OEB Staff

Technical Conference Questions

EXHIBIT NO. TC1.1

Ref: 5-Staff-59

Ref: Exhibit 5, tab 2, Schedule 1, P.1

Ref: Exhibit 1, Tab 7, Schedule 2, Appendix 3, 2013 AFS

Hydro One Brampton has forecasted long term debt which includes promissory notes to be issued July 1, 2014 and July 1, 2015 at interest rates of 4.93% and 5.63% respectively. Hydro One Brampton states that the forecast interest rates are consistent with Hydro One Inc.'s Forecast Yield for 2014-19 Issuance Terms for 30-year Rates.

Please provide the calculations and underlying supporting data for the 2014 (if not yet issued) and 2015 forecast long term debt rates. Please also provide working spreadsheets if generated. Specifically:

a) When was this forecast prepared? Has it been updated?

RESPONSE

The forecast was prepared during October 2013.

As discussed in response to part b) of *5-EP-41*, forecast interest rates for Hydro One 30 year debt based on the June 2014 Consensus Forecast is 4.59% for 2014 and 5.09% for 2015.

b) Has the July 1, 2014 promissory note been issued? If so, what is the actual interest rate?

RESPONSE

The 2014 debt of $10 million was issued on June 6, 2014. No it has not been issued yet. The actual interest rate to be 4.19%.

c) Please provide the calculation of and the underlying data supporting the forecasted July 1, 2015 interest rate of 5.63%.

RESPONSE

Hydro One 30 year Bond Yield Forecast	**2015**
10 year Gov't of Canada Bond Yield forecast October 2013 Consensus Forecast – Long Term	3.60%
Actual Spread of 30 year over 10 year Gov't of Canada Bond Yield (September 2013)	0.50%
30 Year Gov't Canada Bond Yield Forecast	4.10%
Average Hydro One 30 year new issue spreads (September 2013)	1.53%
Hydro One 30 year bond yield forecast	**5.63%**

Further Board staff questions in this area will explore:

- The use of a forecast interest rate other than the Board's deemed rate;
- The rationale for the use of a 30 year term;
- The treatment of transaction costs within the application and USoA accounts.

Ref: 8-Staff-61

Ref: 8-Staff-64

Ref: 8-BOMA-21

Ref: EB-2012-0410 Draft Report of the Board

Regarding Hydro One Brampton's proposal to shift its fixed/variable ratios, Board staff will have questions in the following areas:

a) How did Hydro One Brampton determine the level of its proposed fixed/variable ratios?

RESPONSE

HOBNI made a comparison of its current fixed/variable ratios with those of 7 other large distributors. Enersource (2013 COS proposed rates), Horizon (2011 COS proposed rates), London (2013 COS proposed rates), Veridian (2014 COS proposed rates), Ottawa (2012 COS proposed rates), Powerstream (2012 Existing Rates), & Kitchener Wilmot (2014 COS proposed rates).

HOBNI's current weighted average fixed/variable revenue ratio was 37.5% / 62.5%, and the proposed weighted average fixed/variable revenue ratio is 45.1% /54.9%.

The weighted average fixed/variable revenue ratios originally used for comparative purposes for the 7 other large distributors was a ratio 47.5% / 52.5%. While responding to interrogatories some of the data needed to be updated and the weighted average fixed/variable revenue ratios were updated to 44.2% / 55.8%. HOBNI determined its proposed level of fixed/variable ratio by looking at its existing fixed/variable ratios and comparing them to the average fixed/variable ratios for the other large distributors. It was guided by the table below in its assessment.

Fixed/Variable Distribution Revenue Ratios - HOBNI VS Other Large Distributors

Customer Class	**HOBNI Current Fixed/Varible Ratios**		**HOBNI Proposed Fixed/Varible Ratios**		**Original Large Distributors Fixed/Varible Ratios**		**Revised Large Distributors Fixed/Varible Ratios**	
Residential	48.0%	52.0%	55.0%	45.0%	56.3%	43.7%	53.3%	46.7%
GS < 50 kW	31.7%	68.3%	40.0%	60.0%	47.2%	52.9%	43.6%	56.4%
GS > 50 kW to 699 kW	22.5%	77.5%	30.0%	70.0%	24.0%	76.0%	25.3%	74.7%
GS > 700 kW to 4,999 kW	19.5%	80.5%	30.0%	70.0%	41.6%	58.4%	42.2%	57.8%
Large Use	17.1%	82.9%	30.0%	70.0%	46.3%	53.7%	38.1%	61.9%
Street Lighting	34.6%	65.4%	55.0%	45.0%	56.9%	43.1%	58.1%	41.9%
Standby Power	0.0%	100.0%	0.0%	100.0%	0.0%	100.0%	0.3%	99.8%
Unmetered Scattered Load	14.7%	85.3%	40.0%	60.0%	64.7%	35.3%	58.3%	41.7%
Embedded Distributor	0.0%	100.0%	100.0%	0.0%	N/A	N/A	N/A	N/A
Distributed Generation Class	31.7%	68.3%	37.0%	63.0%	45.8%	54.2%	N/A	N/A
Energy from Waste Generation	0.0%	0.0%	100.0%	0.0%	N/A	N/A	N/A	N/A
Weighted Average	37.5%	62.5%	45.1%	54.9%	47.5%	52.5%	44.2%	55.8%

b) What feedback has Hydro One Brampton sought from its customers regarding its proposed adjustment to fixed/variable ratios?

RESPONSE

HOBNI has not sought any feedback regarding the proposed adjustment.

Further questions will explore

- How the proposal reflects and would accommodate any of the three potential approaches to rate design contained within the Draft Report;

RESPONSE

The proposal to increase the fixed distribution ratios for customer classes was not determined to directly reflect any one of the specific three approaches to rate design. However, the proposal would support any of the three proposals as the outcome of the revenue decoupling initiative is to establish distribution rates which are fixed in nature.

- Hydro One Brampton's proposal to transition to full fixed rates.

RESPONSE

HOBNI does not have a proposal to fully transition to full fixed rates. By moving to a higher fixed revenue ratio HOBNI's proposal would support proposals where the fixed ratio increases to 100%.

