions of Canadian dollars)	2013	2012	
Current service cost, net of employee contributions	40	30	
Interest cost	63	63	
Actuarial loss amortization	27	8	
Prior service cost amortization	3	3	
Net periodic benefit costs	133	104	
Charged to results of operations	58	48	

Assumptions

The measurement of the obligations of the Plans and the costs of providing benefits under the Plans involves various factors, including the development of valuation assumptions and accounting policy elections. When developing the required assumptions, the Company considers historical information as well as future expectations. The measurement of benefit obligations and costs is impacted by several assumptions including the discount rate applied to benefit obligations, the long-term expected rate of return on plan assets, Hydro One's expected level of contributions to the Plans, the incidence of mortality, the expected remaining service period of plan participants, the level of compensation and rate of compensation increases, employee age, length of service, and the anticipated rate of increase of health care costs, among other factors. The impact of changes in assumptions used to measure the obligations of the Plans is generally recognized over the expected average remaining service period of the plan participants. In selecting the expected rate of return on plan assets, Hydro One considers historical economic indicators (including inflation and GDP growth) that impact asset returns, as well as expectations regarding future long-term capital market performance, weighted by target asset class allocations. In general, equity securities, real estate and private equity investments are forecasted to have higher returns than fixed income securities.



The following weighted average assumptions were used to determine the benefit obligations at December 31, 2013 and 2012:

	Pension Benefits		Post-Retirement and Post-Employment Benefits	
Year ended December 31	2013	2012	2013	2012
Significant assumptions:				
Weighted average discount rate	4.75%	4.25%	4.75%	4.25%
Rate of compensation scale escalation (without merit)	2.50%	2.50%	2.50%	2.50%
Rate of cost of living increase	2.00%	2.00%	2.00%	2.00%
Rate of increase in health care cost trends ¹	_	_	4.39%	4.39%

 1 6.81% per annum in 2014, grading down to 4.39% per annum in and after 2031 (2012 – 6.91% in 2013, grading down to 4.39% per annum in and after 2031)

The following weighted average assumptions were used to determine the net periodic benefit costs for the years ended December 31, 2013 and 2012. Assumptions used to determine current year-end benefit obligations are the assumptions used to estimate the subsequent year's net periodic benefit costs.

Year ended December 31	2013	2012
Pension Benefits:		
Weighted average expected rate of return on plan assets	6.25%	6.25%
Weighted average discount rate	4.25%	5.25%
Rate of compensation scale escalation (without merit)	2.50%	2.50%
Rate of cost of living increase	2.00%	2.00%
Average remaining service life of employees (years)	11	11
Post-retirement and Post-Employment Benefits:	4.250/	5 250/
Weighted average discount rate	4.25%	5.25%
Rate of compensation scale escalation (without merit)	2.50%	2.50%
Rate of cost of living increase	2.00%	2.00%
Average remaining service life of employees (years)	11	11
Rate of increase in health care cost trends ¹	4.39%	4.41%

¹ 6.91% per annum in 2013, grading down to 4.39% per annum in and after 2031 (2012 – 7.03% in 2012, grading down to 4.41% per annum in and after 2031)

The discount rate used to determine the current year pension obligation and the subsequent year's net periodic benefit costs is based on a yield curve approach. Under the yield curve approach, expected future benefit payments for each plan are discounted by a rate on a third party bond yield curve corresponding to each duration. The yield curve is based on AA long-term corporate bonds. A single discount rate is calculated that would yield the same present value as the sum of the discounted cash flows.

The effect of 1% change in health care cost trends on the projected benefit obligation for the post-retirement and post-employment benefits at December 31, 2013 and 2012 is as follows:

December 31 (millions of Canadian dollars)	2013	2012
Projected benefit obligation:		
Effect of 1% increase in health care cost trends	258	246
Effect of 1% decrease in health care cost trends	(200)	(191)



The effect of 1% change in health care cost trends on the service cost and interest cost for the post-retirement and post-employment benefits for the years ended December 31, 2013 and 2012 is as follows:

Year ended December 31 (millions of Canadian dollars)	2013	2012
Service cost and interest cost:		
Effect of 1% increase in health care cost trends	21	17
Effect of 1% decrease in health care cost trends	(16)	(13)

The following approximate life expectancies were used in the mortality assumptions to determine the projected benefit obligations for the pension and post-retirement and post-employment plans at December 31, 2013 and 2012:

Life exp	December pectancy at 65 for	/	ently at	Life exp	December pectancy at 65 for	,	ently at
Ag	ge 65	Ag	ge 45	Ag	ge 65	Ag	ge 45
Male	Female	Male	Female	Male	Female	Male	Female
23	25	24	26	20	22	21	23

Estimated Future Benefit Payments

At December 31, 2013, estimated future benefit payments by the Company to Plan participants were:

		Post-Retirement and
(millions of Canadian dollars)	Pension Benefits	Post-Employment Benefits
2014	310	54
2015	319	57
2016	327	59
2017	335	62
2018	343	65
2019 through to 2023	1,698	370
Total estimated future benefit payments through to 2023	3,332	667

Components of Regulatory Assets

A portion of actuarial gains and losses and prior service costs is recorded within regulatory assets on Hydro One's Consolidated Balance Sheets to reflect the expected regulatory inclusion of these amounts in future rates, which would otherwise be recorded in OCI. The following table provides the actuarial gains and losses and prior service costs recorded within regulatory assets:

Year ended December 31 (millions of Canadian dollars)	2013	2012
Pension Benefits:		
Actuarial loss (gain) for the year	(619)	807
Actuarial loss amortization	(175)	(112)
Prior service cost amortization	(2)	(3)
	(796)	692
Post-Retirement and Post-Employment Benefits:		
Actuarial loss for the year	13	203
Actuarial loss amortization	(27)	(8)
Prior service cost amortization	(3)	(3)
	(17)	192

The following table provides the components of regulatory assets that have not been recognized as components of net periodic benefit costs for the years ended December 31, 2013 and 2012:

Year ended December 31 (millions of Canadian dollars)	2013	2012
Pension Benefits:		
Prior service cost	3	5
Actuarial loss	842	1,510
	845	1,515
Post-Retirement and Post-Employment Benefits:		
Prior service cost	2	5
Actuarial loss	306	315
	308	320

The following table provides the components of regulatory assets at December 31 that are expected to be amortized as components of net periodic benefit costs in the following year:

	Per	Pension Benefits		etirement and nent Benefits
December 31 (millions of Canadian dollars)	2013	2012	2013	2012
Prior service cost	2	2	2	3
Actuarial loss	103	175	15	17
	105	177	17	20

Pension Plan Assets

Investment Strategy

On a regular basis, Hydro One evaluates its investment strategy to ensure that plan assets will be sufficient to pay Pension Plan benefits when due. As part of this ongoing evaluation, Hydro One may make changes to its targeted asset allocation and investment strategy. The Pension Plan is managed at a net asset level. The main objective of the Pension Plan is to sustain a certain level of net assets in order to meet the pension obligations of the Company. The Pension Plan fulfills its primary objective by adhering to specific investment policies outlined in its Summary of Investment Policies and Procedures (SIPP), which is reviewed and approved by the Investment-Pension Committee of Hydro One's Board of Directors. The Company manages net assets by engaging knowledgeable external investment managers who are charged with the responsibility of investing funds and new funds (current year's employee and employer contributions) in accordance with the approved SIPP. The performance of the managers is monitored through a governance structure. Increases in net assets are a direct result of investment income generated by investments held by the Pension Plan and contributions to the Pension Plan by eligible employees and by the Company. The main use of net assets is for benefit payments to eligible Pension Plan members.

Pension Plan Asset Mix

At December 31, 2013, the Pension Plan target asset allocations and weighted average asset allocations were as follows:

	Target Allocation (%)	Pension Plan Assets (%)
Equity securities	60.0	67.8
Debt securities	35.0	32.2
Other ¹	5.0	0.0
	100.0	100.0

¹ Other investments include real estate and infrastructure investments.

At December 31, 2013, the Pension Plan held \$15 million of Hydro One corporate bonds (2012 – \$20 million) and \$217 million of debt securities of the Province (2012 – \$243 million).



Concentrations of Credit Risk

Hydro One evaluated its Pension Plan's asset portfolio for the existence of significant concentrations of credit risk as at December 31, 2013 and 2012. Concentrations that were evaluated include, but are not limited to, investment concentrations in a single entity, concentrations in a type of industry, and concentrations in individual funds. At December 31, 2013 and 2012, there were no significant concentrations (defined as greater than 10% of plan assets) of risk in the Pension Plan's assets.

The Pension Plan manages its counterparty credit risk with respect to bonds by investing in investment-grade and government bonds and with respect to derivative instruments by transacting only with financial institutions rated at least "A+" by Standard and Poor's, Dominion Bond Rating Service, and Fitch Ratings, and "A1" by Moody's Investors Service Inc., and also by utilizing exposure limits to each counterparty and ensuring that exposure is diversified across counterparties. The risk of default on transactions in listed securities is considered minimal, as the trade will fail if either party to the transaction does not meet its obligation.

Fair Value Measurements

The following tables present the Pension Plan assets measured and recorded at fair value on a recurring basis and their level within the fair value hierarchy at December 31, 2013 and 2012:

December 31, 2013 (millions of Canadian dollars)	Level 1	Level 2	Level 3	Total
Pooled funds	1	16	117	134
Cash and cash equivalents	150	_	_	150
Short-term securities	-	180	_	180
Real estate	_	_	2	2
Corporate shares – Canadian	943	_	_	943
Corporate shares – Foreign	2,708	_	_	2,708
Bonds and debentures – Canadian	_	1,416	_	1,416
Bonds and debentures – Foreign	_	186	_	186
Total fair value of plan assets ¹	3,802	1,798	119	5,719

¹ At December 31, 2013, the total fair value of Pension Plan assets excludes \$19 million of interest and dividends receivable, and \$7 million relating to accruals for pension administration expense.

December 31, 2012 (millions of Canadian dollars)	Level 1	Level 2	Level 3	Total
Pooled funds	2	15	104	121
Cash and cash equivalents	125	_	_	125
Short-term securities	_	100	_	100
Real estate	_	_	2	2
Corporate shares – Canadian	920	_	_	920
Corporate shares – Foreign	2,077	_	_	2,077
Bonds and debentures – Canadian	_	1,643	_	1,643
Total fair value of plan assets ¹	3,124	1,758	106	4,988

¹ At December 31, 2012, the total fair value of Pension Plan assets excludes \$16 million of interest and dividends receivable, \$4 million relating to accruals for pending sales transactions, and \$8 million relating to accruals for pension administration expense.

See Note 13 – Fair Value of Financial Instruments and Risk Management for a description of levels within the fair value hierarchy.

Changes in the Fair Value of Financial Instruments Classified in Level 3

The following table summarizes the changes in fair value of financial instruments classified in Level 3 for the years ended December 31, 2013 and 2012. The Pension Plan classifies financial instruments as Level 3 when the fair value is measured based on at least one significant input that is not observable in the markets or due to lack of liquidity in certain markets. The



gains and losses presented in the table below may include changes in fair value based on both observable and unobservable inputs.

Year ended December 31 (millions of Canadian dollars)	2013	2012
Fair value, beginning of year	106	167
Realized and unrealized gains	23	5
Purchases	_	6
Sales and disbursements	(10)	(72)
Fair value, end of year	119	106

There have been no material transfers into or out of Level 3 of the fair value hierarchy.

The Company performs sensitivity analysis for fair value measurements classified in Level 3, substituting the unobservable inputs with one or more reasonably possible alternative assumptions. These sensitivity analyses resulted in negligible changes in the fair value of financial instruments classified in this level.

Valuation Techniques Used to Determine Fair Value

Pooled Funds

The pooled fund category mainly consists of private equity investments. Private equity investments represent private equity funds that invest in operating companies that are not publicly traded on a stock exchange. Investment strategies in private equity include limited partnerships in businesses that are characterized by high internal growth and operational efficiencies, venture capital, leveraged buyouts and special situations such as distressed investments. Private equity valuations are reported by the fund manager and are based on the valuation of the underlying investments which includes inputs such as cost, operating results, discounted future cash flows and market-based comparable data. Since these valuation inputs are not highly observable, private equity investments have been categorized as Level 3 within pooled funds.

Cash Equivalents

Demand cash deposits held with banks and cash held by the investment managers are considered cash equivalents and are included in the fair value measurements hierarchy as Level 1.

Short-Term Securities

Short-term securities are valued at cost plus accrued interest, which approximates fair value due to their short-term nature. Short-term securities have been categorized as Level 2.

Real Estate

Real estate investments represent private equity investments in holding companies that invest in real estate properties. The investments in the holding companies are valued using net asset values reported by the fund manager. Real estate investments are categorized as Level 3.

Corporate Shares

Corporate shares are valued based on quoted prices in active markets and are categorized as Level 1. Investments denominated in foreign currencies are translated into Canadian currency at year-end rates of exchange.

Bonds and Debentures

Bonds and debentures are presented at published closing trade quotations, and are categorized as Level 2.



16. ENVIRONMENTAL LIABILITIES

The following tables show the movements in environmental liabilities for the years ended December 31, 2013 and 2012:

Year ended December 31, 2013 (millions of Canadian dollars)	РСВ	LAR	Total
Environmental liabilities, January 1	197	52	249
Interest accretion	9	1	10
Expenditures	(2)	(14)	(16)
Revaluation adjustment	(3)	26	23
Environmental liabilities, December 31	201	65	266
Less: current portion	15	12	27
	186	53	239
Year ended December 31, 2012 (millions of Canadian dollars)	РСВ	LAR	Total
Environmental liabilities, January 1	199	58	257
Interest accretion	9	2	11
Expenditures	(8)	(10)	(18)
Revaluation adjustment	(3)	2	(1)
Environmental liabilities, December 31	197	52	249
Less: current portion	13	9	22
	184	43	227

The following tables show the reconciliation between the undiscounted basis of the environmental liabilities and the amount recognized on the Consolidated Balance Sheets after factoring in the discount rate:

December 31, 2013 (millions of Canadian dollars)	РСВ	LAR	Total
Undiscounted environmental liabilities	237	68	305
Less: discounting accumulated liabilities to present value	36	3	39
Discounted environmental liabilities	201	65	266
December 31, 2012 (millions of Canadian dollars)	РСВ	LAR	Total
Undiscounted environmental liabilities	233	54	287
Less: discounting accumulated liabilities to present value	36	2	38
Discounted environmental liabilities	197	52	249

At December 31, 2013, the estimated future environmental expenditures were as follows:

(millions of Canadian dollars)	
2014	27
2015	28
2016	35
2017	23
2018	22
Thereafter	170
	305

At December 31, 2013, of the total estimated future environmental expenditures, 237 million relates to PCBs (2012 - 233 million) and 68 million relates to LAR (2012 - 54 million).

Hydro One records a liability for the estimated future expenditures for the contaminated LAR and for the phase-out and destruction of PCB-contaminated mineral oil removed from electrical equipment. There are uncertainties in estimating future environmental costs due to potential external events such as changes in legislation or regulations, and advances in remediation technologies. In determining the amounts to be recorded as environmental liabilities, the Company estimates the current cost of completing required work and makes assumptions as to when the future expenditures will actually be incurred,

hydro One

in order to generate future cash flow information. A long-term inflation rate assumption of approximately 2% has been used to express these current cost estimates as estimated future expenditures. Future expenditures have been discounted using factors ranging from approximately 3.3% to 6.3%, depending on the appropriate rate for the period when expenditures are expected to be incurred. All factors used in estimating the Company's environmental liabilities represent management's best estimates of the present value of costs required to meet existing legislation or regulations. However, it is reasonably possible that numbers or volumes of contaminated assets, cost estimates to perform work, inflation assumptions and the assumed pattern of annual cash flows may differ significantly from the Company's current assumptions. In addition, with respect to the PCB environmental liability, the availability of critical resources such as skilled labour and replacement assets and the ability to take maintenance outages in critical facilities may influence the timing of expenditures. Environmental liabilities are reviewed annually or more frequently if significant changes in regulations or other relevant factors occur. Estimate changes are accounted for prospectively. The Company records a regulatory asset reflecting the expectation that future environmental costs will be recoverable in rates.

PCBs

In September 2008, Environment Canada published regulations governing the management, storage and disposal of PCBs, enacted under the *Canadian Environmental Protection Act, 1999*. The regulations impose timelines for disposal of PCBs based on certain criteria, including type of equipment, in-use status, and PCB-contamination thresholds. Under these regulations and Hydro One's approved end-of-use extension, PCBs in concentrations of 500 parts per million (ppm) or more have to be disposed of by the end of 2014, with the exception of specifically exempted equipment, and PCBs in concentrations greater than 50 ppm and less than 500 ppm, or greater than 50 ppm for pole-top transformers, pole-top auxiliary electrical equipment and light ballasts, must be disposed of by the end of 2025. Management judges that the Company currently has very few PCB-contaminated assets in excess of 500 ppm. Contaminated equipment will generally be replaced, or will be decontaminated by removing PCB-contaminated insulating oil and retro filling with replacement oil that contains PCBs in concentrations of less than 2 ppm.

The Company's best estimate of the total estimated future expenditures to comply with current PCB regulations is \$237 million. These expenditures are expected to be incurred over the period from 2014 to 2025. As a result of its annual review of environmental liabilities, the Company recorded a revaluation adjustment in 2013 to reduce the PCB environmental liability by \$3 million (2012 – \$3 million).

LAR

The Company's best estimate of the total estimated future expenditures to complete its LAR program is \$68 million. These expenditures are expected to be incurred over the period from 2014 to 2022. As a result of its annual review of environmental liabilities, the Company recorded a revaluation adjustment in 2013 to increase the LAR environmental liability by 26 million.

17. ASSET RETIREMENT OBLIGATIONS

Hydro One records a liability for the estimated future expenditures for the removal and disposal of asbestos-containing materials installed in some of its facilities and for the decommissioning of specific switching stations located on unowned sites. AROs, which represent legal obligations associated with the retirement of certain tangible long-lived assets, are computed as the present value of the projected expenditures for the future retirement of specific assets and are recognized in the period in which the liability is incurred, if a reasonable estimate of fair value can be made. If the asset remains in service at the recognition date, the present value of the liability is added to the carrying amount of the associated asset. If an ARO is recorded in respect of an out-of-service asset, the asset retirement cost is charged to results of operations. Subsequent to the initial recognition, the liability is adjusted for any revisions to the estimated future cash flows associated with the ARO, which can occur due to a number of factors including, but not limited to, cost escalation, changes in technology applicable to the assets to be retired, changes in legislation or regulations, as well as for accretion of the liability due to the passage of time until the obligation is settled. Depreciation expense is adjusted prospectively for any increases or decreases to the carrying amount of the associated asset.



In determining the amounts to be recorded as AROs, the Company estimates the current fair value for completing required work and makes assumptions as to when the future expenditures will actually be incurred, in order to generate future cash flow information. A long-term inflation assumption of approximately 2% has been used to express these current cost estimates as estimated future expenditures. Future expenditures have been discounted using factors ranging from approximately 3.0% to 5.0%, depending on the appropriate rate for the period when expenditures are expected to be incurred. All factors used in estimating the Company's AROs represent management's best estimates of the cost required to meet existing legislation or regulations. However, it is reasonably possible that numbers or volumes of contaminated assets, cost estimates to perform work, inflation assumptions and the assumed pattern of annual cash flows may differ significantly from the Company's current assumptions. AROs are reviewed annually or more frequently if significant changes in regulations or other relevant factors occur. Estimate changes are accounted for prospectively.

At December 31, 2013, Hydro One had recorded AROs of \$14 million (2012 - \$15 million), consisting of \$7 million (2012 - \$7 million) related to the estimated future expenditures associated with the removal and disposal of asbestos-containing materials installed in some of its facilities, as well as \$7 million (2012 - \$8 million) related to the future decommissioning and removal of two switching stations. The amount of interest recorded is nominal and there have been no significant expenditures associated with these obligations in 2013.

18. SHARE CAPITAL

Preferred Shares

The Company has 12,920,000 issued and outstanding 5.5% cumulative preferred shares with a redemption value of \$25 per share or \$323 million total value. The Company is authorized to issue an unlimited number of preferred shares.

The Company's preferred shares are entitled to an annual cumulative dividend of \$18 million, or \$1.375 per share, which is payable on a quarterly basis. The preferred shares are not subject to mandatory redemption (except on liquidation) but are redeemable in certain circumstances. The shares are redeemable at the option of the Province at the redemption value, plus any accrued and unpaid dividends, if the Province sells a number of the common shares which it owns to the public such that the Province's holdings are reduced to less than 50% of the common shares of the Company. Hydro One may elect, without condition, to pay all or part of the redemption price by issuing additional common shares to the Province. If the Province does not exercise its redemption right, the Company would have the ability to adjust the dividend on the preferred shares to produce a yield that is 0.50% less than the then-current dividend market yield for similarly rated preferred shares. The preferred shares do not carry voting rights, except in limited circumstances, and would rank in priority over the common shares upon liquidation.

These preferred shares have conditions for their redemption that are outside the control of the Company because the Province can exercise its right to redeem in the event of change in ownership without approval of the Company's Board of Directors. Because the conditional redemption feature is outside the control of the Company, the preferred shares are classified outside of Shareholder's Equity on the Consolidated Balance Sheets. Management believes that it is not probable that the preferred shares will become redeemable. No adjustment to the carrying value of the preferred shares has been recognized at December 31, 2013. If it becomes probable in the future that the preferred shares will be redeemed, the redemption value would be adjusted.

Common Shares

The Company has 100,000 issued and outstanding common shares. The Company is authorized to issue an unlimited number of common shares.

Common share dividends are declared at the sole discretion of the Hydro One Board of Directors, and are recommended by management based on results of operations, maintenance of the deemed regulatory capital structure, financial conditions, cash requirements, and other relevant factors, such as industry practice and shareholder expectations.



Earnings per Share

Earnings per share is calculated as net income for the year, after cumulative preferred dividends, divided by the weighted average number of common shares outstanding during the year.

19. DIVIDENDS

In 2013, preferred share dividends in the amount of \$18 million (2012 - \$18 million) and common share dividends in the amount of \$200 million (2012 - \$352 million) were declared.

20. RELATED PARTY TRANSACTIONS

Hydro One is owned by the Province. The OEFC, IESO, Ontario Power Authority (OPA), Ontario Power Generation Inc. (OPG) and the OEB are related parties to Hydro One because they are controlled or significantly influenced by the Province.

Hydro One receives revenues for transmission services from the IESO, based on OEB-approved uniform transmission rates. Transmission revenues include 1,509 million (2012 - 1,474 million) related to these services. Hydro One receives amounts for rural rate protection from the IESO. Distribution revenues include 127 million (2012 - 127 million) related to this program. Hydro One also receives revenues related to the supply of electricity to remote northern communities from the IESO. Distribution revenues include 33 million (2012 - 228 million) related to these services.

In 2013, Hydro One purchased power in the amount of 2,477 million (2012 – 2,392 million) from the IESO-administered electricity market; 15 million (2012 – 10 million) from OPG; and 8 million (2012 – 7 million) from power contracts administered by the OEFC.

Under the Ontario Energy Board Act, 1998, the OEB is required to recover all of its annual operating costs from gas and electricity distributors and transmitters. In 2013, Hydro One incurred \$12 million (2012 – \$11 million) in OEB fees.

Hydro One has service level agreements with OPG. These services include field, engineering, logistics and telecommunications services. In 2013, revenues related to the provision of construction and equipment maintenance services with respect to these service level agreements were \$9 million (2012 - \$10 million), primarily for the Transmission Business. Operation, maintenance and administration costs related to the purchase of services with respect to these service level agreements were \$1 million in 2013 (2012 - \$2 million).

The OPA funds substantially all of the Company's conservation and demand management programs. The funding includes program costs, incentives, and management fees. In 2013, Hydro One received \$34 million (2012 – \$39 million) from the OPA related to these programs.

Hydro One pays a \$5 million annual fee to the OEFC for indemnification against adverse claims in excess of \$10 million paid by the OEFC with respect to certain of Ontario Hydro's businesses transferred to Hydro One on April 1, 1999.

PILs and payments in lieu of property taxes are paid to the OEFC, and dividends are paid to the Province.

Sales to and purchases from related parties occur at normal market prices or at a proxy for fair value based on the requirements of the OEB's Affiliate Relationships Code. Outstanding balances at period end are interest free and settled in cash.

At December 31, 2013, the Company held \$250 million in Province of Ontario Floating-Rate Notes with a fair value of \$251 million (2012 – \$251 million).



The amounts due to and from related parties as a result of the transactions referred to above are as follows:

December 31 (millions of Canadian dollars)	2013	2012
Due from related parties	197	154
Due to related parties ¹	(230)	(261)
Investment	251	251

¹ Included in due to related parties at December 31, 2013 are amounts owing to the IESO in respect of power purchases of \$217 million (2012 - \$199 million).

21. CONSOLIDATED STATEMENTS OF CASH FLOWS

The changes in non-cash balances related to operations consist of the following:

Year ended December 31 (millions of Canadian dollars)	2013	2012
Accounts receivable	(78)	(30)
Due from related parties	(43)	2
Materials and supplies	_	2
Other assets	(5)	(4)
Accounts payable	(60)	(5)
Accrued liabilities	150	10
Due to related parties	(31)	(85)
Accrued interest	5	10
Long-term accounts payable and other liabilities	(11)	13
Post-retirement and post-employment benefit liability	84	56
	11	(31)

Capital Expenditures

The following table illustrates the reconciliation between investments in property, plant and equipment and the amount presented in the Consolidated Statements of Cash Flows after factoring in the net change in related accruals:

Year ended December 31 (millions of Canadian dollars)	2013	2012
Capital investments in property, plant and equipment	(1,312)	(1,363)
Net change in accruals included in capital investments in property, plant and equipment	(21)	(10)
Capital expenditures – property, plant and equipment	(1,333)	(1,373)

The following table illustrates the reconciliation between investments in intangible assets and the amount presented in the Consolidated Statements of Cash Flows after factoring in the net change in related accruals:

Year ended December 31 (millions of Canadian dollars)	2013	2012
Capital investments in intangible assets	(82)	(91)
Net change in accruals included in capital investments in intangible assets	3	1
Capital expenditures – intangible assets	(79)	(90)

Supplementary Information

Year ended December 31 (millions of Canadian dollars)	2013	2012
Net interest paid	395	411
PILs	138	197



22. CONTINGENCIES

Legal Proceedings

Hydro One is involved in various lawsuits, claims and regulatory proceedings in the normal course of business. In the opinion of management, the outcome of such matters will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

Transfer of Assets

The transfer orders by which the Company acquired certain of Ontario Hydro's businesses as of April 1, 1999 did not transfer title to some assets located on Reserves (as defined in the *Indian Act* (Canada)). Currently, the OEFC holds these assets. Under the terms of the transfer orders, the Company is required to manage these assets until it has obtained all consents necessary to complete the transfer of title of these assets to itself. The Company cannot predict the aggregate amount that it may have to pay, either on an annual or one-time basis, to obtain the required consents. In 2013, the Company paid approximately 2 million (2012 – 1 million) in respect of these consents. If the Company cannot obtain the required consents, the OEFC will continue to hold these assets for an indefinite period of time. If the Company cannot reach a satisfactory settlement, it may have to relocate these assets to other locations at a cost that could be substantial or, in a limited number of cases, to abandon a line and replace it with diesel-generation facilities. The costs relating to these assets could have a material adverse effect on the Company's results of operations if the Company is not able to recover them in future rate orders.

23. COMMITMENTS

Agreement with Inergi LP (Inergi)

In 2002, Inergi, an affiliate of Capgemini Canada Inc., began providing services to Hydro One, including business processing and information technology outsourcing services, as well as core system support related primarily to SAP implementation and optimization. The current agreement with Inergi will expire in February 2015.

At December 31, 2013, the annual commitments under the Inergi agreement are as follows: 2014 - 130 million; 2015 - 22 million; 2016 and thereafter – nil.

Prudential Support

Purchasers of electricity in Ontario, through the IESO, are required to provide security to mitigate the risk of their default based on their expected activity in the market. As at December 31, 2013, the Company provided prudential support to the IESO on behalf of Hydro One Networks and Hydro One Brampton Networks using parental guarantees of \$325 million (2012 - \$325 million), and on behalf of two distributors using guarantees of \$1 million (2012 - \$1 million). In addition, as at December 31, 2013, the Company has provided letters of credit in the amount of \$21 million (2012 - \$22 million) to the IESO. The IESO could draw on these guarantees and/or letters of credit if these subsidiaries or distributors fail to make a payment required by a default notice issued by the IESO. The maximum potential payment is the face value of any letters of credit plus the amount of the parental guarantees.

Retirement Compensation Arrangements

Bank letters of credit have been issued to provide security for the Company's liability under the terms of a trust fund established pursuant to the supplementary pension plan for eligible employees of Hydro One. The supplementary pension plan trustee is required to draw upon these letters of credit if Hydro One is in default of its obligations under the terms of this plan. Such obligations include the requirement to provide the trustee with an annual actuarial report as well as letters of credit sufficient to secure the Company's liability under the plan, to pay benefits payable under the plan and to pay the letter of credit fee. The maximum potential payment is the face value of the letters of credit. At December 31, 2013, Hydro One had letters of credit of \$127 million (2012 – \$127 million) outstanding relating to retirement compensation arrangements.



Operating Leases

Hydro One is committed as lessee to irrevocable operating lease contracts for buildings used in administrative and servicerelated functions and storing telecommunications equipment. These leases have an average life of between one and five years with renewal options for periods ranging from one to 10 years included in some of the contracts. All leases include a clause to enable upward revision of the rental charge on an annual basis or on renewal according to prevailing market conditions. There are no restrictions placed upon Hydro One by entering into these leases. Hydro One Networks and Hydro One Telecom are the principal entities concerned.

At December 31, the future minimum lease payments under non-cancellable operating leases were as follows:

December 31 (millions of Canadian dollars)	2013	2012
Within one year	11	10
After one year but not more than five years	28	29
More than five years	9	14
	48	53

During the year ended December 31, 2013, the Company made lease payments totaling \$11 million (2012 - \$9 million).

24. SEGMENTED REPORTING

Hydro One has three reportable segments:

- The Transmission Business, which comprises the core business of providing electricity transportation and connection services, is responsible for transmitting electricity throughout the Ontario electricity grid;
- The Distribution Business, which comprises the core business of delivering and selling electricity to customers; and
- Other, the operations of which primarily consist of those of the telecommunications business.

The designation of segments has been based on a combination of regulatory status and the nature of the products and services provided. Operating segments of the Company are determined based on information used by the chief operating decision maker in deciding how to allocate resources and evaluate the performance of each of the segments. The Company evaluates segment performance based on income before financing charges and provision for PILs from continuing operations (excluding certain allocated corporate governance costs).

The accounting policies followed by the segments are the same as those described in the summary of significant accounting policies (see Note 2 – Significant Accounting Policies). Segment information on the above basis is as follows:

Year ended December 31, 2013 (millions of Canadian dollars)	Transmission	Distribution	Other	Consolidated
Revenues	1,529	4,484	61	6,074
Purchased power	_	3,020	_	3,020
Operation, maintenance and administration	375	672	59	1,106
Depreciation and amortization	327	340	9	676
Income (loss) before financing charges and provision for PILs	827	452	(7)	1,272
Financing charges				360
Income before provision for PILs				912
Capital investments	714	673	7	1,394

Year ended December 31, 2012 (millions of Canadian dollars)	Transmission	Distribution	Other	Consolidated
Revenues	1,482	4,184	62	5,728
Purchased power	_	2,774	_	2,774
Operation, maintenance and administration	402	608	61	1,071
Depreciation and amortization	320	329	10	659
Income (loss) before financing charges and provision for PILs	760	473	(9)	1,224
Financing charges				358
Income before provision for PILs				866
Capital investments	776	671	7	1.454
Capital Investments	770	071	/	1,434
Total Assets by Segment:				
December 31 (millions of Canadian dollars)			2013	2012
Total assets				
Transmission			11,846	11,586
Distribution			8,805	8,621
Other			974	604
			21,625	20,811

All revenues, costs and assets, as the case may be, are earned, incurred or held in Canada.

25. SUBSEQUENT EVENT

On January 29, 2014, Hydro One issued \$50 million notes under its MTN Program, with a maturity date of January 29, 2064 and a coupon rate of 4.29%.



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 Issue 2.3 Does the Custom Application adequately incorporate and reflect th four outcomes identified in the RRFE Report: customer focu operational effectiveness, public policy responsiveness and financia performance? Interrogatory Reference: Estimated Meter Reads Given the recent issues discussed in the media (and on its website under the "Working to Get Better" section FAQ) concerning estimated meter reads over extended periods of time, please confirm that HONI has and continues to remain compliant with all billin and collection rules as outlined in the Distribution System Code and Retail Settlement Code (repayment timelines, notifications, etc).
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 and collection rules as outlined in the Distribution System Code and Retail Settlemen Code (repayment timelines, notifications, etc).
16 Code (repayment timelines, notifications, etc).
17
18 <u>Response</u>
19
20 Hydro One is materially compliant with all billing and collection rules outlined in th
21 Distribution System Code and Retail Settlement Code and will continue to remain

22 compliant.

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1		Vulnera	able Energy Consumers Coalition (VECC) INTERROGATORY #33
2 3 4 5 6 7	Iss	ue 2.3	Does the Custom Application adequately incorporate and reflect the four outcomes identified in the RRFE Report: customer focus, operational effectiveness, public policy responsiveness and financial performance?
, 8 9	Int	t <u>errogatory</u>	
9 10	Re	ference:	A/T4/S4/pg. 17
 11 12 13 14 15 16 17 18 19 	a)	had to opposed applicat Please exp only? For	above reference Hydro One makes the following statement: "[T] <i>he metrics</i> <i>be targeted to areas where Hydro One intends to increase investment, as</i> <i>d to broad measures affected by many factors, such as reliability measures</i> <i>able to Hydro One's entire system.</i> " Nain this statement. Specifically why must metrics be targeted to one area r example, why is Hydro One not proposing a metrics on the number of customer, OM&A per customer or other broad measures which would
20 21		-	centives for, and indications of, increased efficiency?
21 22 23	<u>Re</u>	<u>sponse</u>	
23 24 25 26 27 28 29	a)	forecasted performan	ics target the eight areas of Hydro One's investment plan in which expenditures are increasing so as to provide transparency on Hydro One's ce against the plan. In contrast, the metrics suggested by this interrogatory lect the specific attributes of the investment plan reflected in Hydro One's pplication.
303132		which des	er to Hydro One's response to Exhibit I, Tab 1.1, Schedule 6 VECC 1 scribes the incentive mechanisms contained in the Custom Application, incentives for increased efficiency.

Filed: 2014-07-04 EB-2013-0416 Exhibit I Tab 2.03 Schedule 6 VECC 34 Page 1 of 1

1		<u>Vulner</u>	able Energy Consumers Coalition (VECC) INTERROGATORY #34
2 3 4 5 6	Iss	aue 2.3	Does the Custom Application adequately incorporate and reflect the four outcomes identified in the RRFE Report: customer focus, operational effectiveness, public policy responsiveness and financial performance?
7 8	Int	t <u>errogatory</u>	
9 10	Re	ference:	A/T4/S4/pg. 17
 11 12 13 14 15 16 17 18 19 		each meas improveme prior discu apparent d For each	erence it states: "[<i>A</i>] <i>t this stage, we have not proposed specific targets for</i> <i>sure; our initial emphasis is on measurement, reporting, and directional</i> <i>ents corresponding to the Plan.</i> " The statement appears at odds with the assion and tables 1-8 which appear to show such targets. Please explain this discrepancy. of the proposed targets (i.e. Table 1 through 8) please explain the acc of not meeting the target.
20	<u>Re</u>	<u>sponse</u>	
 21 22 23 24 25 26 	a)	As noted a forecast ta	enced statement should have been deleted from the May 30, 2014 update. At page 2, lines 2-8 of the updated exhibit, Hydro One has now incorporated argets as recommended by participants at the April technical conferences. The is committed to the targets set out in Exhibit A, Tab 4, Schedule 4.
20	b)	See Hydro	One's response to Exhibit I, Tab 2.3, Schedule 1 Staff 13(b).

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Iss		four outcor	nes identi effectiven	ified in t	heRRFE	Report:	te and reflect the customer focus, ess and financial
In	<u>terrogatory</u>						
Re	eference:	A/T4/S4/pg.	6				
a)	Please provin 2014 to e	1	able 1 to sł	now the act	ual vegetat	ion caused	interruptions
b)	In 2012 the	ere appears to	be a signif	ficant increa	ase in vege	tation cause	ed outages.
	Please expl	lain.	-		-		-
<u>Re</u>	<u>esponse</u>						
a)							
Г		Vegetation R		-		Ŭ	
	Year	2009	2010	2011	2012	2013	2014 (As of May 31 st)

	Year	2009	2010	2011	2012	2013	2014
							(As of May 31 st)
_	ber of ruptions	6,445	6,116	6,113	6,953	5,791	1,756

21

22

b) In 2012, there was a higher than normal number of storm days causing vegetation
 interruptions. These storm days were not classified as Force Majeure days, hence
 contributed to a large portion of the vegetation caused interruptions.

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<u>Vuln</u>	erable Energy (<u>Consumers</u>	Coalition	(VECC) IN	TERROG	<u>ATORY #36</u>
Issue 2.3	four outcom	mes ident effectiver	tified in t	heRRFE	Report:	te and reflect the customer focus ess and financial
<u>terrogato</u>	<u>ry</u>					
leference:	A/T4/S4/pg	. 8				
			1	2000		
) Please <u>p</u> failure.	provide the outa	iges in eac	h of years	2009 to 20	14 that we	ere due to pole
	explain why a	reduction	to outage	a due to r	ole failure	is not being
	d as an outcome		-	-		•
	tures in this area	e	· · · · · · · · · · · · · · · ·			r
1						
<u>Response</u>						
)	Ot	D 4 - D	- 1 - T- 9	(Fl l- -		4-)
Year	U	2010	ole Failure 2011		2013	2014
i cal	2009	2010	2011	2012	2013	(As of May 31 st)
Forced Interruptie	ons 469	508	501	590	598	219

22

23

b) Please refer to Exhibit I, Tab 2.04, Schedule 1 Staff 22.

Filed: 2014-07-04 EB-2013-0416 Exhibit I Tab 2.03 Schedule 6 VECC 37 Page 1 of 1

1	Vulner	able Energy Consumers Coalition (VECC) INTERROGATORY #37
2 3 4 5 6	Issue 2.3	Does the Custom Application adequately incorporate and reflect the four outcomes identified in the RRFE Report: customer focus, operational effectiveness, public policy responsiveness and financial performance?
7 8	Interrogatory	
9 10 11	Reference:	A/T4/S4/pg. 9
11 12 13 14 15	-	ect to PCB Line Equipment – please modify Table 3 to include the number o transformers (PCB type or otherwise) replaced in each year 2009 through
16 17	<u>Response</u>	
17 18 19 20 21 22	Equipment prindicates the	istribution did not replace any pole top transformers as part of the PCB Line rogram from 2009 to 2013. The table in Exhibit A, Tab 4, Schedule 4 projected number of transformers that will be replaced as part of this 2014 to 2019.
22 23 24 25 26	distribution p	PCB-driven replacements, Hydro One does not proactively replace ole top transformers. When these fail, they are replaced through the ram described in Exhibit D1, Tab 3, Schedule 2 and are not individually

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1		<u>Vulner</u>	able Energy Consumers Coalition (VECC) INTERROGATORY #38
2	Ŧ	• •	
3 4	Iss	ue 2.3	Does the Custom Application adequately incorporate and reflect the four outcomes identified in the RRFE Report: customer focus,
4 5			operational effectiveness, public policy responsiveness and financial
6			performance?
7	_		
8	Int	t <u>errogatory</u>	
9 10	Re	ference:	A/4/S4
11			
12	a)	Please exp	plain why the 2015-19 targets for substation caused interruptions are
13		-	in 3 of the last five years of actual experience?
14	b)	1	late Table 4 to include :
15			of interruptions including force majeure,
16			of interruptions due to planned events ;
17			ted capital budget for each year
18			ted OM&A maintenance spending for each year
19	c)	_	ovide a definition of force majeure explaining how it is different than
20		other form	s of equipment failure.
21	_		
22	<u>Re</u>	<u>sponse</u>	
23	-)	$T_{\rm b} = -2015$	2010 to match and an end of the 2000 2012 intermediate As the
24	a)		-2019 targets are an average of the 2009-2013 interruptions. As the
25			n system continues to age and deteriorate in condition, the number of component failures and resulting equipment outages is expected to
26			ver the next five years unless a sustainable number of substations are
27			The proposed level of capital investment in distribution stations was
28 29		-	sustain the performance of stations as is today and hence the level of
29 30			expected to remain consistent with the historical average.
31		Juluges 15	expected to remain consistent with the instorical average.
32			

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1

```
2 b) i) and ii)
```

- 3
- 4

			Actuals	5	
Year	2009	2010	2011	2012	2013
Number of Forced Interruptions (FM excluded)	153	190	159	144	129
Number of Forced Interruptions (FM included)	187	212	215	180	213
Number of Planned Interruptions only (FM excluded)	215	213	238	206	196

5 6

> 7 8

> 9

10

iii) The related capital spending is found in Exhibit D1, Tab 3, Schedule 2, Table 2 under the "Station Refurbishments" line item.

- iv) The related OM&A spending is found in Exhibit C1, Tab 2, Schedule 2, Table2 under the "Planned Station Maintenance" and "Stations Demand and Corrective Maintenance" line items.
- 11 12

16

17

18

19

20 21

c) Hydro One Distribution deems a *force majeure* to have occurred when 10%
 (usually over 125,000 customers) or more of Hydro One customers have been
 interrupted by an event.

A force majeure event is normally caused by a large storm (for such items as high wind, ice or lightning) with an associated large number of power outages due to such items as a loss of supply; downed trees, equipment failure or a non-controllable event (for example, the 2003 blackout).

The normal form of equipment failure is usually localized whereas a force majeure event normally impacts a much larger system wide area thereby resulting in massive damage and a significant change in the normal restoration process.

- 25
- 26

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1		<u>Vulnera</u>	uble Energy Consumers Coalition (VECC) INTERROGATORY #39
2 3 4 5 6 7	Iss	ue 2.3	Does the Custom Application adequately incorporate and reflect the four outcomes identified in the RRFE Report: customer focus, operational effectiveness, public policy responsiveness and financial performance?
8	Int	errogatory	
9 10	Re	ference:	A/4/S4
11 12 13 14 15 16 17 18 19	,	caused inte Please upd i. numbe ii. numbe iii. the rela	lain why the average 5 years of targets for Distribution Line Equipment erruptions are higher than the actual 5 years previous ending in 2013. ate Table 5 to include : r of interruptions including force majeure, r of interruptions due to planned events ; ated capital budget for each year ated OM&A maintenance spending for each year
20 21	<u>Re</u>	<u>sponse</u>	
22 23 24 25	a)	Given this	ntains a typographical error. The target in 2016 is 7,300 interruptions. correction, the targets from 2014-2019 are approximately equal to the amber of interruptions from 2009-2013.
26	b)	This is tab	le 5 in Exhibit A, Tab 4, Schedule 4, Table 5:

- 27
- 28

Distribution Line Equipment Caused Interruptions

Year	2009	2010	2011	2012	2013
Total Number of Interruptions (Excluding FM)	8,210	5,971	7,681	7,316	7,266

29

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- i) Number of interruptions including force majeure.
- 2

Year	2009	2010	2011	2012	2013
Total Number of Interruptions (Including FM)	9,370	6,401	10,481	8,818	10,993

3

4 5	 All Data provided in Exhibit A, Tab 4, Schedule 4, Table 5 are Distribution Line Equipment Caused Forced Interruptions (Excluding Force Majeure Events).
6	In this case, there were no interruptions due to Planned Outages.
7	
8	iii) The related capital spending is found in Exhibit D1, Tab 3, Schedule 2, Table 5
9	under the "Line Projects" line item.
10	
11	iv) The related OM&A spending is found in Exhibit C1, Tab 2, Schedule 2, Table 6
12	under the "Preventive and Corrective Maintenance" line item.

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	Vulner	able Energy Consumers Coalition (VECC) INTERROGATORY #40					
Iss	sue 2.3	Does the Custom Application adequately incorporate and reflect the four outcomes identified in the RRFE Report: customer focus, operational effectiveness, public policy responsiveness and financial performance?					
	t <u>errogatory</u>						
Re	ference:	A/T4/S4/pgs. 12-16					
b)	customer	vide the survey questions which will be used in determining overall satisfaction blain how the targets for customer satisfaction were chosen.					
		al and Small Business bi-annual satisfaction survey:					
,		sfied are you with HYDRO ONE overall? Would you say you are?"					
	 Neither Some 	atisfied what satisfied or satisfied nor dissatisfied what dissatisfied ry dissatisfied					
	The top 2	responses (Very and Somewhat Satisfied) are used to calculate the result.					
b)	practices.	ere determined by considering historical results and utility benchmarking By reaching 85% in 2019, we will have surpassed our previous 5 year high e in line with other leading utilities.					

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Issue 2.3	Does the Custom Application adequately incorporate and reflect the four outcomes identified in the RRFE Report: customer focus, operational effectiveness, public policy responsiveness and financial
	performance?
_	
Interrogator	<u>v</u>
Reference:	A/T4/S4/pg. 16
a) Please m	odify Table 8 to show for each year the percentage of customers who are
not serve	d by Hydro One's smart meter network (if this it is the same as the %
receiving	estimated bills provide that response).
b) Please de	escribe the strategy that is being employed to reduce estimated bills.
c) Please pr	ovide the planning documentation for that strategy.
<u>Response</u>	
a)	

			Actual					Tar	gets		
Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
% of	N.A	23.9	10.2	8.5	10.8	6.0	5.5	5.0	4.5	4.0	3.5
estimated											
bills issued											
% of	100	53.5	12.0	10.2	9.8	9.8	9.8*	9.8*	9.8*	9.8*	9.8*
customers											
not served											
by SM											
network											

21 Notes:

²² * identifies the projected % of customers not being served by the smart meter network

23

b) Customers can receive estimated bills for a variety of reasons, including bills that are
 scheduled to be estimates. For instance, seasonal customers who require a manual
 meter read should receive four bills a year, one of which is based on the actual meter
 reading, while the remaining three bills are based on scheduled-estimates.

28

29 Non-TOU customers can receive bills based on unscheduled estimates for a variety of

³⁰ reasons, including: issues affecting field access to the premises and adverse weather.

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TOU customers may receive estimated bills if their meter does not communicate 1 timely and reliability with Hydro One's smart meter network. There are two primary 2 reasons why this may occur. First, seasonal foliage could be blocking the meter's 3 signal from reaching Hydro One's network. In an attempt to mitigate this, Hydro One 4 is strengthening the network communication infrastructure in some rural parts of the 5 province. Second, there could be a technical issue with the communications 6 equipment that supports the meter. Hydro One is also investing in improved 7 equipment and replacing meters where appropriate to reduce the volume of estimated 8 bills. 9

10

c) Hydro One does not have stand-alone planning documentation specific to reducing
 estimated bills. Hydro One expects to achieve a reduction in the number of estimated
 bills through network tuning, change in cellular technology (CDMA end-of-life), the
 maturity of the smart meter network, and manual meter reads.

15

A number of sustainment programs are necessary to collect and manage meter readings required to support the improving Estimated Bill targets.

- i. Exhibit C1, Tab 2, Schedule 5, Page 9 and 10, Section 2.2 describes requirements
 to collect and process manual reads for non-communicating meters and to operate
 the smart meter network required to attain, verify, manage and process automated
 reads.
- ii. Exhibit C1, Tab 2, Schedule 2, Page 28 to 34, Section 5.0 describes metering
 requirements to sample, verify and replace faulty meters as well as
 telecommunications costs required for remote interrogation of meters to obtain
 reads.
- iii. Exhibit D1, Tab 3, Schedule 2, Page 32 through 36, Section 5.0 describes
 sustaining capital required to address meter and network component upgrades and
 conversions as well as maintain a meter inventory. In addition, it describes Smart
 Meter Project requirements to complete the tuning of the network and
 components in 2015.

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1 2	Vulner	able Energy Consumers Coalition (VECC) INTERROGATORY #42
3	Issue 2.3	Does the Custom Application adequately incorporate and reflect the four outcomes identified in the RRFE Report: customer focus,
4 5		operational effectiveness, public policy responsiveness and financial
6 7		performance?
8	Interrogatory	
9 10	Reference:	A/T19/S1
11 12	a) Please sho	w the derivation and of the productivity savings shown in Table 1 for
13 14	years 2013	3 through 2019.
14		
15		

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<u>Response</u>

1 2 3

4

Please see summary sheet provided below.

										2013	2014	2015	2016	2017	2018	2019
Initiative Name	LOB	Category	OMA	САР	Sus	Dev	Oper	Cus	Com	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecas
IP - Asset Investment Planning	Planning & Operating	Business Transformations	100%	0%					100%	170,496	173,160	177,689	182,246	185,500	188,784	191,
legular Head Count Reduction	Corporate	Centralized Operations	100%	0%					100%	4,853,669	4,853,669	5,095,664	5,197,577	5,301,528	5,407,559	5,515,
dmin Spend Controls	Corporate	Miscellaneous Admin	100%	0%					100%	5,119,362	5,230,362	5,341,362	5,452,362	5,563,362	5,674,362	5,785,3
nitial Training: union pays for basic	Engineering & Construction	Staff Flexibility	100%	0%	63%	35%	2%	0%	0%	150,809	127,410	129,774	133,031	134,905	138,652	140,5
Outsourcing Drawing Backlog	Engineering & Construction	Staff Flexibility	100%	0%	63%	35%	2%	0%	0%	633,011	117,660	117,660	117,660	117,660	117,660	117,6
lectrical Safety Awareness available online	Health, Safety & Environment	Centralized Operations	100%	0%					100%	-	66,600	67,932	69,291	70,676	72,090	73,5
pills Management training via E Learning	Health, Safety & Environment	Centralized Operations	100%	0%					100%	38,428	39,197	39,981	40,780	41,596	42,428	43,2
Vorkflow of the Future	ISD	Business Transformations	100%	0%					100%	-	-	-	1,320,811	1,347,227	1,374,172	1,401,6
Cell Contracts	ISD	Telephony	100%	0%					100%	730,940	947,960	1,141,120	1,218,384	1,218,384	1,218,384	1,218,38
elecom Expense Management (TEM)	ISD	Telephony	100%	0%					100%	265,943	556,144	725,285	888,000	976,800	1,065,600	1,110,00
rocess Improvements & BPC	Shared Services	Business Transformations	100%	0%					100%	213,120	213,120	217,382	221,730	226,165	230,688	235,30
IR Pay Project	Shared Services	Business Transformations	100%	0%					100%	-	309,283	1,210,231	1,234,436	1,259,125	1,284,307	1,309,9
endor Rebates	Shared Services	Centralized Operations	100%	0%	73%	23%	2%	2%		60,384	88,800	88,800	88,800	88,800	88,800	88,8
acilities Energy Efficiency Retrofits	Shared Services	Leveraging Technology	100%	0%	100%					11,321	11,100	11,100	11,100	11,100	11,100	11,10
mployee Travel Policy	Shared Services	Leveraging Technology	100%	0%					100%	25,237	24,420	-	-	-	-	-
Project Trailer Purchase	Shared Services	Process Improvement	100%	0%					100%	-	71,040	71,040	71,040	71,040	71,040	71,04
Anage Stations Work for Facilities	Shared Services	Staff Flexibility	100%	0%	100%					1,738,260	1,738,260	-	-	-	-	-
leet Mechanic Reduction	Shared Services	Staff Flexibility	100%	0%	73%	23%	2%	2%		445,776	666,000	666,000	666,000	666,000	666,000	666,00
Vork Program Optimization (TSOGs)	Stations Services	Leveraging Technology	100%	0%	96%	1%	3%	0%		-	973,966	965,499	1,433,654	1,358,413	1,387,167	1,691,82
MNO - Smart Meter Network Operating	Stations Services	Leveraging Technology	100%	0%	95%	0%	4%	0%		-	-	-	221,730	447,895	678,583	913,88
Aaintain Stock of Regularly Used Items	Stations Services	Process Improvement	100%	0%	95%	0%	4%	0%		113,478	155,400	158,508	161,678	164,912	168,210	171,5
WHQ - Stations	Stations Services	Staff Flexibility	100%	0%	95%	0%	4%	0%		952,840	177,600	181,152	184,775	188,471	192,240	196,08
nhouse Retorgues on Light Vehicles	Stations Services	, Staff Flexibility	100%	0%	95%	0%	4%	0%		41.887	39.960	39,960	39.960	39,960	39.960	39.96
Cornerstone Ph1, 2	Corporate	Business Systems	42%	58%					100%	29,917,623	30,579,471	30,762,912	30,950,022	31,140,874	31,335,544	31,534,10
tandards Development for Design	Engineering & Construction	Leveraging Technology	0%	100%	63%	35%	2%	0%	0%	144,250	144,250	144,250	144,250	144,250	144,250	144,25
mart MFA spend	Engineering & Construction	Process Improvement	0%	100%	63%	35%	2%	0%	0%	88,949	120,294	120,294	120,294	120,294	120,294	120,29
.A	Planning & Operating	Business Transformations	44%	56%					100%	-	2,634,745	3,918,248	4,093,431	4,327,007	4,502,190	4,502,19
acilities & Real Estate Outsourcing	Shared Services	Staff Flexibility	100%	0%					100%	-	-	3,600,000	3,600,000	3,600,000	3,600,000	3,600,00
nergi Contract Extension	Shared Services	Back Office	100%	0%					100%	17,958,000	23,287,000	-	-	-	-	-
Contract Replacement	Shared Services	Back Office	100%	0%					100%	-	-	26,718,000	26,718,000	26,718,000	26,718,000	26,718,0
IS	Customer Service	Business Transformations	100%	0%					100%	-	10.300.000	19,785,000	19,785,000	19,785,000	19.785.000	19.785.0
dvanced Distribution System (ADS) Phase 1	Provincial Lines & Forestry	Business Transformations	100%	0%					100%	-	-	5,615,000	7,099,060	7,224,321	7,355,808	7,490,5
Jsage of feller bunchers	Provincial Lines & Forestry	Leveraging Technology	100%	0%	100%					3,218,007	3,000,000	4,500,000	4,500,000	4,500,000	3,000,000	3,000,0
ield Meter Reads	Provincial Lines & Forestry	Process Improvement	100%	0%				100%		-	827	1,731,763	1,748,791	1,761,331	1,770,769	1,777,9
orestry ACA incorporated into Lines inspections	Provincial Lines & Forestry	Staff Flexibility	100%	0%	100%					892,252	901,175	946,590	946,590	946,590	946,590	946,5
abour Mix and Misc Productivity Improvements	Provincial Lines & Forestry	Staff Flexibility	100%	0%	100%					-		-	1,500,000	3,400,000	3.400.000	1,500,0
educe Cables Locates	Provincial Lines & Forestry	Staff Flexibility	100%	0%	100%					180,000	1,345,418	1,345,418	3,045,418	3,895,418	4,745,418	5,595,4
istribution transformer refubishment	Shared Services	Process Improvement	0%	100%	100%					-	300,000	300,000	300,000	300,000	300,000	300.0
MDS	Stations Services	Leveraging Technology	0%	100%	95%	0%	4%	0%		-	1.500.000	2.500.000	3.000.000	3.000.000	3.500.000	3.500.0
otal		Let crabing recimology	570	10070	5570	070	- 70	0.70		67,964,040	90,694,288	118,433,612	126,505,900	130,342,603	131,341,646	131,507,6

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1	<u>Vulnera</u>	uble Energy Consumers Coalition (VECC) INTERROGATORY #43
2 3 4 5 6	Issue 2.3	Does the Custom Application adequately incorporate and reflect the four outcomes identified in the RRFE Report: customer focus, operational effectiveness, public policy responsiveness and financial performance?
7 8	Interrogatory	
9 10	Reference:	A/T19/S1/pg. 4
11 12 13 14	•	Table 2 for the following: ategory (row) in Table 2 please show the associated total budget for
15 16	Response	
17 18	The productiv	ity categories are meant to be a guide that provides information on the
19 20	the productivit	gs that are occurring at Hydro One. The budgets that are associated with ty initiatives being tracked are spread over all of Hydro One's operations in rams and overhead groups. Individual initiatives often have an impact on
21 22 23	many differen	at programs or divisions and as a result it is not possible to apply the ategory approach to the business plan budgets or align these budgets to the

24 categories without creating overlap and duplication.

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School Energy Coalition (SEC) INTERROGATORY #5 1 2 Issue 2.3 Does the Custom Application adequately incorporate and reflect the 3 four outcomes identified in the RRFE Report: customer focus, 4 operational effectiveness, public policy responsiveness and financial 5 performance? 6 7 *Interrogatory* 8 9 **Reference:** 10 11 Please explain how the Applicant believes the Custom Application adequately 12 incorporates operational effectiveness. 13 14 Response 15 16 The RRFE describes the outcome of operational effectiveness as follows: "continuous 17 improvement in productivity and cost performance is achieved; and utilities deliver on 18 system reliability and quality objectives". Many investment decisions reflected in the 19 Custom Application promote this outcome. At the highest level, Hydro One's Custom 20 Application promotes this outcome in the manner described below. 21 22 Exhibit A, Tab 19, Schedule 1 details significant forecast cost savings from continuous 23 improvement in productivity. Because these savings are embedded in Hydro One's 24 requested revenue requirement, they will function as targets with a significant financial 25 consequence if missed, that being a lower return on equity for Hydro One's shareholder. 26 Hydro One is therefore incented to achieve these cost savings. It intends to achieve these 27 savings through planned continuous productivity improvements described in the Exhibit. 28 29 Exhibit A, Tab 4, Schedule 4 describes the eight outcome measures and associated targets 30 that Hydro One is committing to. They focus on areas of increased planned expenditures, 31 which are intended to improve system reliability and service quality. Hydro One will be 32 reporting on its performance against these targets. This will complement the monitoring 33 and reporting Hydro One already does on service quality indicators under Chapter 15 of 34 the OEB's 2006 Electricity Distribution Rate Handbook, as described in Exhibit A, Tab 35 18, Schedule 1, to ensure Hydro One delivers on system reliability and quality objectives. 36

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	Consumers Council of Can	ada (CCC) INTERROGATORY #11
lssue 2.3	four outcomes identif	ication adequately incorporate and reflect the ied in the RRFE Report: customer focus, ss, public policy responsiveness and financial
Interrogato	Y	
Reference:	Exhibit A/Tab 4/Schedule	4
measured? prioritized t	How do these relate to the nese in terms of assessing w	measured, please explain what outcome is being e 4 outcomes set out in the RRFE? Has HON hat outcomes are most important from a customer hey have been prioritized. If not, why not?
<u>Response</u>		
ecause the	se specific areas will see inc	g the Company's performance were prioritized creased capital or OM&A expenditures in the five come measures and the metrics to be used are:
2. Pole Re	placement; Poles replaced preprint placement; Number of preprint placement; Number of placeme	on in vegetation related customer outages per year pole top transformers with PCB oil that have been
 Substati Distribut equipmet 	i on Refurbishments; Numb	ber of substation interruptions Refurbishments; Number of distribution line
7. Handlin		; Percent of customers satisfied with the way
	ed Bills; Percent of estimate	6
overall measure		scorecard approach is the most effective form of able below the proposed outcome measures serve
	RRFF Outcome	# of Outcome Measure

RRFE Outcome	# of Outcome Measure
Customer Focus	1, 2, 3, 4, 5, 6, 7, 8
Operational Effectiveness	1, 2, 4, 5, 6, 7
Public Policy Responsiveness	3
Financial Performance	1, 2, 4, 5, 6, 7

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	<u>Ontario Energy Board (Board Staff) INTERROGATORY #17</u>
Issue 2.4	Is the monitoring and reporting of performance proposed by Hydro One Distribution adequate to demonstrate whether the planned outcomes are achieved?
<u>Interrogat</u>	<u>ory</u>
	nnical Conference Transcript #1, April 10, 2014/p. 121 (Summary of nce Commitments)
Preamble	
At the Apple of th	ril 10, 2014 Technical Conference, staff handed out a draft chart that lists the s of focus that Hydro One proposes in its application for assessing its ce on specific areas of spend included in the five-year plan. Using information application, staff had filled it in to the extent possible.
	ff has updated the attached chart to reflect Hydro One's updated filing. ent 2.4-Staff-17.pdf).
next 5 year	rize for the Board Hydro One's specific performance commitments over the rs associated with the forecasted total costs requested in the application, please he table in file Attachment to 2.4 Staff-17 .pdf for each of Hydro One's eight s.
<u>Response</u>	
	t 1 to this response contains Hydro One's specific performance commitments ext five years in specific areas of increased investment. Please note:
	areas where the OEB numbers do not reflect the Hydro One numbers both nbers are shown;
fig	the spend column, the years of spend shown are in brackets. 2010 to 2013 ures were selected to correspond with the years under the performance
	ord/trend columns;
	additional column has been included for the exhibit reference for the costs nd in the pre-filed evidence; and
• An	additional column has been added to include notes.

					Perforr	mance Recor	d/Trend		Spend	Performance Benchmarking	Performance Projection	Cost Pr	ojection (i.e.	, Forecasted	Costs to Ac	hieve Outcor	ne)	Benefits F	Projection (i.e	e., Forecaste Outcome)	d Benefits of	Achieved			
Desired Outcome	Area	Measure	Overview	2009	2010	2011	2012	2013	2009-2015	(i.e., how does Hydro One's performance compare to others inside/ outside the industry?)		2015-2019	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019	Conse-quences [of outcome being met, exceeded, not met]	Exhibit References for Costs	Notes
Reduced number of vegetation-related intrerruptions during the 5 year plan	Vegetation Management		Service interruptions caused by vegetation are an issue faced by most electric distribution companies. Hydro One is proposing an outcome metric against which its efforts to reduce the number of vegetation- caused outages will be evaluated.	6,445	6,116	6,113	6,953	5,791	\$ 338 M OEB \$ 529 M (2010-2013) H1	Not Available	As Vegetation is managed to achieve an 8-year vegetation management cycle, Hydro One expects that the number of outages caused by contact of trees with the distribution system will decline.	\$ 540 M OEB \$ 814 M H1	\$ 142 M	\$ 177.6 M	\$ 180.3 M	\$ 161.1M	\$ 152.9 M	6,300	6,300	6,200	6,100	6,000	Over the next five years Hydro One will make significant progress on clearing the accumulated backlog. This will help improve the long term affordability of the vegetation management program and improve vegetation-related outcomes.	C1-02-02 Table 10 Vegetation Management	Hydro One has included Line Clearing, Brush Control & Other Activities- Demand Mtce, Customer Requests, Landowner Contracts, Hazard Tree Removal. Includes OM&A only.
Approximately 4,500 additional end-of-life poles will be replaced per year by 2019.	Pole Replacemen	t Poles replaced per year	Hydro One has approximately 1.6 million distribution poles in its system. Each year approximately 20,000 poles are installed, a figure that includes both new installations and end of life replacements. Poles that fail can cause customer outages.	7,485	7,518	7,282	7,452	10,720	\$ 323 M OEB \$ 238 M (2010-2013) H1	Not Available	Given the current age and condition of the poles, Hydro One expects to replace between 11,000 and 15,000 poles per year during the 5 year plan.	\$ 530 M OEB \$ 530 M H1	\$ 88.7 M	\$ 95.1 M	\$ 105 M	\$ 115.2 M	\$ 125.8 M	11,600	12,200	13,200	14,200	15,200	The unit price is expected to increase over the plan due to the replacements of poles with more complex framing and poles in difficult to access locations. This could impact overall costs	D1-03-02 Table 5 Pole Replacements	Includes Capital only.
Address Federal PCB regulations and ensure Hydro One's communities' environmental concerns are addressed by decreasing the number of pole top transformers containing PCBs.	PCB Line Equipment	Number of pole top transformers with PCB oil that have been replaced	The PCB line equipment capital project was selected as an area to be measured via an outcome metric because of the public safety issues pertaining to the equipment. The initiative addresses Federal PCB regulations and ensures Hydro One's communities' environmental concerns are addressed by decreasing the number of pole top transformers containing PCBs.	This	is a new initia	tive therefore	there is no his	story.	\$ 4 M (2009-2013) OEB \$ 0 (2010-2013) H1	Not Available	Given the safety and environment concerns with PCB line equipment, Hydro One expects to replace up to 2200 PCB pole top transformers per year starting in 2017.	\$ 39 M OEB \$ 99 M H1	\$ 7.9 M	\$ 17.9 M	I \$ 23.8 M	1 \$ 24.2 M	\$ 24.8 M	400	1,000	2,200	2,200	2,200	The program is being piloted to determine the most efficient manner of completing the program which is legislated. The new legislation dictates the replacement of PCB line equipment by 2025.	D1-03-02 Table 5 Lines PCB Equipment Replacements C1-02-02 Table 7 PCB Lines Equipment Inspection & Testing	Previous PCB work was performed on pad mount transformers. This initiative is for pole mount transformers. Outcome includes Capital and OM&A. The OEB number appears to be Capital only.
Reduced number of substation interruptions during the 5 year plan	Substation Refurbishments	Number of substation interruptions over the five year period	Hydro One maintains 1,004 distribution and regulating station facilities, with an average expected service life of 50 years. The Company is proposing increased funding in this area to manage system reliability in the face of demographic and load requirement pressures on the system, and to mitigate against a growing wave of stations reaching expected service life simultaneously. Hydro One's distribution system has experienced a number of substation-related outages over the last five years.	153	190	159	144	129	\$ 46 M OEB \$ 37 M (2010-2013) H1	Not Available	Hydro One expects to manage substation reliability performance in the face of demographic & load requirement pressure on the system.	\$ 203 M OEB \$ 203 M H1	\$ 34.6 M	\$ 39.0 M	\$ 40.0 M	\$ 44.5 M	\$ 45.2 M	155	155	155	155	155	An aging fleet of distribution stations where predictive test results for equipment suggest we need to accelerate renewal efforts to maintain reliability.	D1-03-02 Table 2 Station Refurbishments	Includes Capital only.
Reduced number of distribution line equipment caused interruptions during the 5 year plan	Distribution Line Equipment Refurbishments	Number of distribution line equipment interruptions over the five year period	Hydro One owns over 120,000 circuit km of lines (approximately 3200 feeders). An ongoing assessment of the condition of the lines/feeders is performed by Hydro One. Small and large sustainment projects will be performed over the course of the 5- year plan to sustain the performance of the system. Hydro One's distribution system has experienced a number of line equipment-related outages over the last five years.	8,210	5,971	7,681	7,316	7,266	\$ 307 M OEB \$ 119 M (2010-2013) H1	Not Available	Hydro One will be carrying out small and large sustainment projects over the course of the 5-year plan to improve local reliability performance.	\$ 15.5 OEB \$ 307 M H1	\$ 52.1 M	\$ 58.6 M	\$ 62.4 M	\$ 66.3 M	\$ 67.5 M	7,300	7,300	7,300	7,300	7,300	Distribution system has experienced a number of line equipment-related outages over the last five years. Reliability will be effected if targets are not met.	D1-03-02 Table 5 Line Projects	Includes Capital only.
Become a trusted partner to our customers by improving the quality of interactions and meeting their expectations regarding reliable power supply.	Customer Experience	Overall Customer Satisfaction.	An independent third-party research firm will conduct random bi-annual residential and small-business impression surveys on behalf of Hydro One.	84%	80%	77%	78%	80%	\$ 6 M OEB \$ 1.6 M (2010-2013) H1	Not Available	The main goal is to move Hydro One towards a 85% customer satisfaction target in 5 years.	\$ 21 M OEB \$ 21 M H1	\$ 4.3 M	\$ 4.3 M	\$ 4.3 M	\$ 4.2 M	\$ 4.3 M	81%	82%	83%	84%	85%	All areas impacting customer experience including health and safety, environment, reliability, customer service, communications, technology, etc. will be reviewed for action to continue to meet or exceed the target.	C1-02-05 Table 5 Total Customer Experience	Outcome includes OM&A only
Maintain current level: of distribution reliability, while improving customer service and satisfaction	s Handling of Unplanned Outages	Percent of customers satisfied with the way Hydro One handled the unplanned outage	An independent third-party research firm will conduct random bi-annual residential and small-business impression surveys regarding Hydro One's handling of unplanned outages.	82%	83%	81%	79%	78%	\$ 662 M (2010-2013) H1	Not Available	The main goal is to move Hydro One towards a 83% customer satisfaction target in 2016 & maintain to 2019.	\$ 756 M H1	\$ 145.3 M	\$ 149.2 M	\$ 151.9 M	\$ 153.9 M	\$ 155.7 M	80%	83%	83%	83%	83%	Exceeding the target will prove Hydro One is lsitening to the customers and taking the correct steps to meet their level of service expectations.	C1-02-02 Table 5 Trouble Calls C1-02-04 Table 1 Operations & Operations Support D1-03-02 Table 4 Trouble Calls & Storm Damage Response	Includes OM&A and Capital
Reduced number of estimated bills during the 5 year plan	Estimated Bills	Percent of estimated bills issued	One area that the Company understands is an issue for our customers "estimated bills". As such, Hydro One proposes an outcome metric that measures the Company's success in reducing the number of estimated bills received by our customers.	N/A	23.9%	10.2%	8.5%	10.8%	\$ 410 M (2010-2013) H1	Not Available	Reducing the number of estimated bills received by the Hydro One customers.	\$ 246 M H1	\$ 47.6 M	\$ 51.2 M	\$ 53.8 M	\$ 51.6 M	\$ 41.4 M	5.5%	5.0%	4.5%	4.0%	3.5%	Reducing the volume of estimated bills planned or unplanned will increase customer satisfaction and trust in the Company.	C1-02-05 Table 2 Meter Reading C1-02-02 Table 9 Retail Revenue Meters & Telecom, Monitoring & Control D1-03-02 Table 6 Customer Retail Meters & Smart Meter Project	Capital

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	Ontario Energy Board (Board Staff) INTERROGATORY #18
Iss	In 2.4 Is the monitoring and reporting of performance proposed by Hydro One Distribution adequate to demonstrate whether the planned outcomes are achieved?
<u>Int</u>	errogatory
Re	: Exhibit A/Tab 4/Schedule 4 (Consequences if Targets Missed)
	a) What are the effects on Hydro One and its customers, if any, of the identified targets in each of the four outcomes identified in the RRFE Report and the eight focus areas not being achieved?
	b) Is Hydro One proposing any penalties or rewards for under or over-performance Please provide reasons.
<u>Re</u> :	<u>ponse</u>
a)	Many of the targets in the eight outcome focus areas are directly tied to maintaining the current level of reliability and the replacement of end of life assets; Vegetatic Management, Pole Replacement, Substation Refurbishment, Distribution Lin Equipment Replacement and PCB Line Equipment Replacement. If the propose targets are not met, the resultant effect on Hydro One and customers will be decrease in reliability due to equipment failures and vegetation-related interruption Unplanned interruptions on average are up to four times the duration of a planne outage for refurbishment or replacement. As distribution assets are physically locate in communities, a failure can also pose a public safety hazard. In the case of the PC Line Equipment Replacement, not meeting the outcome target will also mean Hydro One will not meet the requirements as set out in to the Federal PCB regulations.
	Planned work lends itself to allowing more cost efficiencies and productivity gains to be realized. This is not always possible when work is more of a reactive nature suc as responding to an unplanned outage.
	Customer satisfaction will decline and costs will increase with a failure to meet the outcome targets along with the Customer Experience, Handling of Unplanne Outages and Estimated outcome targets. The expenditures proposed for the Custome Experience program will result in an improved customer experience and added co efficiencies through the development of self-serve portals to handle custome inquiries. Failure to meet the eight Hydro One outcome measures will directly affect the ability of Hydro One to satisfy the four RRFE outcome measures.
b)	Please refer to Exhibit I, Tab 2.2, Schedule 1 Staff 13 (b) response.

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	Ontario Energy Board (Board Staff) INTERROGATORY #19
Issue 2	2.4 Is the monitoring and reporting of performance proposed by Hydro One Distribution adequate to demonstrate whether the planned outcomes are achieved?
<u>Interr</u>	ogatory
Ref:	 Exhibit A/Tab4/Schedule 1 (Summary of Custom Application Framework) Exhibit A/Tab18/Schedule 1 (Service Quality Indicators) Exhibit D2/Tab 2/Schedules 1, 2 & 3
Pream	ıble:
and the One he Outcor	erence (1), Hydro One notes that the outcome measures will be tracked annually e results of this tracking will be reported to the Board. At Reference (2) Hydro ighlights the difference between the OEB performance scorecard and its proposed me Measures. Hydro One states that "emphasizing results rather than activities will respond to customer preferences, enhance distributor productivity and promote tion."
At rof	erence (2), Hydro One has included its forecast for Customer Service Indicators and
	e reliability Indicators in accordance with Chapter 15 of the EDR handbook.
Quest	ions:
a)	Please confirm that Hydro One also intends to report on planned activities (e.g. proactive replacement of distribution transformers) not just the eight outcomes as mentioned at reference (1).
b)	Based on the information provided at reference (3), please tabulate all areas of capital and OM&A growth in the investment plan starting with the driver/need (e.g. poor reliability, billing complaints, etc) for the investment. Please indicate the anticipated directional or absolute result and expected timing of result.
	Please use the suggested format below as guidance:

Driver	Expenditure	Activities	Results & Timing	Corresponding Projects and/or Programs in Exhibit D2
e.g. Poor	Capital	Increase	Improved reliability	
Reliability	Expenditure	Maintenance	by month/year X	

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Operational Expenditure	Perform system modifications and additions	Improvements in customer satisfaction	
	Install real-time monitoring assets		

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- c) If enhanced efficiencies are forecast, over the DSP horizon or beyond, as a result of the activities undertaken above (i.e. question "a") please highlight them.
- d) Other than the bi-annual surveys, please indicate whether any other activities will be undertaken during the DSP horizon that might aid in revealing customer preferences for the 2015-2019 period.
- e) Please explain how the traditional network performance indicators at reference (3) have informed the proposed plan. If applicable, please highlight specific activities and expenditures
- 12

13 **Response**

14

a) As part of its performance management monitoring processes Hydro One will report
 on specific planned activities not just the eight outcomes as mentioned, noting where
 applicable, the links to inputs and outputs. These planned activities will be used to
 provide background and support to the reporting of results in the OEB Scorecard and
 in the Service Quality indicators and Reliability Measures.

20

b) Please see below chart for the tabulation of all areas of capital and OM&A growth in
Hydro One's investment plan. Hydro One utilizes a multi-criterion risk based
approach to investment planning; therefore the table below has been grouped based
on the Investment Category drivers outlined in the Board's RRFE Chapter 5 Filing
Requirements.

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Driver	Expenditure	Activities	Results & Timing	Projects and/or Programs in Exhibit D2
System Renewal	Capital Expenditure \$14.6M (2014) -> \$21.6M (2019)	Increase Number of Transformer Spares and Replacements	Address ageing demographic and deteriorating condition of transformers. 19 transformer replacements/spares(2014)-> 38 transformer replacements/spares (2019)	S01
	Capital Expenditure \$26.1M (2014) ->	Increase Number of	Maintain the reliability of the system. 155 station caused interruptions (2014) -> 155 station caused interruptions (2019)	S07

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Driver	Expenditure	Activities	Results & Timing	Projects and/or Programs in Exhibit D2
	\$45.2M (2019)	Station Refurbishments		
	Capital Expenditure \$82.5M (2014) -> \$125.8M (2019)	Increase Number of Pole Replacements	Address poles nearing end of life and in substandard condition. 11,000 poles replaced (2014) -> 15,200 poles replaced (2019)	S10
	Capital Expenditure \$0.0M (2014) -> \$11.1M (2019)	Increase Number of Lines PCB Equipment Replacements	Comply with legislative requirements. All PCB lines equipment above 50ppm threshold to be removed from system by 2025. 0 pole top transformers replaced (2014)-> 2,200 pole top transformers replaced (2019)	S11
	Capital Expenditure \$36.8M (2014) -> \$67.5M (2019)	Increase Number of Line Projects	Maintain the reliability of the system. 7,300 line caused interruptions (2014) -> 7,300 line caused interruptions (2019)	S12 to S14
System Access	Capital Expenditure \$105.5M (2014) -> \$122.9M (2019)	Connections & Upgrades	Comply with regulatory requirements outlined in the Distribution System Code and Distribution License.	D01
System Service	Capital Expenditure \$61.1M (2014) -> \$74.2M (2019)	System Capability Reinforcement	Comply with regulatory requirements outlined in the Distribution System Code.	D02 to D08
System O&M	OM&A Expenditure \$2.2M (2014) -> \$13.7M (2019)	Increase PCB Lines Equipment Inspection and Testing	Comply with legislative requirements. All PCB lines equipment to be inspected and tested to determine PCB concentration to ensure all equipment above 50ppm threshold is removed from system by 2025.	Not applicable
	OM&A Expenditure \$92.3M (2014) -> \$99.9M (2019)	Achieve 8 year Vegetation Management – Line Clearing cycle	Reduce vegetation related interruptions 6,300 interruptions (2014) -> 6,000 interruptions (2019)	Not applicable
	OM&A Expenditure \$6.1M (2014) -> \$15.1M (2019)	Operations Smart Grid	Increase staff to support the DMS and other smart grid systems to increase remote control of field devices over time to improve reliability	Not applicable

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c) All cost efficiencies and productivity initiatives being developed and implemented for

the test years have been included in Exhibit A, Tab 19, Schedule 1 "Cost

4 Efficiencies/Productivity".

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d) Hydro One plans to undertake a variety of activities to help us better understand
customer preferences and respond to the Renewed Regulatory Framework. The list
of activities planned for the period 2015 – 2019 is outlined at Exhibit A, Tab 5,
Schedule 1, pages 1 to 21 (Voice of the Customer), including Section 3.0 (Customer
Engagement Beyond the Survey).

6

e) The reliability indicators at Reference (2) have informed some areas of the proposed plan as Hydro One performs a multi-criteria risk based analysis in which reliability is one of the seven main business values considered when prioritizing investments as described in Exhibit A, Tab 17, Schedule 4. Therefore, in some investments reliability is a driving factor, while for others (such as demand work to connect new customers) its impact is negligible.

13

For Hydro One's current investment plan, investment levels have been set such that overall system reliability will be maintained. However, reliability improvements may be experienced in localized geographic regions where specific projects are being executed. For example, the investments proposed in Exhibit D2, Tab 2, Schedule 3, Reference # D-06 focus on improving reliability in local regions where customers have experienced poor reliability performance that is below Hydro One's average.

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1	Ontario Energy Board (Board Staff) INTERROGATORY #20
2 3	Issue 2.4 Is the monitoring and reporting of performance proposed by
4	Hydro One Distribution adequate to demonstrate whether the
5	planned outcomes are achieved?
6 7	Interrogatory
8 9	Ref: Exhibit A/Tab 4/Schedule 4; p. 5 (Outcome Metrics) Exhibit A/Tab 17/Schedule 4; pp. 3-4 (Business Values)
10 11	Exhibit A/ Tab 17/Schedule 4, pp. 5-4 (Business Values)
12	At these references Hydro One describes its Outcome Metrics and Business Values. How
13	do the identified 'outcome metrics' associated with each 'Sustaining OM&A' and
14	'Sustaining Capital' expenditure category relate to the KPI(s) for the BV objective(s)

15 corresponding to each of these categories?

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17 **Response**

The below maps the Business Values used to justify the investment through the investment planning process to the Outcome Measures.

21

Outcome Measures	Business Value		
	Shareholder Value		
Vegetation Management	Reliability		
Vegetation Management	Satisfying our Customers		
	Safety		
	Shareholder Value		
Pole Penlacement	Reliability		
Pole Replacement	Satisfying our Customers		
	Safety		
	Shareholder Value		
PCB Line Equipment	Environment		
	Safety		
	Reliability		
Substation Refurbishments	Environment		
	Customer		
	Shareholder Value		
Distribution Line Equipment Polyrhishments	Reliability		
Distribution Line Equipment Refurbishments	Satisfying our Customers		
	Safety		

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23 Please refer to Exhibit A, Tab 17, Schedule 4, Table 1 for the performance measures/key

24 performance indicators associated with each of these business values.

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	Ontario Energy Board (Board Staff) INTERROGATORY #21
Iss	ue 2.4 Is the monitoring and reporting of performance proposed by Hydro One Distribution adequate to demonstrate whether the planned outcomes are achieved?
Int	<u>errogatory</u>
R	ef: 1. Exhibit A/Tab 5/Schedule 1/pp. 12 - 13 (What the Customer Responses Indicate) 2. Exhibit A/Tab 4/Schedule 4/p. 6 (Vegetation Management)
exp	dro One indicates that vegetation management expenditures related to line clearing are bected to be approximately \$540 million in the 5-year forecast period as compared to 38 million in the preceding 5 year period.
a)	Please identify the years corresponding to the "5-year forecast" and "preceding 5 year period" referred to over which, respectively, \$540 million will be spent and \$338 million was spent on vegetation management.
)	Using the resulting 5 year forecast and preceding periods, please calculate the change in spending on vegetation management in dollars and per cent, as well the target reduction in vegetation caused interruptions in terms of the number of interruptions and per cent reduction. In the context of item #4 on the list of "what customers currently want" and in consideration of items #1 and #3 on that list, how would Hydro One "demonstrate value" to customers by achieving the target indicated with the expenditure levels proposed?
<u>Re</u>	<u>sponse</u>
a)	The 5-year forecast of \$540 million refers to the period from 2015 to 2019. The preceding 5 year of \$338 million refers to the period from 2010 to 2014. However the \$338 million reference was based on the 2013 forecast, this should read \$425 million when adjusted for the 2013 actual costs.
b)	The following table outlines the change in spending and targets for the two periods.

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1

	5 year Preceding Period 2010 to 2014	5 year Forecast Period 2015 to 2019	Total Change	Percent Change
Total Cost (\$M)	425	540	+115	27%
Total Target Outages (# of interruptions)	31,273	30,900	-373	-1%

2

With respect to items number 1, 3 and 4 in Exhibit A, Tab 5, Schedule 1, Section 4.0
 (What the Customer Reponses Indicate); the vegetation management program is keeping
 the customer as the focus in planning by:

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• in the short-term, focusing clearing efforts on backlogged maintenance to improve right-of-way condition and outage performance, and

in the long-term, providing an investment plan that seeks to improve life-cycle
 costs by reducing the maintenance cycle and sustaining an 8-year cycle going
 forward.

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1	Ontario Energy Board (Board Staff) INTERROGATORY #22
2 3 4 5	Issue 2.4 Is the monitoring and reporting of performance proposed by Hydro One Distribution adequate to demonstrate whether the planned outcomes are achieved?
6 7	<u>Interrogatory</u>
8 9 10	Ref: 1. Exhibit A/Tab 4/Schedule 4/pp. 6 - 8 (Pole Replacement) 2. Exhibit D2/Tab2/Schedule 3/S-10, p. 2
11 12 13 14 15 16 17	If the number (or risk) of customer outages due to pole failure is the driver, how does the 'target number of pole replacements per year' metric show whether and to what degree this number (or risk) has been positively affected by the indicated \$207 million (64%) increase in pole replacement expenditure over the 5 year plan period compared to the previous period?
18 19 20 21 22	Hydro One states that "Poles that fail can cause customer outages." Hydro One also indicates (at page 6) that vegetation related customer outages" are the target performance metric in relation to vegetation management spending. Does Hydro One track interruptions caused by pole failure? If not, why not? If so, why aren't interruptions caused by pole failure the proposed performance metric?
23 24 25 26	The average cost per replaced pole does not appear to be changing over time. Please confirm if this is the case. What unit cost reduction/efficiency, if any, is Hydro One making in this focus area?
27 28	<u>Response</u>
 29 30 31 32 33 34 35 36 	The risk of customer outages due to pole failures is not the primary driver of the pole replacement program. Rather, the primary driver of increasing pole replacements is to manage the large volume of poles that are beyond their expected service life. The proposed investment level will allow Hydro One to manage the risks associated with its pole population through a resourceable plan that will avoid large accomplishment step changes and their associated costs in the future. Thus, the metric of the number of poles replaced was selected to track the degree to which Hydro One is managing the
37 38 39	demographics of its pole population. Hydro One does track outage interruptions caused by poles. However, historically pole

Hydro One does track outage interruptions caused by poles. However, historically pole caused interruptions represent a very small portion of unplanned outages, and as such a metric tracking outage interruptions would not be meaningful

- 41 metric tracking outage interruptions would not be meaningful.

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- ¹ The planned average price per pole over the test years is expected to rise due to estimated
- 2 inflation within the labour rates, material costs, and TWE prices. Efficiencies in
- executing the program include the use of pole setters and bundling of work, which will
- 4 help keep costs from rising above inflation.

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1	Ontario Energy Board (Board Staff) INTERROGATORY #23
I	ssue 2.4 Is the monitoring and reporting of performance proposed by
	Hydro One Distribution adequate to demonstrate whether the planned outcomes are achieved?
	<u>nterrogatory</u>
R	 1. Exhibit A/Tab 4/Schedule 4/p. 7 (Pole Replacement) 2. Exhibit A/Tab 17/Schedule 4/p. 5 (Investment Prioritization Process)
\$	t the first reference, Hydro One indicates that it "expects to spend approximately 530 million on pole replacements during the course of the 5 year plan. Approximately 323 million was spent on pole replacements during the previous 5 year period."
	What is the incremental "level of risk mitigated" (reference 2) corresponding to the accemental \$207 million investment proposed for pole replacement?
<u>R</u>	<u>esponse</u>
Т	he investment level chosen for pole replacement was selected to mitigate the risks
a	ssociated with the large volume of poles that are beyond their expected service life or
W	rill reach their expected service life within the test period. If the rate of replacements is
n	ot increased now there will be an unmanageable number of poles requiring replacement
ir	the future. This gradual increase now will mitigate the impact of a significant step
ir	crease in the future which would not be favourable to customers.
A	dditionally, there is subset of poles that were not treated to CSA standards and require
re	eplacement. If these poles are not addressed there is an increased safety risk to both
Н	lydro One employees and joint use partners.