Ref: 1-SEC-6 Attachment 3

Ref: Exhibit 6, Tab 3, Schedule 1, RRWF

Board staff notes that the revenue requirement as filed is approximately $1 million higher than the revenue requirement presented to its Board of Directors for approval.

a) Were the changes in the application as filed the result of its Board of Directors' input?

RESPONSE

No. In the course of finalizing the application Hydro One Brampton identified a number of adjustments to the revenue requirement model. These adjustments resulted in an increase of $103,215 (0.15%) to the base revenue requirement.

Base Revenue Requirement	Final	5-Mar-14	Change
Service Revenue Requirement	73,639,446	72,595,631	1,043,815
Less: Revenue Offsets	4,026,589	3,085,989	940,600
Base Revenue Requirement	**69,612,857**	**69,509,642**	**103,215**
Allocated to:			0
Low Voltage Wheeling Costs	0	0	0
Directly Assigned CDM	0	0	0
Other	69,612,857	69,509,642	103,215
Total	**69,612,857**	**69,509,642**	**103,215**

The primary reason for the increase in service revenue requirement was the transfer of losses on fixed asset disposal from 4362 Loss from Retirement of Utility and Other Property to 5725 Miscellaneous Depreciation of $772,600 from Other Revenue to Depreciation and Amortization. The increase in revenue requirement as a result of this change was offset by the increase in other revenue and thus there was no impact on base revenue requirement.

The primary drivers of the increase in base revenue requirement were increased postage costs to reflect the Canada Post rate increase and increased interest costs as a result of updating debt rates for the latest forecast dated March 10, 2014 These increases were partially offset by a correction to the tax calculations and an increase in SSS revenues.

Staff expect to have some further questions regarding any feedback received from the Board of Directors and subsequent changes to the application.

Ref: 1-Staff-7

Ref: Exhibit 2, Tab 6, Distribution System Plan p. 10

Interrogatory 1-Staff-7 asks for adjustments made to the application as a result of stakeholder feedback. Hydro One Brampton's response refers to s.5.2.2.5 of the DSP, which states that "input received from customers was leveraged in the distribution system plan guidelines".

a) Are any of the projects identified in the DSP specifically tied to customer feedback?

RESPONSE

As stated in section 5.2.2.5 of the Distribution System Plan:

Customer satisfaction surveys (Residential and Large User) provided a means to attain information to guide HOBNI to improve customer care and attain input for distribution system planning to ensure investments align with customer needs and requirements.

Three elements were very clear from customer feedback include for Hydro One Brampton to:

- Maintain reliability and performance levels;
- Make Safety a top priority; and
- Ensure timely restoration of supply.

While no singular project undertaking was at the request of a customer, customer preferences are inherent in the process of formulating the investment portfolio.

Hydro One Brampton has completed the DSP by incorporating customer input into the guidelines that are used to establish the "needs" upon which investments and system maintenance programs are formed. Hence, many projects have been developed based on input from the customers that provided guidance to Hydro One Brampton. There are also indicators from customers that guided Hydro One Brampton away from specific investments that include development of solutions to support electric vehicles and lack of interest in smart grid solutions.

Further questions in this area will explore the possible use of customer feedback to support specific projects within the DSP.

Ref: 4-Staff-36

Please provide a breakdown of Meter Reading expense for 2013, 2014 and 2015 into the following categories:

- Manual meter reading
- HONI contract cost
- Communication costs
- Software provider costs
- Other

RESPONSE

Meter Reading Expense	2013	2014	2015
Manual Meter Reading	134,926	24,000	24,000
HONI contract cost	402,972	411,200	419,300
Communication Costs	62,675	73,200	73,800
Software provider Costs	51,120	53,160	54,600
Other	16	500	1,000
Total Cost	651,708	562,560	572,700

Ref: 4-Staff-36

Hydro One Brampton states that the radios in smart meters for GS >50kW and <200kW have not functioned as planned and that it will be changing out these meters and replacing them with traditional interval meters.

a) What is the net book value of these meters?

RESPONSE

The forecast net book value of these meters at the end of 2015 is $820,661.

b) What is the cost of the new meters?

RESPONSE

Approximately $600 each and about $900 installed

c) How does Hydro One Brampton propose to recover these costs?

RESPONSE

Hydro One Brampton will follow the direction as per the OEB's methodology associated with this initiative.

Ref: 4-Staff-37

Hydro One Brampton states the contract with HONI was required as there were no vendors available to support its smart meter system other than Trilliant.

a) Does Trilliant offer this service? If so, was this alternative considered by Hydro One Brampton?

RESPONSE

Trilliant does offer a variety of services, but not as extensive or comprehensive as HONI. For example, HONI performs pre qualification testing of all software prior to its release to ensure a smooth transition and integration into the system. Furthermore, HONI moves all new software upgrades into production prior to Hydro One Brampton. This helps to ensure that Hydro One Brampton will not experience any issues associated with software upgrades.

b) How does the cost of the Trilliant service compare to that provided by HONI?

RESPONSE

Because Trilliant does not offer the same comprehensive services, there is no true cost comparisons.

Ref: 4-Staff-50

Please provide a table showing the percent of corporate goals met and the corresponding percentage of total eligible corporate short term incentive payments approved for the years 2011 to 2013.

RESPONSE

	2011	**2012**	**2013**
% of Scorecard Measures met	100%	100%	100%
% of Maximum STI Paid	74.9%	70.6%	56.3%

Ref: 4-Staff-53

Hydro One Brampton states that variances in CCF&S fees are due to updates to the CCF&S methodology. The methodology is described in the Cost Allocation Review provided in response to the interrogatory. At page 6 of the report, the authors conclude that the "current cost allocation methodology continues to be appropriate". In its response to the above noted interrogatory, Hydro One indicates that variances are due to a reduction in internal audit costs.

a) Please clarify if the variances are a result of changes in methodology or changes in cost levels.

RESPONSE

The variances are due to changes in cost levels. The methodology has not changed.

- Further explanation of variances in particular cost areas, i.e. General Counsel costs will be explored.

Ref: 9-Staff-74

Board staff notes that Hydro One Brampton's tariff sheets for 2013 and 2014 include the Embedded Distributor rate class with distribution volumetric rate (and not wheeling rate).

a) Since Embedded Distributor Class was one of Hydro One's customer classes in 2013 and 2014, when the differences in Account 1576 arose. What are the reasons for excluding the Embedded Distributor Class from the rate rider for Account 1576?

RESPONSE

The tariffs collected from the Embedded Distributor rate class are not part of HOBNI's revenue requirement. In 2006, the Board approved an Embedded Distributor – Distribution Wheeling Service charge as an additional amount beyond revenue requirement that was not to be retained by the Company. HOBNI has credited the amount billed to the Embedded Distributor to its LV variance account since the inception of this rate class. In its 2011 rate application EB-2010-0132 *Exhibit 7, Tab 1, Schedule 1.0 page 5 of 5*, in paragraph one HOBNI stated that "over the past several years the load supplied to this distributor has been declining. In light of this, and its relatively low impact on revenues, Hydro One Brampton has opted not to include this as a class to be modeled in this cost allocation filing. Hydro One Brampton is proposing to maintain the current rate as an approved rate and will continue to credit this revenue to the LV variance account."

Since the tariffs collected from the Embedded Distributor are not part of HOBNI's Revenue Requirement, any differences that arose in account 1576 would not have related to the Embedded Distributor class.

b) Please comment on how the cost allocations to Embedded Distributor class were different for Hydro One Brampton under the LTLT arrangement vis-à-vis as a separate customer class.

RESPONSE

The Embedded Distributor class had not been previously been modelled in the cost allocation study. The direct allocation used in the 2015 Cost Allocation Study is the first time this class has been included in a Cost Allocation Study by HOBNI.

c) Please comment on how the cost structure for Hydro One Brampton was different under the LTLT arrangement vis-à-vis a separate Embedded Distributor class.

RESPONSE

For the 2015 Cost Allocation Study HOBNI completed an engineering study to determine the costs to be directly allocated in its Cost Allocation Study. This is the first time such as study had been conducted.

SEC

Technical Conference Questions

EXHIBIT NO. TC1.2

EXHIBIT 1 – ADMINISTRATIVE DOCUMENTS

1-SEC-28

Reference: 1-Staff-8(b)

4-SEC-22

Please confirm that the "work program achievement" target for 2015 is a percentage of the Board-approved in-service additions for 2015. If this is not the case, please explain what the "work program achievement" will measure in 2015.

RESPONSE

The 2015 Work Program Achievement has not been established nor has the target been set. In general Hydro One Brampton's Work Program Achievement is set upon the completion and placing in service non-mandatory ("controllable") project and programs for that respective year. Since the capital program includes both non-mandatory ("controllable") and mandatory ("non-controllable") programs and projects, the Board-approved in-service additions for 2015 are made up of projects and programs from the Work Program Achievement as well as all other non-controllable capital programs and projects.

1-SEC-29

Reference: 1-SEC-1

What indices does the Applicant utilize from the Yearbook of Electricity Distributors to compare itself with other utilities? How does the Applicant utilize the results of any performance benchmarking survey (MEARIE and OEB Yearbook) in its setting of its budget?

RESPONSE

Hydro One Brampton compares our performance against similar sized utilities and we review indices in the OEB Yearbook to identify areas where performance is below average and further investigation or action is required. The Company also identifies indices where we are performing better than average so we know where we are doing well. Some of the indices that we focus on from the OEB Yearbook include: a) service quality requirements, b) service reliability indices, c) OM&A/customer and d) distribution revenue/customer.

As part of the business planning process Hydro One Brampton forecasts OM&A/customer for future years and compares it with historical results and other similar size utilities. This is one method to help us ensure that the OM&A costs in our business plan are reasonable when compared with other utilities and our historic results. The Company's results on service reliability and service quality indices also influence future investment requirements that are included in our business plan.

1-SEC-30

Reference: 1-SEC-6, Attachment 3

Please explain the difference between the requested revenue requirement in this application, and the amount sought from the Applicant's Board of Directors.

RESPONSE

Please refer to response to OEB question re *1-SEC-6*.

1-SEC-31

Reference: 1-SEC-8-Attch 1

With respect to the 2014-2019 Hydro One Business Plan Instructions:

a. Please confirm that the Applicant was required to comply with this document.

RESPONSE

The Hydro One Business Plan instructions are provided as guidance. Hydro One Brampton is not required to comply with all aspects of the Hydro One Business Plan instructions.

b. Is there a 2015-2020 version of this document? If so, please provide a copy.

RESPONSE

Hard copies will be provided.

1-SEC-31

EXHIBIT NO. TC1.2 - ATTACHMENT A

2015-2020 Hydro One

Business Plan Instructions

HYDRO ONE BUSINESS PLAN INSTRUCTIONS V 2.0

2015 - 2019

Business Plan instructions are detailed here for Hydro One Networks, HOI, Remotes, Telecom and Brampton

May 20, 2014

Table of Contents

Introduction

The 2015-19 business planning instructions apply to all business units/departments and subsidiaries of Hydro One.

- All work program, vertical, corporate and subsidiary groups are accountable for completing a written business plan.
- All Vertical groups are also accountable for templates relating to their budgets (green sheets and blue sheets).
- Subsidiaries are accountable for templates relating to their financial results and long term outlook.
- Again this year, Facilities and Real Estate needs input from all groups with office requirements in the GTA.

Overview

To achieve our vision to be the leading electricity delivery company in North America, we will continue to concentrate on our strategic objectives of safety, customer satisfaction, continuous innovation, reliability, protection of the environment, employee engagement, shareholder value and productivity and cost-effectiveness. The Hydro One business plan should form the basis of how the Company will achieve these objectives over the next 5 year period. With increased scrutiny of our productivity from the OEB, business plans must include productivity initiatives adhering to the Hydro One Productivity Framework (see Appendix E).