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1		Ontario Energy Board (Board Staff) INTERROGATORY #24
2 3 4 5 6	Issue 2	2.4 Is the monitoring and reporting of performance proposed by Hydro One Distribution adequate to demonstrate whether the planned outcomes are achieved?
7	Interro	ogatory
8 9 10	Ref:	1. Exhibit A/Tab 4/Schedule 4/p.9-10 (Substation Refurbishments) 2. Exhibit D2/Tab 2/Schedule 3/Ref: #S-01; #S-04; #S-05; #S-07
11 12 13 14 15 16 17 18 19	a)	According to the information provided in Reference 1, Hydro One has 1,004 distribution and regulating station facilities. Of these, Board staff counts 198 substations on the list provided in Ref. #S-07. Staff also notes planned expenditure proposals for individual components of substations (other Ref #s). Does the data provided in Exhibit A on 'substation caused interruptions' include interruptions at substations not included in the 'Substation Refurbishments' category? If so, how is the proposed metric an appropriate measure of the Hydro One's performance specifically in relation to the proposed \$203 million substation refurbishment expenditure?
20 21 22 23 24 25	b)	Ref. #S-07 describes "Alternative 2: Individual Component Replacements" as being "not ideal" because replacing individual components does not allow "efficiencies associated with the integrated replacement of a number of components at once." Does this mean that Alternative 2 is a higher cost method of achieving the performance metric targets compared to the recommend alternative?
 26 27 28 29 30 31 32 33 34 35 36 	c)	Ref. #S-07 indicates that Hydro One is concerned about, among other things, "rotting high and low voltage wood structures" and "fence and grounding systems" and that refurbishment will address "aged transformers and structures, defective equipment, site or property issues, customer issues, safety concerns, environmental compliance, and operational issues." What is the per cent share of total capital expenditures in this category devoted to the repair/replacement of substation components that in the normal course would not be expected to contribute to 'substation caused interruptions'? How does the proposed metric capture Hydro One's performance in relation to this portion of the expenditure?
 30 37 38 39 40 41 42 	d)	Spending on substations is increasing nearly five-fold relative to the previous 5-year period, yet there is no improvement in the expected number of interruptions over the life of the plan relative to the average level of interruptions between 2009 and 2013 (which shows a declining trend). Please explain the value proposition to customers of this spending allocation relative to alternatives, and why Hydro One chose this level.

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1 **Response**

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a) Yes, the data provided in Exhibit A on "Substation Caused Interruptions" does 3 include interruptions at substations not included among those stations planned for 4 refurbishment. The metric was selected on a systemic basis. Hydro One looks at the 5 total number of interruptions across all distribution stations annually. The proposed 6 \$203 million substation refurbishment expenditure is to address the deteriorating and 7 aging distribution stations for which the total number of annual interruptions is 8 expected to increase as station equipment continues to deteriorate. The proposed 9 metric is to maintain the total number of annual interruptions consistent with historic 10 years, which is achieved through station refurbishments that would otherwise have 11 the potential to result in increasing interruptions due to the deteriorating and aging 12 assets at these distribution stations. 13

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16 17 b) Yes, Alternative 2 is a higher cost method of achieving the performance metric targets compared to the recommended alternative.

c) Depending on the scope of the station refurbishment, the percentage of costs 18 attributed to the replacement of deteriorated structures, fences, grounding systems, 19 site issues, safety concerns and environmental compliance issues can range up to 40% 20 of the total project cost. The main driver for these upgrades are employee and public 21 safety hence these components are not expected to directly contribute to 'substation 22 caused interruptions'. However Hydro One does experience outages caused by 23 intruders penetrating fences, stealing grounding/neutral conductors which does 24 contribute to the number of station outages. 25

26

Substation refurbishments address multiple system needs, making it challenging to select one performance metric to capture Hydro One's performance. The proposed metric was selected because the majority of the expenditure can be attributed to the impact refurbishments will have to station interruptions.

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d) As the distribution system continues to age and deteriorate in condition, the number of substation component failures and resulting equipment outages is expected to increase over the next five years unless a sustainable number of substations are replaced. The proposed level of capital investment in distribution stations was selected in order to sustain the condition, demographics and resulting performance of stations as is today and hence the level of outages is expected to remain consistent with historical years.

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	Ontario Energy Board (Board Staff) INTERROGATORY #25
Issue 2.4	Is the monitoring and reporting of performance proposed by Hydro One Distribution adequate to demonstrate whether the planned outcomes are achieved?
Interrogato	<u>ry</u>
Ref: Exh Refurbishr	aibit A/Tab 4/Schedule 4; p. 11 (Distribution Line Equipment nents)
view of the 2015 – 20 number ove	ain how the target 'distribution line caused interruptions' are appropriate in e fact that on average, the number of annual interruptions targeted over the 19 forecast period is substantially equal to or marginally higher than the er the $2010 - 2014$ period. Please also confirm if the number for 2016 in Distribution Line Equipment Caused Interruptions' (8,300) is correct, and y if so.
<u>Response</u>	
equipment interruption	ed investment plan is intended to maintain historical levels of distribution line reliability. In accordance with this objective, the target for equipment caused as was calculated based on the rounded average number of actual equipment rruptions over the 2009 to 2013 period.
The stated t	arget number of interruptions in 2016 of 8,300 interruptions is a typographical

error. The correct target number for 2016 is 7,300 interruptions.

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1		Ontario Energy Board (Board Staff) INTERROGATORY #26
2 3 4 5	Issue 2	2.4 Is the monitoring and reporting of performance proposed by Hydro One Distribution adequate to demonstrate whether the planned outcomes are achieved?
6 7	<u>Interro</u>	ogatory
8 9	Ref:	Exhibit A/Tab 4/Schedule 4; p. 8-9 (PCB Line Equipment)
10 11 12 13 14 15		What steps has Hydro One taken to establish if the costs of its PCB remediation are in line with those of other distributors with equipment of a similar profile? What is the expected cost per replaced pole top transformer? How is the cost per transformer expected to change over time? What unit cost reduction/efficiency is Hydro One making in this focus area?
15 16 17	<u>Respo</u>	
18 19 20 21 22 23 24 25 26	a)	Since the Federal PCB Legislation was enacted in 2008, Hydro One has been in regular contact with other Canadian Utilities within the Canadian Electricity Association (CEA). Discussions have involved the legislation and its impact, tactics, progress and findings. High level discussions on costs have been shared among distributors, however as each utility's transformer population profiles are different it is difficult to make accurate comparisons. In addition, methods of locating contaminated transformers also differ with some distributors using contractors and other distributors using internal staff.
20 27 28 29 30	b)	The average unit cost for a pole top transformer replacement (in 2014 \$) is estimated at \$4,900. This average value was used as the basis for the replacement of 8,000 pole mount transformers over the 2015 to 2019 period at a total cost of \$39.3 million.
31 32 33 34 35	c)	Hydro One has not identified any specific cost efficiencies planned in this focus area; however Hydro One will make its best efforts to combine PCB pole mount transformer replacements with other sustainment initiatives such as feeder upgrade projects, voltage conversions projects and line relocation projects, which will result in work program and cost efficiencies.

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	Ontario Energy Board (Board Staff) INTERROGATORY #27
Issue 2	2.4 Is the monitoring and reporting of performance proposed by Hydro One Distribution adequate to demonstrate whether the planned outcomes are achieved?
Interro	ogatory
Ref: Ref:	1. Exhibit A/Tab 4/Schedule 4; pp. 5-11 (Outcome Metrics) 2. Exhibit A/Tab 6/Schedule 1; pp. 20-21
a)	Please supplement the statistics on reliability in Ref 2. with information on the average number of affected customers and average duration of outages for each cause of interruption (pole, substation, vegetation, line equipment) identified as focus areas.
b)	Please rank the proposed spending levels in each focus area in terms of "expected to be most effective" to "likely least effective" in reducing the number of customer interruptions and the total duration of interruptions.
c)	 Please explain Hydro One's planned allocation of spending in each area from the perspective of mitigation of interruptions. i) In what way is its proposed allocation of spending among areas efficient and optimal? ii) Would different allocations among the areas more optimally reduce outages, the number of customer interruptions, or the amount of unsupplied energy?
d)	 Please provide estimates of the average number of interruptions that would be expected if spending over the plan were equal to past planning levels, 50% of past planning levels 50% of planned levels and 150% of planned levels.
e)	Please discuss Hydro One's chosen planned spending levels in the context of this information and in the context of customer value, rate impacts and reliability. In what way are Hydro One's proposed spending levels optimal?
f)	What measures, if any, are proposed to address the 19% of interruptions for which causes are either unknown or not due to causes already listed?

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1 **Response**

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a) Please see the tables below for the information on the average number of affected customers and average duration of outages for each cause of interruption (pole, substation, vegetation, line equipment) identified as focus areas. The following statistics are based on data from 2010 to 2013.

6 7

8 Including Force Majeure:

Focus Area	Average SAIDI (Hrs)	Average SAIFI	Average # of Customers	Average Duration per Interruption (Hrs)
Vegetation Caused Interruptions	7.6	1.0	103	9.5
Pole Related Interruptions	1.2	0.2	125	4.6
Substation Interruptions	1.4	0.4	1280	3.4
Dx Line Equipment Caused Interruptions	3.6	0.8	107	6.2

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10 Excluding Force Majeure:

Focus Area	Average SAIDI (Hrs)	Average SAIFI	Average # of Customers	Average Duration per Interruption (Hrs)
Vegetation Caused Interruptions	2.1	0.5	98	4.8
Pole Related Interruptions	0.8	0.2	119	3.5
Substation Interruptions	1.0	0.4	1223	2.9
Dx Line Equipment Caused Interruptions	1.8	0.6	100	4.7

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b) Hydro One has proposed investment levels that will maintain overall system reliability. However, reliability improvements may be experienced in localized geographic regions where specific projects are being executed. The relative effectiveness in improving local reliability for the focus areas are provided in the table below.

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Focus Area	Reducing Number of	Reducing the Total	
	Customer Interruptions	Duration of Interruptions	
Pole	(4)	(4)	
Substation	(3)	(3)	
Vegetation	(1)	(1)	
Line Equipment	(2)	(2)	

18 Where (1) represents "Likely Most Effective" and (4) represents "Likely Least Effective"

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c) Hydro One performs a multi-criteria risk based analysis to plan and prioritize its
 investments. As described in Exhibit A, Tab 17, Schedule 4, reliability is one of the

Filed: 2014-07-04 EB-2013-0416 Exhibit I Tab 2.04 Schedule 1 Staff 27 Page 3 of 4

seven main business values considered when prioritizing investments. In some
 investments reliability is a driving factor, while for others its impact is negligible.
 For Hydro One's current investment plan, investment levels have been set such that
 overall system reliability will be maintained.

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- i) The following efficiencies are seen in the spending allocations for each focus area:
 - Vegetation: by moving to an 8 year cycle, cost efficiencies are achieved by decreasing vegetation management unit costs. There may also be the added benefits of reduced interruption frequency on cleared feeders and improved accessibility to assets, which in turn improves employee safety and can reduce overall response time for outages.
- Substations: investments in station refurbishments prevent costly equipment failures that impact large volumes of customers. These investments also ensure effective asset planning to address the aging infrastructure in a manner that avoids volatile fluctuations in customer rates or resource needs.
- Line Equipment: replacing and refurbishing line equipment that is nearing
 its end of life to ensure that equipment operates as designed and unplanned
 equipment outages are mitigated. Additionally, cost efficiencies are
 gained by simultaneously replacing assets that are within the same
 vicinity.
- Poles: replacing poles that have exceeded their expected service life
 prevents lengthy outages from pole failures that could present safety
 hazards to employees and the public. Similar to substations, these
 investments ensure effective asset planning that avoids extreme
 fluctuations in customer rates or resourcing needs. In addition, cost
 efficiencies are gained when adjacent poles are addressed simultaneously.
 - ii) Focusing investments solely on reliability would improve overall system reliability. However as explained above, Hydro One employs a multi-criteria risk based analysis to determine the most appropriate investment levels.
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d) As outlined in part (c), reliability is only one of the driver factors in the development
 of Hydro One's planning levels; however the following directional trends would be
 expected:

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- i) equal to past planning levels: There would be a deterioration from the current level of reliability.
 - ii) 50% of past planning levels: There would be deterioration from the current level of reliability.
 - iii) 50% of planned levels: There would be deterioration from the current level of reliability.
 - iv) 150% of planned levels: There would be improvements from the current level of reliability.
- e) Hydro One's proposed spending levels are a balance between system needs and rate
 impacts. Please refer to Exhibit A, Tab 17, Schedule 4 for further details on Hydro
 One's Investment Prioritization Process.
- f) While no direct measures are proposed as the cause of the outage is unknown,
 increased spending in vegetation management is likely to decrease the volume of
 outages with unknown causes, as vegetation is frequently suspected of being
 responsible for outages where no equipment failed and no obvious cause can be
 determined.

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Sustainable Infrastructure Alliance of Ontario (SIA) INTERROGATORY #14 Issue 2.4 Is the monitoring and reporting of performance proposed by Hydro One Distribution adequate to demonstrate whether the planned outcomes are achieved? **Interrogatory Reference:** Exhibit A/Tab 4/Schedule 4/p.4 of 17 HONI states that "The metrics had to be targeted to areas where Hydro One intends to increase investment, as opposed to broad measures affected by many factors, such as reliability measures applicable to Hydro One's entire system." Given that the reliability of the whole system is important to customers, and given that a large portion of the HONI system is undergoing some form of investment, please explain why such a metric would not be a relatively useful indicator of overall utility performance. Response The level of funding requested to support Hydro One's OM&A and Capital programs is based on maintaining the overall level of service expected by the customer including

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based on maintaining the overall level of service expected by the customer including reliability and power quality. An increasing percentage of the distribution system is approaching or has reached its end of service life and requires or will soon require replacement. Due to the magnitude of the Hydro One Distribution system, addressing aging assets will only increase reliability in that particular area and reduce maintenance costs of that unit. However the investment plan will not change the average age or over all reliability of the distribution system.

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		ble Infrastructure Alliance of Ontario (SIA) INTERROGATORY #15
Issue	e 2 .4	Is the monitoring and reporting of performance proposed by Hydro One Distribution adequate to demonstrate whether the planned outcomes are achieved?
<u>Inter</u>	<u>rogatory</u>	2
Refe	rence:	Exhibit A, Tab 4, Schedule 4, Page 8
b	 for, or over 2 i) If any the m resour achiev i) Would replace 	The pole replacement targets proposed in Table 2 fully planned and budgeted r do they assume that some level of efficiency gains need to be achieved 2015-2019 in order for the targets to be met? expected operational efficiencies are already built into the estimates, would be tric as proposed by HONI not simply be a function of the available rces directed to it? (i.e. could HONI simply not spend more to ultimately whatever replacement target it sets?) d HONI be opposed to tracking pole replacements on an "average cost/pole ed" basis?
<u>Resp</u>	onse	
b e	ased on	ing requirements outlines in Exhibit D1, Tab 3, Schedule 2, Table 5 are the pole replacement targets proposed in Table 2. No additional funding or gains would be required to achieve these targets over the 2015 to 2019
C H r n	Dne must Hydro Or eplaceme netric wo	accements are only one part of Hydro One's proposed work program. Hydro t manage all work programs within the resources available, therefore if he were to increase the pole replacement target and spend more on the pole ent program to achieve that target then another work program or target puld be negatively impacted. Hydro One is committed to accomplishing the pole replacement volumes within the planned budget.
s tl r	pending he pole r	the already tracks unit price per pole and provides historic and forecast total and unit accomplishments through the rate filing process. The purpose of replacement outcome measure is to show progress in Hydro One's goal of a sustainable pole replacement rate. Unit price tracking does not achieve

Filed: 2014-07-04 EB-2013-0416 Exhibit I Tab 2.04 Schedule 2 SIA 16 Page 1 of 1

1	Sustainable Infrastructure Alliance of Ontario (SIA) INTERROGATORY #16
2 3 4 5	Issue 2.4 Is the monitoring and reporting of performance proposed by Hydro One Distribution adequate to demonstrate whether the planned outcomes are achieved?
6 7	<u>Interrogatory</u>
8 9	Reference: Exhibit A, Tab 4, Schedule 4, Page 6 of 17
10 11 12 13 14 15	a) Why does HONI's target for vegetation related outages start at a value higher than experienced in any year other than 2009 and 2012, and higher than the rolling 5 year average between 2009 and 2013?b) Why does HONI expect no improvements in this metric until 2017-2019?
16 17	Response
17 18 19 20	a) The target for vegetation related outages was calculated based on the rounded average number of actual outages over the last five years (2009 to 2013).
21 22 23	b) Improvements in this metric are correlated to benefits expected from addressing the backlog maintenance starting in 2016. Hence improvements in the outcome measure are not anticipated until 2017.

Filed: 2014-07-04 EB-2013-0416 Exhibit I Tab 2.04 Schedule 2 SIA 17 Page 1 of 1

1		<u>Sustaina</u>	ble Infrastructure Alliance of Ontario (SIA) INTERROGATORY #17	
2				
3	Issu	ue 2.4	Is the monitoring and reporting of performance proposed by Hydro	
4			One Distribution adequate to demonstrate whether the planned	
5			outcomes are achieved?	
6				
7	Inte	errogatory	<u>></u>	
8				
9	Ref	erence:	Exhibit A, Tab 4, Schedule 4, Page 10 of 17	
10				
11	· · ·	•	ONI's 2015 target for Substation Caused Interruptions higher than both the	
12			3 historical value?	
13	b) HONI states that its "goal is to reduce the number of substation interruptions during			
14	the 5 year plan", but the target of 155 interruptions over 2015-2019 appears to match the			
15			ear historical average. Is it HONI's intention to improve or simply maintain	
16	the	reliability	of substations?	
17				
18	<u>Res</u>	ponse		
19				
20	· · ·		9 targets for substation interruptions are equal to the average number of	
21		interruption	ons from 2009-2013.	
22				
23			lance with surveyed customer preferences, objectives of Hydro One	
		Distallerati	-1^{-1}	

Distribution's investment plan is to maintain the current overall reliability of the distribution system and limit bill impacts. This includes maintaining the current reliability of substations.

Filed: 2014-07-04 EB-2013-0416 Exhibit I Tab 2.04 Schedule 2 SIA 18 Page 1 of 1

1		<u>Sustainab</u>	ole Infrastructure Alliance of Ontario (SIA) INTERROGATORY #18
2			
3	Iss	ue 2.4	Is the monitoring and reporting of performance proposed by Hydro
4			One Distribution adequate to demonstrate whether the planned
5			outcomes are achieved?
6	_		
7	Int	<u>errogatory</u>	
8	ъ	P	
9	Ke	ference:	Exhibit A, Tab 4, Schedule 4, Page 11 of 17
10	a) I		his why the 2015 and 2017 2010 targets for line equipment caused outgoes
11 12		-	ain why the 2015 and 2017-2019 targets for line equipment caused outages a the rolling 5-year average?
12		-	ain why the 2016 target is a fill 1000 instances higher than both the 2015,
15		-	ues and the 5 year rolling average?
14			I plan to improve line equipment outages, or simply maintain the current
15		ndard?	r plan to improve fine equipment outages, or simply maintain the eurient
17	btu	ildul u .	
18	Res	sponse	
19			
20	a)	Table 5 co	ntains a typographical error. The target in 2016 is 7,300 interruptions.
21			correction, the targets from 2014-2019 are approximately equal to the
22			mber of interruptions from 2009-2013.
23		U	
24	b)	See respon	se to part a)
25			
26	c)	One object	tive of Hydro One Distribution's proposed investment plan is to
27			ne current overall reliability of the distribution system in order to limit
28		-	s in accordance with customer preferences. This includes maintaining
29		the current	reliability of distribution line equipment.

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Sustainable Infrastructure Alliance of Ontario (SIA) INTERROGATORY #19 1 2 Issue 2.4 Is the monitoring and reporting of performance proposed by Hydro 3 One Distribution adequate to demonstrate whether the planned 4 outcomes are achieved? 5 6 Interrogatory 7 8 **Reference:** Exhibit A, Tab 4, Schedule 4 9 10 Please provide a breakdown of the historical accuracy of HONI's bill estimates? (e.g. % 11 of estimated bills within a certain percentage of the customers' actual monthly average 12 consumption or% of estimated bills within a certain \$ threshold of the actual monthly 13 average) 14 15 Response 16 17 Hydro One's billing system does not allow for this level of detail however in situations 18 where issuing an estimated bill is necessary due to lack of meter reads the CIS system is 19 configured to generate an estimate that closely mirrors the actual consumption of the 20 customer. The estimate would be based on the following logic; 21 1. If a read is not available the system would look at the billing for the same time period 22 last year and use that as the basis to generate an estimate. This will result in a bill that 23 closely reflects the customers' current consumption. This scenario covers the vast 24 majority of estimated bills 25 2. If billing history is not available for the same time last year (e.g. relative new 26 premise) the system will use information from the previous billing period or most 27 recent billing period where actual meter reads were available as the basis for 28 estimating the bill. This results in a slightly less accurate estimate as seasonal impacts 29 are not accounted for. 30 3. If no history is available (e.g. brand new premise) the system will use load class 31 profile information to generate an estimated bill. Of all the options this is the least 32

accurate but also represents an extremely small portion of estimated bills 33

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1	Vulnerable Energy Consumers Coalition (VECC) INTERROGATORY #44
2	
3	Issue 2.4 Is the monitoring and reporting of performance proposed by Hydro
4	One Distribution adequate to demonstrate whether the planned
5	outcomes are achieved?
6	
7	<u>Interrogatory</u>
8	
9	Reference: A
10	
11	a) Please provide a sample scorecard that Hydro One proposed to use to
12	communicate the annual rate plan outcomes.
	communicate the annual rate plan outcomes.
13	
14	<u>Response</u>
15	
16	a) Pleaser refer to Exhibit I, Tab 2.4, Schedule 1 Staff 17. Hydro One is working with
17	the OEB to populate a table as directed in their interrogatory for the areas of focus in

the application.

Filed: 2014-07-04 EB-2013-0416 Exhibit I Tab 2.04 Schedule 9 SEC 6 Page 1 of 1

1	School Energy Coalition (SEC) INTERROGATORY #6	
2		
3	Issue 2.4 Is the monitoring and reporting of performance proposed by Hydr	0
4	One Distribution adequate to demonstrate whether the planne	d
5	outcomes are achieved?	
6		
7	Interrogatory	
8		
9	Reference:	
10		
11	Please explain how the Applicant intends to incorporate into its rate-setting process	SS
12	distributors it may acquire during the test period.	
13		
14	<u>Response</u>	
15		
16	Hydro One will not incorporate into its rate-setting process any distributors it ma	y
17	acquire as they will be operated separately from Hydro One Distribution for a five year	ar
18	period in order to realize synergies from the acquisitions. Therefore, the distribution	n
19	rates of any such acquired companies fall outside the scope of Hydro One's Custon	m

20 Application.

Filed: 2014-07-04 EB-2013-0416 Exhibit I Tab 2.04 Schedule 9 SEC 7 Page 1 of 1

1		School Energy Coalition (SEC) INTERROGATORY #7	
2			
3	Issue 2.4	Is the monitoring and reporting of performance proposed by Hydro One	
4		Distribution adequate to demonstrate whether the planned outcomes are	
5		achieved?	
6			
7	Interrogatory		
8			
9	Reference: E	xhibit A/Tab 17/Schedule 1/p.5	
10			
11	Please explai	n the direction provided by the Applicant's senior management team "to	
12	balance the various factors under consideration, including customer service levels, rate		
13	impacts and e	conomic considerations."	
14			
15	<u>Response</u>		
16			
17	For an explan	nation, please refer to Hydro One's response to Exhibit I, Tab 1.1, Schedule	
18	9 SEC 1 for	the Board Memo and Budget Presentation prepared by Hydro One Senior	

19 Management.

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1	Consumers Council of Canada (CCC) INTERROGATORY #12
2 3 4 5	Issue 2.4 Is the monitoring and reporting of performance proposed by Hydro One Distribution adequate to demonstrate whether the planned outcomes are achieved?
6 7	
8	<u>Interrogatory</u>
9	
10	Reference: Exhibit A/Tab 4/Schedule 4/p.17
11 12 13 14 15 16	The evidence states that over time, as the Company, stakeholders and the Board gain more experience with outcome measurement, HON's proposed measures will be refined accordingly. Does HON expect to develop new metrics for consideration during the plan? If not, why not? If so, how will they be incorporated into the Customer Plan?
17	<u>Response</u>
18	
19 20 21 22	Outcome measures are part of our overall Performance Management process and as such are evolving as we practice continuous improvement. As new or improved measures are developed they will be considered for incorporation into the plan in discussions with the OEB.

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1		En	ergy Probe Research Foundation (EP) INTERROGATORY #18	
2 3 4 5 6	Iss	ue 2.4	Is the monitoring and reporting of performance proposed by Hydro One Distribution adequate to demonstrate whether the planned outcomes are achieved?	
7 8 9	Int	<u>errogatory</u>		
9 10 11	Re	ference:	Exhibit A, Tab 4, Schedule 4, Page 5 ff - Output Measures	
12 13	3.2	amble: Outcome		
14 15 16	1. `	Vegetation	areas to be measured are: Management; (Sustaining Capital Tree strike ratio?) cement; (outage ratio)	
17 18 19 20	 PCB Line Equipment; (just sustaining capital what is performance measure?) Substation Refurbishments; (sustaining capital c-outage performance measure?) Distribution Line Equipment Refurbishments; (sustaining capital c-interruption performance measure) 			
21 22 23 24	7.1		Experience; f Unplanned Outages; (Performance measure?) and Bills	
25 26	a)	Please pro	ovide a copy of the views of Concentric Energy Advisors on this matter.	
27 28 29	b)	Indicate w the case.	hether HO agrees with Concentric's views and explain why that is/is not	
30 31 32	c)	-	by HO decided Weighting should NOT be applied to each of the outcomes in why equal weighting as filed by HO is appropriate.	
33 34	d)	What is th	e Significance and consequences if the Outcomes are not met?	
35 36 37 38 39 40	e)	4 S4 Page OEB Perfe against th	ovide a comparison to the HO approach to OEB Scorecard Approach (A Tab 2) cormance Scorecard is intended to measure performance over the long term e OEB's expectations for all utilities, to "monitor individual distributor ace and to compare performance across the distribution sector.	
41 42	f)	Why are I	nput/Output measures not indicated for all outcomes? Please explain	

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- g) Confirm and explain why Productivity Measures are not included in above e.g. 1 2 OM&A/Customer. Also discuss why System Performance SAIDI/SAIFI are not included. 3 4 h) Please explain why system performance is considered differently to these outcomes 5 and how does it relate to desired outcomes for customers. 6 7 8 **Response** 9 10 a) Refer to the response to interrogatory 1.1 AMPCO 2. 11 12 b) Concentric Energy Advisors were consulted in the development of the Outcome 13 Measures. Hydro One also garnered input from customers at a stakeholder session. 14 The proposed outcome measures in this application were a developed by Hydro One 15 using the information received and considering customer preferences and the RRFE 16 outcomes. 17 18 c) Weighting is a flawed tool that can send inappropriate messages. The outcomes 19 measures are part of a balanced program to ensure that both an internal and external 20 perspective is maintained. 21 22 d) The Outcomes measures were developed in an attempt to focus on two key issues: (1) 23 was the planned investment made; (2) were the desired results achieved. 24 25 See response to 2.2 Staff 13 (b) regarding consequences. 26 27 e) See d) above 28 29
- f) Targets for the test years for each proposed outcome measure can be found in Exhibit
 A, Tab 4, Schedule 4.
- g) The Outcomes measure were developed to align with specific funding initiatives and
 are intended to supplement and bring background to the other measures such as
 productivity, reliability, customer satisfaction, safety etc.
- 36

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- h) Outcomes Measures are part of an overall package to demonstrate performance. It
 includes system measures such as SAIDI and SAIFI in conjunction with customer
 preferences. See response to 2.1 Staff 4.
- 40

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	En	ergy Probe Research Foundation (EP) INTERROGATORY #19
Iss	ue 2.4	Is the monitoring and reporting of performance proposed by Hydro One Distribution adequate to demonstrate whether the planned outcomes are achieved?
<u>Int</u>	<u>errogatory</u>	2
Re	ference:	Exhibit A, Tab 18, Schedule 1, Page 7, Table 1- Service Quality Indicators.
a)	In HO's v	view are these indicators of quality or performance? Please discuss.
b)		updated forecast targets, indicate what consequences should occur if HO underperforms relative to the updated targets?
c)	Are the updated SAIDI SAIFI and CAIDI linked to the Outcomes including increase capital and assets in service? Please provide the linkages and discuss these in detail.	
<u>Re</u> :	sponse	
ı)	customer standard f of quality	nce measurement indicators of quality are usually portrayed as meeting expectations. As noted in Total Quality Management (an international for measuring quality) it is the meeting of these expectations that is the level 7. Therefore, performance indicators tend to be gauges of defined actions by any often against targets.
	reasonabl be consid	e as the Service Quality Indicators are services that the customer could e expect and are indicators of company's actions against targets, they would lered indicators of both customer or external quality, and company or erformance.
b)	See respo	nse to interrogatory 2.2 Staff 13, part (b).
2)	a drive to essential are proble be localiz territory,	ted Service Reliability Indices (SRIs) (SAIDI, SAIFI and CAIDI) are part of improve overall distribution system reliability. Hydro One believes it is an part of customer satisfaction and customer expectations. Specific linkages ematic as the SRIs are distribution system wide and the investments tend to zed. Due to the size of the Hydro One distribution system and service the replacement or refurbishment of assets may improve reliability in that area, however it will not improve the overall distribution system asset

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Issue 2.4	Is the monitoring and reporting of performance proposed by Hy One Distribution adequate to demonstrate whether the plan outcomes are achieved?
Interrogator	2
Reference:	Exhibit A, Tab 19, Schedule 1, Page 4, Figure 1: Distribution Productivity Savings (& Table 2)
· •	ovide a copy of the Cornerstone Benefits Realization Plan or a summary ast historic (and future) productivity savings based on the Cornerstone B
	eakout the Productivity Savings in Figure 1 and Table 2 related to the one Project.
	eakout and tabulate or chart historic Productivity savings related to the tsourcing Contract.
,	eakout the forecast Productivity Savings related to the replacement (Inering Contract.
	what action will be taken if incremental productivity savings are not I in the replacement contract.
<u>Response</u>	

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3 4 a) Refer to response to interrogatory 4.2 Staff 62.

b) Refer to response to interrogatory 4.2 Staff 62.

c) The Back Office numbers presented in Table 2 and Figure 1 relate solely to the actual savings from the Inergi Outsourcing contract.

											2013	2014	2015	2016	2017	2018	2019
Initiatives	LOB	Category	Initiative Name	OMA	CAP	Sus	Dev	Oper	Cus	Com	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
BT.5	Planning & Operating	Business Transformations	AIP - Asset Investment Planning	100%	0%					100%	170,496	173,160	177,689	182,246	185,500	188,784	191,654
<u>CO.1</u>	Corporate	Centralized Operations	Regular Head Count Reduction	100%	0%					100%	4,853,669	4,853,669	5,095,664	5,197,577	5,301,528	5,407,559	5,515,710
MA.2	Corporate	Miscellaneous Admin	Admin Spend Controls	100%	0%					100%	5,119,362	5,230,362	5,341,362	5,452,362	5,563,362	5,674,362	5,785,362
<u>SF.1</u>	Engineering & Construction	Staff Flexibility	Initial Training: union pays for basic	100%	0%	63%	35%	2%	0%	0%	150,809	127,410	129,774	133,031	134,905	138,652	140,526
SF.17	Engineering & Construction	Staff Flexibility	Outsourcing Drawing Backlog	100%	0%	63%	35%	2%	0%	0%	633,011	117,660	117,660	117,660	117,660	117,660	117,660
CO.9	Health, Safety & Environment	Centralized Operations	Electrical Safety Awareness available online	100%	0%					100%	-	66,600	67,932	69,291	70,676	72,090	73,532
CO.10	Health, Safety & Environment	Centralized Operations	Spills Management training via E Learning	100%	0%					100%	38,428	39,197	39,981	40,780	41,596	42,428	43,276
BT.6	ISD	Business Transformations	Workflow of the Future	100%	0%					100%	-	-	-	1,320,811	1,347,227	1,374,172	1,401,655
TP.1	ISD	Telephony	Cell Contracts	100%	0%					100%	730,940	947,960	1,141,120	1,218,384	1,218,384	1,218,384	1,218,384
TP.3	ISD	Telephony	Telecom Expense Management (TEM)	100%	0%					100%	265,943	556,144	725,285	888,000	976,800	1,065,600	1,110,000
BT.2	Shared Services	Business Transformations	Process Improvements & BPC	100%	0%					100%	213,120	213,120	217,382	221,730	226,165	230,688	235,302
BT.8	Shared Services	Business Transformations	HR Pay Project	100%	0%					100%	-	309,283	1,210,231	1,234,436	1,259,125	1,284,307	1,309,993
CO.2	Shared Services	Centralized Operations	Vendor Rebates	100%	0%	73%	23%	2%	2%		60,384	88,800	88,800	88,800	88,800	88,800	88,800
LT.9	Shared Services	Leveraging Technology	Facilities Energy Efficiency Retrofits	100%	0%	100%					11,321	11,100	11,100	11,100	11,100	11,100	11,100
LT.41	Shared Services	Leveraging Technology	Employee Travel Policy	100%	0%					100%	25,237	24,420	-	-	-	-	-
PI.9	Shared Services	Process Improvement	Project Trailer Purchase	100%	0%					100%	-	71,040	71,040	71,040	71,040	71,040	71,040
SF.6	Shared Services	Staff Flexibility	Manage Stations Work for Facilities	100%	0%	100%					1,738,260	1,738,260	-	-	-	-	-
SF.4	Shared Services	Staff Flexibility	Fleet Mechanic Reduction	100%	0%	73%	23%	2%	2%		445,776	666,000	666,000	666,000	666,000	666,000	666,000
LT.1	Stations Services	Leveraging Technology	Work Program Optimization (TSOGs)	100%	0%	96%	1%	3%	0%		-	973,966	965,499	1,433,654	1,358,413	1,387,167	1,691,823
LT.42	Stations Services	Leveraging Technology	SMNO - Smart Meter Network Operating	100%	0%	95%	0%	4%	0%		-	-	-	221,730	447,895	678,583	913,884
PI.12	Stations Services	Process Improvement	Maintain Stock of Regularly Used Items	100%	0%	95%	0%	4%	0%		113,478	155,400	158,508	161,678	164,912	168,210	171,574
SF.12	Stations Services	Staff Flexibility	TWHQ - Stations	100%	0%	95%	0%	4%	0%		952,840	177,600	181,152	184,775	188,471	192,240	196,085
SF.14	Stations Services	Staff Flexibility	Inhouse Retorques on Light Vehicles	100%	0%	95%	0%	4%	0%		41,887	39,960	39,960	39,960	39,960	39,960	39,960
BS.1	Corporate	Business Systems	Cornerstone Ph1, 2	42%	58%					100%	29,917,623	30,579,471	30,762,912	30,950,022	31,140,874	31,335,544	31,534,106
LT.6	Engineering & Construction	Leveraging Technology	Standards Development for Design	0%	100%	63%	35%	2%	0%	0%	144,250	144,250	144,250	144,250	144,250	144,250	144,250
P1.5	Engineering & Construction	Process Improvement	Smart MFA spend	0%	100%	63%	35%	2%	0%	0%	88,949	120,294	120,294	120,294	120,294	120,294	120,294
BT.3	Planning & Operating	Business Transformations	AA	44%	56%					100%	-	2,634,745	3,918,248	4,093,431	4,327,007	4,502,190	4,502,190
SF.20	Shared Services	Staff Flexibility	Facilities & Real Estate Outsourcing	100%	0%					100%	-	-	3,600,000	3,600,000	3,600,000	3,600,000	3,600,000
BO.1	Shared Services	Back Office	Inergi Contract Extension	100%	0%					100%	17,958,000	23,287,000	-	-	-	-	-
BO.2	Shared Services	Back Office	Contract Replacement	100%	0%					100%	-	-	26,718,000	26,718,000	26,718,000	26,718,000	26,718,000
BT.1	Customer Service	Business Transformations	CIS	100%	0%					100%	-	10,300,000	19,785,000	19,785,000	19,785,000	19,785,000	19,785,000
BT.7	Provincial Lines & Forestry	Business Transformations	Advanced Distribution System (ADS) Phase 1	100%	0%					100%	-	-	5,615,000	7,099,060	7,224,321	7,355,808	7,490,544
LT.12	Provincial Lines & Forestry	Leveraging Technology	Usage of feller bunchers	100%	0%	100%					3,218,007	3,000,000	4,500,000	4,500,000	4,500,000	3,000,000	3,000,000
PI.16	Provincial Lines & Forestry	Process Improvement	Field Meter Reads	100%	0%				100%		-	827	1,731,763	1,748,791	1,761,331	1,770,769	1,777,930
SF.8	Provincial Lines & Forestry	Staff Flexibility	Forestry ACA incorporated into Lines inspections	100%	0%	100%					892,252	901,175	946,590	946,590	946,590	946,590	946,590
SF.19	Provincial Lines & Forestry	Staff Flexibility	Labour Mix and Misc Productivity Improvements	100%	0%	100%					-	-	-	1,500,000	3,400,000	3,400,000	1,500,000
SF.18	Provincial Lines & Forestry	Staff Flexibility	Reduce Cables Locates	100%	0%	100%					180,000	1,345,418	1,345,418	3,045,418	3,895,418	4,745,418	5,595,418
PI.14	Shared Services	Process Improvement	Distribution transformer refubishment	0%	100%	100%					-	300,000	300,000	300,000	300,000	300,000	300,000
LT.44	Stations Services	Leveraging Technology	IMDS	0%	100%	95%	0%	4%	0%		-	1,500,000	2,500,000	3,000,000	3,000,000	3,500,000	3,500,000
Total											67,964,040	90,694,288	118,433,612	126,505,900	130,342,603	131,341,646	131,507,642

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- d) The Back Office numbers presented in Table 2 and Figure 1 relate solely to the Inergi
 Outsourcing contract. Forecasted savings from 2015-2019 are related to the expected
 savings from the retendering and renegotiation of the contract services.
- 4

e) As part of the re-tendering process, Hydro One has defined the following objectives;
service delivery to reflect global practices, flexibility for Hydro One to change
volumes and scope and access to new technologies which will drive productivity
savings from the replacement contract(s). If the incremental productivity savings are
embedded as part of a replacement contract(s), Hydro One will reassess our options
and bear the costs. The final contract(s) are to be approved by the Board of Directors
in fall of 2014.

Filed: 2014-07-04 EB-2013-0416 Exhibit I Tab 2.04 Schedule 11 EP 21 Page 1 of 1

1	Ene	ergy Probe Research Foundation (EP) INTERROGATORY #21
2 3 4 5 6	Issue 2.4	Is the monitoring and reporting of performance proposed by Hydro One Distribution adequate to demonstrate whether the planned outcomes are achieved?
7	Interrogatory	
8 9 10	Reference:	Exhibit A, Tab 4, Schedule 4
11 12 13 14		Tab 4, Schedule 4, Hydro One says its outcomes will be meet "assuming ofcustomer driven requests."
15 16 17	•	the provide evidence on what a normal level of customer requests would be shold would cross that?
18 19	<u>Response</u>	
20 21 22	a particular y	at Hydro One encounters an issue achieving a specific outcome measure in ear and if the main cause is deemed to be related to customer-driven ro One would provide evidence of both normal levels of requests and the

²³ materiality of the increase.

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1	Ontario Energy Board (Board Staff) INTERROGATORY #28
2	
3	Issue 2.5 Are Hydro One Distributions' proposed off-ramps, annual
4	adjustments and annual adjustments outside the normal course of
5	business appropriate?
6	
7	<u>Interrogatory</u>
8	
9	Ref: 1. RRFE Report, October 18, 2012
10	2. Exhibit A (Performance against Plan Variances)
11	Ducembles
12	Preamble: On page 20 of the PREE Benerit, the Board states that once rates have been enpresed
13	On page 20 of the RRFE Report, the Board states that once rates have been approved under Custom IR, the Board will monitor capital spending against the approved plan by
14 15	requiring distributors to report annually on actual amounts spent. If actual spending is
15 16	significantly different from the level reflected in a distributor's plan, the Board will
10	investigate the matter and could, if necessary, terminate the distributor's rate-setting
18	method.
19	
20	a) How does Hydro One propose to address actual spending against approved
21	planned spending over the term of the plan? What is Hydro One's proposal as to
22	how the Board should address any variances during the term of the plan?
23	
24	b) How does Hydro One propose to address actual in-service capital against planned
25	in-service capital over the term of the plan?
26	
27	<u>Response</u>
28	
29	a) Please refer to Hydro One's answer to Exhibit I, Tab 1.3, Schedule 1 Staff 1.
30 31	b) Please refer to Hydro One's answer to Exhibit I, Tab 1.3, Schedule 1 Staff 1.
51	by Thease refer to Hydro One 5 answer to Exhibit 1, 140 1.5, Schedule 1 Stall 1.