We will continue to plan significant investments in transmission and distribution infrastructure and proactive maintenance of our assets to ensure the electricity system's reliability in the public interest. The reliability of our current and future system is dependent on addressing aging infrastructure, making required asset replacements and ensuring continuous maintenance programs. Our investment plan will be customer focused, support the achievement of the Province's development and use of renewable energy resources, promote system efficiency, sustain equipment performance, meet customers' service quality needs and facilitate the integration of new supply.

In November 2013, the Hydro One board approved our 2014-2019 business plan which supports both our Transmission and Distribution rate applications.

In order to mitigate customer rate impact while safely maintaining our assets, it is important that all costs included in your 2015-19 business plan are necessary and supportable. All units will be asked to justify their 2015-19 planned expenditures and staffing levels and to actively seek out opportunities to reduce costs and increase productivity.

Staffing Assumptions

Hydro One regular staff levels are under close scrutiny from the Board of Directors and the Ontario Energy Board. As attrition occurs due to retirements and departures, staffing needs will be carefully reviewed on a global basis. There will be a need to identify positions that will be impacted due to retirements or other changes. To ensure the right people are in the right positions, there will be a clear focus on redirecting new hiring to positions most needed within the company.

Financial Guidance

Hydro One will continue to strive for reliability and satisfaction while maintaining a focus on safety and productivity. To achieve corporate objectives while minimizing customer bill impacts please use the guidance below when preparing the 2015-2019 business plans.

Transmission OM&A	Work Program envelope to remain consistent with approved levels from the 2014-19 Business Plan
Distribution OM&A	
Common OM&A	
Transmission Capital	
Distribution Capital	
Common Capital	

2014 Business Planning Key Dates

Finish	**Task Name**	**Resource Names**
Tue 5/20/14	Business Planning issues · BP Instructions	BP,LOBs,Subs,Verticals
Thu 5/22/14	Business Planning Kickoff Meeting(s)	BP,Verticals, LOBs
Mon 5/26/14	First Draft Accomplishment file sent to LOBs	AM,LOBs
Thu 6/12/14	Vertical Cost Planning templates, Cost Allocation templates and Business Plan write-ups (including Inergi Sustainment) due to Business Planning	Verticals
Mon 6/16/14	CAO/CFO, Director BP&DS review of Final Business Plan and Inergi Sustainment costs for the Vertical Corporate groups	BP,CAO/CFO
Tue 6/24/14	EC Review: Vertical Cost Planning Results	EC
Mon 6/30/14	Accomplishment file with Programs & Projects details finalized & submitted to Business Planning under US GAAP	AM
Tue 7/22/14	EC Review: First draft of Networks financials and rate impacts	EC
Thu 7/31/14	Written Business Plan documents submitted to Business Planning	LOBs
Tue 9/16/14	EC Review: Second draft of Networks financials and rate impacts	EC,LOBs,Verticals
Tue 9/16/14	EC Review: Brampton, Telecom, Remotes business plans	EC,Subs
Wed 9/17/14	Hydro One Brampton Networks Inc. (HOBNI) FRPC review of 2015-19 Business Plan	EC,Brampton
Tue 10/7/14	EC Review: Asset Plan and Operations business plans	EC,LOBs,Verticals
Wed 10/15/14	Brampton Board Approval: 2015-19 Business Plan	Brampton
Tue 10/21/14	EC review of the draft 2015 Budget and 2015-19 Business Plan H1 Board Material	EC,LOBs,Verticals
Thu 11/6/14	H1 Board Mail Out: 2015 Budget and 2015-19 Business Plan Memo and Presentation	EC,LOBs,Verticals,BOD
Thu 11/13/14	H1 Board Approval: 2015 Budget and 2015-19 Business Plan	EC,LOBs,Verticals,BOD

Hydro One Strategic Direction

Hydro One's corporate strategy is based on the company's mission, vision and values.

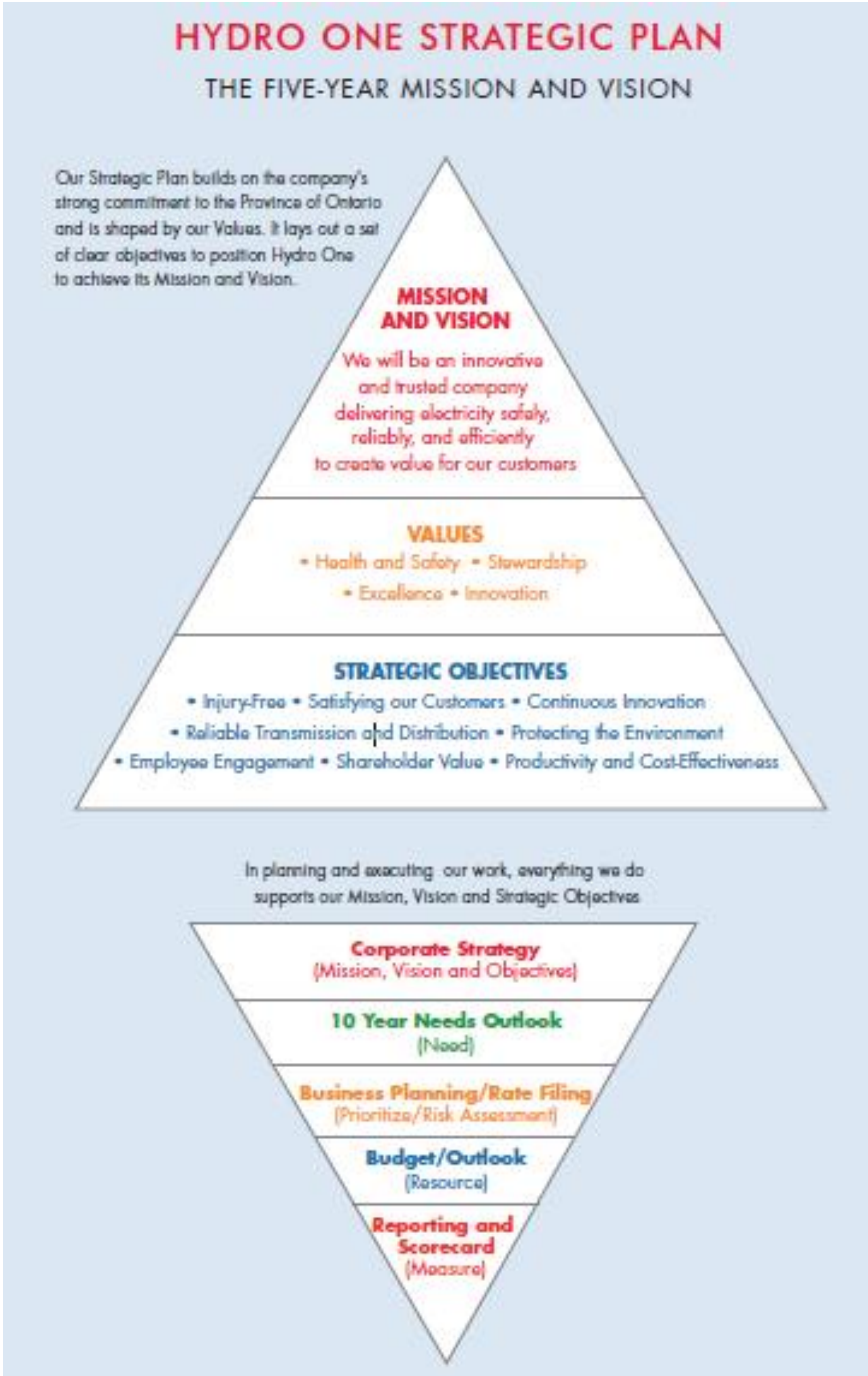


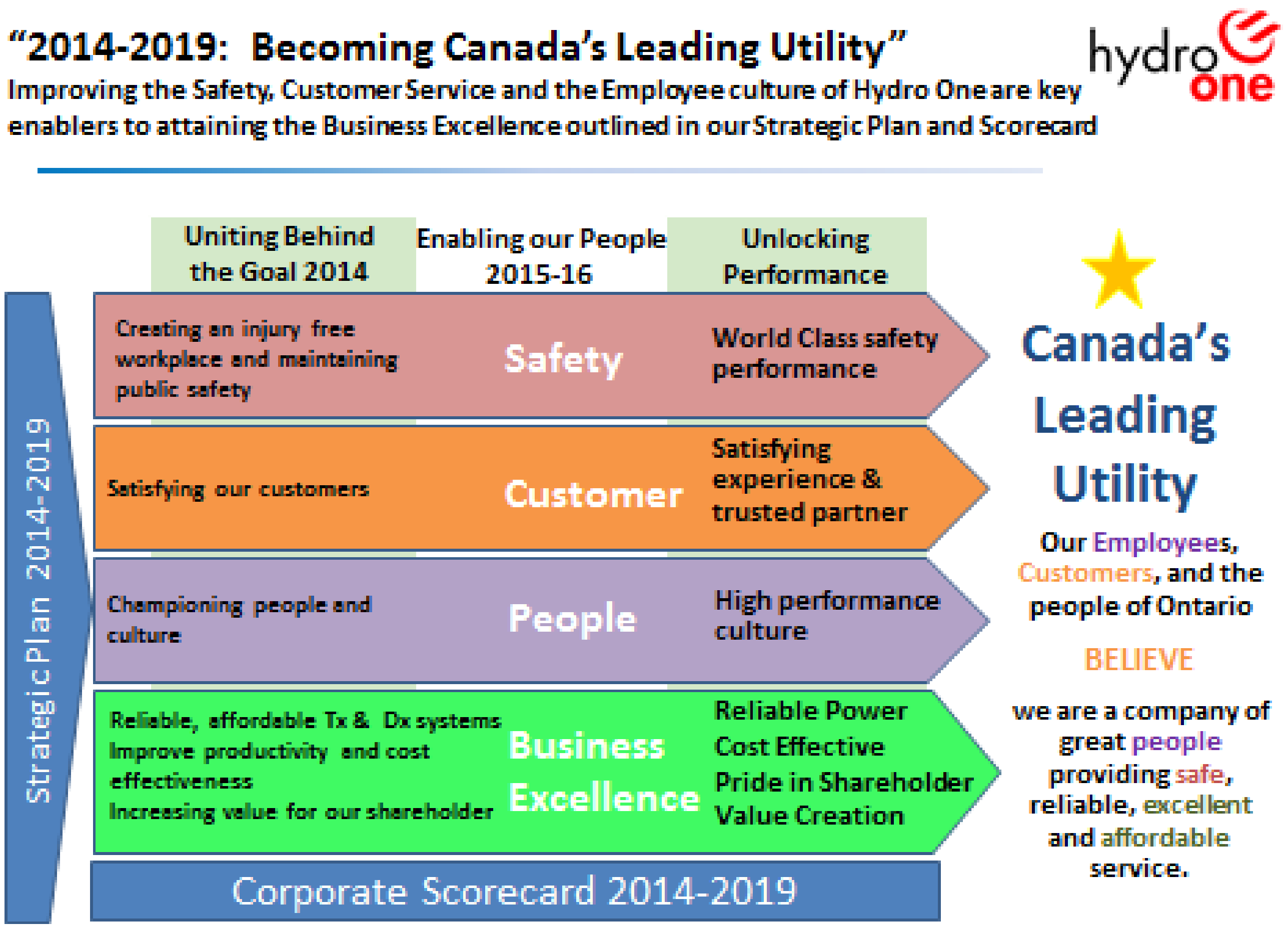
Figure 1 Hydro One Strategic Plan THE FIVE-YEAR VISION 2013

Hydro One is on a 5 year journey, outlined in our strategic plan, to become Canada's Leading Utility. Our success on this journey is measured with yearly scorecard targets. We need to hit, and preferably beat, all of our targets to restore organizational reputation and credibility.

While not an immediate threat, continued perception of inefficiency and poor cost management/productivity could lead to significant challenges to our growth aspirations and even our existing business model. Credibility is important as we've defined being "Canada's Leading Utility" as Customers, Employees and the People of Ontario BELIEVING that Hydro One is a company of great people, delivering safe, reliable, excellent and affordable service.