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<u>#29</u>
ramps, annual ormal course of
that a distributor to reflect actual g cycle. This is capital under 3 rd
ase growth due to ntributions to the
prpinning the rate
1/Appendix E is in 2020 due rate rate?
n is to prevent a mulated over the ecessary funding

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1	Ontario Energy Board (Board Staff) INTERROGATORY #30
2	
3	Issue 2.5Are Hydro One Distributions' proposed off-ramps, annual
4	adjustments and annual adjustments outside the normal course of
5	business appropriate?
6 7	<u>Interrogatory</u>
8 9 10 11	 Ref: 1. RRFE Report, October 18, 2012 2. Exhibit A/Tab4/Schedule 3 (Treatment of Unforeseen Events & Performance Monitoring)
12 13	Preamble:
13	On page 13 of the RRFE Report, the Board states that the Board's policies in relation to
15	the treatment of unforeseen events, as set out in its July 14, 2008 EB-2007-0673 Report
16	of the Board on 3^{rd} Generation Incentive Regulation for Ontario's Electricity Distributors,
17	will continue under all three menu options.
18	
19	On page 19 of the RRFE Report, the Board states that the adjudication of an application
20	under the Custom IR method will require the expenditure of significant resources by both
21	the Board and the applicant. The Board therefore expects that a distributor that applies
22	under this method will be committed to that method for the duration of the approved term
23	and will not seek early termination. As noted on page 13 of the RRFE Report, a
24	regulatory review may be initiated if the distributor performs outside of the ± 300 basis
25	points earnings dead band or if its performance erodes to unacceptable levels.
26	
27	Please compare Hydro One's proposed adjustments outside of normal course of business
28	to the Board's policies in its July 14, 2008 EB-2007-0673 Report of the Board on 3 rd
29	Generation Incentive Regulation for Ontario's Electricity Distributors in relation to the
30	treatment of unforeseen events and explain any differences. What circumstances –
31	including those unique to Hydro One, if any - support Hydro One's proposed approach
32	where it differs from the Board's policies?
33	

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1 **Response**

2

Hydro One does not believe the proposed adjustments outside of normal course of 3 business are in conflict with the Board's policies. These adjustments would not terminate 4 the plan and are intended to allow the plan to continue for the full term while protecting 5 Hydro One from an unreasonable level of risk. Only the proposed off-ramps would 6 terminate the plan. The proposed materiality limit for adjustments outside of normal 7 course of business is at a level high enough that applications for an adjustment should be 8 infrequent and may not be required at all. If an application is required, Hydro One 9 proposes that the review could involve a short written proceeding to approve a variance 10 account to track the incremental costs. This allows the overall plan to continue for the full 11 five year period. 12

Filed: 2014-07-04 EB-2013-0416 Exhibit I Tab 2.05 Schedule 2 SIA 20 Page 1 of 1

1	<u>Sustainable Infrastructure Alliance of Ontario (SIA) INTERROGATORY #20</u>
2	
3	Issue 2.5 Are Hydro One Distributions' proposed off-ramps, annual
4	adjustments and annual adjustments outside the normal course of
5	business appropriate?
6	
7	<u>Interrogatory</u>
8	
9	Reference: Exhibit A, Tab 4, Schedule 3, Page 1
10	
11	Other than materiality (\$1M vs. 0.5% of Revenue Requirement), to what extent does
12	HONI view its adjustment mechanism as any different than the Z-Factor outlined in the
13	OEB's RRFE Report? If materiality is the only difference, would HONI object to a Z-
14	Factor with an adjusted materiality threshold?
15	
16	<u>Response</u>
17	
18	The Z-Factor is a defined adjustment for use in IRM applications. Hydro One's
19	application is a Custom application so Hydro One has proposed customized adjustments

and materiality level to make the plan efficient and workable over the 5 test years.

20

Filed: 2014-07-04 EB-2013-0416 Exhibit I Tab 2.05 Schedule 6 VECC 45 Page 1 of 1

1		Vulnera	able Energy Consumers Coalition (VECC) INTERROGATORY #45
2			
3	Iss	sue 2.5	Are Hydro One Distributions' proposed off-ramps, annual
4			adjustments and annual adjustments outside the normal course of
5			business appropriate?
6 7	In	terrogatory	
8		<u>errogatory</u>	
9	Re	ference:	A/T4/S1/pg. 4-6
10			
11	a)	Hydro On	e suggest that service area amendments might trigger an off ramp. Does
12		Hydro Or	ne believe that service area amendments which are related to future
13		customers	(as opposed to existing customers) should result in an off-ramp? If so
14		explain wh	hy.
15			
16	<u>Re</u>	<u>sponse</u>	
17			
18	a)	Any unpl	anned service area amendment which fundamentally, adversely affects
19		Hydro On	e's revenue base should result in an off-ramp. Hydro One has not planned
20		for any se	rvice area amendments in preparing its Custom Application. Service area
21		amendmen	nts would be generally outside Hydro One's control as they initiated by
22		other local	l distribution companies and are decided by the Board.
23			
24		Furthermo	ore, the Custom Application does not contemplate major policy changes
25		with respe	ect to service area amendments coming from the Board's current policy
26		review of	service area amendments (EB-2014-0138). Changes to the current Board
27		policy cou	ald have a material impact on Hydro One's service territory and revenue
28		base.	

Filed: 2014-07-04 EB-2013-0416 Exhibit I Tab 2.05 Schedule 6 VECC 46 Page 1 of 1

1	1 Vulnerable Energy Consumers Coalition (VECC) INTERROGATORY #46
2 3 4 5 6	 Issue 2.5 Are Hydro One Distribution adjustments and annual adjustr business appropriate? 	ns' proposed off-ramps, annual nents outside the normal course of
7	• · · · · ·	
8 9 10	9 Reference: A/T4/S1	
11 12	As noted by Hydro One (A/T4/S1/pg.5) the Board if a distributor performs outside of a \pm 300 basis pe	
13 14 15	 a) What adjustment mechanism (if any) does Hy the Utility falls outside the dead band? 	dro One propose to be implemented if
16 17	17 <u>Response</u>	
18 19 20 21 22	 a) At Exhibit A, Tab 5, Schedule 1 of the apple ±300 basis points would be considered an of require a new application reflecting the change 	f-ramp for the application. Off-ramps

Filed: 2014-07-04 EB-2013-0416 Exhibit I Tab 2.05 Schedule 6 VECC 47 Page 1 of 2

	Vulnerable Energy Consumers Coalition (VECC) INTERROGATORY #47
Issue	2.5 Are Hydro One Distributions' proposed off-ramps, annual adjustments and annual adjustments outside the normal course of business appropriate?
<u>Inter</u>	<u>rogatory</u>
Refe	rence: A-4-1, page 4 and A-4-3
	What is the basis for choosing 0.5% of the test year revenue requirement as a nateriality threshold (or approximately \$7.5 million) rather than \$1 million?
ir n	lease clarify whether the materiality threshold of 0.5% is based on the annual npact of an event or the cumulative impact of the event (i.e. for an event impacting nore than one year would the impact in a given year have to exceed the 0.5% riterion?).
c) In a	those instances where the threshold is exceeded, please clarify whether the djustment sought would be for entire "cost" or just the amount in excess of the preshold.
,	What is the annual spending associated with the "normal" level of storm activity and it conceivable that actual spending could fall below this level by \$7.5 M
<u>Resp</u>	<u>onse</u>
d a	A Section 2.4.4 of the Board's Filing Requirement, three categories are listed to etermine the default materiality thresholds for Distributors, based on the amount of nnual revenue requirement of the Distributor. Each of the three categories given quates to 0.5% of the Distributor's revenue requirement:
\$	Tategory 1: 50,000 for a distributor with a distribution revenue requirement less than or equal p \$10 million (\$50,000/\$10 million = $0.5%$);
<u>0</u>	ategory 2: <u>.5%</u> of distribution revenue requirement for a distributor with a distribution revenue equirement greater than \$10 million and less than or equal to \$200 million; and
\$	Category 3: 1 million for a distributor with a distribution revenue requirement of more than 200 million (\$1 million/\$200 million = 0.5%).

Filed: 2014-07-04 EB-2013-0416 Exhibit I Tab 2.05 Schedule 6 VECC 47 Page 2 of 2

1 Consistent with the 0.5% figure used by the Board in all three categories, Hydro One 2 calculated the equivalent amount of 0.5% of its 2015 revenue requirement to be 3 approximately \$7.5 million.

The \$1 million threshold in Category 3 of the filing requirement would trigger adjustments more often than necessary, reducing efficiency in terms of regulatory processes. Therefore, Hydro One is proposing to adopt the implied percentage figure used by the Board.

8 9

11

14

4

5

6

7

b) The materiality threshold of 0.5% is based on the annual impact of the event.

c) In those instances where the threshold is exceeded, the adjustment sought would be for
 the entire amount.

d) The forecasted annual spending for the test years is considered to represent "normal" levels of storm activity. For 2015 to 2019, the capital storm damage response expenditures are approximately \$30 million annually and the OM&A storm damage response expenditures are approximately \$6 million annually. It is conceivable that actual spending could fall below these levels by \$7.5M for capital expenditures. However, this has not occurred in recent historic years.

Filed: 2014-07-04 EB-2013-0416 Exhibit I Tab 2.05 Schedule 6 VECC 48 Page 1 of 1

1	Vulnerable Energy Consumers Coalition (VECC) INTERROGATORY #48
2	
3	Issue 2.5 Are Hydro One Distributions' proposed off-ramps, annual
4	adjustments and annual adjustments outside the normal course of
5	business appropriate?
6	Tertaine and any
7	<u>Interrogatory</u>
8	$D_{1} = \frac{1}{2} \frac{1}$
9	Reference: A-6-1, pages 21-22 / A-18-1
10	
11	a) Please explain the rationale for using 10% of customers as a "force majeure." Please
12	also explain how the 10% is defined. For example, is it necessary for the 10% of
13	customers to be in a single distribution area, contiguous areas, or in areas close in
14	proximity? Why was 5%, 15% or some other figure not chosen as the definition?
15	
16	<u>Response</u>
17	
18	a) Please see response to Exhibit I, Tab 2.3, Schedule 6 VECC-30.

Filed: 2014-07-04 EB-2013-0416 Exhibit I Tab 2.05 Schedule 10 CCC 13 Page 1 of 1

Consumers Council of Canada (CCC) INTERROGATORY #13 1 2 Issue 2.5 Are Hydro One Distributions' proposed off-ramps, annual 3 adjustments and annual adjustments outside the normal course of 4 business appropriate? 5 6 *Interrogatory* 7 8 **Reference: Exhibit A/Tab 4/Schedule 1** 9

10

The Board has indicated its intent to pursue a fixed rate design solution to achieve revenue decoupling. The Board's Draft Report makes it quite clear that the Board will proceed with this proposal. Please explain how this would potentially impact HON. If the Board does proceed, how would this change HON's rate-setting process. To what extent would any approvals granted as a result of this application no longer be relevant? Assume this change would be effective January 1, 2016. How would HON proceed to implement rates consistent with this new approach?

18

19 **Response**

20

Hydro One will follow the Board's direction on any changes required to the way rates are set. Hydro One's application for setting 2015 to 2019 rates includes a number of adjustment mechanisms, as described in Exhibit A, Tab 4, Schedule 1. These adjustment mechanisms can accommodate industry changes such as the rate design changes proposed by the Board. A change in the design of rates to an all fixed charge approach could be accommodated as part of the annual process for setting rates to reflect any adjustments for the subsequent year.

28

The Board's proposed changes to rate design would not impact the approved revenue 29 requirement or the allocation of revenue requirement to rate classes. However, the split 30 in revenue between fixed and variable rates, as proposed in the current application, would 31 have to be revised to meet the Board direction. The Board's fixed rate design proposal is 32 unclear with respect to the treatment of riders. The current application includes a number 33 of riders that will apply to both the fixed and volumetric component of distribution 34 charges. The riders associated with volumetric charges may need to be recalculated on a 35 fixed basis. 36

37

Hydro One would follow its normal preparations for implementing new rates including defining and testing all billing system required changes, as well as developing the communications that would be sent to customers advising them of the Board approved changes.

Filed: 2014-07-04 EB-2013-0416 Exhibit I Tab 2.05 Schedule 11 EP 22 Page 1 of 1

1		En	ergy Probe Research Foundation (EP) INTERROGATORY #22
2			
3	Iss	ue 2.5	Are Hydro One Distributions' proposed off-ramps, annual
4			adjustments and annual adjustments outside the normal course of
5 6			business appropriate?
7	Int	errogatory	
8 9 10	Re	ference:	Exhibit A, Tab 4, Schedule 3 - Annual Adjustments
10	Pre	amble:	
12 13	Ну 0.5	dro One s % of test y	submits that an appropriate materiality threshold for these adjustments is year revenue requirement. This is an alternative to the materiality threshold Board's Filing Requirements for Electricity Distribution Rate Applications.
14 15			1 for Hydro One in Chapter 2, Section 2.4.4 is \$1 million which would
16	trig	gger adjustr	ments more often than necessary.
17 18 19	a)	Confirm the	hat the 0.5% of revenue requirement is approximately \$7.5 million.
20 21 22	b)		detailed explanation of HO proposal, including what is the basis of this y threshold and what criteria apply to costs associated with the threshold.
22 23 24 25	c)		here is no indication in the RRFE, or elsewhere, that the Board will change y Thresholds for MY COS Plans.
25 26	<u>Re</u>	sponse_	
27 28 29	a)	Please see	e response to Exhibit I, Tab 2.5, Schedule 6 VECC 47.
30	b)	Please see	e response to Exhibit I, Tab 2.5, Schedule 6 VECC 47.
31 32	c)	Hydro On	e is not proposing to deviate from the materiality threshold outlined in the
33	0)	•	Filing Requirement. Hydro One believes that the 0.5% as proposed is
34			with the Requirement.

Filed: 2014-07-04 EB-2013-0416 Exhibit I Tab 2.05 Schedule 14 AMPCO 18 Page 1 of 1

1	A	ssociation of Major Power Consumers in Ontario (AMPCO) INTERROGATORY	
2		<u>#18</u>	
3			
4	Iss	ue 2.5 Are Hydro One Distributions' proposed off -ramps, annual	
5		adjustments and annual adjustments outside the normal course of	
6		business appropriate?	
7	_		
8	Int	errogatory	
9			
10	Re	ference: Exhibit A/Tab 4/Schedule 2	
11			
12	Preamble: Hydro One is proposing annual adjustments related to cost of capital, working		
13	cap	bital and clearance of variance accounts.	
14			
15	a)	Please explain the rationale for not proposing annual adjustments to rate base based	
16		on actual in-service additions for the years 2015-2019.	
17	-		
18	Re	<u>sponse</u>	
19			
20	a)	Hydro One's criteria for proposed annual adjustments are recurring events that are	
21		mechanical in nature and do not require a prudence review. The adjustment	
22		calculation can be derived based on year-end audited financial statements or	
23		parameters issued by the Board or the Federal or Provincial Government.	
24		Adjustments to rate base reflect a change in the capital work program and would	
25		require annual reviews.	

Filed: 2014-07-04 EB-2013-0416 Exhibit I Tab 2.05 Schedule 14 AMPCO 19 Page 1 of 1

1	Association of Major	Power Consumers in Ontario (AMPCO) INTERROGATORY #19		
2				
3	Issue 2.5 Are H	dro One Distributions' proposed off -ramps, annual		
4	adjust	ments and annual adjustments outside the normal course of		
5	busine	ss appropriate?		
6				
7	Interrogatory			
8				
9	Reference: Exhibit A/Tab 4/Schedule 3/p.1			
10				
11	Preamble: Hydro One	e submits that an appropriate materiality threshold for adjustments		
12	outside the normal of	ourse of business is 0.5% of test year revenue requirement or		
13	approximately \$7.5 m	illion.		
14				
15	a) On what basis did	Hydro One determine that \$7.5 million is an appropriate threshold?		
16				
17	<u>Response</u>			
18				

¹⁹ Please see the response to Exhibit I, Tab 2.5, Schedule 6 VECC 47 a).

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Ontario Energy Board (Board Staff) INTERROGATORY #31			
Issue 2.6	Are Hydro One's forecasts (revenue, costs, inflation and productivity) reasonable? Should Hydro One be expected to provide benchmarking evidence as an indicator of reasonableness?		
Interrogate	<u>pry</u>		
Ref: Exhib	oit A/Tab3 (Methodologies Used to Prepare Application)		
Preamble:			
Hydro One has employed several methodologies (e.g., Lead Lag, Cost Allocation,			
Capitalization rates, etc) to prepare this application that have been accepted by the Board			
in previous	Hydro One two year cost of service applications.		
What ratio	nale has Hydro One relied on for its confidence that the methodologies used in		
	te applications continue to be appropriate "as is" for a 5-year Custom cost of		
service app			
service upp			
Response			
•	believes that the methodologies accepted by the Board in previous Hydro One		
applications continue to be appropriate. 3 rd party groups recognized by the Board as			
	their fields have been used to review Hydro One's methodologies adopted in		
the 5 year (Custom Application.		
NTerriterent	the second Hadro On the section of the second address of the import of		
-	nterviewed Hydro One's subject matter experts and addressed the impact of		
	siness process changes in the lead lag study. Navigant assumes there are no		
	nodology changes relating to revenue requirement calculations over the period		
application	period.		
The Black	and Veatch Cost Allocation methodology which conforms with the OEB's		
	ces has resulted in fairly stable allocations over the last few applications as		
shown in C	1, Tab 5, Schedule 1, Attachment 1.		
best praction	ces has resulted in fairly stable allocations over the last few applications a		

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	Ontario Energy Board (Board Staff) INTERROGATORY #32
Issue 2.6	Are Hydro One's forecasts (revenue, costs, inflation and productivity) reasonable? Should Hydro One be expected to provide benchmarking evidence as an indicator of reasonableness?
<u>Interrog</u>	<u>atory</u>
	hibit A/Tab4/Schedule 4/p. 2
Energy A and relat	note at this reference indicates that Hydro One consulted "with Concentric Advisors to gain the benefit of the firm's experience in the use of productivity ed performance measures in Canada and the U.S.".
1	rovide the reports and recommendations that Hydro One received from the work ed by Concentric and indicate how this work informed the current application.
Respons	<u>e</u>
the meas Energy A performa One rega	elopment of outcome-based measures is a new concept to Hydro One. To inform sures proposed in this application, Hydro One sought the advice of Concentric Advisors to benefit from their international experience regarding productivity and ance-related measures. Concentric Energy Advisors provided guidance to Hydro arding the development of performance measures. However, they did not propose annual targets for the test years nor prepare a separate report.
ensure th Hydro O	One recognizes the importance of customer preferences and satisfaction. To the proposed outcome measures were reflective of our customers' preferences, one garnered their input at a stakeholder session held December 2, 2013. Further an be found in Exhibit A, Tab 20, Schedule 1.
Hydro O	one believes the proposed outcome measures in this application will address key

customer preferences (Exhibit A, Tab 5, Schedule 1) and the RRFE outcomes.

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	Ontario Energy Board (Board Staff) INTERROGATORY #33
Issue	2.6 Are Hydro One's forecasts (revenue, costs, inflation and productivity) reasonable? Should Hydro One be expected to provide benchmarking evidence as an indicator of reasonableness?
<u>Interr</u>	ogatory
Ref: 1	. RRFE Report, October 18, 2012
2	. Exhibit A (Empirical Evidence)
Pream	nble:
in the includ	ges 19 and 20 of the RRFE Report, the Board states that the allowed rate of change rate over the term will be determined by the Board informed by empirical evidence ling: the distributor's forecasts; the Board's inflation and productivity analyses; and marking to assess the reasonableness of the distributor forecasts.
a)	Please describe all external benchmarking (i.e. comparisons to utilities outside the Hydro One group) and internal benchmarking (i.e., regression analysis on Hydro One's historical performance and spending) that Hydro One undertook to estimate its costs for activities proposed in the application.
b)	Please describe all external benchmarking (i.e. comparisons to utilities outside the Hydro One group) and internal benchmarking (e.g., regression analysis on Hydro One's historical performance and spending) that Hydro One undertook to estimate the productivity gains it will achieve during the rate term.
c)	Please explain the basis for any company selected as a comparator.
d)	Absent this benchmarking evidence to support Hydro One's forecasts, on what can the Board rely to determine whether Hydro One's forecasts are reasonable?
<u>Respo</u>	<u>nse</u>
a) Be	enchmarking reviews used to estimate costs for the proposed activities include:
•	the updated 2013 Compensation Cost Benchmarking Study (Attachment 1 to Exhibit C1, Tab 3, Schedule 2), which covers total compensation costs for 2013 in the amount of approximately \$1,067 million, including \$778 million in wages and incentives (Attachment 2, Exhibit C1, Tab 3, Schedule 2), \$160 million in pension

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1 2 3 4 5 6 7 8 9 10 11	 costs (Exhibit C1, Tab 3, Schedule 3), and \$129 million in OPEBs (Hydro One's response to Exhibit I, Tab 4.3, Schedule 1 Staff 73(g)); a 2011 independent study which reviewed, among other things, the efficiency of the "Operations and Carrier Management" services arrangement between Hydro One Telecom and Hydro One Networks (Exhibit C1, Tab 2, Schedule 10 pp.16-17 and Hydro One's response to Exhibit I, Tab 4.2, Schedule 1 Staff 34); and the vegetation management "best practices" benchmarking report, which was filed in Hydro One's last cost-of-service application (Exhibit A, Tab 15, Schedule 2 of EB-2009-0096) and provided again in Hydro One's response to Exhibit I, Tab 4.2, Schedule 1 Staff 34.
	No external or internal benchmarking studies have been undertaken to estimate the
13	productivity gains that will be achieved during the rate term. However, Exhibit A,
14	Tab 19, Schedule 1 includes information on Hydro One's cost efficiencies and
15	productivity initiatives, along with programs being developed and implemented.
16 17 c)	In the benchmarking work referred to in answer a) above, peer groups were selected
18	based on the criteria described below.
19	
20 21 22 23 24 25 26 27	 In the updated 2013 Compensation Cost Benchmarking Study, the selection criteria are described in pp.6-7 of Attachment 1 to Exhibit C1, Tab 3, Schedule 7. In the 2011 study (referred to in Exhibit C1, Tab 2, Schedule 10 pp.16-17), comparator companies were selected from Hydro One's utility peer group if they had similar geographic considerations and similar business telecom and power system telecom components. For more information, see Hydro One's response to Exhibit I, Tab 2.6, Schedule 1 Staff 34.
	In addition to the above-identified benchmarking reports, the Board can rely on:
30 31 32 33 34 35 36 37 38 39 40	 expenditure estimates that have been extrapolated from Hydro One's historical spending and adjusted to reflect changes in work programs and forecasted productivity savings; Hydro One's procurement policy for the purchase of external goods or services which prescribes procurement through competitive RFP processes; the benchmarking review of outsourcer fees (Exhibit C1, Tab 2, Schedule 7, pp.3-4), comprising approximately 30% of Common Corporate Costs (Exhibit C1-5-1, Attachment 1, p.3), which review concluded that the fees were within benchmark price as described in Exhibit C1, Tab 2, Schedule 7; Hydro One's historical return on equity detailed in its response to Exhibit I, Tab 6.3, Schedule 6 VECC 76, which rebuts any assertion of over-forecasting; and

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Hydro One's rigorous investment planning, which has been bolstered by far more sophisticated, comprehensive asset data and analytical tools than Hydro One had before, all of which are referred to in Exhibit A, Tab 17.

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	<u>Ontario Energy Board (Board Staff) INTERROGATORY #34</u>
Issu	Are Hydro One's forecasts (revenue, costs, inflation and productivity) reasonable? Should Hydro One be expected to provide benchmarking evidence as an indicator of reasonableness?
Inte	errogatory
Ref	: Exhibit A/Tab6/Schedule 1/p. 4 & Technical Conference #2, TR pp. 133-134
'top que	Table 1 on this page, Hydro One indicates that it has a five year vision of achieving -quartile unit costs against comparable utilities'. In response to an Energy Probe stion in the Technical Conference, Hydro One indicated that it had only three parable utilities: BC Hydro, Manitoba Hydro and New Brunswick Power.
	 a) What unit cost measures does Hydro One benchmark? b) Please explain the basis for selecting BC Hydro, Manitoba Hydro and New Brunswick Power as comparable utilities. c) Why are there no additional comparable utilities? d) How does Hydro One currently compare to these utilities with respect to company characteristics and the benchmarked unit costs? e) Please file any studies or reports that show Hydro One's performance in comparisons to others.
<u>Res</u>	<u>ponse</u>
-	Hydro One has not yet identified suitable unit cost measures to benchmark. In large part, this is attributable to the poor quality of available data. While benchmarking is the best tool for comparisons and identification of best practices, a number of utilities are no longer participating in studies due to:
	 potential misuse or disclosure of confidential data; unwillingness to invest in long-term benefits; and uninformed use of comparable results (e.g. only comparing costs, not reliability, customer satisfaction, or safety).
,	These utilities were identified because they were the few that have made some data available in the past, however, major industry studies, such as the Canadian Electricity Association and consultancy studies, are now being cancelled or curtailed over disclosure concerns.
c)	Please see Hydro One's response to b).

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- 1 d) Hydro One has not yet conducted any such analysis. Future performance 2 comparisons will be based on published materials such as the OEB statistical reports.
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- e) For copies of the requested final reports that have been commissioned by Hydro One,
 please see:
 - Hydro One's response to Exhibit I, Tab 4.2, Schedule 1 Staff 63 for the 2013 Inergi fees benchmarking report;
 - Attachment 1 to Exhibit C1, Tab 3, Schedule 2 for the updated 2013 Mercer compensation benchmarking report;
- Attachment 1 to this response for the 2009 vegetation management benchmarking report; and
- Attachment 1 to this response for the 2011 HOT contract benchmarking report.

Filed: 2014-07-04 EB-2013-0416 Exhibit I-2.6-1 Staff 34 Attachment 1 Page 1 of 185

Hydro One Telecom Inc. Services Review and Benchmarking

Prepared for:

hydro One

Prepared by:



April 2012

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Executive Summary

Over time, nearly every electric utility has established some form of telecommunications capabilities in support of their normal operations. As the demands of operating an electric utility grow in complexity, many utilities have built extensive telecommunications transport networks in support of such applications as teleprotection, SCADA, telemetry, and others. As demands on these telecom networks have grown, the capital resources allocated to them and the staff that oversees their operations has grown in size and scope. As such, it is often useful to perform periodic studies to compare the efficiency of such telecom units to a group of similar utilities to ensure that existing cost levels are in line with industry norms and to identify emerging best practices. Hydro One Networks operates as the dominant provider of electricity within the province of Ontario, with 96% of the transmission system and about one-third of the province's distribution system, spanning 75% of the province. The transmission network involves 28,951 kilometers of lines and the distribution network supports approximately 1.3 million electric customers across rural Ontario. Hydro One Networks is the largest operating subsidiary of Hydro One Inc., which is wholly owned by the Province of Ontario. Hydro One, Inc. operates four distinct business lines: Hydro One Networks (transmission and distribution across the entire province), Hydro One Brampton (distribution network within the City of Brampton), Hydro One Remotes (electric operation in the Northern Ontario region), and Hydro One Telecom (fiber optic business).

Hydro One has an extensive telecommunications operation in place to serve its core energy business. The telecom group reached a point in its development where their capabilities had the potential to add value as a shared service in conjunction with the commercial telecommunications operations. The telecommunication group's expertise in operating a sophisticated telecommunications network to commercial availability standards on a daily basis, its knowledge of the commercial market and of the special needs of electric power systems made the outsourcing of network and vendor management appealing. Hydro One Networks Inc. (HONI) determined that by having Hydro One Telecom (HOT) manage network control and third party telecommunications

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contracts, they had the opportunity to control costs and optimize their network monitoring.

Even as the telecommunications group supports the communications needs of Hydro One's Network, there is an ongoing desire to better understand the competitiveness of the group's operations. More specifically, HONI chooses to benchmark the performance of its telecommunications group to determine how it compares to peers with respect to operating efficiency. The Shpigler Group was engaged in 2005, 2006, and 2008 to research and analyze this issue by evaluating the group's performance as defined in the Service Level Agreement (SLA) and benchmarking the activities against similar operations. We have been re-engaged in 2011 to review the SLA for the upcoming term, to evaluate the competitiveness of HOT for the past period and assess the projected competitiveness for the new SLA duration. The following analysis is based on updated benchmarks from the 2008 report and compares expected future performance against the same peer group.

A close review of the proposed SLA to the prior SLA indicates that there were no material changes between the two SLAs except for the increase in the predefined work scope and wage and benefit labor increases. The similarity of the two SLAs allows a forward looking comparison to be made after verifying that the peer utilities were proportionately stable, which they are. Therefore, we determined that the updated benchmarking data along with our understanding of the projected changes for each utility would allow us to estimate the relative performance of utilities for the SLA and reach a conclusion.

In our opinion, the unique voltage potential of a power system has created the need for electric utilities to create their own telecommunications entities that can isolate and insulate the telecommunication infrastructure, which protects communications during electrical disturbances. Protecting electrical equipment requires sophisticated systems that need to communicate between substations and power plants. The need to isolate electrical and telecommunications facilities for safety and service reliability has

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supported the development of large utility telecommunication entities. Even with fiber optic channels negating some interfacing concerns, the need for end electronics equipment to interface with optical equipment at risk to voltage surges still exists. Network operation centers of public and private telecommunications companies rarely have the experience or knowledge necessary to manage a power systems telecommunication system. Therefore, for benchmarking purposes, we determined that the most meaningful and comparative data would need to be obtained from similar Canadian utility telecommunication entities.

Through this engagement, our efforts have centered on evaluating the existing service level agreement with HOT, evaluating the performance of HOT as compared to the defined deliverables and industry standards, analysis of the cost structure, and an audit of third party pass-through contracts and charges. The benchmarking data was collected from three comparable Canadian utilities and compared to results for the past year. The other utilities studied were Manitoba Hydro, Hydro Quebec, and BC Hydro; they were chosen for their similar telecommunications needs and service territories. The report and our conclusions are based on primary research from interviews, secondary data collection and benchmarking comparisons between these three utilities. In addition, we have included insights gathered from other utilities regarding "best practices" in network monitoring.

Analysis of HOT operations was centered on the following:

- SLA applicability to present services provided
- SLA deliverable performance
- HOT cost breakdowns
- HOT third party contract management, costs and savings
- HOT Network Management services benchmarking

Through interviews with top level management, detailed data analysis, and review of third party invoice handling practices and benchmarking, our findings are as follows:

- Benchmarking results continue to indicate that the HOT Network Operation Center is performing networking monitoring functions at a more efficient level than comparable Canadian utilities' 24x7 telecommunication operation centers.
- The Service Level Agreement was reviewed and is similar to past agreements. It is our opinion that the SLA has all of the necessary attributes of a well-written agreement.
- In the current benchmarking exercise the analysis included a review of costs, projected growth and shift coverage. The results of this exercise indicated that HOT is providing coverage similar to the other utilities that provide 24x7 services.
- HOT's competitive cost position, which existed from 2005-2011, even when increased for labor costs and scope changes will maintain a competitive cost of service when compared to other network monitoring operations.
- Benchmarking also indicates that the shared services concept has provided an advantage over other methods. HOT needs a fewer number of operations positions than other utilities that manage a power system-only workload, even as the amount of work and size of the telecommunications system increases.
- The pass-through costs for third party handling are in line with original billings from the third party. A review of invoices supported the conclusion that third party costs are passed through directly to HONI without markup.
- The HOT charge for handling third party contracts is significantly less than what they have been able to save in contract re-negotiations. Having a dedicated unit focusing on the telecommunications-related issues (like bill accuracies) coupled with the combined purchase power of a larger entity has proven beneficial to not just the HONI staff, but also to the efficiency of the telecom functions.
- Leveraging the commercial knowledge and acuity of the HOT staff continues to benefit the entire corporation.

We believe that the benefits of a commercial telecommunication approach of the HOT staff coupled with the power system knowledge is an effective tool in extracting value for

both HONI and HOT in their respective areas of responsibilities. Through this review we do note some areas that should be addressed:

- Historically, HONI and HOT personnel have relied to some extent to utilizing verbal agreements to amend certain aspects of the formal SLA document; as a result, the language in the agreement previously had not always accurately matched the understanding of the parties regarding expected deliverables. The Shpigler Group's review of the SLA status suggests that HOT and HONI have made very good progress on improving on this issue and has made significant progress on documenting changes in the written SLA. The Shpigler Group advises that such issues should continue to be monitored so as to avoid any issues that could arise in the future when persons not privy to those agreements try to carry out the work or ensure compliance. In addition, it will be important to continue to improve on the timeliness of updating the SLA to reflect changes.
- To prevent further undocumented scope changes, it is just as important to establish those activities that are not within the scope of the SLA as those that are; the verbiage should be detailed enough to minimize interpretation.

Background on The Shpigler Group

The Shpigler Group is a strategy management-consulting firm focused on the telecommunications and technology sector. The Shpigler Group works with utilities, municipalities, telecom service providers, and infrastructure and technology developers in solving complex issues involving strategic assessment, market analysis, business case development, economic evaluation of network design, and competitive and partnership assessment. The Shpigler Group has been heavily involved in the utility telecommunications industry, dealing with operational and strategic issues involving networks with fiber, wireless, power line, satellite, microwave, and other access approaches. The Shpigler Group has been in business for ten years, since September 2001.

David Shpigler, President of the firm, brings an extensive background in strategy consulting to companies in high technology industries. Prior to founding The Shpigler Group, he was with Cambridge Strategic Management Group, Dean & Company, and Accenture, all leading strategy consulting firms focused on serving the telecommunications, high technology, and utility industries. In addition to his work with The Shpigler Group, David has served as the Director of Research for United Telecom Council, developing research studies for the utility telecommunications industry. He has also served as Adjunct Professor of Operations Management at Berkeley College. David has a B.S. in Business Economics from the University of the State of New York, Albany and an MBA from the Graduate School of Business at the University of Chicago.

Project Methodology

Some choices were made in the commission of this benchmarking report. Initially, the choice was made to focus on a smaller number of utilities and conduct detailed research gathering with each rather than try to generate higher-level surveys with a larger group of utilities. Even though the quantity would have been more statistically significant, we felt it might generate questionable findings. Next, the specific utilities targeted were chosen for the nature of their operations; that is, utilities with some critical mass with respect to overall service territory were targeted. Although the original desire was to benchmark cost positions of utilities relative to one another, it became apparent that to do so would lead to some questionable conclusions because the cost positions are driven by a number of completely unrelated and in some cases uncontrollable factors. For example, differences in accounting practices – like burden rates – can skew results, shielding us from gaining a complete understanding of true operational efficiency. As a result, the benchmarking study was based on headcount positions at each of the utilities as they related to network monitoring work output levels. Finally, since each utility profiled featured a very different organizational structure, we embarked to benchmark the job functions rather than individual work groups.

We believe that the information gathered in this report should offer a strong perspective for the desired benchmarking effort. Ultimately, the reader should be cautioned that the data collected and the resultant conclusions within this report represent important findings regarding overall trends, but with error margins due to the lack of complete "apples-to-apples" comparisons. Furthermore, each of the utilities profiled in many cases shared the fact that their operating practices are in flux, with many of the practices currently undergoing changes. As a result, the conclusions reached as part of this report reflect a current status of a "moving target" in many cases.

In order to thoroughly understand the services and charges for services from HOT to HONI we needed to ensure that we established a methodology that supported the key goals of the project. The key steps that we needed to account for as part of the process included:

- Analyze the Service Level Agreement (SLA) to determine required services and reporting
- Assess deliverables required by the SLA
- Analyze major cost component areas
- Collect data from key process owners
- Perform review of third party pass through costs
- Determine appropriate method for performing benchmarking
- Collect data from benchmark utilities
- Calculate weighting factors
- Perform scaling function to address discrepancies in volumes
- Compare results across benchmark companies
- Refine analysis as needed

In order to account for each of these issues, we followed a methodology involving a seven-step plan:



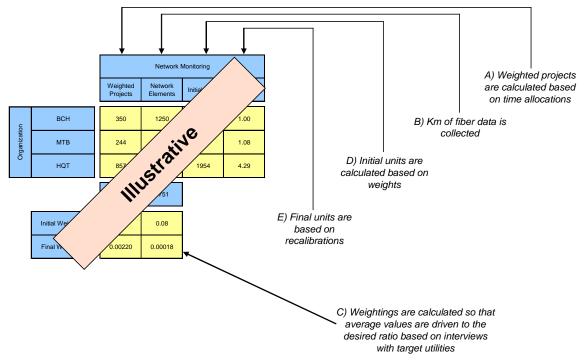
<u>Step 1</u> – To start, we conducted initial interviews with HONI and HOT staff to understand key processes, work functions, and output levels. In doing so, we were able to get a basic understanding of the tasks at hand and to understand the HOT- HONI relationship, organizational structure and work output. After initial discussions with HOT and HONI, it became apparent that the key operational function performed by HOT for HONI was the Network Monitoring function. All other functions found in the utility telecommunications groups (planning, engineering, construction etc.) were part of HONI, and, as result did not require benchmarking. <u>Step 2</u> – Next, it was necessary to develop a methodology for the overall benchmarking effort. Given that each utility had a different amount of work that it generated on an annual basis, applicable cost drivers needed to be established for each organization. Due to the potential differences in labor rates, cost allocation methodologies, and burden factors that are outside the control of HOT, we embarked on an effort to determine efficiency levels based on full time equivalents (FTEs) rather than on pure dollars.

<u>Step 3</u> – Through interviews, a set of specific definitions was established for each activity area that was common to all electric utilities interviewed:

- Ensuring physical and logical security of network
- Conducting remote fixes of network when available
- Major alarm investigation
- Client services associated with network monitoring
- Monitoring technology platforms within the network

<u>Step 4</u> – Having set up the overall methodology to process information and to structure the study, the next effort now focused on conducting detailed direct interviews with each of the targeted utilities. Our desire was to target as many Canadian electric utilities that would offer as fair a comparison to Hydro One as possible. Given that there is no utility that features a fully comparable mix of customer count and service territory size, it became apparent that a precise match would be impossible. However, we embarked on an effort to identify the most comparable utilities that would offer meaningful benchmarks based on having a service territory of some substance, a critical mass of customers, and some portion of the network in rural/remote areas.

<u>Step 5</u> – Once the data was collected from each utility, we needed to calculate appropriate weightings to apply to work outputs in order to make cross-company comparisons. To illustrate the methodology on which these weightings were developed, the following is an example of how we approached the subject on calculating weighting factors:



In using weighting factors, certain issues need addressing:

- <u>Issue A</u> First, we gathered data from each of the benchmark utility telecommunications groups related to the commission of project related work. This factor was determined to be significant in determining work load for a network monitoring function. We arrived at a measure of "weighted projects" by determining point values for large projects (25 points for projects lasting over 6 months), medium projects (4 points for projects lasting 6 weeks to 6 months), and small projects (1 point for projects lasting under 6 weeks). We then multiplied the point values for the number of projects and arrived at a weighted project value for each benchmark utility.
- *Issue B* We also identified the number of managed network elements as a key factor involved in determining network monitoring workload. Accordingly, we collected information about the network elements in each benchmark utility's telecommunications network.

- <u>Issue C</u> Next, we needed to arrive at a methodology to calculate the combined effects of both factors of workload under consideration projects and network elements. Based on interviews with each of the utilities as well as prior experience in the field, we concluded that these factors impacted workload equally. However, the difference in scale resulted in an inability to simply combine the totals of each measure. To normalize these factors, we used weighting multiples to arrive at an expression of relative workload that maintained the desired 50/50 split in impact.
- <u>Issue D</u> We multiplied the benchmark results for weighted projects and network elements by the weighting factors to arrive at preliminary measures of relative workload for each of the utility telecommunications unit.
- <u>Issue E</u> Because the work units are based on a somewhat arbitrary scale, the resultant numbers are meaningful when compared against one another, but not necessarily in isolation. In order to process the information using a more manageable scale, we reduced each of the work load unit counts by an equivalent coefficient so that the utility with the lowest work load among the peer group would be assigned a value of one and all other utilities would be indexed off of that value.

<u>Step 6</u> – Calculating the relative workloads of each group required a scaling function be performed to compare differing levels of activities at equivalent rates. We know the total number of people performing various job functions at each of the utilities based on the interviews conducted. Then, based on the procedures in step # 5, we also know the amount of work conducted by each group. With these two pieces of information, we can calculate unit costs – the headcount per work unit – and make comparisons between utilities. However, doing so would lead to an error in methodology. Certainly, we are aware of the existence of scale efficiencies – the ability of organizations to perform functions at higher efficiency levels as they grow in size. To illustrate this concept, consider two utilities performing a certain job function at the same unit cost, but one

utility is substantially larger in size than the other. This shows that the smaller utility operation is more efficient because it is able to achieve the same unit cost without the benefit of scale efficiency. To operate at the same efficiency level, the larger utility would need to leverage its size to amortize some of the fixed costs across the larger base of operations and achieve a superior cost position. In order to account for this issue, we then developed calculations concerning scale curves.

<u>Step 7</u> – Once the data was collected from each utility and comparisons were made, a number of data points appeared to show questionable results – and were validated through additional interviews.

Network Monitoring

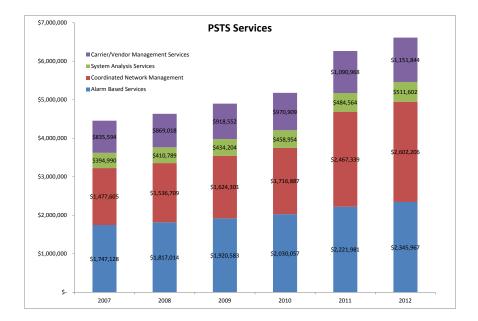
<u>Workload</u>: The complexity of HONI's network demands a high focus on network monitoring to support successful ongoing operation of the telecom transport network. Based on research into the amount of work output supported by each network-monitoring group, we calculate that HOT supports the second highest work output among the peer group based on work supporting HONI:

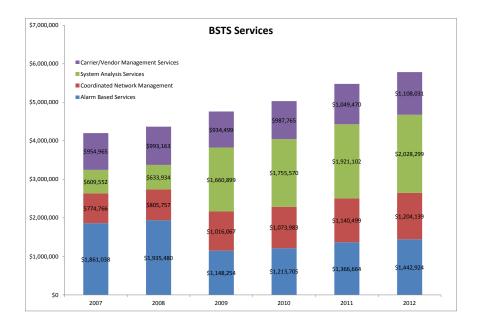
		Network Monitoring			
		Weighted Projects	Network Elements	Initial Units	Final Units
	Hydro One	1,826	5,139	2,491	3.20
	Manitoba Hydro	355	3,350	789	1.01
	Hydro-Québec	1,199	21,025	3,921	5.04
	BC Hydro	610	1,300	778	1.00
	Initial Weighting	1	0.13		
	Final Weighting	0.00128	0.00017		

<u>Cost Positions</u>: We calculate that the cost assumed by HONI as a result of HOT operation of the network monitoring the telecommunications network is based on supporting the equivalent of 14.75 FTEs. We conducted a similar analysis for each of the benchmark utilities and further adjusted the scale so that headcount equivalents were based on the average workloads in the industry. Based on this exercise, we calculate that HONI's operation of the network monitoring function is still comparable to the peer group. As a point of reference, the HONI's FTE count of 12.52 compares with an equivalent FTE count of 13.87 for Manitoba Hydro, 16.41 for Hydro-Québec, and 24.01 for BC Hydro. This shows that HONI features staffing levels that are more efficient than the group average by 2.67 FTE and ranks as the most efficient organization among the peer group.