Increased focus on the workforce focus areas (Safety, Customer Service, Employee engagement) and on Business Excellence categories (Reliability, Cost-Effective, Efficiency, Innovation, Responsibility, Value Creation) deliver the capabilities that make realizing the scorecard measures possible.

The 5 year journey provides long term focus when dealing with inevitable short term challenges that are a part of our business. It is a story of balancing and perhaps juggling several elements together as individuals, teams and as a company to arrive at the destination. Becoming Canada's Leading Utility will require collaboration and trade-offs along the way. We will rely on our Company's Core Values for guidance.



Regulatory Strategic Assumptions

The OEB's Renewed Regulatory Framework for Electricity (RRFE) initiative will have a significant impact on Hydro One's Business Planning requirements for the 2015-2019 time frames from both the level of detail required and the support for investments planned over this time horizon. The OEB is moving to an outcome based customer needs approach for its review and approval of OM&A and capital expenditures proposed for the test years. As such, justification for expenditures proposed in the plan must also address how the expenditures will benefit Hydro One's customers. An aging asset base alone and the need to meet Ontario energy policy initiative needs will no longer suffice as the sole reasons for the justification of expenditures. In addition, RRFE guidelines require annual OEB reporting of work achievements vis-à-vis approved spending levels and the reporting against established performance metrics.

Networks filed a 5 year Distribution Custom Cost of Service application for the 2015-2019 test years in late January of 2014. The application was the first electricity application under the OEB's RRFE guidelines and as such is expected to undergo far more scrutiny than previous 2 year Cost of Service (COS) applications. Work associated with the implementation of the Smart Grid was integrated into the previous investment plan and the rate application.

Work associated with LDC acquisitions must be separately identified from the existing Distribution business as these costs were not included in the Custom COS application.

Networks will also file a 2 year Transmission COS application later this year for the 2015-2016 test years.

Hearings for both applications are expected in the early fall time frame in order for new rates to be effective January 1, 2015.

For the remainder of the planning period it is expected that Networks will file another 2 year Transmission COS application for 2017 and 2018 rates in April of 2016.

Hydro One Remotes filed a COS application for 2013 rates and will file an IRM application later this year under the OEB's 4th Generation IRM regime through 2017, followed by a COS application for the 2018 test year.

Hydro One Brampton will file a COS application this year for 2015 rates and then be under the 4th Generation IRM regime through 2019.

Business Plan submissions should reflect Hydro One's compliance obligations with respect to legal and regulatory requirements. These include Hydro One's compliance with OEB Codes and Licences, in areas such as cost responsibility for Transmission and Distribution investments (including load and generation connections), contestability, treatment of external revenues and capital contributions and true-ups associated with Transmission work for Hydro One Distribution.

Written Business Plans

Each unit should determine the length (recommended 5 to 10 pages) of their business plan document needed to support their budget requirements and to articulate key issues and initiatives before the Executive Committee.

See Appendix B to identify groups requiring Written Business Plans.

Mission and Vision Statement

- Include a mission and vision statement for your unit. A mission and vision statement outlines what the organization wants to be, or how it wants the world in which it operates to be. It concentrates on the future. It is a source of inspiration. It is a brief description of a company's fundamental purpose.

Overall Strategy

- Describe how your unit's strategy is consistent with Hydro One Inc.'s strategic objectives (see section on Hydro One Strategic Direction).
- Indicate business plan highlights including any material changes from last year's business plan.

SWOT (Strengths, Weaknesses, Opportunities, Threats/Risks) Analysis

- Prepare a SWOT analysis for your unit

SWOT is an acronym for Strengths, Weaknesses, Opportunities and Threats. By definition, Strengths (S) and Weaknesses (W) are considered to be <u>internal factors over which you have some measure of control</u>. Also, by definition, Opportunities (O) and Threats (T) are considered to be <u>external factors over which you have essentially no control</u>.

SWOT Analysis is the most renowned tool for audit and analysis of the overall strategic position of the business and its environment. Its key purpose is to identify the strategies that will create a firm specific business model that will best align an organization's resources and capabilities to the requirements of the environment in which the firm operates. In other words, it is the foundation for evaluating the internal potential and limitations and the probable/likely opportunities and threats from the external environment. It views all positive and negative factors inside and outside the firm that affect the firm's success. A consistent study of the environment in which the firm operates helps in forecasting/predicting the changing trends and also helps in including them in the decision-making process of the organization. A description of each of the elements of a SWOT analysis is provided below.

From Management Study Guide http://managementstudyguide.com/swot-analysis.htm

	Helpful	**Harmful**
Internal *Within the Control of the Organization*	Strengths A unit's strengths are its resources and capabilities that can be used as a basis for competitive advantage. These attributes are within the organization and within its control. Examples of strengths include: • strong brand names, low cost structure, good reputation with customers, highly skilled workforce, processes, stable balance sheet, strong credit rating, proprietary processes, etc.	Weaknesses Internal factors within an organization's control that detract from the organization's ability to attain its strategic objectives. Examples of weaknesses include: • high cost structure, poor customer reputation, staff turnover, inexperienced staff, supply chain, reliability of data, leadership, etc.
External *NOT within the Control of the Organization*	Opportunities The external environment may provide new opportunities for profit and growth. Examples of opportunities include: • technological innovations, competitor weakness, new markets, industry or lifestyle trends, partnerships, etc.	Threats Threats are external factors beyond the organization's control that threaten achievement of the organization's objectives. Examples of threats include: • emergence of substitute products, new regulations, competition, political change, public opposition to key projects, economy, etc.

Significant Assumptions and Interdependencies

- Discuss key assumptions and interdependencies for the business plan.
- Ensure consistency with corporate assumptions.

Work Execution Strategy

- Indicate work program levels to be achieved (based on Accomplishment File for Operations Groups).
  - Identify the high priority work programs.
  - **Identify significant changes from prior year's plan.**
- Identify key assumptions.
- Describe **STAFF RESOURCING STRATEGY** for completing work program for your unit.
  - Staffing levels are to be consistent with overall Hydro One direction.
  - Highlights of the strategy:
    - Identify particular skill set issues including resource gaps over time, succession planning, availability of qualified resources, etc.
    - Regular vs. non-regular staff requirements. Note: Discuss risks surrounding use of regular versus non-regular staff.
    - Outsourcing strategy:
      - Identify type of work outsourced and the dollar amounts involved both historically and as projected.