	Unit Cost	Comparable FTEs	FTEs in Excess of Industry Average	% Difference from Industry Average
Hydro One	4.61	12.52	(2.67)	-17.55%
Manitoba Hydro	6.91	13.87	(1.32)	-8.67%
Hydro-Québec	5.36	16.41	1.22	8.04%
BC Hydro	12.00	24.01	8.82	58.11%

The breakdown of the HOT budget indicates that costs continue to be driven by the labor portion of the budget due to the demands of the required 24 x 7 network management coverage. Over the period 2007-2012, the average annual increase in charges for PSTS and BSTS services have grown in response to expanded services and labor growth. Below we can see the cost progression over time:





The compound annual growth rate of the cost of managed services by HOT to HONI is 7.45%. The total cost to HONI is strictly labor-related as all third party bills for maintenance and equipment are directly invoiced to HONI. Any and all replacements and additions are justified through analysis. The only opportunity for HOT to increase efficiency is from the labor portion of the budget, which it does not control because the labor force is represented by a group agreement with HONI. HOT's efficiency has improved over successive benchmarking studies conducted:

- 2007 Hydro One ranked #3 out of 4 utilities
- 2008 Hydro One ranked #2 out of 4 utilities
- 2011 Hydro One ranked #1 out of 4 utilities

Technology continues to push more work into the Network Operations Centers with selfdiagnosing field equipment, alarms, and remote servicing capabilities. As equipment replacements at HONI continue, workload has increased for HOT.

SLA Analysis

There are several key components in Service Level Agreements that are critical to the unique operational requirements of electric utilities when transferring responsibilities to a shared services organization. The key elements of developing a successful shared services understanding are as follows:

- <u>Service Level Agreement</u>: Planning and preparation for service provisions and service level agreements should be conducted once a year by both the shared service organization and the individually affected business units
- <u>Monthly Billing</u>: Costs for the provided services are charged to each client on a monthly basis via internet application which in turn files the invoice into an accounting system
- <u>Detailed Performance Reports</u>: A variety of monthly detailed charge-out reports are created which identifies costs charged to the client organization. Monthly reports on detailed charges are compared against previous work and standard marketplace costs
- <u>Markup for Third Party Costs</u>: Typically, shared services organizations are treated as a cost center with no markup included unless specifically agreed upon in the affiliate transactions related regulations
- <u>Key Performance Metrics are Established</u>: Establishing and agreeing upon clearly defined performance metrics is critical to the effective functioning of a shared services organization
- <u>Ongoing Efficiency is Expected</u>: Shared services performance should be measured for ongoing internal improvements in efficiency and effectiveness as well as overall improvements compared to the rest of the market place
- <u>Both Parties Share in Accountability</u>: Shared services performance measures should reflect shared accountability between the shared services organization and the different business units

The Shpigler Group has examined the past Service Level Agreements established in 2005 and 2008 against the above list of key SLA components and has determined that the SLA contains all the aspects of a sound service level agreement. Upon examination of the updated Service Level Agreement we determined it to be similar to the past SLAs. We focused our examination on the metrics and reporting that is prescribed in the agreement and found that HOT continues to provide the services and reports as agreed and will continue to be held accountable to those same standards.

<u>Service Level Agreement</u> – There are defined services related to the monitoring,

management, and operation of the Power System:

- Alarm Based Services
- Coordinated Network Management Services
- Systems Analysis Services
- Carrier/Vendor Management Services

<u>Monthly Billing</u> – All charges for network management and business services are electronically charged to the HONI accounting systems as pre-determined by both parties and reviewed annually.

Detailed Performance Reports – The following is a list of examples of the reports that are provided as defined in the SLA:

- Vendor Invoicing Error Report and Service Billing Report- Monthly
- Bill Savings Report Annual
- PSTS Significant Events Daily & Annual
- Year to Date Costs Monthly
- Business Telecom Significant Events Report Daily and Annual

All reports were reviewed and found to be in compliance with prescribed metrics. Verbal arrangements regarding the frequency of some of these reports have been made. For instance, the significant events reports are generated on a request-only basis.

<u>Markup for Third Party Costs</u> – A thorough review of all third-party billing was conducted to ascertain that costs billed to HONI were without markup. It was determined that charges were incurred without markup.

<u>Key Performance Metrics are Established</u> – HOT has established a monthly meeting with large suppliers for resolution and correction of billing issues, meeting reports are issued, and followed to resolution. On the network services side, restoration metrics were incorporated for loss of critical services (4 hours) and loss of redundancy (next day resolution). Also, performance measures have been established for other trouble calls and corrective maintenance activities. Priority 2, 3, and 4 levels with corresponding services response of 8 hours, 5 working days, and 10 working days were established. A review was made indicating that HOT is performing these services as defined.

<u>Ongoing Efficiency is Expected</u> – Efficiency expectations are established through fixed annual contract cost discussion and agreement between both parties. Since the inception of the arrangement between HONI and HOT in 2002 an efficiency gain of 28.5% has occurred.

Both Parties Share in Accountability – Through annual discussion and adjustment memorandums, any change in scope of services is mutually agreed upon.

Cost Analysis

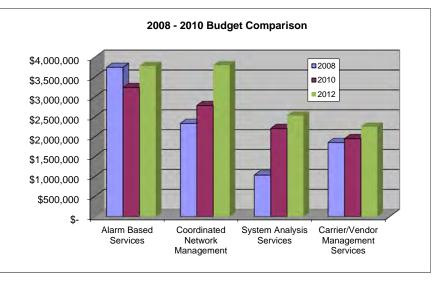
Our analysis on cost centered on the key components of costs and trends in costs.

<u>HOT Vendor Management</u> – The work performed by HOT is related to carrier and vendor management services. Since all bills and services are charged directly to HONI, HOT manages contracts, new orders, change orders, and bill analysis and payments. While there have been significant cost containment measures brought about by HOT contract negotiations, thorough bill analysis, and vendor interactions, the function remains labor intensive and is not conducive to ongoing efficiency increases or headcount reductions.

The vendor management services performed by HOT produces value for both organizations by increasing buying power. This is achieved by leveraging HOT's extensive commercial experience and thorough understanding of the market place.

Based on a Utilities Telecommunications Council (UTC) report on shared services within utility telecommunications, entities indicate shared services costs are typically 40% labor, 40% vendor management and 20% infrastructure. The budget breakdown for HOT's management of HONI's telecommunications has a labor related component of 78% and a vendor management portion of 22%. Infrastructure related expenditures are not a part of this budget, but the higher labor to vendor ratio indicates that HOT continues to be in line with industry practices and is cost effectively managing vendors.

Budget Review



A comparison of budgets for 2012 relative to prior years (2008 and 2010) indicates increases in all four functions, with an increase of 21.4% for the total cost for services. These functions tend to be driven by the size of the network scope, indicated by the number of network elements. Given that the number of network elements has increased by 17.4% over the same time frame and that wage increases have been set at 5.58%, it appears that the cost increase called for within the SLA appear to be justified.

Conclusion

The shared services concept for telecommunications operations between HONI and HOT initiated in 2002 is providing the benefits that were perceived at its inception with the network monitoring cost for HONI being contained while providing for the unique services of a power system network and meeting the demands of a customer oriented commercial telecommunications network. The vendor management function is also providing the envisioned savings of a larger telecommunications entity.

- The decision to house a 24 x 7 network operations center dedicated to telecommunications operations has resulted in cost savings with some utilities, while others have seen troubling results. In situations where the monitoring center for the power system operations can be well trained on alarm dispatch procedures for telecommunications, the handoff to this group can be a viable approach to saving on operating demands. By contrast, where the electric monitoring center staff is not well trained, the results can be disastrous, as dispatch procedures are not followed and actual costs and overall impacts to the viability of the network can be challenging. The HOT operations have developed operator expertise in both the power systems and commercial telecommunications areas. The cost advantage that HONI is realizing is in shared network monitoring with commercial system expansions.
- A factor that we see as a large driver of determining the appropriateness of a 24x7 network operations center deals with the size of the utility and its telecommunications needs. For a smaller utility like Manitoba Hydro, outsourcing many of the network operations center activities during off-hours is not yet seen as a large work burden for the electric NOC personnel. However, implementing such a practice at a larger utility like Hydro One would prove to be very cumbersome and not provide the level of service required for both a power system and commercial telecom operation.

- The differentiating factor for the HONI operations as compared to the benchmarked utilities is that they have found a way to interject a commercial telecommunication approach with a solid power system telecommunication operation to bring a successful and cost effective solution to both businesses.
- Benchmarking analysis to justify the specific expenditure for network monitoring services is difficult due to the wage and benefit structure among utilities; however our approach to base cost effectiveness on headcount and workload indicates that HOT is as good, if not better, than the other three Canadian utilities with network monitoring centers.
- Historically, HONI and HOT personnel have relied to some extent to utilizing verbal agreements to amend certain aspects of the formal SLA document; as a result, the language in the agreement previously had not always accurately matched the understanding of the parties regarding expected deliverables. The Shpigler Group's review of the SLA status suggests that HOT and HONI have made very good progress on improving on this issue and has made significant progress on documenting changes in the written SLA. The Shpigler Group advises that such issues should continue to be monitored so as to avoid any issues that could arise in the future when persons not privy to those agreements try to carry out the work or ensure compliance. In addition, it will be important to continue to improve on the timeliness of updating the SLA to reflect changes.
- Cost of services increases to HONI since 2002 have been less than if the network
 monitoring function had remained within HONI. HOT continues to achieve
 efficiency gains relative to its peer group of utilities, and has now achieved the
 status of most efficient in performing the network monitoring function.
- Vendor management services provided by HOT are enjoying advantages in both buying power and reduced unit costs for third party services.
- Bill monitoring and contract negotiations continue to result in considerable cost avoidance.

The Shpigler Group has extensive experience in utility telecommunications activities throughout North America and has investigated a number of integrations of commercial

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and utility network operations and vendor management. We believe that the benefits of a commercial telecommunication approach coupled with the power system knowledge is an effective tool in extracting value for both HONI and HOT in their respective areas of responsibilities. The key to any partnership is communication and pursuing common objectives. The HOT/HONI Service Level Agreement and its interactions, offers the potential to provide the direction and expectation for continued successful operations.

HYDRO ONE 2009 – VEGETATION MANAGEMENT BENCHMARKING STUDY

ANALYSIS AND REPORT

September 18, 2009

Prepared by:

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1. Executive Summary

STUDY PURPOSE

The purpose of the study is to provide definitive information related to Hydro One's Utility Vegetation Management (UVM). The core of the study was a benchmarking effort involving a group of 14 comparable utilities along with Hydro One and its 3 Forestry Zones. This group represents companies that are comparable based on vegetion density, weather and storm patterns, and rural service territory.

KEY STUDY FINDINGS

Efficiency & Productivity Summary

- 1. Hydro One and its zones have better than average efficiency in labour hours for line clearing and brush control activities.
- 2. Hydro One and its zones currently have greater than average costs per kilometre and per tree but when normalized for the great vegetation densities are performing close to average efficiency.
- 3. Hydro One and its zones have better than average efficiency in terms of both labour hours and costs associated with customer notification and job planning.
- 4. Hydro One and its zones have worse than average efficiency in the area of unplanned UVM activity.
- 5. Hydro One's performance is slightly better than average cost when total UVM expenditures are examined on the basis of total system kilometers.

Operational Attributes Summary

- Hydro One has the longest average reported cycle length in the study at 10 years as most participants operate on a 3 to 5 year cycle. The length of the cycle is on the fringe of acceptable UVM practice and leads to inefficiencies as a result of excessive vegetation growth between successive maintenance.
- 2. Hydro One has one of the more densely vegetated service territories when measured using the number of trees treated per kilometre and naturally has a greater workload than the average peer utility.
- 3. Hydro One has a best in class safety record that is evidence of a well managed UVM program. A zero incident rate is the goal of every company, crew and worker, but to attain it requires training and the adoption of safe work practices that can impact the labour hours and costs to conduct work.

4. Hydro One is plagued by a high degree of tree caused unreliability, which is not unexpected given its densely vegetated service territory and the severity of the weather and storms across its territory. However, this is a sign of a system that can substantially improve the control of its vegetation.

INNOVATIONS IMPROVING PRODUCTIVITY AND EFFICIENCY

As part of this benchmarking study and consistent with the OEB's direction for Hydro One "to give effect to any innovations which improve its productivity and efficiency", CNUC also inquired about recent innovations that Hydro One has put in place in the UVM area. These inquiries identified a number of innovations including the piloting of mini-grinders for brush control, the increased emphasis on herbicide application, the development of lighter weight pruners for line clearing, and the usage of technology such as tablet computers and information technology in the area of customer notification and job planning. CNUC considers these innovations to be evidence of a prudent focus on efficiency and industry leading best practices.

CONCLUSION

Hydro One's relative efficiency performance has been challenged by a long maintenance cycle that allows for significant amounts of vegetation growth on rights of way and by challenging service territory characteristics. These characteristics include the most rural system of any participating utility in this study and a densely vegetated geography that naturally increases UVM workload. Despite these challenges, Hydro One's efficiency in a number of areas is comparable and in some cases leading the utilities in the study. In areas where efficiency does lag, the driving forces are explained by the aforementioned challenges. CNUC expects that if Hydro One is successful in reducing its cycle length in a controlled manner and can sustain accomplishment levels associated with lower cycles, then the company's UVM efficiency will be improved along with system reliability.

2. INTRODUCTION

2.1 STUDY BACKGROUND

Hydro One is submitting a Distribution Rate Application in 2009 to its regulator, the Ontario Energy Board (OEB) to adjust rates for the 2010 and 2011 periods. As part of the previous (2008) rate decision, the OEB instructed Hydro One to develop a benchmarking approach that will provide definitive information respecting the company's relative efficiency in the area of vegetation management. The specific excerpt from that rate decision is as follows:

"Accordingly, the Board will require the Company, in consultation with the interveners and Board staff, to develop a benchmarking approach which will provide the Board at the next rebasing exercise with definitive information respecting the Company's relative efficiency in this area of operations. In the interim, the Board will expect the Company to give effect to any innovations which improve its productivity and efficiency in this area."

On Wednesday April 15th, 2009, Hydro One held a stakeholder session with interveners and Board staff to solicit input. Based on the input received at that session, a benchmarking approach was developed and CN Utility Consulting (CNUC) was engaged to execute the benchmarking study. This report summarizes the execution of the study along with its findings and conclusions.

2.2 THE STUDY TEAM - CN UTILITY CONSULTING (CNUC)¹

CNUC was selected as an independent third party consulting team to execute Hydro One's Vegetation Management Benchmarking Study as a result of its expertise in both Utility Vegetation Management (UVM) and in benchmarking. This combination of expertise is unique in North America and is evidenced by experiences and achievements that CNUC brings as a consulting team. Details of CNUC's experiences and achievements can be found in Appendix A of this report.

2.3 GOALS & OBJECTIVES OF THE BENCHMARKING STUDY

CNUC's first step was to review the input gathered at the stakeholder session and combine it with the direction provided by the OEB in its previous rate decision. Based on that review, the primary purpose of this benchmarking study is to capture measurements of UVM efficiency for Hydro One and its peer utilities in order to:

- 1) Compare Hydro One to its peers;
- 2) Compare subsets of Hydro One to peer utilities;

The core of the study will need to be a confidential solicitation of information from utilities in North America to discover relative efficiencies. Based on stakeholder input, CNUC identified the following considerations that were used to help guide the benchmarking study:

• Relative efficiency includes both labour and cost efficiency;

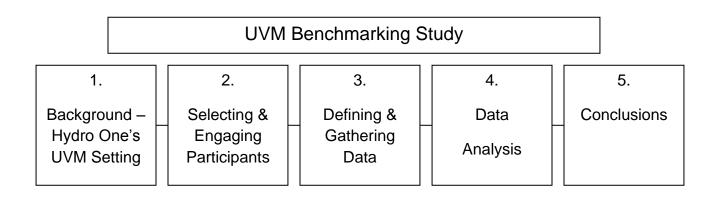
¹ A comprehensive listing of experiences and achievements is contained in Appendix A

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- Cost is directly related to other measurements such as system characteristics, operational conditions and practices, reliability, and safety;
- Cost should be related to other parameters such as kilometres and total OM&A costs;
- Comparability characteristics should be considered when choosing participants.
- Comparability criteria must be explicitly identified using defined measures;
- Comparison criteria suggested:
 - 1. Percentage of lines requiring vegetation management;
 - 2. Type of terrain comprising the service territory;
 - 3. Differentiations between rural and urban territories;
 - 4. System characteristics such as splits between on-road and off-road lines and overhead and underground lines.
- Several years should be averaged to even out fluctuations and anomalies;
- Hydro One should be compared as a whole company and as separate, stand alone zones.

3. BENCHMARKING STUDY FRAMEWORK

In consideration of the study purpose, objectives, and guidance provided by the stakeholders, CNUC developed a framework that was followed for this study. A summary of the framework is illustrated below, details for which are contained in Appendix B. The remainder of this report summarizes how CNUC progressed through each stage of the framework and documents the findings along the way.



3.1 BACKGROUND - HYDRO ONE'S UVM SETTING

A clear understanding of the nature of Utility Vegetation Management (UVM) in Ontario along the more than 100,000 kilometres of distribution primary lines worked on by Hydro One's utility arborists is critical to the success of the benchmarking study. This section of the report summarizes the necessary background information that CNUC gathered. Additional details and a number of useful maps and illustrations are contained in Appendix C.

3.1.1 VEGETATION & SERVICE TERRITORY

The service territory of Hydro One is approximately 650 thousand square kilometres, and comprises most of Ontario which is about the size of California and Texas combined. Aside from a number of urban centres (e.g. Toronto, Ottawa, London), the majority of which are not served by Hydro One's distribution operations, the Province of Ontario is characterized by rural and remote areas. These areas are typically covered by a variety of forests as illustrated in the map contained in Section C1 of Appendix C. The north is coniferous forest, while the central is mixed forest transitioning to broadleaf forest. The far south of the Province contains more grassland and cropland. The highest concentrations of trees in Ontario appear to exist in the section of the Boreal Shield, north of Lake Superior and in the areas north and north-east of Lake Huron.

To manage the vast and diverse territory, Hydro One's UVM operations are divided into three zones. As is subsequently shown in this report and the introductory charts in Appendix E, the Southern Zone has the most circuit kilometres, the most customers and the smallest service territory. The Northern Zone has the least circuit kilometres, the largest service territory, and the least number of customers. The Eastern Zone fits in the middle of these measurements but it has a slightly higher

customer density than the other two zones. The zones are illustrated in the Hydro One Forestry Zone Map in Appendix E.

3.1.2 WEATHER & STORM EVENTS

Given the vast territory, each of the zones experience different weather and storm patterns and as a result, different vegetation growing conditions and threats. Growing conditions are predominantly driven by precipitation and temperature. The conditions are most favourable in the south where rainfall is the greatest and temperatures are generally milder. The central part of the province also sees a significant amount of rainfall, especially off of the coast of Georgian Bay, but has a slightly shorter growing season given its slightly lower temperatures in comparison to the south. The north has the least favorable vegetation growth conditions based on precipitation and temperature. Despite the above characteristics, it should be noted that concentrations of precipitation and favourable temperatures at opportune times of the year can also have a significant effect on growth characteristics similar to total rainfall or overall temperature differences. This effect is related to the vegetation species types and specific growth preferences.

Of arguably greater importance than growing conditions are the storm patterns that are common to Ontario. One of the most common weather events that adversely impact vegetation in close proximity to overhead conductors is wind. The area east of Georgian Bay and the entire central part of the Province is prone to significant damage from wind events. These events sweep weakened, diseased, decayed and overloaded branches into electrical facilities. They have resulted in heavy forest damage and widespread outages during all times of the year. Examples from recent years include the storms in the summer of 2006 and the winter storm that hit during the last days of 2008 as noted in Appendix C3.

In addition to wind storms, normal weather patterns for Ontario and the northeast place Hydro One in a region of high risk for ice storms. These events are particularly significant when planning UVM due to the fact that these storms place additional weight on vegetation and result in what are referred to as tree "grow-in" and "fall-in" power interruptions. They are especially common to northern climates with heavy snowfall and the propensity for ice accumulations.

3.1.3 UVM PROGRAM ATTRIBUTES

In addition to identifying environmental and physical conditions of Hydro One's service territory, CNUC set out to understand Hydro One's UVM program. Much of the information that was identified by CNUC at the onset of the study is found subsequently in this report and in the charts of the Appendices. Some of the salient findings are listed below:

- Over the past three years, Hydro One has been increasing expenditures in UVM to reduce the average clearing cycle from historic highs of over 10 years.
- Approximately 90% of Hydro One's system is considered to be rural or remote.
- Approximately 75% of lines are on-road allowance while the remaining lines are off-road.
- UVM staff is unionized and a hiring hall arrangement is in place to provide additional staff for peak periods.

- Hydro One's system reliability can be improved significantly if tree-caused interruptions are reduced.
- The lost time incident rate is 0.0 for the last 5.5 million worker hours (3 years).

3.2 Selecting & Engaging Peer Utilities

The background provided above about Hydro One's UVM setting served to guide the selection of peer utilities or what are also referred to as "comparable" utilities for the purposes of this study. Based on the background, the three families of criteria that CNUC selected to guide comparability are:

- Vegetation Cover & Density
- Weather Considerations (e.g. Vegetation Growth Considerations & Storm Paths)
- Customer Density (i.e. Rural Distribution System Characteristics)

A detailed discussion of all of the comparability criteria and the definitions used are contained in Appendix C. To meet the criteria, utilities should:

- 1) Be located in the following specific locations of North America that are comparable on the basis of vegetation and weather:
 - a) Around Ontario or;
 - b) Northeastern North America or;
 - c) Western North America or;
 - d) Southeastern North America
- 2) Have approximately 30 or fewer customers per circuit kilometre.

3.2.1 UTILITIES SELECTED

The comparability criteria outlined above were used as guidelines for selecting utilities. Based on the criteria, CNUC conducted a lengthy process to secure participation from utility companies. Approximately 60 utilities were initially contacted with some effort extended to solicit utilities that were outside the comparability guidelines. (CNUC's experience has been that subsequent analysis may show that particular companies are better comparators despite not fully conforming to the guidelines originally set.) 25 utilities including Hydro One responded to the request to participate. Hydro One provided four entries (i.e. Hydro One Total, Hydro One Northern Zone, Hydro One Eastern Zone, Hydro One Southern Zone), which brought the participation up to 28. Of the 24 utilities, excluding Hydro One, 10 did not meet the comparability criteria and were subsequently omitted from the study leaving a participation pool of 14 utilities (i.e. 18 including the 4 Hydro One entries).

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The final group is not a homogenous group, but each one has qualities that make it a good comparator. It is the overall mix that provides a good sample. The utilities that participated and that were deemed to be "comparable" based on the above guidelines are:

Allegheny Power (West Virginia, Pennsylvania, Maryland, Virginia)

Appalachian Power (West Virginia, Virginia, Tennessee)

BC Hydro (British Columbia)

Central Maine Power Company (Maine)

Consumers Energy Company (Michigan)

Entergy (Louisiana, Mississippi, Arkansas, Texas)

Hydro One Networks # 12

Hydro One Networks Southern #72

Hydro One Networks Eastern #73

Hydro One Networks Northern #74

Indiana Michigan Power (Indiana, Michigan

Kentucky Power Company (Kentucky)

Northern States Power (Wisconsin, Michigan)

Ohio Power Company (Ohio)

Pacific Gas & Electric (California)

Pacific Power (Oregon, California, Washington, Idaho, Utah, Wyoming)

Public Service Company of Oklahoma (Oklahoma)

Southwestern Electric Power Company Arkansas

The companies that participated are all medium to large companies, having significant rural components and a high percent of forested land. The vegetation image below (R1), taken by NASA, is included in Appendix D to depict forest cover and density in North America. Using that image, polygons have been drawn to represent the service territories of participating utilities.

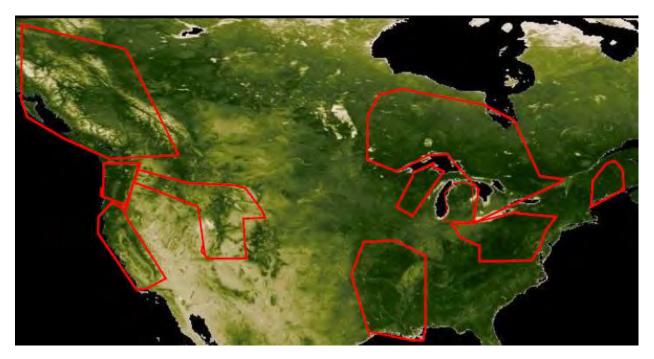


Fig. R1 NASA Vegetation Density and Cover

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In terms of fullfilling the second set of comparability guidelines (i.e. weather and storm characteristics), the participating group of utilities are susceptable to significant storms and storm tracks as discussed in Appendix D. As previously discussed, storms impact storm restoration and system reliability and do influence UVM activities.

In terms of the final comparability criterion (i.e. high percentage of rural components), the two graphs below (R2 and R3) show that this set of utilities is a distinctly more rural subset than the full, industry wide set of utilities that have traditionally participated in CNUC's benchmarking studies. (R2 taken from 2005 CNUC study.)

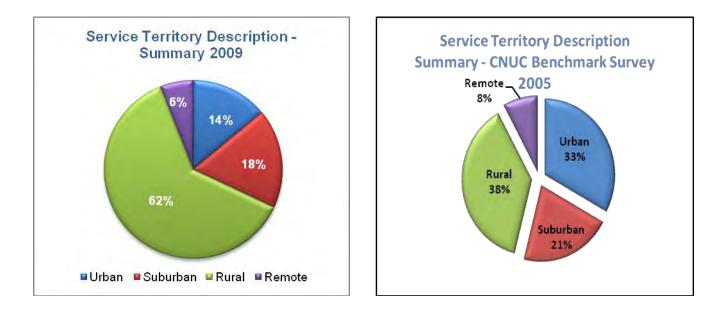
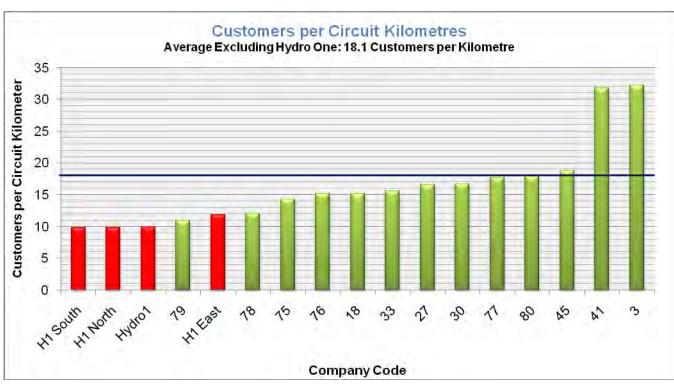


Fig. R2: Territory Description

Fig. R3: Territory Description

The following chart (R4), illustrates how the group of companies compares in terms of customer density, which was one the criterion that was set above. The cross section of utilities range from approximately 10 customers per kilometre in the case of Hydro One to slightly greater than 30 customers per kilometre for utilities 41 and 3. It should be noted that Hydro One is the most rural of all participants in the study. Utilities 41 and 3 slightly exceed the 30 customers per kilometre threshold but remained in the study given that they substantially met the other comparability criteria.



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3.3 DEFINING & GATHERING DATA

Based on the purpose and objectives of the study, CNUC decided to seek data in the following general areas:

- Utility Characteristics
- Labour Hours, Costs, Cost Drivers, and Operations
- Safety
- Reliability

These areas, fairly well cover the gamut of possibility for UVM measurements. To gather data, CNUC targeted both private and public sources. From a private perspective, CNUC used its extensive set of benchmarking information (i.e. data gathered in the 2002 and 2005 surveys) as a starting point. To obtain the latest information (i.e. 2006, 2007, and 2008), CNUC asked direct questions to participating utilities.

Public sources utilized in this study include OSHA, Canadian Health Statistics, Tree Care Industry Organization, Utility Company Web Sites, Forestry Sources for Canada and the US, previous CNUC Benchmark Studies and the U.S. Bureau of Labour Statistics. Another public resource that was highlighted as a potential source of data during the stakeholdering session to define the approach for this study was FERC. FERC Form 1 reports were examined and it was determined that no specific UVM measurements or expenditures are normally recorded. It was decided the value from FERC Form 1 reports was not sufficient to warrant including with this report.

Fig. R4: Customer Density by Circuit Kilometre

3.4 DATA ANALYSIS

The data collected by CNUC was assembled and analyzed. The findings of the analysis along with the underlying data are contained in subsequent sections of this report and in Appendix E. This section focuses on the mechanics of the analysis and provides details related to the considerations made.

The data collected as part of the study was first condensed into information for further analysis and for finding anomalies and errors. All of the measurements were converted into metric units and Canadian currency (yearly average for each of the three sampled years). Measurements were validated and follow up questions were asked to qualify the comparison data.

It is important to recognize that currency conversions are done to facilitate fair comparisons between utilities operating in different countries but volatility and fluctuations in a currency's value over a short period of time may place utilities denominating costs in one currency or another at an advantage or disadvantage. In recent years, the Canadian dollar has appreciated significantly in relation to the US dollar. It reached a more than 50 year high on October 7, 2007 (i.e. \$1 CAN = \$1.10 US) and during the 3-year period that is the subject of this study (i.e. 2006 to 2008), the Canadian dollar averaged in excess of \$0.9 US. The recent appreciation of the Canadian dollar over a short period of time places the Canadian participants in this study (i.e. BC Hydro and Hydro One) at a disadvantage, as the stronger dollar serves to increase their costs relative to US peers. This disadvantage, although existent, was not found to materially impact the study's findings.

Analyzing the data was complex process as individual utilities typically collected detailed data based on local and non-standardized definitions. Even standard industry measures related to reliability or safety had local subtleties that needed to be considered. As a result, all data and comparisons needed to be thoroughly analyzed and reconciled to ensure valid findings. The statement below underscores the challenges with capturing the most accurate and exhaustive information.

"Personal care of benchmarking participants is fundamental for data capturing. Cases of doubt and questions should be clarified by means of personal contact and via a hotline that answers questions with professional competence. Intensive care of benchmarking participants forms the framework for high quality data, enabling errors in data capture to be excluded."²

Before moving on to the findings, it is important to provide two cautions in the benchmarking process.³ First, the benchmark study performed on a single class of service such as Vegetation Management ignores the effects of interdependency between different classes of

² Benchmarking: a Fair Comparison, by Dr. Bernhard Hartmann et al. PEI 7/26/09.

³ The Role of Performance Measurement in Rate Cases, by John M. Shearman CEO & Chairman, UMS Group Inc.

service within a company. Second, the confidentiality of data collection that enables benchmarking to be performed, places a limitation on knowing all the facts for each participant.⁴ If all participating companies were to agree to expose their information for all to scrutinize, like submissions to a juried competition, then a fully informed discovery process would ideally reveal best practices and efficiencies. However, such a full identity disclosure process could instead produce more leverage for some companies and diminish the value of others. With confidentiality secured, the best approach is to gather the data through a third party with recognized experience in the benchmark process and then present it in an organized manner. CNUC assumed the role of this third party and is committed to upholding the confidentiality of the participants.

4. FINDINGS & DISCUSSION

The following sections of the report detail the key findings based on data gathered. Findings are presented in two key sub-sections:

- 1) Efficiency & Productivity
- 2) Operational Attributes

The first sub-section provides comparisons that get to the heart of this study's purpose (i.e. how efficient is Hydro One). The second sub-section presents what are referred to as attributes that will impact or illuminate efficiency performance. This second section includes findings related to safety and reliability.

The findings contained below are what emerged during the data study and analysis phases as being noteworthy findings. CNUC also gathered data and conducted analysis in a wide variety of UVM related areas that extend beyond what is contained in the body of this report. That data and analysis is contained in Appendix E in the form of additional comparisons and data. It should be noted that the findings illustrated in the form of charts within the report body are illustrated in ascending order for a particular measure and contain only the utilities that provided responses. The charts in Appendix E contain all utilities in a consistent manner regardless of whether responses were provided or not.

4.1 EFFICIENCY AND PRODUCTIVITY

As noted earlier, the purpose of the benchmarking study is to obtain "definitive information respecting the Company's relative efficiency" in the area of UVM. Definitions of efficiency can be both qualitative and quantitative and typically relate to "doing things right" (e.g.

⁴ Ibid.

best practices, safety) and to productivity. From a measurement perspective, efficiency can be defined as the ratio of input to output. In the UVM field, inputs are resources (e.g. labour hours, costs) and outputs are accomplishments (e.g. kilometres of line cleared, kilometres of line managed, number of trees treated). Asstated in the project objective, the findings reported are measurements of efficiency and factors affecting, qualifying, or validating efficiency.

4.1.1 Line Clearing & Brush Control Labour Hours

Line clearing and brush control activities form the core of the UVM program. These programs are characterized as labour intensive and CNUC sought information in these areas. CNUC found that many companies do not account for labour hours (and costs) separately in line clearing and brush control activities. For these companies, brush control is typically carried out by the same crew that carries out line clearing. As a result, measurements of unit quantities are not consistently recorded separately. Although Hydro One does separately account for line clearing and brush control programs, the state of the industry and the lack of standardized and consistent reporting necessitated an examination of these two activities in a combined fashion. The following chart (R5) depicts the labour hours per kilometer treated for the utilities in the study over a three year period.

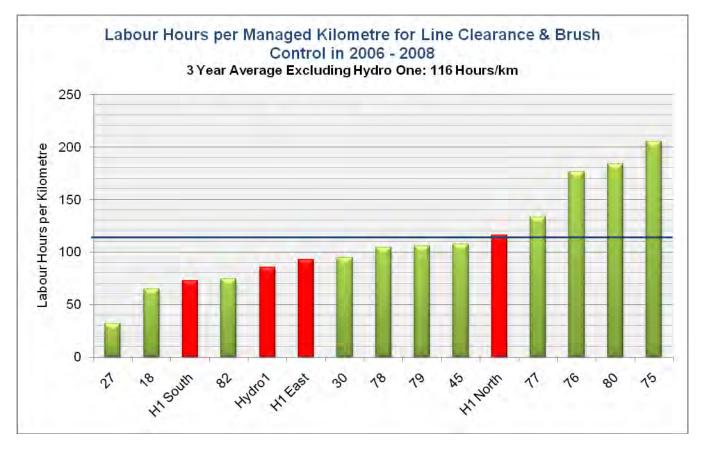


Fig. R5 Line Clearing & Brush Control Labour Hours per Kilometre for 2006-2008

The above chart (R5) illustrates that Hydro One and the Southern and Eastern Zones use less than the average labour hours per kilometre treated, while the Northern Zone is at the average but lags in comparison to the other Hydro One entries. When examining these results in light of comparability criteria and operational attributes (discussed in more detail in section 4.2 of this report), the reasons for these results become clear. The Southern Zone leads the other Hydro One zones as a result of its lower forest density, and fewer square kilometres of service territory, which reduce the need for long travel times. Furthermore, the Southern Zone treats 30% less trees per kilometre than the Eastern Zone and less than half the number of trees treated by the Northern Zone on a per kilometre basis.(See Figure R15)

In comparison to the peer group, Hydro One and its zones manage an above average number of trees per kilometre (See Figure R15 in section 4.2). Furthermore, this has been done on a cycle that is longer than the cycles of the peer utilities, which results in the need to address a significant amount of additional biomass. Simply put, Hydro One has a larger volume of UVM work per kilometre as discussed in greater detail in section 4.2 Operational Attributes of this report. Consequently, it is CNUC's position that Hydro One would be in the top quartile of performers for labour hours per kilometre if it was managing the average number of trees per kilometre and managing them on a shorter cycle.

Strong performance in the labour hours per kilometer measure is very telling as CNUC deems labour hour efficiency measures to be the best indicators of efficiency. The reason for this is that labour hours eliminate complications that are associated with cost measures such as currency exchange rates, or utility cost structure differences (e.g. contracting arrangements). Based on discussions with Hydro One, it is clear to CNUC that the company is focused on labor hours per kilometre as a measure of efficiency and is actively seeking to improve upon it. Evidence of this can be found in innovations that the company is pursuing. One specific innovation that Hydro One is currently piloting is the introduction of "mini-grinders". These grinders are a type of mechanical equipment used to treat heavy and dense brush that would traditionally be addressed using time consuming manual labour. This innovation comes from Hydro One's experience managing Transmission right of ways and is expected to reduce the number of labour hours per kilometre.

4.1.2. Line Clearing & Brush Control Unit Costs

Efficiency for line clearing and brush control activities needs to also be examined from a cost perspective. Although these activities are labour intensive, they attract costs such as equipment (e.g. bucket trucks) and sundries (e.g. accommodations for remote jobs), As described above for labour hour comparisons, CNUC analyzed unit costs for line clearing and brush control in a combined fashion. The following chart (R6) illustrates the findings for cost per kilometre treated.

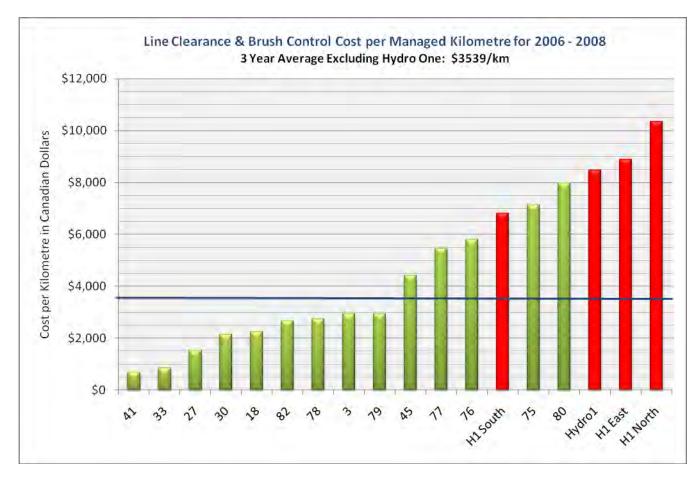


Fig. R6 Line Clearing & Brush Control Costs per Kilometre for 2006-2008

The chart above (R6) indicates that Hydro One and its regions are above the average. Of the Hydro One zones, the Southern Zone has the lowest unit cost and the Northern Zone has the greatest unit cost. The reasons for the relative performance differences between the zones themselves are the same as those explained above in the labour hour efficiency discussion and include differences in vegetation density and size of the service territory. The reasons for the performance differences between Hydro One and the peer utilities are a result of various factors that must be clearly understood in order to draw fair and accurate comparisons in terms of unit cost efficiency. The most influential of these factors are described in detail subsequently in this report but are summarized below for the purposes of a cost efficiency comparison:

 Cycle Length – The longer the cycle length, the more vegetation mass will accumulate and will need to be cleared. This is arguably the greatest single factor that drives line clearing and brush control costs. This is illustrated by the fact that the leading utility in the above chart is number 41, which has the shortest reported cycle of all participants at one year. On the other extreme is Hydro One, which has the longest reported cycle length of all participants at 10 years. The other participants that reported a cycle operate on a 3 to 5 year average cycle length. The reduced growing time undeniably impacts

efficiency but a quantitative factor for normalizing performance based on cycle is not available.

2. Vegetation Density – Hydro One operates in a territory that has an above average density of vegetation. Hydro One treats approximately 56 trees per kilometre in comparison to the study average of approximately 33 trees per kilometre (See Fig. R15 in section 4.2). Naturally, the more trees that require treatment, the greater the cost to treat a kilometre. Hydro One's number of trees treated per kilometre, which is almost 70% greater than the average (i.e. 56 vs. 33), will undoubtedly impact its costs. While the impact of increased vegetation density can be assessed in qualitative terms, CNUC attempted to quantify the impact of this factor by adjusting cost per kilometre to reflect the differences in vegetation densities between the utilities. In making the adjustment, CNUC took a realistic approach and estimated that one third of a utility's costs are for fixed requirements such as mobilzing crews, dealing with logistical issues, and funding sundries. This proportion is not dependent on the number of trees treated per kilometre. To account for this CNUC separated out this portion for all utilities and then normalized the remainder on the basis of number of trees per kilometre. The results of the adjustment are illustrated in the chart below (Fig. R7).

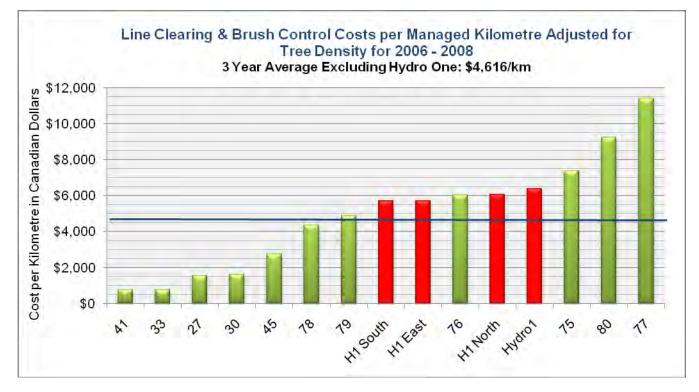


Fig. R7 Line Clearing & Brush Control Costs per Kilometre Adjusted for Tree Density for 2006-08

3. Other Factors -In CNUCs opinion, Hydro One's long cycle length and higher density vegetation service territory are the key factors impacting costs. However, other factors

that in CNUC's opinion also negatively impact Hydro One's unit cost efficiency in comparison to peer utilities include the following:

- Hydro One has the most rural system of all participants, which introduces challenges associated with greater travel times and accessibility.
- Hydro One is focused on safety, as discussed in section 4.2 Operational Attributes of this report, and must incur training and operational costs associated with safety priorities.

After considering the above factors, Hydro One's unit cost efficiency is closer to average. This is effectively illustrated in the chart above (R7), which is adjusted with consideration for vegetation density. Should adjustments also be made for the long cycle length and the other factors listed, then Hydro One's unit cost efficiency would be even better.

Despite being more efficient in labour usage than average and close to average in adjusted costs, CNUC has learned through discussions with Hydro One that the company is committed to continuously improving efficiency in the line clearing and brush control area. It is CNUC's understanding that Hydro One has increased and is planning to continue to increase its level of expenditure on line clearing and brush control activities (see Fig. 14 in Appendix E) in an effort to reduce the cycle and the volume of vegetation that is handled for each kilometre on the system. The utility has also introduced a series of innovations and improvements related to the usage of herbicides, which are also aimed at reducing the volume of vegetation. In the UVM industry, herbicides are considered a best practice because their application on standing vegetation leads to reductions in the volume of brush to be cut manually in the future. Unfortunately, there is much misinformation in the public domain about herbicides and their impact on the environment and this has made it challenging for many utilities to efficiently conduct UVM activities. Hydro One appears to have understood this and has undertaken the following initiatives and innovations:

- Introduced a 1-800 Herbicide Phone Number The number is a dedicated hotline for customer and the public to call for herbicide inquiries. The line has given the public an outlet to obtain factual information about herbicides, thereby minimizing the amount of misinformation that travels in public circles and making easier for technicians to secure permission from property owners to use herbicides on rights of way.
- Launched a study and pilot on the usage of herbicides This study consists of systematic plots that have been set up to test various herbicides, application techniques, and timing alternatives. The most effective techniques and applications will be utilized in the UVM program to improve cost efficiency.
- Adopted a new and better nozzle for herbicide application This nozzle leads to improved herbicide application through more targeted and effective herbicide usage.

The above innovations, improvements, and initiatives are all aimed at improving efficiency through a focus on herbicide application that will reduce the volume of vegetation that needs to be addressed during future maintenance activities.

4.1.4. Labour Hours and Unit Costs Per Tree Treated (i.e. Pruned or Removed)

Another set of efficiency measures that can be examined are the unit cost and the labour hours required to treat a tree during line clearing activities. Utilities typically capture valuable statistics on the numbers of trees that are pruned or removed. Using these statistics, efficiency can be examined on a different basis than kilometres cleared. The following charts (Figs. R8 and R9), illustrate Hydro One's relative performance in terms of cost and labour hours per tree treated.

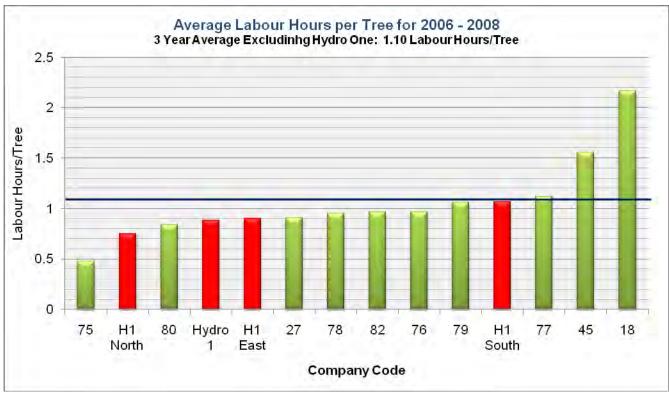


Fig. R8 Average Labour Hours per Tree in 2006-2008

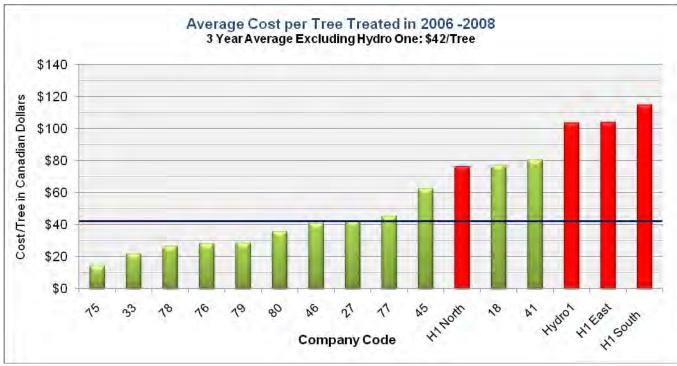


Fig. R9 Average Cost per Tree Treated in 2006-2008

The above two charts need to be examined in full context prior to ascertaining the relative efficiency of a utility. As with Line Clearing and Brush Control, the cycle once again plays a significant role as longer cycles will result in significant amounts of growth and the need for increased pruning efforts. This is considered to be one of the greatest drivers in both labour hours and cost and undoubtedly impacts Hydro One's relative positions in the above charts. As described previously, normalizing for this is challenging but in simplistic terms can be considered using the fact that some of Hydro One's peers in the study will be treating the same tree two or three times for every one time that Hydro One crews handle the tree. If the impacts of cycle length (e.g. additional growth and volume of vegetation) were to be factored in, CNUC expects Hydro One's relative efficiency to be average for costs per tree and to be significantly better than average for labour hours per tree. As noted above, CNUC has found resource allocation measurements to be more reliable when performance is measured in labour hours instead of dollars.

Beyond the cycle length, other factors that impact cost include the type of tree that is being treated, and the proportion of trees pruned to those removed (Appendix E, Fig. 33). The impact of these factors is evidenced in the performance of the Hydro One Northern and Southern Zones. The North has the greatest cost per kilometre in relation to the other Hydro One zones but has the lowest cost per tree treated. The performance of the Southern Zone is the opposite. This seemingly contradictory finding is attributed to the fact that the conifer trees that are predominant in the north are easier to remove (i.e. fell) and leave on the right of way given the remote nature of the service territory. The deciduous trees of the South on the other hand are more likely than in the North to require a significant amount of work from aerial devices

or by climbing, are more time consuming to remove, and removed vegetation must be cleaned up and hauled away. These factors are illustrated more clearly later in this report when the percentage of removals is compared for the entire peer group.

In discussions with Hydro One, CNUC has learned that the utility is focused on improving efficiency in this area of UVM operations by proactively improving the tools available for its field crews. The best example of this is Hydro One's initiative with a tool supplier in California to develop a pruner that is a third lighter than traditional pruners. This pruner, which has been introduced on a trial basis, is easier to maneuver and will result in faster pruning and fewer injuries to staff given that it does not weigh as much as existing equipment. This tool is expected to improve efficiency as measured by cost per tree treated.

4.1.5 Customer Notification and Job Planning

After line clearing and brush control, utilities typically expend the greatest proportion of effort on customer notification and job planning. The following charts (R10 and R11) illustrate Hydro One's relative efficiency in terms of customer notification and job planning based on both labour hours and costs.

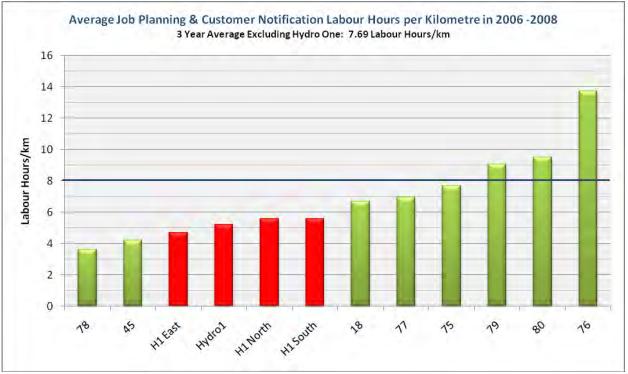


Figure R10 Average Job Planning & Customer Notification Labour Hours per Kilometre in 2006-2008



Figure R11 Average Job Planning and Customer Notification Cost per Kilometre for 2006-2008

The above charts illustrate that Hydro One and its zones are more efficient than the average in terms of both labour hours and costs. One factor influencing performance is the very rural nature of Hydro One's service territory and the fact that it will result in fewer customer notifications being required and a more streamlined effort. This factor does contribute to the performance but it is not significantly influential given that job planning also entails identifying trees for pruning and removal. In discussions with Hydro One, CNUC has learned that the utility's efficiency in this area is attributed to a number of innovations that have been adopted in recent years The most significant of these are:

- Introduction of Tablet Computers Starting in 2003 and 2004, technicians were equipped with tablet computers that are brought out in the field and used to document notifications and plans. The full integration of these units took a couple of years but benefits of their usage include streamlined data entry and documentation, field access to GPS and the Forestry Management System, and gathering of centrally and electronically available records related to notifications and plans that can be leverage during upcoming cycles.
- 2. Linking the Forestry Management System (FMS) with Hydro One's Customer Service System (CSS) – The investment to link the separate information systems has streamlined efforts by technicians to obtain customer specific information. CSS updates FMS on a weekly basis and this leads to better work tracking by customer, a greater understanding of customer request trends, and the need for less re-work and customer mailings.

4.1.6 Unplanned UVM Costs

UVM activities are typically planned with the exception of work that is done on a reactive basis as a result of unacceptable conditions (e.g. climbable trees near power lines; trees that are dead, diseased or leaning that threaten a power line) that cannot be allowed to persist until the next planned maintenance date. This unplanned work is the focus of this section. The chart below (R12) illustrates the relative efficiency of Hydro One's reactive UVM costs as captured by "Unplanned UVM" costs per system kilometre.

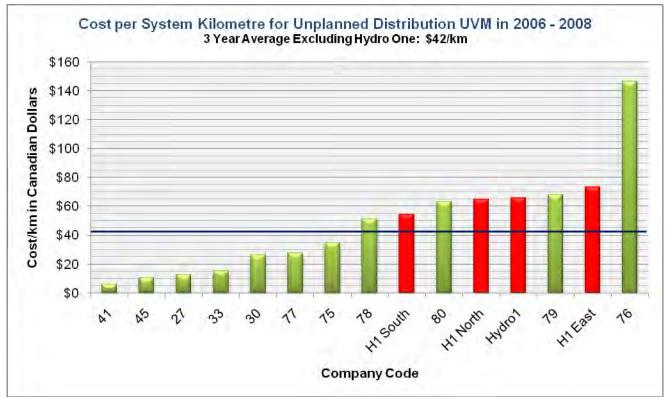


Fig. R12 Cost per System Kilometre for Unplanned Distribution UVM in 2006-2008

The above chart (R12) illustrates that Hydro One's unplanned costs on a system kilometre are higher than the average. This suggests that Hydro One is undertaking greater amounts of unplanned work than the peer utilities and indicates that Hydro One's system can be better controlled. Unplanned work is considered less efficient than planned work. The reasons for this is that unplanned work involves high priority locations, also refered to as "hot spots", that necessitate the mobilization of a crew to address an isolated and solitary issue on the system. This diverts crews from planned work, which entails the mobilization of a crew to treat

vegetation in a systematic and economically efficient manner. As efforts expended on unplanned UVM increases, the deeper a program is sliding into a spiral of an exponentially increasing workload due to the reactive and non-systematic manner of treating vegetation.

The level of unplanned work is also related to the reliability performance of a system and to storm restoration expenditures. Reliability is examined subsequently in this report and findings in that area will confirm that Hydro One's system can improve control over the vegetation in its service territory. In the case of storm restoration activity, CNUC did gather costs from utilities for the 2006 to 2008 period as is illustrated in Appendix E. As these costs are dependent on highly variable storm events, it is not surprising that the restoration costs associated with UVM do vary significantly from one year to the next. The greatest variation is for Utility 3, for which costs were almost \$70 million in 2006 and below \$10 million in 2008. Other utilities, (e.g. 75, 77, 80) including Hydro One, experienced variations in costs year to year, although not to the same extent as Utility 3. Some utilities did however remain consistent during the three year period. Given the highly variable nature of storms and the associated restoration costs, CNUC concluded that a three year period did not provide enough data for the purposes of drawing efficiency conclusions. As such, storm data collected was included in Appendix E for illustration purposes.

4.1.7. Overall UVM Costs

The final efficiency measure that is examined is the ratio of total UVM costs to total system kilometers. This comparison is included for completeness but is not considered as precise as the comparisons that were conducted in the above subsections. Total UVM costs include those discussed in the previous sections of this report (i.e. costs for line clearing and brush control, customer notification and job planning, and unplanned activities) along with other costs that utilities deemed to be a part of their UVM programs but that were not directly comparable on an individual basis between the peer utilities. These include overheads (e.g. program management), storm restoration activities, and other costs (e.g. targeted danger tree removal programs). The following chart (R13) compares Hydro One's total UVM annual costs on a per system kilometre basis to peer utilities.

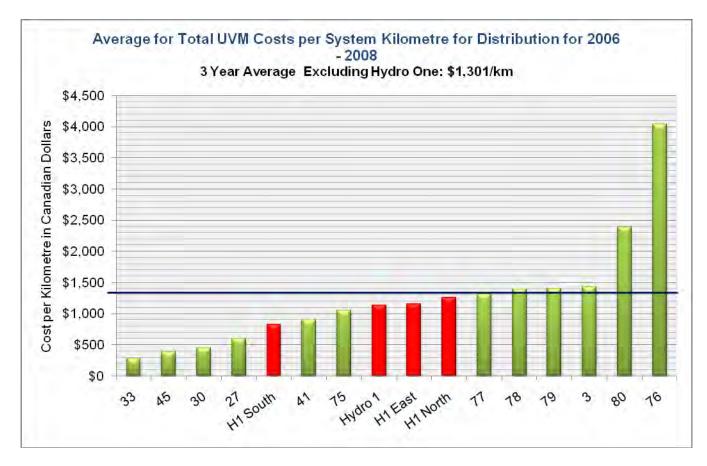


Fig. R13 Average for Total Costs per System Kilometre for Distribution 2006-2008

In the above chart (R13), Hydro One's performance is below average cost. Looking at total UVM costs, peer utility costs range from a low of approximately \$300 per kilometre to a high of almost \$4000. The average is approximately \$1300 and Hydro One's average is approximately \$1100. Of the Hydro One zones, the performance of the Northern Zone is the worst and the performance of the Southern Zone is the best.

Hydro One's performance in the above measure is influenced by the factors that have been discussed in previous sub-sections of this report. Although the impact of the cycle length factor that was previously discussed is minimized when using a per system kilometre measure, the impacts of vegetation density and rural service territory continue to exist. In addition, Hydro One has over the past three years, made a concerted effort to reduce its cycle time. Cycle transition periods are typically less efficient periods of operation for any utility as additional funds need be spent to increase accomplishments. For example, a reduction in cycle from 10 years to 8 years will involve a period of time where the number of kilometers maintained is in line with an 8-year cycle but the vegetation being treated has been growing for about 10 years on average and therefore presents added work load when compared to a steady state of 8 years. Hydro One currently finds itself in this period where the workload has increased and estimates are that if the company was not in a transition phase, then efficiency based on the above illustrated measures would be approximately 10% better.

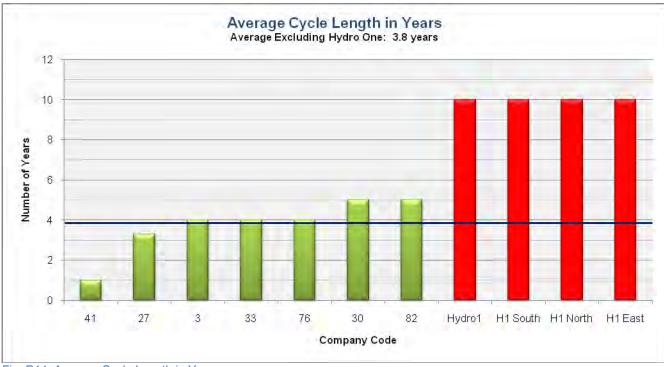
Given the performance in the chart above and the factors identified above, CNUC assesses Hydro One's efficiency on the basis of Total UVM Costs per System Kilometre to be better than average.

4.2 OPERATIONAL ATTRIBUTES

The previous section focused on efficiency measures and contained discussion about the factors and operational attributes that can and do impact efficiency performance. This section elaborates on the operational attributes and provides additional discussion that places the efficiency comparisons made in the previous sub-section into context.

4.2.1. Cycle Length

This section elaborates on the significance of cycle length in relation to efficiency measures such as cost and labour hours per kilometre, and cost and labour hours per tree. The definition of an average cycle and the exact execution of maintenance on that cycle vary throughout the industry. The traditional definition of cycle is the time that it takes for the entire system to be maintained once for vegetation. How a utility executes this varies and is illustrated by the utilities contained in this study. For example, company 41 in the study, reports managing on a one year cycle and patrolling the entire system once a year, treating only those trees that will potentially grow into the lines before the next patrol. This yearly project is performed on the entire system. Company 3, on the other hand averages a 4 year cycle but does vary maintenance in particular locations. In Hydro One's case, the historic average cycle has been 10 years. The following chart (R14) illustrates the average cycles reported in the study.





As illustrated in the chart (R14) above, Hydro One and its zones have the longest cycle of any utility in the peer group. This long cycle is undeniably contributing to higher per unit costs depicted in the charts provided in this report. In relation to the other utilities, it is CNUC's opinion that Hydro One is working a remediation program. Re-growth and new starts are abundant over the course of a decade. Long cycles between treatments push the workload on an upwardly exponential curve each time it is managed. When stump re-sprouts and new trees are allowed to grow higher than the shrubs, herbs, and grasses, the trees will extend their height rapidly to the height of the wire causing a need for remediation and unplanned maintenance.

UVM arboricultural experience tells us the work is the lightest and moves the quickest when it is performed before new vegetation begins the juvenile phase of growth, exponentially accumulating biomass. Experience also tells us that a least disturbed ecosystem (i.e. less biomass removed results in less vegetation and soil disturbance) results in the least introduced invasive vegetation that is not compatible with rights of way. Finally, and perhaps most importantly, vegetation that has not yet made contact with the conductor nor is overhanging the conductor is far easier, safer and quicker to manage. These conditions are not normally possible when vegetation systems have been developing for a decade.

Based on reported average cycle lengths, Hydro One is operating on a cycle that is at least twice as long as the peer utilities. The conclusion drawn from this key finding is that Hydro One's long cycle has resulted in excessive growth that naturally drives unit costs higher than

those at utilities employing a shorter cycle. Based on this finding, Hydro One is making the prudent choice to reduce its cycle length.

4.2.2 Vegetation Density & Tree Removals

The following chart (R15) depicts the number of trees that Hydro One is treating relative to the peer utilities.

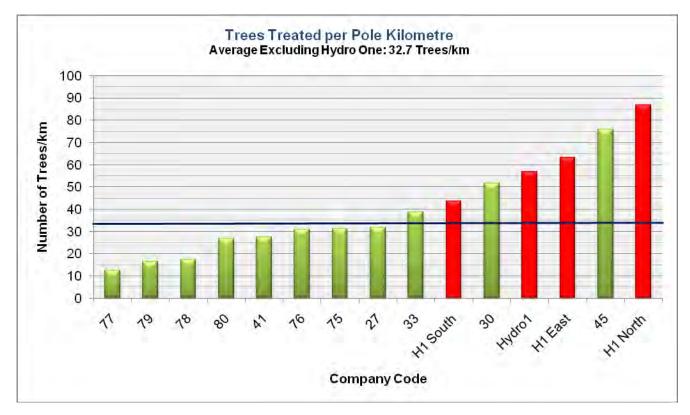


Fig.R15 Trees treated per Pole Kilometre

The chart (R15) illustrates that Hydro One is treating among the highest number of trees on a per kilometre basis and indicates that Hydro One's service territory is among the densest in terms of vegetation. The range of tree densities is between a low of approximately 10 trees per kilometre to a high of almost 90. The average is approximately 33 trees per kilometre and Hydro One's average is almost 70% greater than this figure. This statistic is telling in that it is evidence that Hydro One's workload is naturally greater than the average experienced by the group.

Vegetation density as measured by the number of trees treated per kilometre is not an absolute figure as it is also influenced by the cycle length to some extent. Long cycle lengths tend to increase the number of hazard trees (i.e. dead, dying, or diseased) that pose safety or reliability threats and must be removed. If these trees were not deemed to be hazards, they would likely be pruned or in a best case scenario, not touched at all, thereby resulting in a minor CN Utility Consulting, Sebastopol, CA.

reduction in the vegetation density statistics presented above. Further information on the percentages of removed and pruned trees is illustrated in the chart (R16) below.

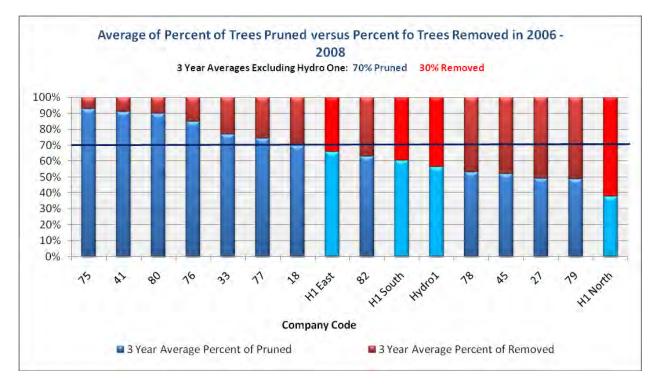


Fig. R16 Average percent of trees Pruned versus Percent Trees Removed in 2006-2008

The average removal percentage is approximately 30% and Hydro One is removing approximately 40% of the trees treated, with the exception of the Northern Zone where the percentage is almost 60%. With the long cycle, the high percentage of removals in the North is an appropriate practice in that it is the most cost effective method of managing tall growing coniferous trees that prevail in areas where mid-cycle remediation efforts are very expensive and there are fewer customer concerns limiting removal efforts. In the mixed and deciduous environments of the Eastern and Southern Hydro One Zones, the high number of removals is associated with prodigious new growth during the long cycle as described above.

In the Eastern and Southern zones, removals are typically more expensive than pruning. This increases the cost per tree and is a large driving force behind Hydro One's high cost per tree results illustrated above in this report. Costs to prune a tree are typically two thirds to half the costs to remove a tree. A long cycle length increases the proportion of trees removed, as seen in Hydro One's program. These trees would have been treated using alternative methods (i.e. pruning, cut as brush, or spray with herbicide) under a program with a shorter cycle.

4.2.3 Safety

Some measurements stand alone and comparisons do not carry as much weight as the data itself. One example is the fact that Hydro One has worked 5.5 million hours (i.e. 3 years) without a lost time accident in the line clearance industry.

CNUC sought to compare Hydro One's safety performance to the industry using publicly available statistics. What it found was that there is some variation and discretion in these measurements that differ between Canada and United States, but in general CNUC was successful in comparing performance. An example of this is a US Department of Labour survey of the seven largest Utility Line Clearance Coalition (ULCC) members, who collectively employ 33,000 line clearance arborists. For 2007, the group's average lost time incident rate was 3.1. This rate is lower than the rate for Logging (i.e. 5.3) and the rate for the general category that line clearance is listed in by the Bureau of Labour Statistics (i.e. Landscaping Services - 5.9). ⁵ In comparison, Hydro One's rate of zero (0) lost time injuries for 2007 and 2008 is impressive.

To put Hydro One's performance into context, 2750 workers working one year is equal to 5.5 million worked hours. The average rate for Arborists, which is over 5.0, would mean that over 137 injured employees out of 2750 were significantly restricted from performing their job in the course of one year. Hydro One had zero. The impact of that on efficiency is noteworthy but unfortunately difficult to measure. The impact is positive for worker moral, leads to employee longevity and retention of skilled staff, and ends with more days on the "tools".

Given Hydro One's safety record and the relationship that it has to efficiency, CNUC sought information from peer utilities to compliment the information obtained from public sources. Requests for safety performance information yielded mixed results. Many utilities provided work to multiple contractors and as a result, safety statistics were of questionable reliability if available at all. To complicate matters, different utilities preferred different measures and reported based on their preferences. Appendix E contains illustrations of the information that was collected privately from the utilities. This information also confirms that Hydro One's performance of zero lost time incidents is best in class.

In discussions with Hydro One, CNUC identified a number of initiatives that have helped the company achieve a best in class safety record. Among them are focused training for staff and an integrated Health Safety and Environment System that is based on ISO 14001 and OHSA 18001 standards.

⁵ Department of Labour Proposed Rule Making—Tree Care Operations Standard, Docket No. OSHA-2008-0012: "Comments of The Utility Line Clearance Coalition", (ULCC): Asplundh Tree Expert Co., Davey Tree Expert Co, Lewis Tree Service, Inc., Lucas Tree Experts, Inc., McCoy Tree Surgery, Inc., Nelson Tree Service, Inc., Tamarack Tree Service, Inc., Townsend Tree Service., Trees Inc., Wright Tree Service." (2009) By Melissa Bailey, Counsel to ULCC.

4.2.4 Reliability

Earlier efficiency comparisons examined the costs of unplanned and storm restoration work. This work is closely related to system reliability and is a strong indication of how well controlled the vegetation in a service territory is. Furthermore, most utilities, as illustrated in the chart below (R17), report that after safety, the number one reason for operating a UVM program is to ensure reliable electric service to customers. As a result, CNUC sought reliability information to validate earlier observations made with respect to the need for reactive UVM activities and to assess how successful UVM programs are at meeting reliability objectives.

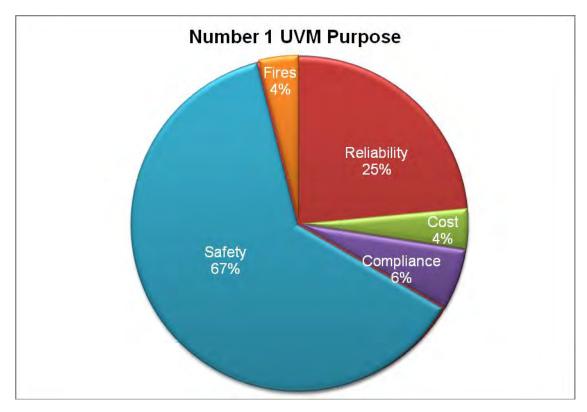


Fig. R17: Number One Purpose for UVM (2005 CNUC Benchmark)

The first chart below (R18) illustrates the tree caused SAIDI for the utilities that participated in this study. The second chart (R19) illustrates the contribution to total SAIDI that tree caused interruptions make. Similar charts for SAIFI along with additional reliability comparisons can be found in Figs. 40-48 in Appendix E.

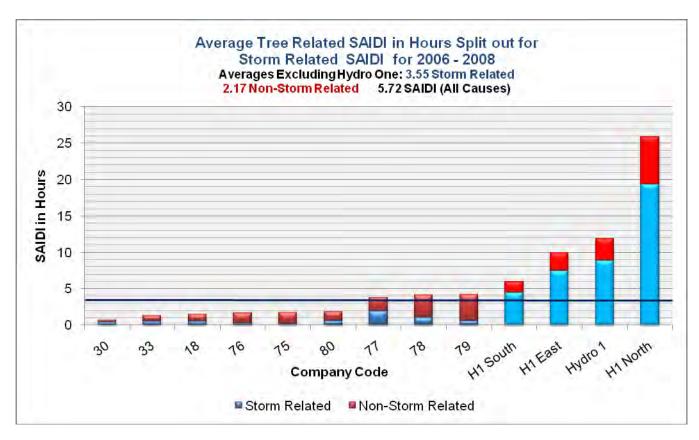


Fig. R18 Three Year Average of Tree Related SAIDI for 2006-2008

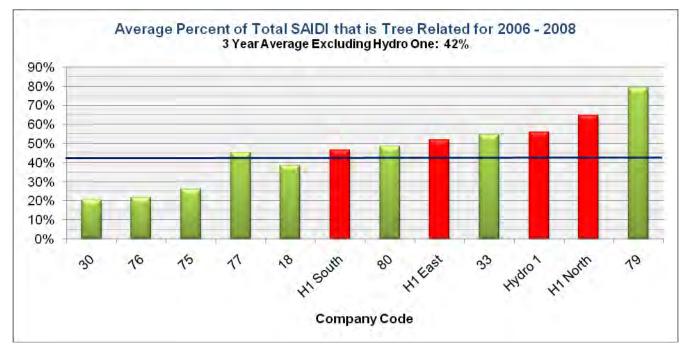


Fig. R19 Average Percent of Total SAIDI that is Tree Related for 2006-2008

The above charts (R18 and R19) illustrate that Hydro One's tree caused SAIDI is the highest in the peer group. In particular, Hydro One's system is very vulnerable to storm activity as is evidenced by the high storm impact on reliability. The single year averages found in Fig. 43 in Appendix E illustrates how Hydro One's system is particularly vulnerable to storms. In terms of contribution to overall SAIDI, Hydro One performs better on this measure but remains worse than average. These findings, like the efficiency measurements made previously in regards to unplanned costs indicate a system where vegetation is not well controlled. Given Hydro One's lengthy cycle in comparison to the peer group, these findings are not unexpected and utilities with shorter cycles will naturally perform better. An additional input is the vegetation density associated with Hydro One's service territory. As previously discussed, Hydro One's service territory is more densely vegetated than the average for the study group. This will also impact reliability performance.

CONCLUSIONS

Efficiency & Productivity Summary

- Hydro One and its zones have better than average efficiency in labour hours for line clearing and brush control activities. While the results compare favourably to peer utilities, the factors discussed under bullet (2) below are also applicable and when considered suggest Hydro One's efficiency is excellent on the basis of labour hours.
- Hydro One and its zones have greater than average costs per kilometre and per tree; however the performance is negatively influenced by a number of factors as listed below. When adjusted for the factors, Hydro One's performance is better than average. The factors include:
 - i) Hydro One has a more densely vegetated service territory and is managing almost 70% more trees than the peer utilities.
 - ii) Hydro One is performing work based on a ten year cycle, which is longer than all of the cycles reported in this study. A long cycle results in significant growth and the need to remove great volumes of biomass during line clearing and brush control.
 - iii) Hydro One has the most rural and remote service territory of any utility in the study as measured by customer density. This results in the need to travel long distances to access work sites and overcome barriers that increase costs.
 - iv) Hydro One is working in a harsh weather climate based on significant storm activity throughout the course of a year along with relatively low temperatures in the winter. This challenges UVM operations and places upward pressure on costs.
- 3. Hydro One and its zones have better than average efficiency in terms of both labour hours and costs associated with customer notification and job planning.
- 4. Hydro One and its zones have worse than average efficiency in the area of unplanned costs. This is expected given the long maintenance cycle length.
- 5. Hydro One's overall UVM costs per system kilometre are lower than the average.

Operational Attributes Summary

- Hydro One has the longest reported average cycle length in the study at 10 years, which is twice as long as the next closest participant. This places Hydro One's cycle length on the fringe of acceptable UVM practice and leads to inefficiencies as a result of excessive vegetation growth between successive maintenance.
- 2) Hydro One has one of the highest vegetation density service territories and naturally has a greater workload than the average peer utility.

- 3) Hydro One has a best in class safety record that is evidence of a well managed UVM program. The achievement of such a safety record is the goal of every company and worker, but it necessitates significant training costs and requires the adoption of safe work practices that at times can negatively impact efficiency when it is measured on a labour hour or cost basis.
- 4) Hydro One is plagued by a high degree of tree caused unreliability. This is a sign of system that can significantly improve the control of its vegetation and one that is expected when maintenance cycles are in the range of 10 years.

Concluding Remarks

Despite having a naturally challenging (e.g. high vegetation density, extreme weather) service territory, Hydro One has proven to be efficient. In particular, normalized measures on the basis of vegetation density indicate that efficiency performance is generally very strong with reference to labour hours and close to average on the basis of costs. To further improve efficiency, CNUC is of the opinion that Hydro One needs to reduce its UVM cycle. It is apparent, through comparisons with peer companies, that Hydro One's cycle is significantly longer than peer utilities and that more frequent treatments will allow Hydro One to get closer to the mainstream of good utility practice. Shorter cycles will reduce costs on a per kilometre basis as less biomass will need to be removed, will improve the control of vegetation and thereby reduce the need for unplanned UVM activity, and will improve the reliability of Hydro One's distribution system.

APPENDIX A – CNUC EXPERIENCES AND ACHIEVEMENTS

As a third party Consulting Team, CNUC brings the following areas of expertise into this project:

- General consulting experience in areas such as UVM program reviews, audits, and projects.
- CNUC owns and operate the UVM industry's dominant web site, Tree Line Connection at <u>www.utilityarborist.com</u>.
- Expert witness experience for utilities across North America in both legal and regulatory proceedings related to trees and power lines. (E.g. Indiana Electric Utility Association to testify at a joint state legislative hearing about why utilities have to do UVM work.)
- CNUC's President was one of the 2 principal UVM investigators for the Joint US/Canada Task Force investigating the August 14th 2003 northeast Blackout and was commissioned to do this work by the Federal Energy Regulatory Commission (FERC). He was the principal author of the preliminary and final UVM reports related to the Northeast Blackout.
- CNUC's President is currently a member of the NERC UVM FAC-003 Standards Drafting Committee. This committee has developed and is continuing to refine national standards for required clearances between vegetation and subject transmission lines across North America. He also served on the first FAC-003 Drafting Committee.
- In August 2003, CNUC's President received the 2003 Utility Arborist Award in Montreal Canada during the International Society of Arboriculture annual conference. He received this award in recognition of his work in support of this industry.
- CNUC's President is Past President of the Utility Arborist Association, which is the industry dominant non-profit organization devoted to Utility Arboriculture.
- CNUC continues to work very closely with the UAA and the Edison Electric Institute's Vegetation Management Task Force in furthering the UVM industry. Most recently, CNUC's President was directly involved with setting up and attending meetings in Washington DC with the UAA and EEI Vegetation Management Task Force leadership.
- CNUC's President was one of the few industry experts chosen to develop the ISA advanced certification exam for Utility Specialists.
- CNUC has participated in the development and review of numerous industry publications which are considered standards in the industry. For example, CNUC's President was a review committee member for the current ISA Best Management Practices for both Utility Pruning of Trees, and Utility IVM.
- CNUC has completed various utility and vendor benchmarking projects focused on identifying UVM industry trends and best practices. CNUC benchmark surveys have been used for presentations at major UVM conferences, discoverable information in rate cases, UVM program reviews, justifying budget requests, and as general knowledge in

decisions made in the day to day operations of our benchmarking subscribers UVM programs.

- CNUC has had direct involvement with the development, interpretation, and promulgation of numerous industry standards and regulations. This includes, but is not limited to, GO 95 Rule 35, NESC 218, PRC's 4293 and 4292, the Uniform Fire Code, the Urban/Wildland Interface Fire Code, FAC-003, and ANSI A300.
- Currently, CNUC is also directly involved with updating the NADF Tree Line USA criteria, and participating in changes to ANSI Z133.
- CNUC has presented at numerous national and international conferences on subjects ranging from "how trees cause power outages" to "customer service for the utility arborist".
- The CNUC leadership team who manages field activities has well over 50 years of combined experience in effectively providing services to the UVM industry.

The following CNUC people have participated in this project:

Steve Cieslewicz, President of CN Utility Consulting

Terry Mcgonegle, Senior Vice President

Will Porter, Senior Consultant

Nina Cohn, Analyst and Statistician

APPENDIX B – BENCHMARKING STUDY FRAMEWORK DETAILS

The following illustration is a detailed depiction of the Study Framework that was followed.

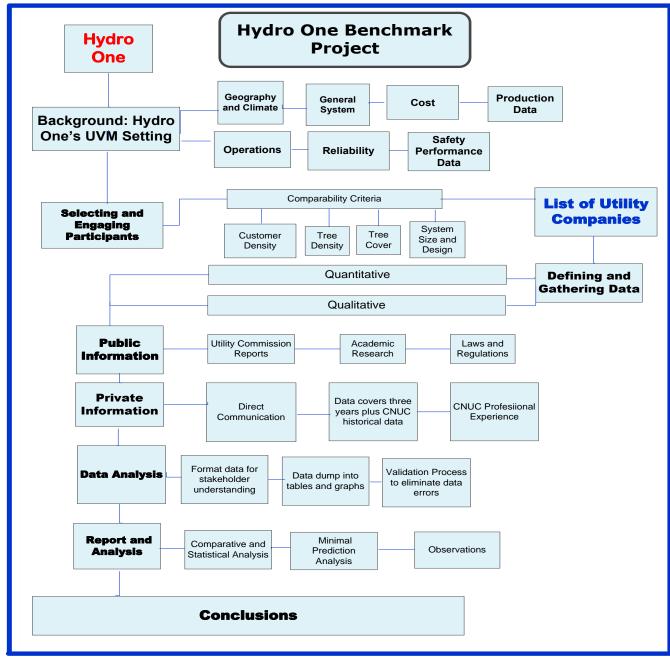


Chart 1 Benchmark Framework

APPENDIX C – HYDRO ONE BACKGROUND (VEGETATION; ZONES; WEATHER DETAILS)

C1. VEGETATION COVER

The following map (Map 1) illustrates the different types of vegetation cover in Ontario. The north is coniferous forest, while the central is mixed forest transitioning to broadleaf forest. The far south of the Province contains more grassland and cropland.



Map 1: Ontario Terrain – Forests, Shrublands, Cropland⁶

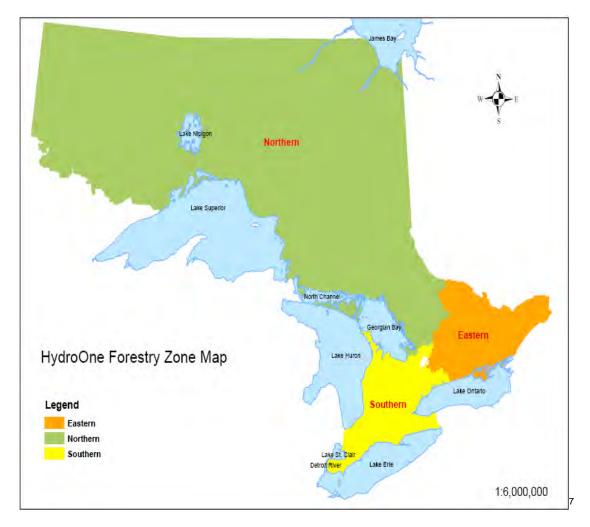


⁶ Hydro One 2009

CN Utility Consulting, Sebastopol, CA.

C2. SERVICE TERRITORY & ZONES

To manage the vast and diverse territory, Hydro One's UVM operations are divided into three zones. The zones are illustrated in the Hydro One Forestry Zone Map below (Map 2).



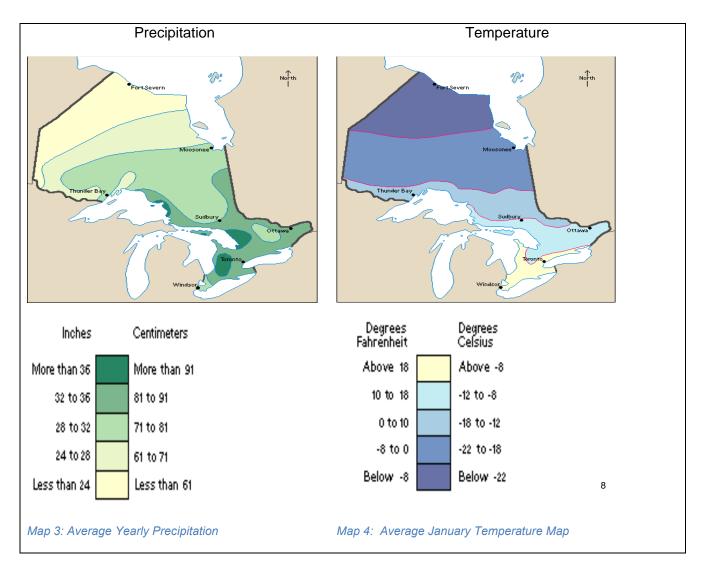
Map 2 Hydro One Forestry Zones

⁷ Hydro One 2009

CN Utility Consulting, Sebastopol, CA.

C3. WEATHER & STORM EVENTS

Given the vast territory of Ontario, different zones experience different weather and storm patterns and as a result different vegetation growing conditions and threats. Growing conditions are predominantly driven by precipitation and temperature. The following maps (Maps 3 and 4) provide details on yearly rainfall quantities and an example of temperature differences throughout Ontario using the month of January as an example.



Based on the above charts, growing conditions are most favourable in the south and least favourable in the north.

⁸ <u>http://www.worldbook.com/wb/Students?content_spotlight/climates/north_american_climate</u>

CN Utility Consulting, Sebastopol, CA.

Of arguably greater importance than growing conditions are the storm patterns that are common to Ontario. Ontario is prone to wind, snow, and ice storms that disturb vegetation and impact power line facilities. Examples from recent years include the summer storms of July and August 2006 and the winter storm that hit during the last days of 2008. This most recent example in 2008 (Photo 1), saw winds of over 100 kilometres an hour cause widespread vegetation damage that resulted in more than 20% of Hydro One's customers being without power.



December 28, 2008 — Hydro One crews have been battling a severe winter storm today, as winds of up to 100 km per hour topple hydro poles and road closures hamper assessment and restoration efforts. By 4 p.m. today, more than 230,000 customers were without power. Hydro One has mobilized resources from across the Company, as the storm has affected communities right across the province.

Photo 1⁹

The worst example of an ice event occurred in 1998, when Ontario experienced one the worst ice storms recorded in weather history.

Ice accumulations were estimated at over 100mm in some areas. Over 3 million hectares of forests and woodlots were damaged in eastern Ontario and southern Quebec. One of the hardest hit **areas** was that around Winchester, Ontario.¹⁰

Outages during winter events are often difficult to access and repair and they are more dangerous when temperatures plummet after the icing event, prolonging the storm and its damaging effects. A key reliability objective in Hydro One's UVM program is geared towards preventing outages from storm events:

*Vegetation is managed to protect against both falling trees and wind or snow induced line contact.***11**

⁹ <u>http://maplelakeontario.com/2009/01/06/power-is-back-on-for-most-in-southern-ontario-outage-map/</u>

¹⁰ "Post-Ice Storm Tree Damage In Four Eastern Ontario Woodlots" by Jennifer Kelly-Syrota, (2000) University of Toronto.

¹¹ Vegetation Management Benchmarking and Density/Cost Allocation Studies Prepared for: Hydro One Networks Inc. Stakeholder Consultation Meeting Notes. (April 2009)

APPENDIX D - SELECTING PEER UTILITIES (COMPARABILITY CRITERIA)

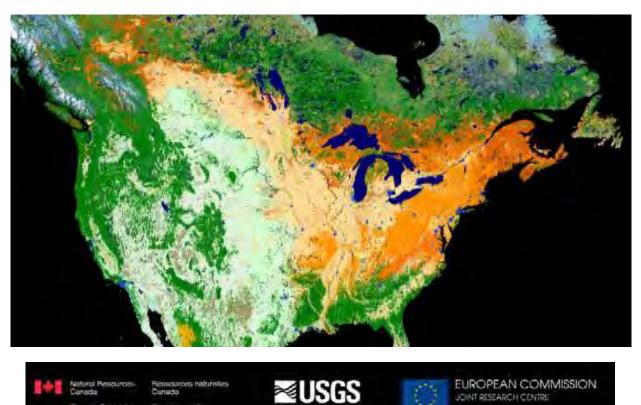
The selection of peer utilities to be included in the study was based on comparability criteria as follows:

- 1) Vegetation Cover & Density
- Weather Considerations (e.g. Vegetation Growth Considerations & Storm Paths &)
- 3) Distribution System Characteristics (i.e. Customer Density; Size of Service Territory; Percentage of Overhead Lines and Off-Road Lines)

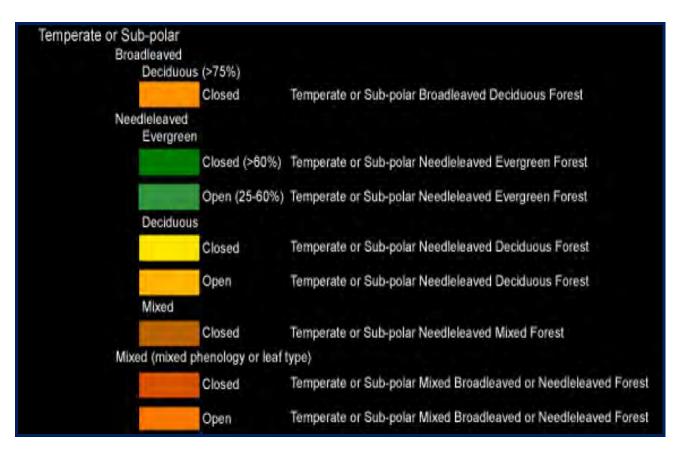
The following discusses the development of each of the comparability criteria.

D1. VEGETATION COVER & DENSITY

The following maps (Maps 5 and 6) illustrate various vegetation cover and density parameters that are important for comparability.



Map 5: USGS Forest Density & Type



Forest Legend for Map 5



Map 6: NASA Earth Observations Vegetation Index [NDVI] (1 month Terra/MODIS) June 1, 2009 00:00 - July 1, 2009 00:

Vegetation cover and density is of critical importance when benchmarking UVM programs as it is arguably the single biggest driver of costs. Hydro One has a very dense service territory with respect to trees and is among the top companies in the survey in this regard. The average density of trees per kilometre will affect the average cost per managed kilometre. Knowing the relative tree densities between companies will allow for more accurate comparisons with respect to efficiency measures associated with labour hours and costs.