        - Describe progress to date relative to information previously presented to the Hydro One Board.
    - Materials: (shortages and lead times).
- Identify any challenges/issues/limitations in doing work.
    - Resource availability (staff or material), impact of carryovers, availability of system outages to do work, factors that are increasingly making execution of work more difficult (e.g. confined space regulations), etc.

Productivity and Efficiency Initiatives

- Refer to Appendix E: Productivity at Hydro One.
- Describe in detail the initiatives and how they support the overall work execution strategy.
- Discuss ongoing and new initiatives.
- Include cost savings to be achieved in each year of the business plan.
- Note any significant changes compared to prior years.

Performance Measures & Targets

- Provide performance measures and targets for 2014 and 2015.
- Identify any significant changes compared to prior years.
- Ensure congruency with Hydro One Strategic Objectives.

Risks

Hydro One's policy on Enterprise Risk management requires all Lines of Business to undertake a risk assessment on no less than an annual basis, and that risk assessments should be compliant and integrated into business planning.

Your business plan submission should include an assessment of the major risks to achieving key initiatives and targets and how each key risk is being mitigated and the funding required to reduce the residual risk to an acceptable level.

The top 3 risks identified company-wide are as follows:

- Human Resources (ie staffing levels, employee engagement, training)
- Cost efficiencies and productivity
- Employee injuries and accidents

- Identify other risks to meeting your business objectives.
- For each key risk identified above:
    - Briefly describe the risk, its source(s) and its potential impact on Corporate or LOB objectives.
    - Briefly describe the current mitigation plan.
    - Briefly describe new mitigation planned (if the risk is not tolerable), including sources of incremental funding (must be more specific than "non-critical work programs will be deferred").
    - Rate the combined magnitude and probability (very high to very low) after existing and planned mitigation is considered.
    - Any new risks created from the shifts in funding (with a rating of combined magnitude and probability).
    - Overall residual risk accepted and why (mitigation too costly, probability very small, etc.).

Below includes some reference materials to be used in this risk assessment:

A “risk universe” of corporate risks, to assist in the risk identification process.	Risk Universe May 2014.pdf
The current set of Hydro One risk tolerances, for use in evaluating the potential impact of identified risks.	2014 Risk Tolerances HONI FINAL.xlsx
Scales for evaluating the strength of current controls and likelihood.	Controls and probability.doc

Vertical Corporate Groups

The Vertical Corporate Groups primarily consist of Shared Services, Corporate Relations, Customer Service, People & Culture, Operations (only some groups), General Counsel and Secretariat, Audit, and Hydro One Inc. Executive Office including Pension Fund.

Plan Templates (Appendix B) (Green Sheets)

The Vertical Corporate Group's plan templates require the following inputs:

- Labour (FTEs)
- Non-Labour Costs
- Details for Non-Labour Costs
- Year-End Headcount
- Rate Hearing Costs (if applicable)
- 2013 Year Actual

Appendix B provides additional details on each of the tabs to be completed for the template. For assistance in completing the template please contact your Inergi representative listed in the key contacts section below. **Corporate Business Planning & Decision Support group will email a copy of the applicable plan template to each unit.**

Cost Allocation Inputs (Appendix B) (Blue Sheets)

Hydro One uses a cost allocation model to allocate shared services OM&A costs to Transmission, Distribution and its subsidiaries. The results of the cost allocation model are reviewed by an external consultant and included in a report filed with the OEB as part of our rate application process. Interveners and the OEB closely scrutinize the results of the cost allocation study and ask questions about major shifts in the allocation vs. prior years. An external consultant has been engaged to review and update the cost allocation model for the 2015-19 business plan. The cost allocations of specific units under the Vertical Corporate Group (as listed in Appendix C) also represent a cost to the Hydro One subsidiaries so they closely review the results as well. Therefore, **it is important that each unit prepares an accurate activity analysis and that all changes in allocations vs. last year's plan are clearly explained.**

Templates and further instruction for cost allocation will be issued to the respective groups separately.

Corporate Business Planning & Decision Support will also contact the appropriate staff to collect updated inputs for Inergi, OEB and insurance costs as well as volume and data drivers.

Cost Allocation Definitions for Input templates

- **TX** – percentage of time/dollars to be allocated to Transmission
- **DX** - percentage of time/dollars to be allocated to Distribution
- **General T&D** – percentage of time/dollars to be split between Transmission and Distribution. This field is to be used when you know an activity is for Networks only but do not know the split between Transmission and Distribution. The cost allocation model will automatically split the time/dollars between Transmission and Distribution based on general cost drivers.
- **General HOI Operations** - this field is to be used when you cannot directly assign percentages to any of the specific categories. The cost allocation model will automatically split the time/dollars between Transmission, Distribution and the subsidiaries based on general cost drivers.
- **Telecom** – percentage of time/dollars to be allocated to Hydro One Telecom
- **Remotes** – percentage of time/dollars to be allocated to Hydro One Remotes
- **Brampton** – percentage of time/dollars to be allocated to Hydro One Brampton
- **Shareholder Only** – percentage of time/dollars to be allocated to Hydro One Inc.

Corporate Level Adjustments

Corporate Business Planning & Decision Support will contact the appropriate staff to collect inputs for the 2015-19 corporate level adjustments plan.

Inergi Costs

Accountabilities

- Networks Outsourcing Services Department will coordinate the Inergi costs business plan with specific inputs as follows and will be required in advance to ensure the Inergi business plan is submitted as per schedule.
- Separate emails will be distributed by Mike Malinowski (Outsourcing Services Department) with the planning template for Inergi costs.
  - CSO - Imran Merali
  - Settlements - Graham Henderson
  - Finance - Arthur McGlashan
  - Pay - Rose Lum
  - S2P - Jane Mock
  - ISD - Rob Hosford

Details Required

As part of the updated submissions, the business units are to comment on plan-over-plan changes and year-over-year changes. The following details are required:

- Costs in the planning period – i.e. what services are being purchased?
- Changes in base line and reasons for the change: COLA, ARCs/RRCs, Separation of Scope and Volume changes that are "approved" (approved change orders) and those that are “forecast” (discretionary).