Based on the above maps, the first comparability criterion used in the study was that peer utilities should be located in vegetation cover that is:

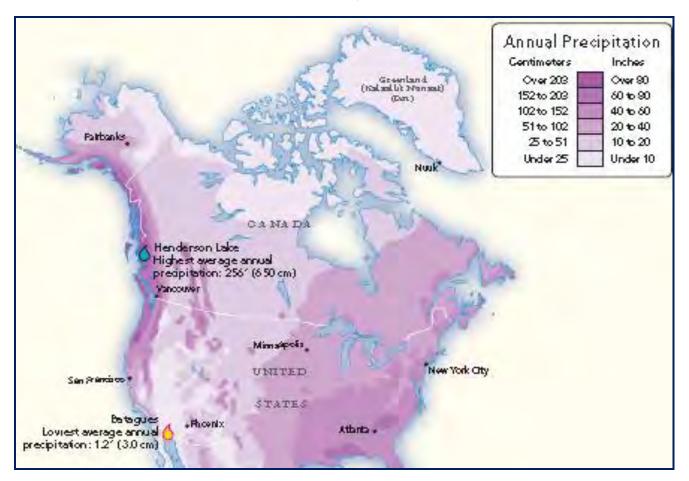
- Around Ontario
- Northeast or northwest North America
- The denser areas of the southern United States

The objective of the above criterion was to identify locations that are comparable although it is accepted that they will not necessarily be identical. Other factors such as type of terrain or specific vegetation will impact comparability and CNUC understands that these differences are very challenging to normalize for in practice. Hydro One's varied service territory, while not identical to all peer utilities in this study is comparable. For example, although Hydro One does not have the terrain of the mountains or the high precipitation of the northern pacific coastal areas, or the long growing seasons of southern US, it does have many areas impeded by water bodies, steep terrain, and very difficult temperature extremes that arborists must negotiate during much of the year. Despite these differences, the presence of common vegetation species and densities makes utilities comparable for the purposes of this study. (E.g. The spruce, pines, firs and aspens common to the conifer and mixed wood forests in Ontario are also the same genus found in the Rocky Mountains, the Sierras of the west coast states and the northern US states south of Lake Superior. The mixed wood forests and deciduous forests of eastern United States vary more in genus-species diversity, but the size and density of forests are comparable to those of southern and eastern Ontario.)

D2. WEATHER & STORM CHARACTERISTICS

Weather (i.e. precipitation and temperature) and storm characteristics (i.e. wind, ice, snow) of a utility's territory play a significant role in UVM programs as they impact the type and growth rate of vegetation and establish a need for storm hardening of a distribution system. As a result, it is necessary to consider weather and storm related criteria when assessing the comparability of utilities for UVM benchmarking purposes.For vegetation growth, precipitation and temperature are the key drivers.

In comparison to other regions of North America, Ontario has higher than the average precipitation, which stimulates vegetation growth. Typical ranges of precipitation in North

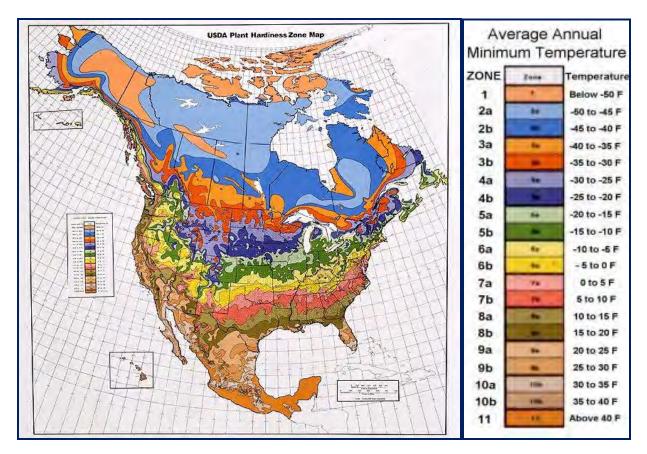


America typically vary from over 200 cm a year in northwestern parts of the continent, to less than 30 cm in parts of the southern US as depicted by the chart below (Map 7).

Map 7 North American Precipitation Map¹²

In terms of temperature, Ontario is colder than most other regions of North America and this factor results in a shorter growing season. This is illustrated in the map below (Map 8), which compares "Plant Hardiness" zones for North America on the basis of temperature.

¹² <u>http://maps.howstuffworks.com/north-america-annual-precipitation-map.htm</u>

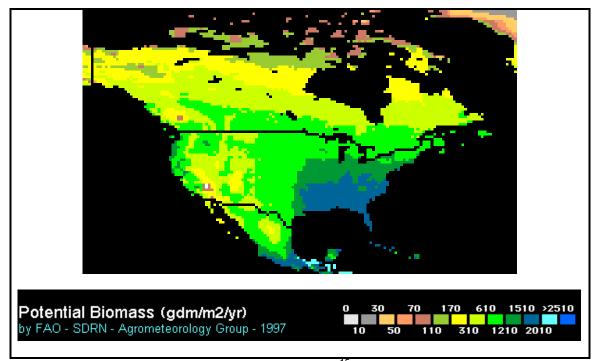


Map 8 North American Average Annual Minimum temperature¹³

Simplistically speaking, the combination of precipitation and temperature drive vegetation growing conditions. To examine the growing conditions of North America, the "Potential Biomass" for the continent can be examined. "Potential Biomass" is defined as the amount of plant biomass that can be accumulated in one year under the assumption of ideal conditions prevailing for photosynthesis (i.e. absorption of solar energy by plants and storage of the energy as plant material). The map given illustrates the output for Potential Biomass.¹⁴

¹³ http://www.usna.usda.gov/Hardzone/ushzmap.html

¹⁴ Lieth, H., 1972. "Modeling the primary productivity of the earth. Nature and resources", UNESCO, VIII, 2:5-10.



Map 9 North American Potential Annual Biomass Accumulations¹⁵

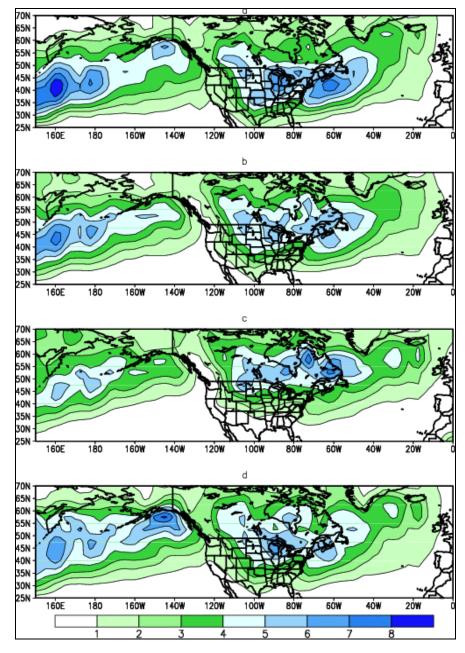
This illustration elegantly summarizes the maze of various factors associated with comparing vegetation workloads (i.e. precipitation, average minimum temperature, days of sunshine, soil characteristics, days of wind and wind velocity, age of forest and human activity). Although Ontario has a shorter growing season, and less rainfall than other regions in North America, the map shows that it has comparable growing conditions to many regions in North America. Based on it, the most comparable conditions for vegetation growth are the areas around Ontario and those, along the north central and northeastern parts of the United States.

Turning attention directly to storm activity, the following charts illustrate storm frequency and the common storm paths that occur in North America.

¹⁵Lieth, H., 1972. "Modeling the primary productivity of the earth. Nature and resources", UNESCO, VIII, 2:5-10.

Storm Track Climatology

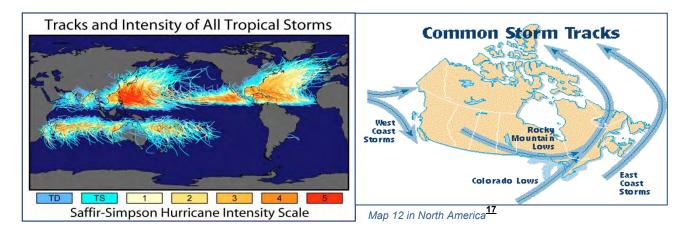
Average seasonal frequency of storms for (a) winter, (b) spring, (c) summer, and (d) fall. The frequencies are calculated from the 1950-2002 time period.



Map 10 North American Seasonal Storm Tracks

Image Courtesy of NOAA¹⁶NOAA/ National Weather Service National Centers for Environmental Prediction Climate Prediction Center

¹⁶ Earth Gauge <u>http://www.earthgauge.net/wp-content/CF_Storm%20Tracks.pdf</u>, National Environmental Education Program.



Map 11 Storm Tracks Worldwide

The above maps (Maps 11 and 12) illustrate that Ontario and the northcentral and northeastern US have a greater storm frequency that other parts of the continent. In terms of storm tracks, the east coast is impacted by events in the Atlantic Ocean and is routinely faced with wind events, particularly in the "Hurricane" season when tropical storms are common. The central part of the continent is typically impacted by one of either the Rocky Mountain Lows or the Colorado Lows. Ontario and in particular the central part of the Province is "fortunate" to be impacted by both of these storm tracks. The west coast is impacted by storms eminating from the Pacific Ocean and is also subject to tropical storms. When comparing utilities from a UVM perspective and assessing the need to "storm harden" a system, the most comparable utilities would lie in regions that are frequently impacted by storms.

Based on the above maps and discussion, the second comparability criterion used in the study was that peer utilities should be exposed to similar weather (i.e. vegetation growing conditions) and storm tracks. Preferred locations are:

- Around Ontario or;
- North central and Northeastern North America or;
- Western or Southern areas impacted by common storm tracks.

As stated earlier for other comparability criteria, the objective is to select utilities that are in locations that experience comparable weather conditions, although it is understood that the conditions will not be identical. In the case of storms, Ontario is in the centre of a high storm activity zone in the North America and it is also on the path of two major storm tracks, both of which are conditions not necessarily experienced by peer utilities.

¹⁷ PA Consulting "Hydro One Distribution Benchmarking Study " 2007

CN Utility Consulting, Sebastopol, CA.

D3. CUSTOMER DENSITY - RURAL ATTRIBUTES

The final comparability criterion was related to how rural a utility's service territory is as measured by customer density (i.e. number of customers per kilometre), Hydro One is unique in North America as it has a very low customer density throughout its extremely large service territory and its three forestry zones. The importance of this is that Hydro One UVM staff must travel many kilometres to manage vegetation, with fewer settlements, fewer roads and great accessibility challenges. The rural nature of the service territory necessitates Hydro One crews to travel greater distances between work areas as well as greater distances from their homes. Companies that are not rural in nature have sufficient kilometres of line in a geographic area to require full time crews that seldom travel and lodge away from home. In addition to the travel considerations, UVM programs in rural territorities are impacted by the fact that they are naturally vegetated as opposed to urban locals where overall vegetation density is controlled and reduced as a result roads, buildings, and other infrastructure that exists in more urban and populated areas.

Previous benchmarking studies (i.e. PA Consulting 2007) set a comparability criteria of 30 customers per kilometre. For this study, CNUC used the same customer density threshold (i.e. 30 customers per kilometre) as a criterion to guide utility selection for the purposes of "rural" comparability.

It should be noted that a number of other measurements can be used to assess the rural nature of a utility. Some of these include measures using the size of a utility's service territory, the percentage of underground lines, and the number of multi-circuit lines, to name a few. CNUC did collect information on these measures, and this information is contained in the first section in Appendix E.

Appendix E: Graphs and Chart Supplement

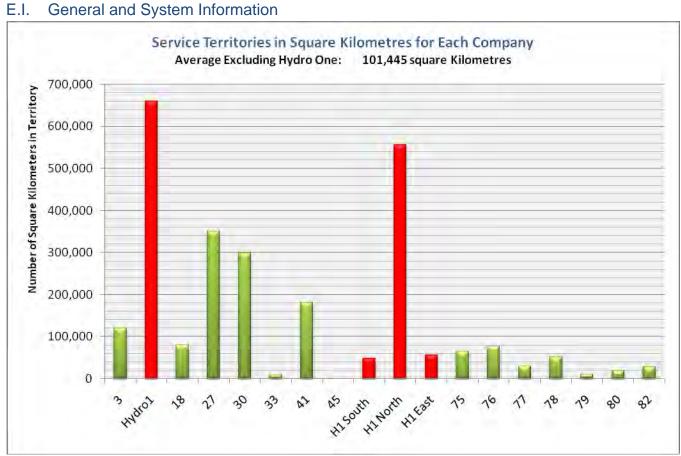


Figure 1: Service Territories for Each Company

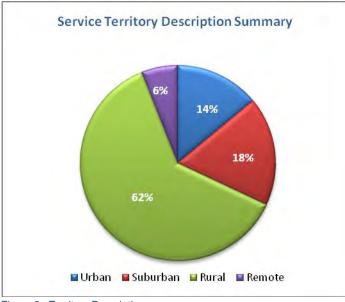
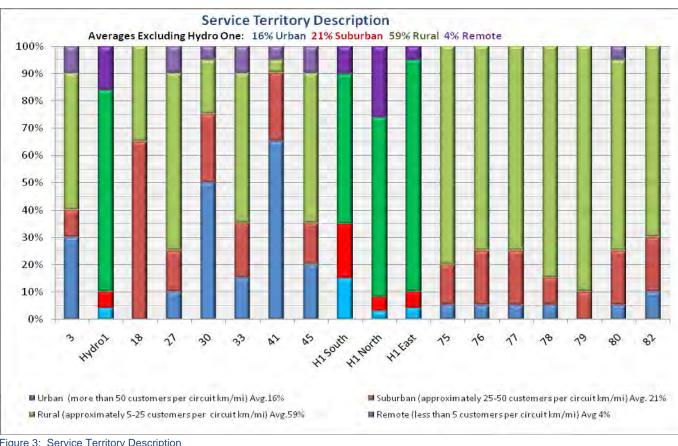


Figure 2: Territory Description



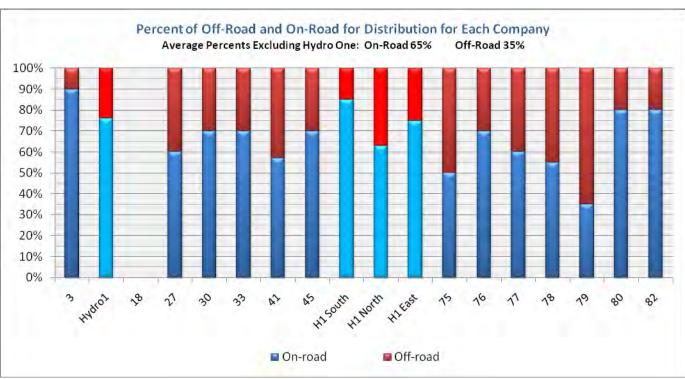


Figure 3: Service Territory Description

Figure 4: Percent of Off-Road and On-Road for Each Company

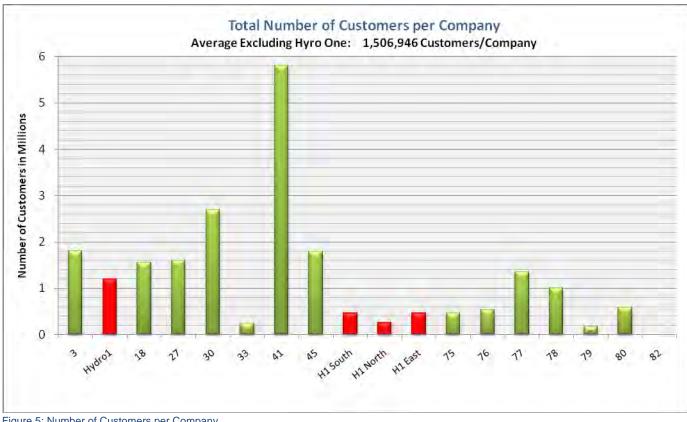


Figure 5: Number of Customers per Company

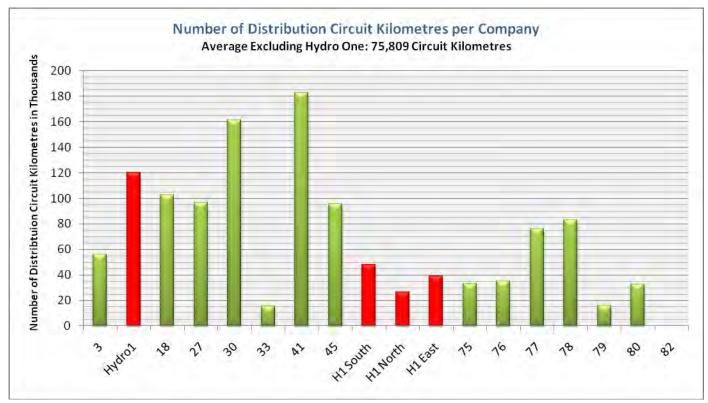


Figure 6: Number of Circuit Kilometres per Company

CN Utility Consulting, Sebastopol, CA.

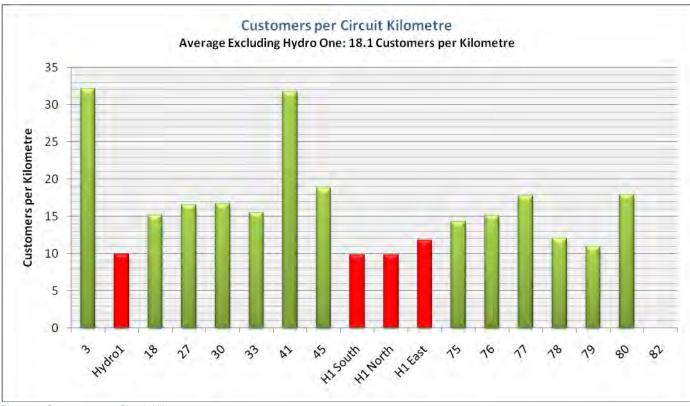


Figure 7: Customers per Circuit Kilometres

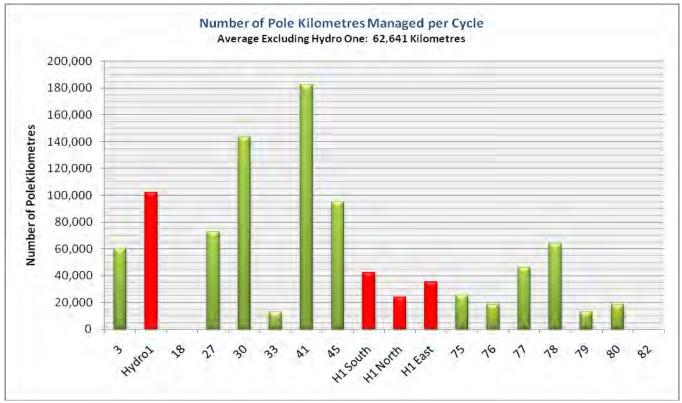
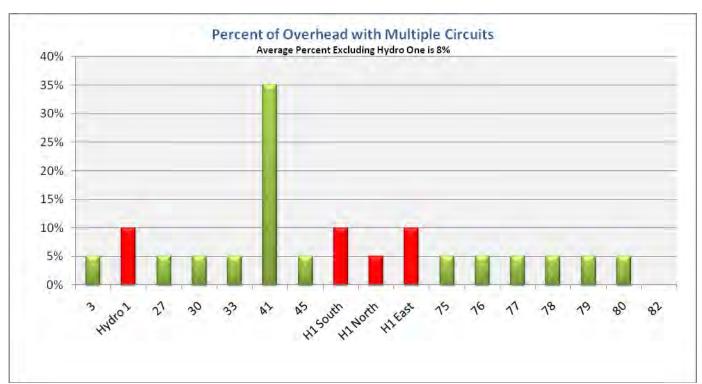


Figure 8: Number of Pole Kilometres Managed per Cycle





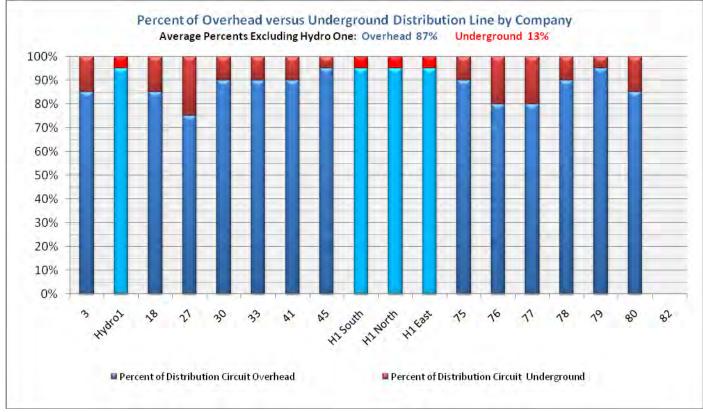


Figure 10: Percent of Overhead versus Underground Distribution Line by Company

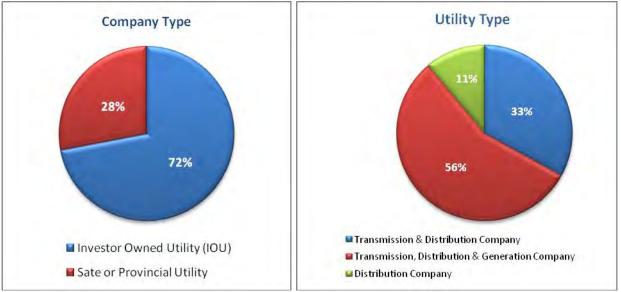
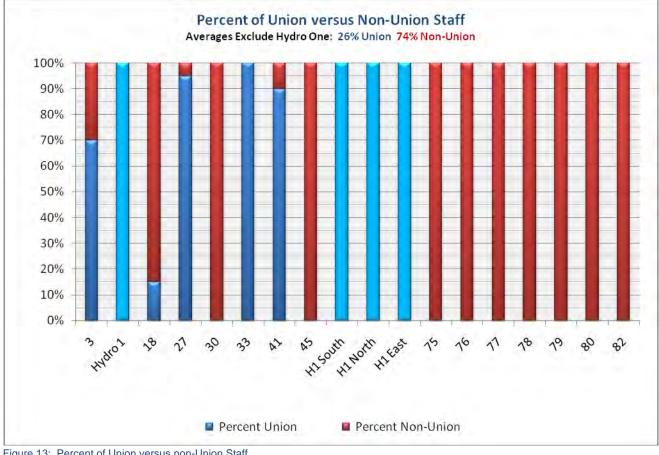




Figure 12: Utility Type



E.II. Efficiency and Productivity

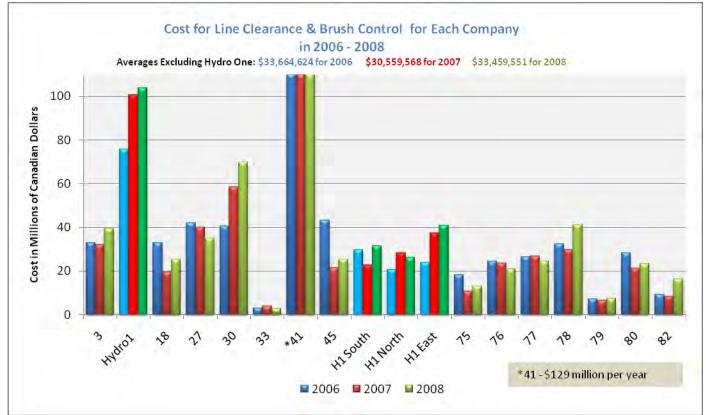


Figure 14: Cost for Line Clearance & Brush Control for Each Company

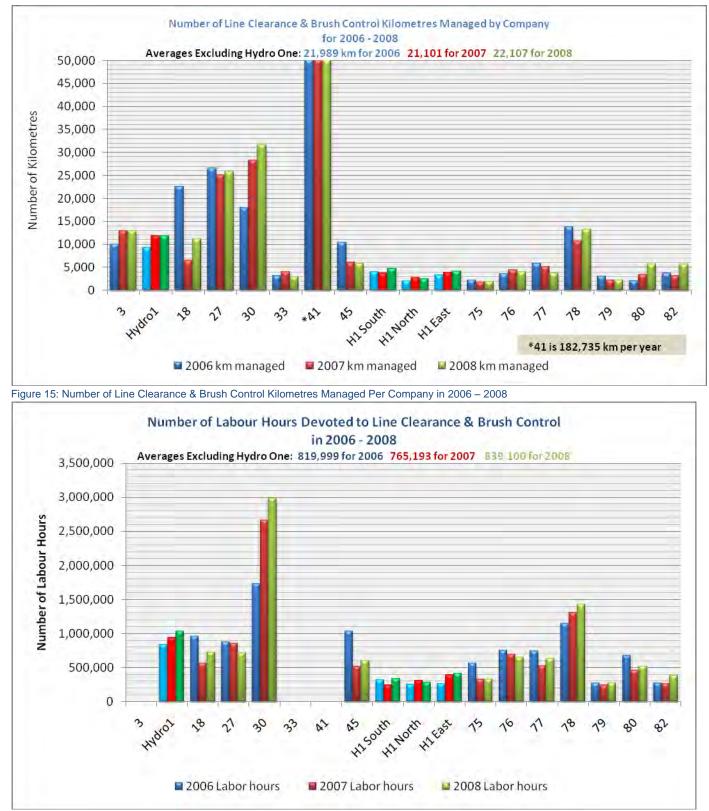


Figure 16: Number of Labour Hours Devoted to Line Clearance & Brush Control in 2006 - 2008

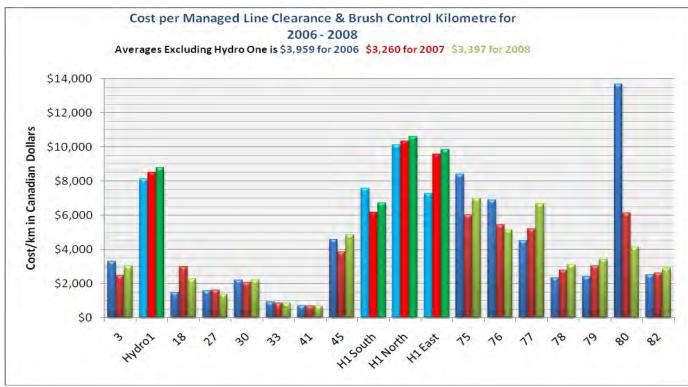


Figure 17: Cost per Managed Kilometre for Line Clearance & Brush Control in 2006 - 2008

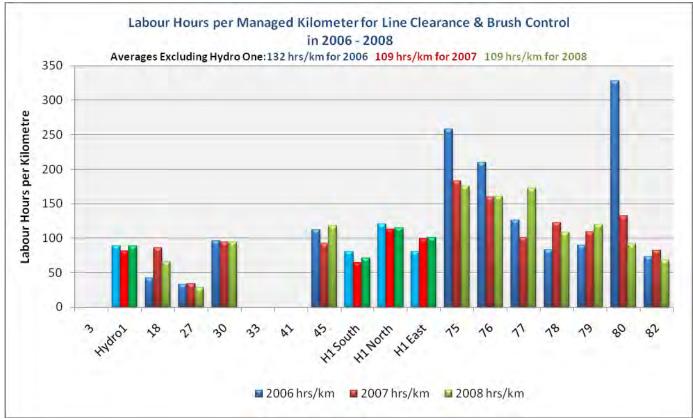
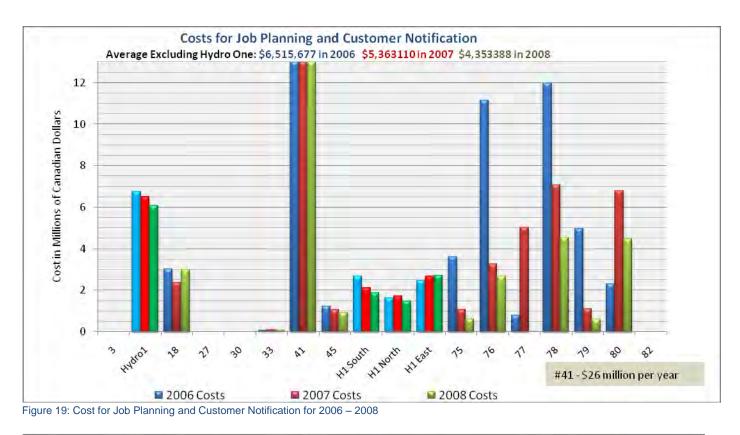


Figure 18: Labour Hours per Kilometre for Line Clearance & Brush Control in 2006 - 2008



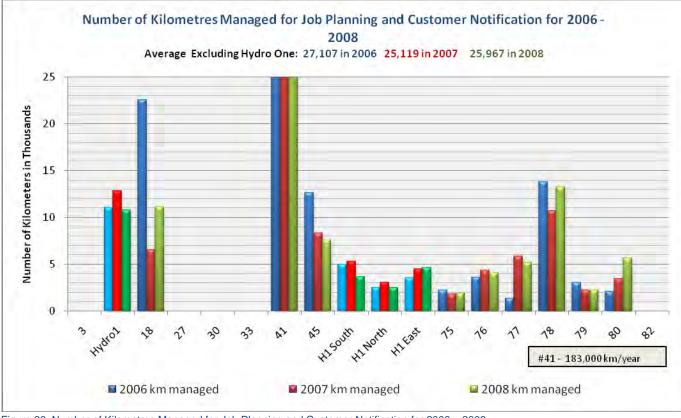
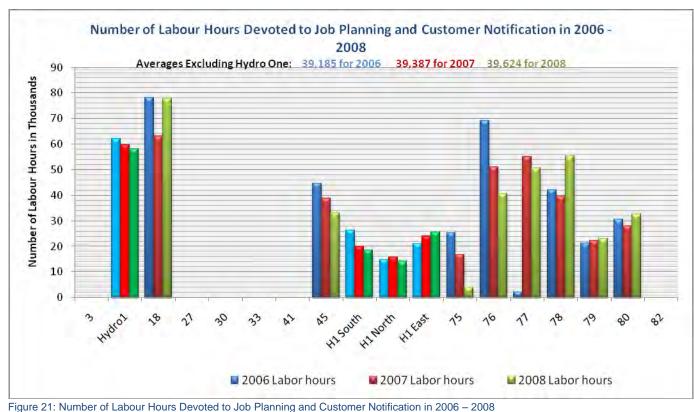
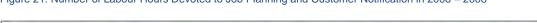


Figure 20: Number of Kilometres Managed for Job Planning and Customer Notification for 2006 – 2008 CN Utility Consulting, Sebastopol, CA.





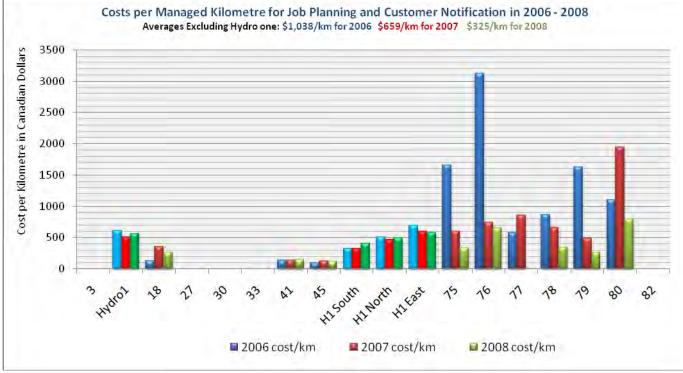


Figure 22: Cost per Managed Kilometre for Job Planning and Customer Notification in 2006 – 2008

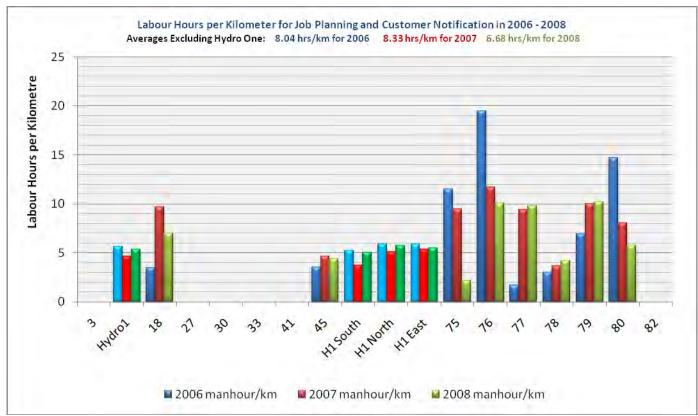


Figure 23: Labour Hours per Kilometre for Job Planning and Customer Notification in 2006 – 2008

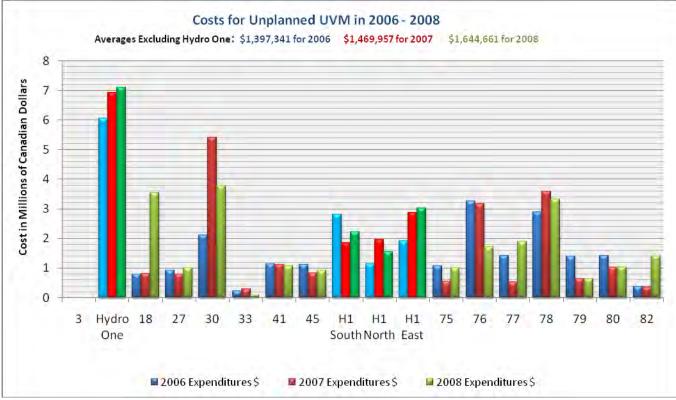


Figure 24: Cost for Unplanned UVM in 2006 – 2008 CN Utility Consulting, Sebastopol, CA.

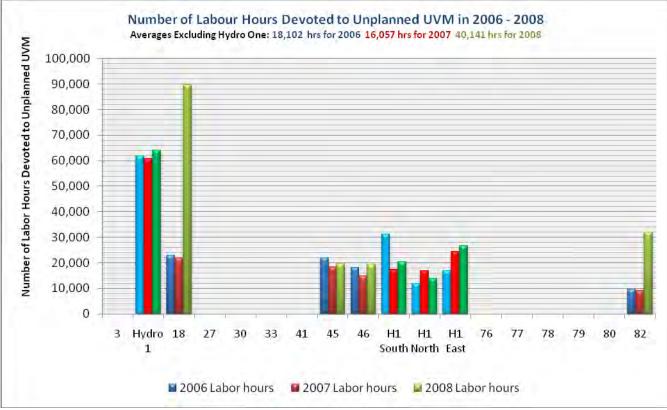
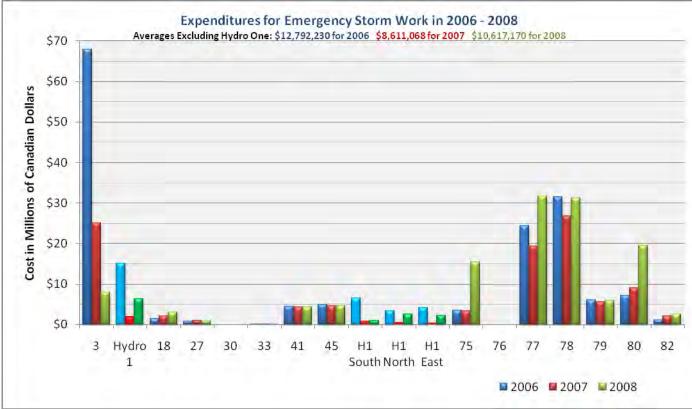


Figure 25: Number of Labour Hours Devoted to Unplanned UVM in 2006 - 2008



The CNUC June 2009 Hydro One Benchmark Survey Results and Analysis

Figure 26: Cost for Emergency Storm Work 2006 – 2008

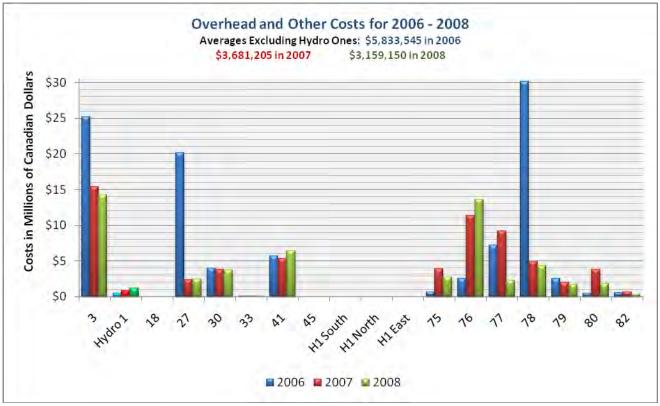


Figure 27: Overhead and Other Costs for 2006 - 2008 CN Utility Consulting, Sebastopol, CA.

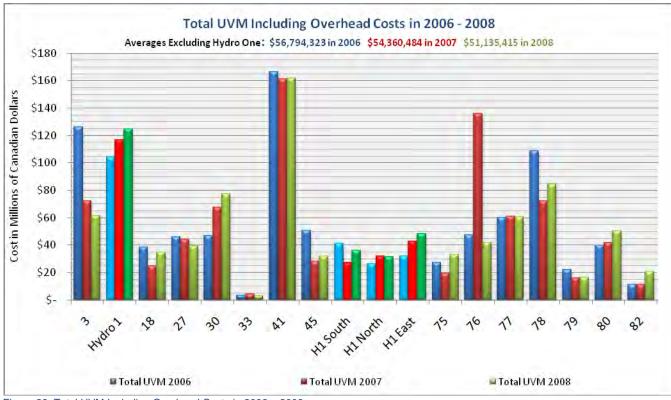


Figure 28: Total UVM Including Overhead Costs in 2006 – 2008

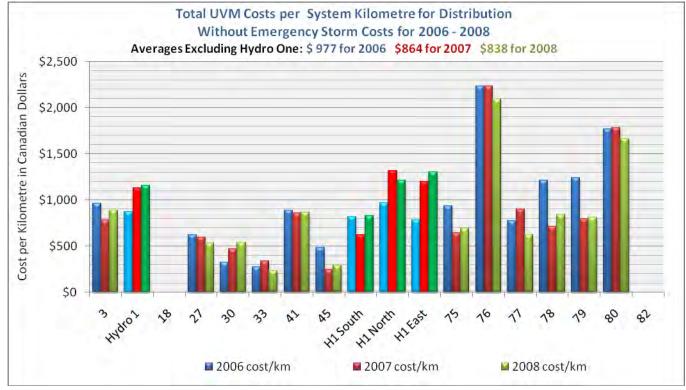


Figure 29: Total UVM Costs per Kilometre Without Emergency Storm Costs in 2006 - 2008

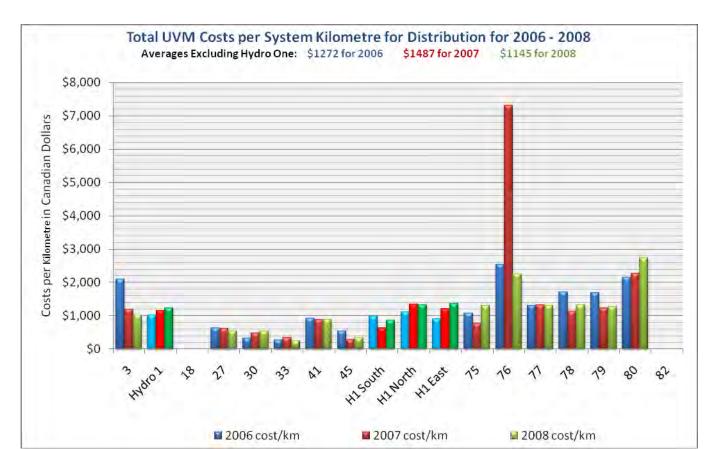


Figure 30: Total UVM Costs per Kilometre With Emergency Storm Costs 2006 - 2008

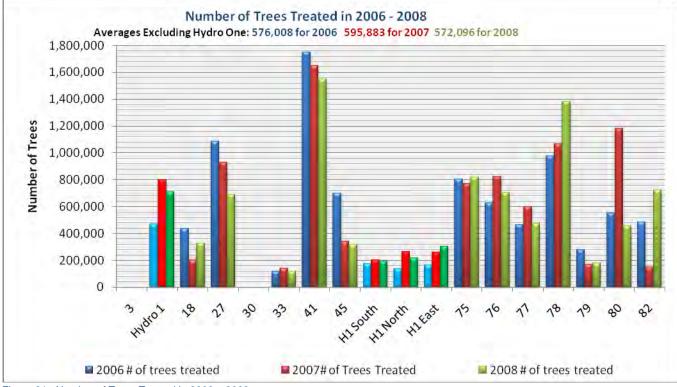


Figure 31: Number of Trees Treated in 2006 – 2008 CN Utility Consulting, Sebastopol, CA.

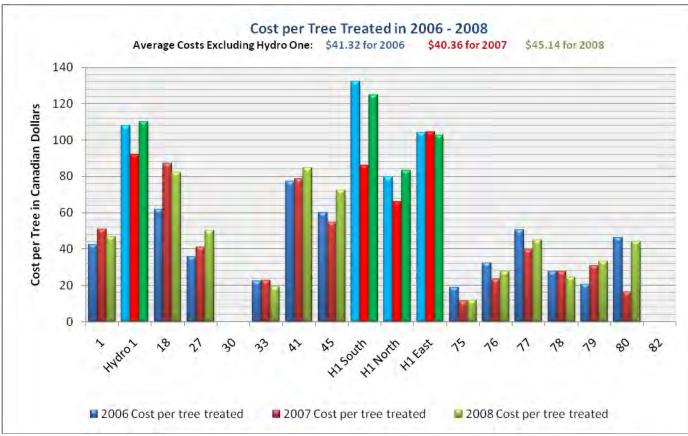


Figure 32: Cost per Tree Treated in 2006 - 2008

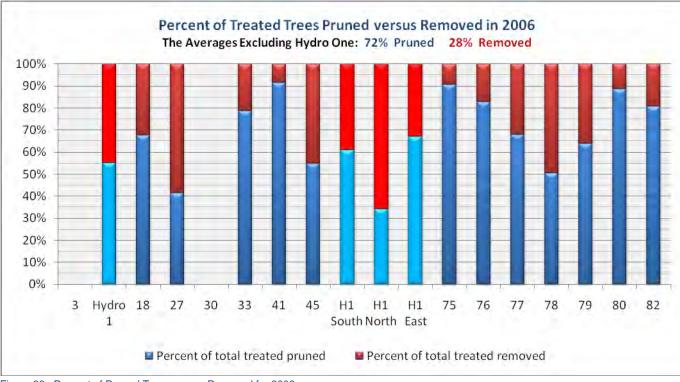


Figure 33: Percent of Pruned Trees versus Removed for 2006 CN Utility Consulting, Sebastopol, CA.

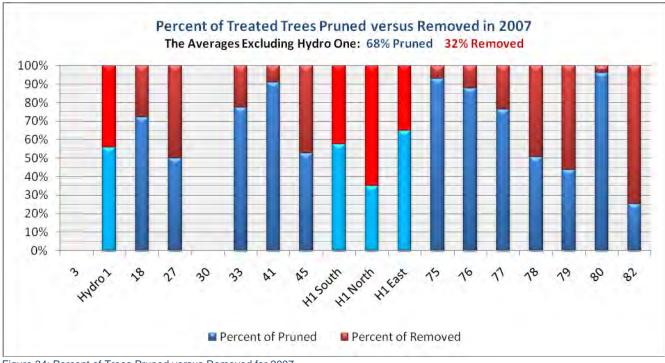


Figure 34: Percent of Trees Pruned versus Removed for 2007

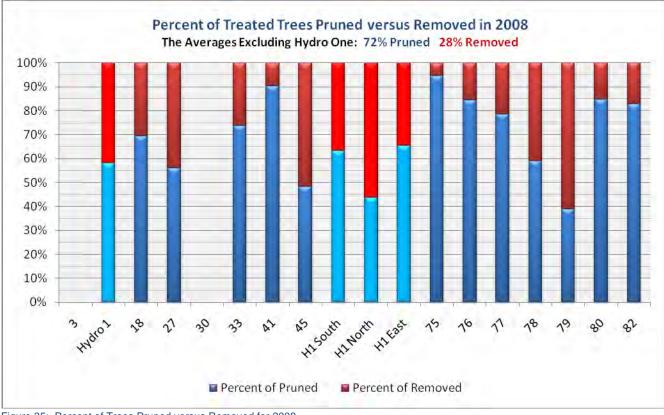


Figure 35: Percent of Trees Pruned versus Removed for 2008 CN Utility Consulting, Sebastopol, CA.



E.III. Operational Attributes

Figure 36: Number of Trees Managed in Service Territory

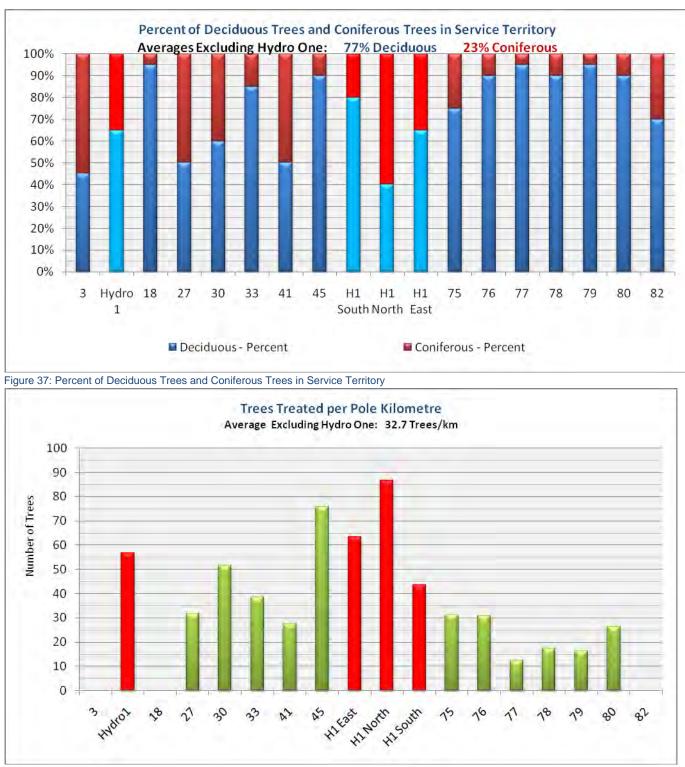


Figure 38: Trees treated Per Pole Kilometre

E.IV. Safety

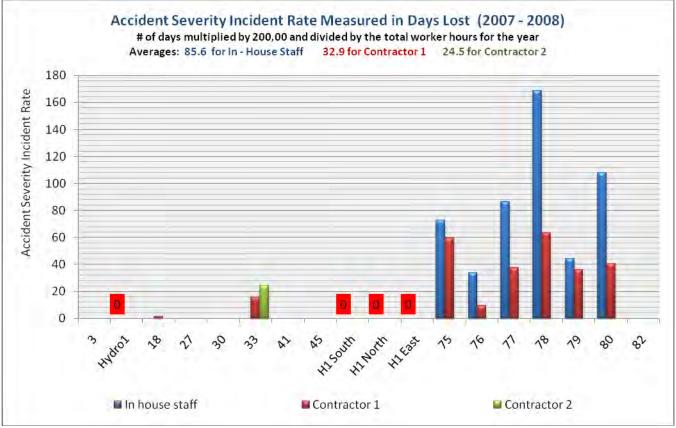


Figure 39: Accident Severity Rate for 2007-2008



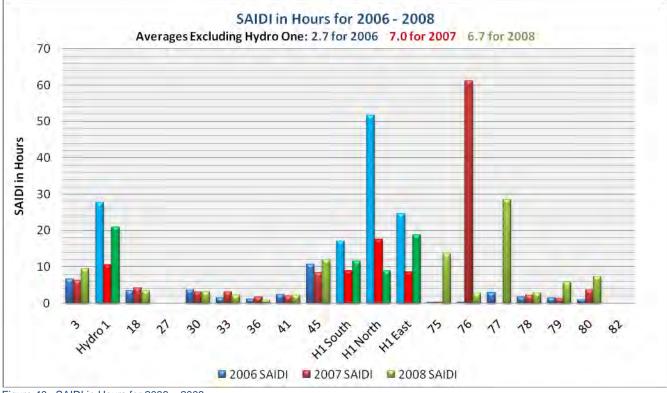
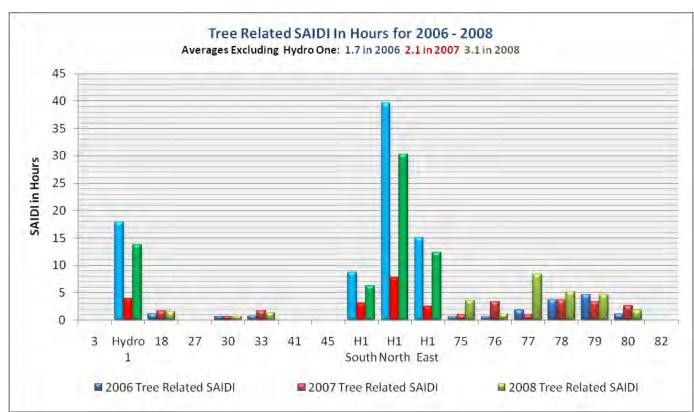


Figure 40: SAIDI in Hours for 2006 – 2008





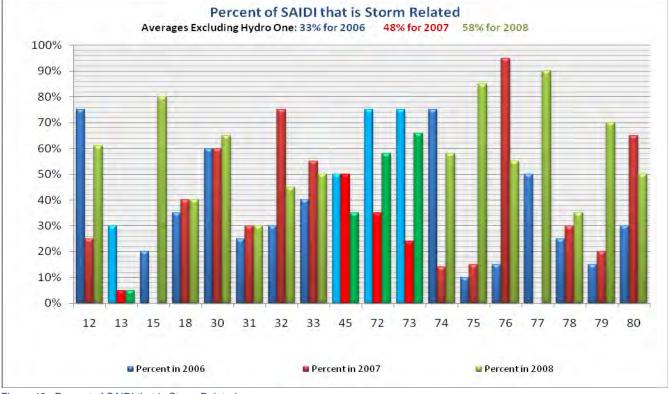
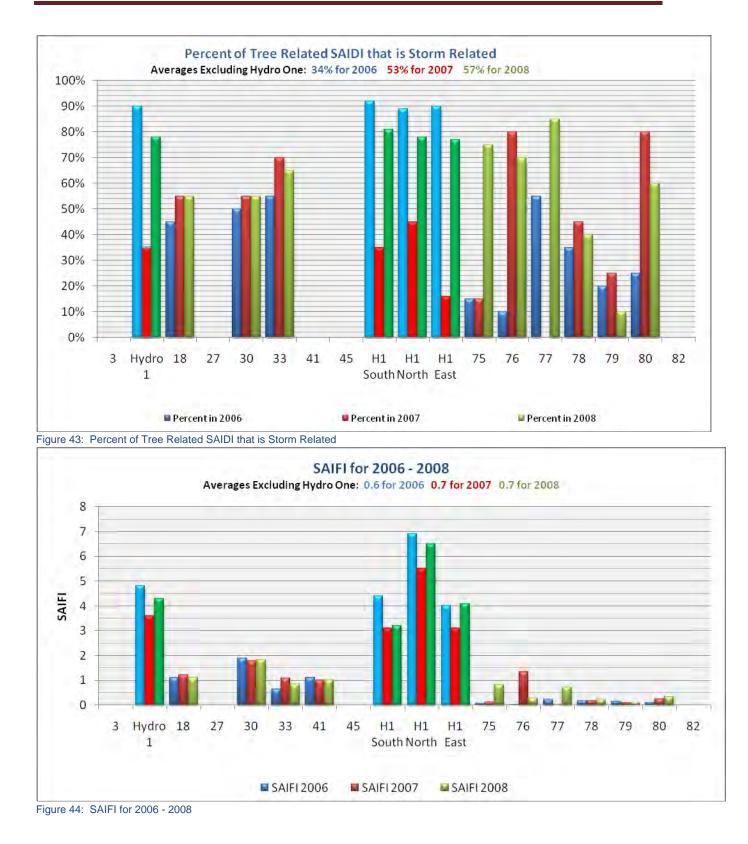
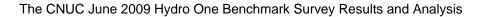


Figure 42: Percent of SAIDI that is Storm Related





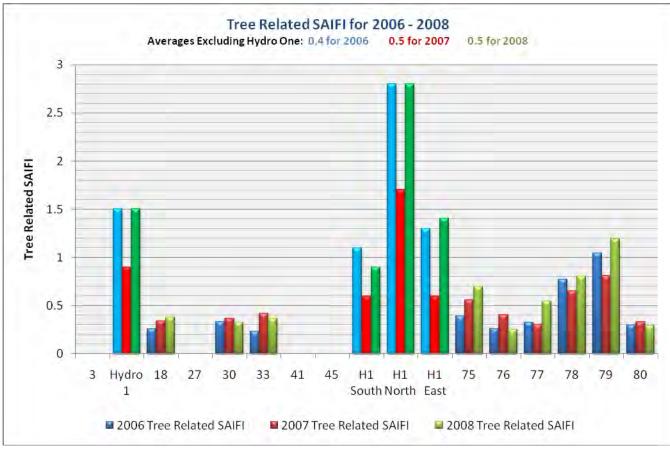
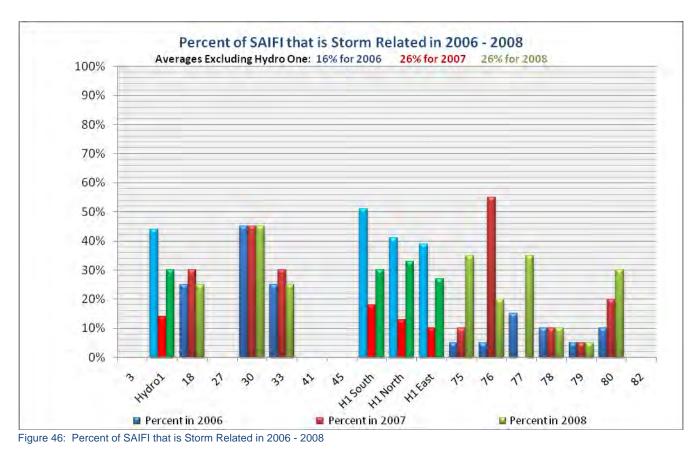
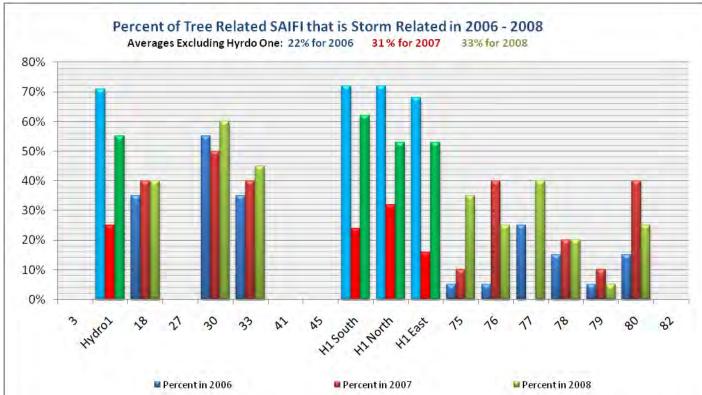


Figure 45: Tree Related SAIFI for 2006 – 2008





The CNUC June 2009 Hydro One Benchmark Survey Results and Analysis

Figure 47: Percent of Tree Related SAIFI that is Storm Related in 2006 - 2008 CN Utility Consulting, Sebastopol, CA.

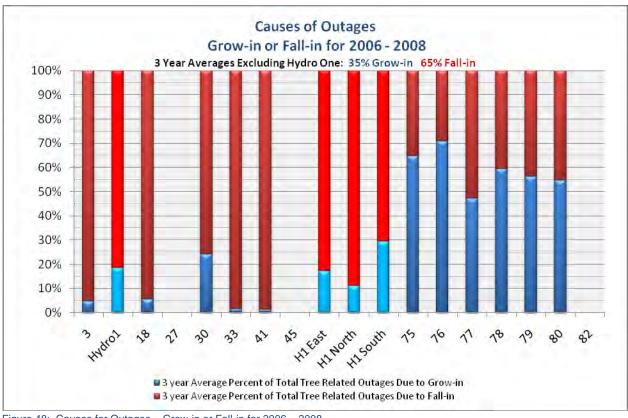


Figure 48: Causes for Outages - Grow-in or Fall-in for 2006 - 2008

Filed: 2014-07-04 EB-2013-0416 Exhibit I Tab 2.06 Schedule 1 Staff 35 Page 1 of 3

1		Ontario Energy Board (Board Staff) INTERROGATORY #35
2 3 4 5 6	Issue 2	2.6 Are Hydro One's forecasts (revenue, costs, inflation and productivity) reasonable? Should Hydro One be expected to provide benchmarking evidence as an indicator of reasonableness?
7	Interr	ogatory
8 9	Ref: E	Exhibit A/Tab16/Schedule 1/p. 2-3
10		
11	On pag	ge 2 on this exhibit, Hydro One shows the Distribution Cost Escalation for both
12	Constr	ruction and Operations & Maintenance (by Global Insight) which is used as a
13	planni	ng tool to predict expenditure level changes for distribution materials and services.
14	Histor	ical and Future years are shown in Table 1. CPI is shown in Table 2 on page 3.
15		
16	a)	Please provide evidence showing the accuracy of the Global Insight forecast
17		compared to actual results over the past 5 years for both Table 1 categories and
18		the CPI forecast found in Table 2.
19	1 \	
20	b)	
21		provided a 2 year forecast is now being used for a 5 year application. Has there
22		been any forecast methodology changes to reflect a longer forecast period for this
23		application? Has Hydro One or GI made adjustments for the potential greater margin of error?
24 25		
23 26	c)	The Board's policy approach to setting the inflation factor for incentive rate
20	0)	setting is set out in its EB-2010-0379 Report of the Board on Rate Setting
28		Parameters and Benchmarking under the Renewed Regulatory Framework for
29		Ontario's Electricity Distributors that was issued on November 21, 2013 and
30		corrected on December 4, 2013. A summary of the annual growth of the inflation
31		factor since 2003 is provided in Appendix B to that report. The Board has not
32		provided a forecast for the inflation factor; however, please compare Hydro One's
33		approach to estimating inflation over the 2014 to 2019 period with the Board's
34		approach and explain any differences. What circumstances – including those
35		unique to Hydro One, if any - support Hydro One's proposed approach where it
36		differs from the Board's approach to estimating inflation for the purposes of
37		incentive regulation rate setting?
38		

39

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1 **Response**

- 2 3
- a) The requested information is provided below:
- 4

IHSI	IHS Distribution Cost Escalation for Construction Forecast Accuracy											
(Percent change	from a	year ago)									
Forecast Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
January 2009	-1.9	-0.6	1.2	2.0	2.5	2.5						
January 2010		0.0	1.5	2.1	2.6	2.7	2.5					
January 2011			2.8	2.4	2.1	2.7	2.8	2.9				
January 2012				2.8	2.4	2.7	2.9	2.7	2.9			
January 2013					2.4	2.3	1.8	2.1	2.7	3.3		
January 2014						1.6	2.2	2.1	2.3	3.2	3.5	
Actual	1.3	3.2	4.4	3.0	3.4							

5 6

IHS Distribution Cost Escalation for Operation & Maintenance Forecast Accuracy											
(Percent change	from a	year ago)								
Forecast Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
January 2009	-3.3	0.1	2.6	2.2	2.2	1.9					
January 2010		1.3	2.3	2.4	2.3	2.1	2.2				
January 2011			1.6	2.3	2.1	2.2	2.5	2.1			
January 2012				1.9	2.0	2.3	2.6	2.1	1.4		
January 2013					0.7	1.5	2.0	2.5	2.3	1.9	
January 2014						1.3	1.9	2.1	2.0	2.0	1.9
Actual	-0.6	2.4	5.2	2.4	1.3						

7 8

	IHS Ontario CPI Forecast Accuracy											
(Percent change	from a	year ago)									
Forecast Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
January 2009	0.6	2.1	2.1	1.9	2.0	2.0						
January 2010		1.7	2.1	2.0	2.1	2.0	2.1					
January 2011			2.1	2.1	2.1	2.0	2.0	2.0				
January 2012				2.0	2.1	2.0	2.0	2.0	2.0			
January 2013					0.9	1.9	2.0	2.0	2.0	2.0		
January 2014						1.7	1.7	2.0	1.9	2.0	2.1	
Actual	0.4	2.4	3.1	1.4	1.1							

9 10

b) There have not been any methodology changes or adjustments made by Hydro One
 or GI to reflect a longer forecast period.

13

c) In EB-2010-0379, the Board adopts a 2-Factor Implicit Price Index (IPI)
 methodology to track inflation using Canadian GDP-IPI (FDD) and average weekly

Filed: 2014-07-04 EB-2013-0416 Exhibit I Tab 2.06 Schedule 1 Staff 35 Page 3 of 3

earnings in Ontario. However, as stated, the Board does not provide a forecast for
 inflation over the 2014-2019 period.

- Hydro One uses actual and forecasted Ontario CPI prepared by Global Insight. GI
 forecasts the Canadian consumer price inflation (CPI) based on other forecasting
 variables including core inflation, energy and food price deflators, and Bank of
 Canada's monetary policy. Then a top to bottom approach is used to forecast
 provincial total CPI growth. The national CPI forecast is dispersed among each
 province's goods-basket weight. Ontario's CPI basket weight is the biggest among all
 provinces and it is a residual in the provincial model.
- As shown in the table below, the average inflation between 2006 and 2012 calculated by the Board has been very similar to the average Ontario CPI from Global Insight.
- 14

3

	EB-2010-0379			Global I	nsight
Year	Inflation 3 Year (Annual Moving Growth) Average			Ontario CPI (Annual Growth)	3 Year Moving Average
2006	2.1%			1.8%	_
2007	2.7%			1.8%	
2008	2.4%	2.4%		2.3%	2.0%
2009	1.4%	2.2%		0.4%	1.5%
2010	2.1%	2.0%		2.4%	1.7%
2011	2.0%	1.8%		3.1%	2.0%
2012	1.6%	1.9%		1.4%	2.3%
Average 2006-					
2012	2.0%	2.0%		1.9%	1.9%

15

Filed: 2014-07-04 EB-2013-0416 Exhibit I Tab 2.06 Schedule 1 Staff 36 Page 1 of 1

1	<u>Ontario Energy Board (Board Staff) INTERROGATORY #36</u>
2 3 4 5 6	Issue 2.6 Are Hydro One's forecasts (revenue, costs, inflation and productivity) reasonable? Should Hydro One be expected to provide benchmarking evidence as an indicator of reasonableness?
7	Interrogatory
8 9 10	Ref: Exhibit A/Tab16/Schedule 1/p. 1
11 12 13 14 15	Hydro One indicates that the Construction and Operations & Maintenance forecast uses a basket of goods comprised of various types of equipment and labour, such as: Operation; Supervision and Engineering; Load Dispatching; Station Expenses; Lines; Meters; Customer Installations; Maintenance; Structures; Station Equipment; Overhead Lines; Underground Lines; Line Transformers; and Miscellaneous.
16 17 18	a) How does this specific basket of items used in the Global Insight forecast compare to Hydro One costs?
19 20 21	b) What are the weights for each element in the forecast and how closely do Hydro One's costs match these weightings?
22 23 24	<u>Response</u>
25 26 27 28 29 30	Hydro One has filed the attached Interrogatory request pursuant to the Board's Practice Direction on Confidential Filing. Hydro One's Disclosure Policy, as well as applicable securities legislation, prohibits the release of non-public, financial information on a selective basis to individuals or groups of individuals. Hydro One is prepared to share a copy of the confidential filing with intervenors who sign the Board's confidential undertaking form.
31 32 33 34	a) Please see the response in part b) below for a listing of categories in Global Insight's forecast and Hydro One's costs.
35 36	b) The requested information is Filed in Confidence as Attachment 1. Based on this mapping, weightings for major components are consistently in the same range.

Filed: 2014-07-04 EB-2013-0416 Exhibit I-2.6-1 Staff 36 Attachment 1 Page 1 of 3

	nsight: Total Distribution Plant: @NOC (North Central Region)	Hydro One: USofA Assets				
Weight	Category	Cost % (2015 Forecast)	Category			
	Station Equipment:	0.082	Transformer Station Equipment Normally Primary above 50 kV			
	JUEPDST@NOC	0.082	Distribution Station Equipment Normally Primary below 50 kV			
	Poles; Towers; & Fixtures: JUEPDPT&F@NOC	0.327	Poles, Towers and Fixtures			
	Overhead Conductors & Devices: JUEPDCN&DO@NOC	0.201	Overhead Conductors and Devices			
	Underground Conduit: JUEPDCNU@NOC	0.003	Underground Conduit			
	Undgr. Cond. & Dev. in Conduit: JUEPDCN&DU@NOC	0.047	Underground Conductors and Devices			
	Line Transformers: JUEPDTRL@NOC	0.212	Line Transformers			
	Services-Overhead: JUEPDSVO@NOC	0.070	Services			
	Services-Underground: JUEPDSVU@NOC	0.070				
	Meters Installed: JUEPDMTI@NOC	0.058	Meters			
	Street Lighting-Overhead: JUEPDLISO@NOC					

1 Distribution Cost Escalation for Construction

2 3 4

	isight: Total Operation and intenance: JEDOMMS		Hydro One: USofA O&M
Veight	Category	Cost % (2015 Forecast)	Category
	Supervision and Eng. 580: JS&EMS	0.010	Operation Supervision and Engineering
	Load Dispatching 581: JED581MS	0.002	Load Dispatching
			Transformer Station Equipment - Operation Labour
	Station Expenses 582:	0.022	Transformer Station Equipment - Operation Supplies and Expenses
	JED582MS	0.032	Distribution Station Equipment - Operation Labour
			Distribution Station Equipment - Operation Supplies and Expenses
			Overhead Distribution Lines and Feeder - Operation Labour
			Overhead Distribution Lines & Feeders - Operation Supplies and Expenses
			Overhead Subtransmission Feeders - Operation
		0.054	Overhead Distribution Transformers- Operation
	Lines 583&4: JED583&4MS	0.054	Underground Distribution Lines and Feeders - Operation Labour
			Underground Distribution Lines & Feeders - Operation Supplies & Expense
			Underground Subtransmission Feeders - Operation
			Underground Distribution Transformers - Operation
	Street Lighting & Signals 585: JED585MS		
	Meters 586: JED586MS	0.050	Meter Expense
	Customer Installations 587: JED587MS	0.084	Customer Premises - Operation Labour Customer Premises - Materials and Expenses

1 Distribution Cost Escalation for Operations & Maintenance

2

Weight	Category	Cost % (2015 Forecast)	Category
	Miscellaneous 588: JED588MS	0.069	Miscellaneous Distribution Expense
			Underground Distribution Lines and Feeders - Rental Paid
	Rents 589: JRENT	0.000	Overhead Distribution Lines and Feeders - Rental Paid
		· · · · · ·	Other Rent
	Supervision and Eng. 590: JS&EMS	0.034	Maintenance Supervision and Engineering
	1. J. 1. J. 1.		Maintenance of Buildings and Fixtures - Distribution Stations
	Structures 591: JED591MS	0.070	Maintenance of Poles, Towers and Fixtures
			Maintenance of Transformer Station Equipment
	Station Equipment 592: JED592MS	0.049	Maintenance of Distribution Station Equipment
			Maintenance of Overhead Conductors and Devices
	Sector Sector		Maintenance of Overhead Services
	Overhead Lines 593: JED593MS	0.534	Overhead Distribution Lines and Feeders - Right of Way
			Maintenance of Underground Conduit
	Underground Lines 594:		Maintenance of Underground Conductors and Devices
	JED594MS	0.004	Maintenance of Underground Services
	Line Transformers 595: JED595MS	0.008	Maintenance of Line Transformers
	Street Lighting & Signals 596: JED596MS	ł	
	Meters 597: JED597MS	0.000	Maintenance of Meters
	Miscellaneous 598: JED598MS		

Filed: 2014-07-04 EB-2013-0416 Exhibit I Tab 2.06 Schedule 1 Staff 37 Page 1 of 1

1		Ontario Energy Board (Board Staff) INTERROGATORY #37
2 3 4 5 6	Iss	ue 2.6 Are Hydro One's forecasts (revenue, costs, inflation and productivity) reasonable? Should Hydro One be expected to provide benchmarking evidence as an indicator of reasonableness?
7	Int	errogatory
8 9	Re	f: Exhibit A/Tab16/Schedule 1/p. 5
10 11 12 13	cor	dro One indicates that planned salary increases for Society and PWU staff are sistent with ratified collective agreement over the length of the agreement. Years owing the effective collective agreement are assumed to be 2% net annual increase.
14 15 16		a) What percentage of Hydro One's total wage/salary bill is paid to members represented by the Society/PWU?
17 18 19		b) How long are these collective agreements in place? When do they expire?
20 21 22		c) On what basis does Hydro One predict the 2% increase for the years after the current agreements have expired?
23	Re	sponse
24 25 26 27	a)	PWU and the Society compensation represent approximately 59% and 19% of total compensation respectively.
28 29 30	b)	The current PWU collective agreement commenced April 1, 2013 and expires March 31 st , 2015. The Society's collective agreement commenced April 1, 2013 and expires March 31 st . 2016.
31323334	c)	In the absence of knowing any future wage escalation for represented employees, the projected 2% escalation for future years is based on the CPI assumption in our overall business plan.

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1	<u>Sustaina</u>	ible Infrastructure Alliance of Ontario (SIA) INTERROGATORY #21
2		
3	Issue 2.6	Are Hydro One's forecasts (revenue, costs, inflation and productivity)
4		reasonable? Should Hydro One be expected to provide benchmarking
5		evidence as an indicator of reasonableness?
6		
7	Interrogator	<u>2</u>
8	DÊ	
9	Reference:	Exhibit E1, Tab 1, Schedule 2
10 11 12	1	n why revenue from Account Set Up charges is expected to drop nearly in test year period (from S3.7M to S1.9M), given that volumes are expected to
13		stable over the same period (~125,000 per year) and the rate being charged
14	•	p remain unchanged.
15		
16	<u>Response</u>	
17		
18	The forecast	revenue was calculated incorrectly. The correct amount should be \$3.7M for

19 each of the test years. The correct amount will be incorporated into the determination of

final rates as part of the preparation of the draft rate order which will reflect all decisions

of the Board regarding this application.

Filed: 2014-07-04 EB-2013-0416 Exhibit I Tab 2.06 Schedule 6 VECC 49 Page 1 of 1

Issue 2.6	Are H reasor	<u>ergy Consumers Co</u> ydro One's forecas able? Should Hyd ace as an indicator (sts (revenue, co ro One be expe	sts, inflatior	n and p	oroductivity)
<u>Interroga</u>	<u>tory</u>					
Reference	e: C1/T2	/S7/pg. 4				
a) Please Consu	-	the benchmarking	review study	completed	by T	PI Sourcing
	provide a l ne past 5 ye	list of all other benc ars.	chmarking studi	es commissi	oned by	y Hydro One
<u>Response</u>						
a) Please	refer to Hy	dro One's response	to Exhibit I, Tal	o 4.2, Schedu	ule 1 St	aff 63.
b) See th	e table belo	W.				
	Year		Name			
	2009	Vegetation Manag	ement Benchma	rk		

Year	Name					
2009	Vegetation Management Benchmark (CN Utility Consulting)					
2011	Compensation Cost Benchmark (updated in 2013) Mercer)					
2011	HOT Contract Benchmark (Shpigler)					
2013	Benchmarking Study 2013 Report Hydro One Networks/Inergi Agreement (ISG)					

Filed: 2014-07-04 EB-2013-0416 Exhibit I Tab 2.06 Schedule 9 SEC 8 Page 1 of 2

1		School Energy Coalition (SEC) INTERROGATORY #8
2 3 4 5 6	Iss	ue 2.6 Are Hydro One's forecasts (revenue, costs, inflation and productivity) reasonable? Should Hydro One be expected to provide benchmarking evidence as an indicator of reasonableness?
7 8	Int	errogatory
9 10	Re	ference: Exhibit A/Tab 16/Schedule 1
11 12 13		th respect to the cost escalation, inflation and exchange rate information underpinning Custom Application:
14 15 16 17 18		(a) Please provide a copy of the January 2013 Global Insight forecast.(b) Please explain why the Applicant is using January 2013 data for its economic indicators underpinning this application and not more recent information.(c) Please provide the latest Global Insight forecast.
19 20	<u>Re</u>	sponse
 21 22 23 24 25 26 27 28 		Hydro One has filed the attached Interrogatory request pursuant to the Board's Practice Direction on Confidential Filing. Hydro One's Disclosure Policy, as well as applicable securities legislation, prohibits the release of non-public, financial information on a selective basis to individuals or groups of individuals. Hydro One is prepared to share a copy of the confidential filing with intervenors who sign the Board's confidential undertaking form.
 29 30 31 32 33 34 	a)	The requested information is provided as Attachment 1 (Cost escalator forecast released by Global Insight in January 2013) and Attachment 2 (inflation and exchange rate forecast released by Global Insight in February 2013). For Attachment 1, please see Table A11 for the Distribution Construction cost escalator forecast and Table A24 for the Distribution Operations and Maintenance cost escalator forecast.
35 36 37	b)	January 2013 data was used as part of a package of information prepared at the beginning of the business planning process to support this rate application.

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c) The requested information is provided as Attachment 3 (Cost escalator forecast
 released by Global Insight in May 2014) and Attachment 4 (inflation and exchange

- ³ rate forecast released by Global Insight in June 2014). For Attachment 3, please see
- 4 Table A11 for the Distribution Construction cost escalator forecast and Table A24 for

5 the Distribution Operations and Maintenance cost escalator forecast.

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1		School Energy Coalition (SEC) INTERROGATORY #9
2		
3	Issue 2.6	Are Hydro One's forecasts (revenue, costs, inflation and productivity)
4		reasonable? Should Hydro One be expected to provide benchmarking
5		evidence as an indicator of reasonableness?
6		
7	Interrogatory	,
8		
9	Reference:	
10		
11	1	e copies of all benchmarking studies, evaluation, surveys undertaken by the
12	Applicant eith	ner, through a third-party or internally, since 2010.
13		
14	<u>Response</u>	
15		
16	See response	to Exhibit I, Tab 2.6, Schedule 6 VECC 49.

Filed: 2014-07-04 EB-2013-0416 Exhibit I Tab 2.06 Schedule 9 SEC 10 Page 1 of 1

1		School Energy Coalition (SEC) INTERROGATORY #10
2		
3	Issue 2	
4		reasonable? Should Hydro One be expected to provide benchmarking
5		evidence as an indicator of reasonableness?
6		
7	<u>Interro</u>	<u>gatory</u>
8		
9	Referen	nce:
10	-	
11		ch of the following, please explain how the Applicant has evaluated the
12		bleness of its forecasted:
13	. ,	Revenue
14	· · ·	Costs
15	· · ·	Inflation
16	(d)	Productivity
17	D	
18	<u>Respon</u>	<u>se</u>
19	(a) $\mathbf{U}_{\mathbf{V}}$	dro One's responses to Exhibit I, Tab 2.6, Schedule 10 CCC 15 and to Exhibit I,
20 21	•	6.6, Schedule 6 VECC 78 show that Hydro One has demonstrated the
21		sonableness of its load forecast, which directly determines its revenue forecast;
22	Teas	sonableness of its foad forecast, which directly determines its revenue forecast,
23	(b) Hyd	dro One's responses to Staff IR 33 part (a) and (d) in Exhibit I, Tab 2.6, Schedule
25	•	taff 33 has demonstrated the reasonableness of its costs forecast;
26	1.5.	
27	(c) Hvd	dro One's responses to Staff IR 35 in Exhibit I, Tab 2.6, Schedule 1 Staff 35 has
28		nonstrated the reasonableness of its inflation forecast; and
29		· · · · · · · · · · · · · · · · · · ·
30	(d) Hvd	dro One's responses to Staff IR 33 part (b) in Exhibit I, Tab 2.6, Schedule 1 Staff
31	•	has demonstrated the reasonableness of its productivity forecast.

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1		School Energy Coalition (SEC) INTERROGATORY #11
2		
3	Issue 2.6	Are Hydro One's forecasts (revenue, costs, inflation and productivity)
4		reasonable? Should Hydro One be expected to provide benchmarking
5		evidence as an indicator of reasonableness?
6		
7	Interrogatory	
8		
9	Reference: E	xhibit A/Tab 9/Schedule 1
10		
11	11	plicant know what specific initiatives or programs it will implement to
12	-	anned productivity initiative savings? If so, please provide details for all
13	known specifi	c initiatives or programs.
14	_	
15	<u>Response</u>	
16		

Please see response to Exhibit I, Tab 2.3, Schedule 6 VECC 42.

Filed: 2014-07-04 EB-2013-0416 Exhibit I Tab 2.06 Schedule 10 CCC 14 Page 1 of 1

	Consumers Council of Canada (CCC) INTERROGATORY #14
Issue 2	Are Hydro One's forecasts (revenue, costs, inflation and productivity) reasonable? Should Hydro One be expected to provide benchmarking evidence as an indicator of reasonableness?
<u>Interro</u>	<u>gatory</u>
Refere	nce: Exhibit A/Tab 16/Schedule 2, 3
	ON ever retained an independent consultant to review its load forecasting lology? If not, why not? If so, please provide any reports resulting from that
Respon	nse e
•	One has not retained any independent consultants to review its load forecasting lology for the following reasons:
•	Hydro One staff has extensive experience in load forecasting and load research and their expertise is well recognized in the industry;
•	Hydro One's load forecasting models have performed well in the past 12 years, as demonstrated by consistently good forecast accuracy;
•	Hydro One's load forecasting methodologies used in previous transmission and
	distribution rate applications have been reviewed and approved by the Board.
•	Hydro One has on-going working group relationships with key load forecasting
	stakeholders in Ontario (e.g., OPA, IESO, CLD) and in North America (NERC,
	EEI, ITRON) to keep appraised of the latest development in load forecasting
	issues and methodologies.
•	Hydro One undertook load forecasting methodology surveys with electric
	utilities within North America. Survey results confirmed that the load
	forecasting methodology used by Hydro One is appropriate.

Filed: 2014-07-04 EB-2013-0416 Exhibit I Tab 2.06 Schedule 10 CCC 15 Page 1 of 1

 Consumers Council of Canada (CCC) INTERROGATORY #15

 Issue 2.6
 Are Hydro One's forecasts (revenue, costs, inflation and productivity) reasonable? Should Hydro One be expected to provide benchmarking evidence as an indicator of reasonableness?

 Interrogatory

7 <u>|</u> 8

9 Reference: Exhibit A/Tab 16/Schedule 2

10

1 2

3

4

5 6

The evidence indicates that historically, HON's energy purchase forecast compared to the 11 weather corrected actual energy consumed is within one standard deviation of the 12 forecast, and that one standard deviation is an accepted standard in the utility industry. 13 HON is now providing a forecast (prepared in 2013) for the period 2015-2019. HON 14 has also prepared a forecast of customer numbers for the five-year period. Under the 15 proposed Custom Plan HON is forecasting out over a longer period of time relative to 16 what it has done in the past. If the forecast is wrong (which it will be to some degree) 17 HON's shareholder or its ratepayers will benefit or be negatively impacted. Why is HON 18 not proposing a mechanism to update the forecast to ensure both the shareholders and the 19 ratepayers are kept whole? What evidence can HON provide to demonstrate that it has 20 not understated the forecast in light of the fact that to the extent energy purchases are 21 lower than forecast HON's bottom line may be negatively impacted? 22

24 **Response**

25

23

²⁶ Hydro One is not proposing to update its load forecast because of the following reasons:

Hydro One has an excellent track record of load forecast accuracy in the past 12 years. As shown in the response to Exhibit I, Tab 6.6, Schedule 6 VECC 78, the forecasting accuracy for the longer period (5 years) has been good and there is no demonstrated bias of understating the forecast;

- The process of updating the load forecast and hence the rate application periodically is not efficient and requires a lot of resources. This is not in keeping with the principle of having a 5-year rate application to promote regulatory efficiency. According to the RRFE report, LDCs are not normally expected to go back to the Board for adjustments during the 5-year period.
- A mechanism to trigger an off-ramp consideration is already proposed as part of this application which will provide sufficient coverage for unexpected economic situations.

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1	Consumers Council of Canada (CCC) INTERROGATORY #16
2 3 4 5	Issue 2.6 Are Hydro One's forecasts (revenue, costs, inflation and productivity) reasonable? Should Hydro One be expected to provide benchmarking evidence as an indicator of reasonableness?
6 7	<u>Interrogatory</u>
8 9 10	Reference: Exhibit A/Tab 16/Schedule 3
11 12 13 14	The OPA and the LDCs are currently in the process of developing a new CDM framework that will differ in large measure from the last framework. The current expectation is that the new framework will be in place for implementation in 2015. How will the new targets be incorporated into HON's load forecast for 2015-2019?
15 16	<u>Response</u>
17 18 19 20 21	Hydro One has been working closely with the OPA to align the CDM assumptions used in the load forecast consistent with the 2013 LTEP. For the forecast period, Hydro One used 18% of the provincial LDC energy share to estimate its share of the provincial CDM energy savings assigned to all LDCs in Ontario. The 2015-2019 LDC target program
21 22	savings are included in the "Forecasted Savings from Future Programs" presented in

Table ES1 in Exhibit A, Tab 16, Schedule 4. Detailed analysis for incorporating the

24 CDM in the forecast period is provided in Exhibit A, Tab 16, Schedule 4.

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1	<u>C</u>	onsumers Council of Canada (CCC) INTERROGATORY #17
2		
3	Issue 2.6	Are Hydro One's forecasts (revenue, costs, inflation and productivity)
4		reasonable? Should Hydro One be expected to provide benchmarking
5		evidence as an indicator of reasonableness?
6	_	
7	Interrogatory	
8	D.f	
9	Kelerence: E	xhibit A/Tab 16/Schedule 1
10 11	Please explain	how the information provided as "Economic Indicators" in Ex. A/T16/S1
11	-	used in developing the OM&A forecasts, the Capital Expenditure forecasts
12		of Capital forecasts.
13	and the cost c	" Cupitui Torecusts.
15	<u>Response</u>	
16		
17	The Distribut	ion Cost Escalations for Construction and Operations & Maintenance are
18		ning tool to predict expenditure level changes for distribution materials and
19	services.	
20		
21	The CPI is use	ed as a planning tool to forecast expenditure level changes for items such as
22	fleet and sund	ry costs.
23		
24		tion rates are used as a planning tool to predict expenditure level changes
25	for the labour	cost embedded in Capital and OM&A programs.
26		
27		precasts are used to determine the cost of capital for Hydro One Distribution
28	as described in	n Exhibit B1, Tab 1, Schedule 1.

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1		Energy Probe Research Foundation (EP) INTERROGATORY #23
2 3 4 5 6	Issue	2.6 Are Hydro One's forecasts (revenue, costs, inflation and productivity) reasonable? Should Hydro One be expected to provide benchmarking evidence as an indicator of reasonableness?
7 8	Interr	ogatory
9 10 11 12	"comp	ble: chnical Conference #2 Hydro One said it benchmarks its unit costs against parable utilities." When asked what utilities it benchmarks itself against, Hydro One three utilities: BC Hydro, Manitoba Hydro and New Brunswick Power.
13 14 15 16		In Hydro One provide any evidence how its increase in revenue requirement over e five-year plan compares to these three utilities?
17	b) Ca	n it provide evidence in customer satisfaction relative to these three utilities?
18 19 20	c) Ca	n it provide comparable distribution rate increases with these three utilities?
21	<u>Respo</u>	<u>nse</u>
 22 23 24 25 26 27 28 	a)	This data is not available. Major industry benchmarking studies and the leading consultancy studies are being cancelled or curtailed due to concerns regarding potential misuse of confidential data, the mishandling of comparisons (e.g. costs but not reliability) and the consequential reluctance to invest in benchmarking initiatives.
29 30 31	b)	Quality customer satisfaction surveys are specific to the subject. No industry surveys of customer satisfaction are in place so comparisons cannot be made.
32 33 34 35 36	c)	As noted in a) this data is not available. Traditionally companies are selected for comparators based on numerous criteria (e.g. size, geography, infrastructure, etc.) however with the low participation levels the determinant factor is the availability of data.
30 37		
38		

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1	Vulnerable Energy Consumers Coalition (VECC) INTERROGATORY #50
2	
3	Issue 2.7 Is Hydro One's proposed annual reporting and stakeholder
4	engagement process appropriate?
5	
6	Interrogatory
7	
8	Reference: A
9	
10	a) What is Hydro One's proposal to publicly report on its progression of capital
11	programs during the five year rate plan?
12	F 9
13	Response
13	
14	a) On page 20 of the RRFE Report, the Board states that once rates have been approved
	under Custom IR, the Board will monitor capital spending against the approved plan
16	
17	by requiring distributors to report annually on actual amounts spent. Hydro One will

comply with this requirement.

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1		Vulner	able Energy (Consume	ers Coalitio	n (VECC)	INTERRO	GATO	<u>RY #51</u>
2	Ŧ			•					
3 4	Iss	ue 2.7	Is Hydro engagement				reporting	and	stakeholder
5			engagemen	i procesi					
6	Int	terrogatory	2						
7 8 9	Re	ference:	A/T4/S1/pg	s. 3-6					
10 11				-				-	e any party is iew its annual
12	adj	ustments.							
13									
14	a)	Does Hyd	dro One beli	eve its j	proposal fo	or an Ann	ual Adjustn	nent (i	.e. without a
15	hearing) is in compliance with Section 21? If yes please explain how.								
16	b) Please address the same question with respect to Adjustments Outside of Normal								
17	Course of Business.								
18	р.								
19 20	<u>Ke</u>	<u>sponse</u>							
20	a)	Hvdro Or	ne's proposal	for Ann	ual Adiustn	nents and	Adiustments	Outsi	de of Normal
22		•			5		5		gy Board Act,
23									ation and are
24			udicated as pa						
25		-	_						
26	b)	Please see	e Hydro One's	s respons	e to a) abov	ve.			