A meeting will be scheduled to walk through the Inergi cost business plan process and the expected deliverables.

Subsidiaries

Hydro One Telecom and Hydro One Brampton have adopted International Financial Reporting Standards (IFRS) for external financial reporting beginning in 2012. For the business planning period, Hydro One Telecom and Hydro One Brampton must submit their business plan under USGAAP. section 5 for guidance on USGAAP Financial Reporting Standards. If required, additional IFRS instructions will be sent to Hydro One Telecom and Hydro One Brampton under separate cover.

Financial Template

As in previous years each subsidiary is asked to complete a financial template which will be sent by Adam Pappas to each subsidiary via email. The templates have been updated for 2013 actual and the remaining years contain data from the 2014 -2019 business plan. Use the templates to provide ROE, rate base, CCA and other relevant financial details. Do not add rows or columns without prior consultation with Hydro One – Finance.

Financial Results

- Discuss any plan-over-plan and year-over-year changes in the financial results. Highlight prioritized initiatives to meet the Hydro One Strategic Objectives.
- Brampton must separately identify ongoing CDM initiatives where applicable.
- The template must be populated for financial results.

Long Term Outlook

- To ensure we have sufficient borrowing capability over the longer term we are requesting a forecast of requirements for the 2020-2024 timeframe.
- Discuss long-term strategic initiatives to enhance work plan execution (e.g. outsourcing)
- Briefly identify and describe any major projects:
  - started before but ending after 2020
  - any major projects starting beyond 2020

Facility Planning Headcount (only for groups with resources in GTA)

The Facilities & Real Estate group is in the process of surveying facilities needs at Trinity and other corporate locations. Specifically, they are looking for businesses to provide staff headcount consistent with the green sheets, but broken down by location. Some businesses have discussed moving out of Trinity; this would give a sense of what volume of staff this translates to.

On top of that, they are looking for identification of any business initiatives/consulting projects that would necessitate the requirement for a workstation, and the number of seats required. Location is not as important here, but a generalized response of GTA is sufficient and will assist in determining whether there is an ongoing need to retain a project office.

The template below provides more detail on the requirements for the Facility Planning Headcount template. All templates must be submitted by **June 12, 2014** to Tony Seravalle with a cc to Cindy Copp.

Hydro One Networks
FRE GTA Staff Forecas

Appendix A Business Planning Schedule

Finish	KEY Date	Task Name	Resource Names
Fri 5/16/14		Input and Investment Review Complete	AM
Tue 5/20/14	key	Business Planning issues · BP Instructions	BP,LOBs,Subs,Verticals
Wed 5/21/14		Brampton, Remotes and Telecom business planning commences based on prior year allocations	Subs
Thu 5/22/14	key	Business Planning Kickoff Meeting(s)	BP,Verticals, LOBs
Thu 5/22/14		Business Planning issues · Vertical Cost Planning templates (green sheets)	BP,Verticals
Thu 5/22/14		Business Planning issues · Cost allocation templates (blue sheets)	BP,Verticals
Thu 5/22/14		Labour Rates Package issued for pricing under US GAAP	Finance
Thu 5/22/14		Business Planning issues templates - Forecast of Property & Proxy Taxes, Rights, Indemnity & Easement Payments	BP,LOBs
Fri 5/23/14		Optimization complete – Asset Investment Plan Proposal (AIPP) identified and communicated to Operations for resource review	AM
Mon 5/26/14	key	First Draft Accomplishment file sent to LOBs	AM,LOBs
Tue 5/27/14		Business Planning issues · Subsidiary templates	BP,Subs
Thu 5/29/14		Business Planning issues templates - External & Internal Revenues, Cost of sales and Inventory plans	BP,LOBs
Mon 6/2/14		IPP Optimization Review --Director Level	AM
Fri 6/6/14		Asset Management VP Review (Wayne + Planning Directors)	AM
Mon 6/9/14		Second draft of Accomplishment File sent to LOBs (with key changes noted)	AM
Thu 6/12/14	key	Vertical Cost Planning templates, Cost Allocation templates and Business Plan write-ups (including Inergi Sustainment) due to Business Planning	Verticals
Thu 6/12/14		Templates for External & Internal Revenues, Cost of sales and Inventory plans as well as templates for Property Taxes etc due to Business Planning	LOBs
Thu 6/12/14		Facilities Planning Worksheets due to Facilities and Real Estate	LOBs,Verticals
Fri 6/13/14		Executing LOB Review of Accomplishment File (Lines/Forestry, Stations, E&C)	AM,LOBs
Mon 6/16/14	key	CAO/CFO, Director BP&DS review of Final Business Plan and Inergi Sustainment costs for the Vertical Corporate groups	BP,CAO/CFO
Tue 6/17/14		EC Mail Out: Vertical Cost Planning Results	EC
Tue 6/17/14		Update BP Master and CCCM models with Vertical Corporate inputs	BP
Wed 6/18/14		Business Planning issues preliminary TX and DX cost allocation results to subsidiaries	BP,Verticals,Subs
Fri 6/20/14		Preliminary load forecast due to Business Planning	Reg
Mon 6/23/14		SVP/CFO Review – asset management/executing LOBs/Finance	AM,Finance,LOBs
Tue 6/24/14	key	EC Review: Vertical Cost Planning Results	EC
Tue 6/24/14		COO and CIO review of Asset Investment Plan	COO,CIO
Wed 6/25/14		FINAL CCCM cost allocation results submitted to subsidiaries	BP,Subs
Mon 6/30/14	key	Accomplishment file with Programs & Projects details finalized & submitted to Business Planning under US GAAP	AM
Tue 7/8/14		Preliminary revenue forecast due to Business Planning	Finance
Fri 7/11/14		First draft view of Networks financials and rate impacts of business planning inputs completed	BP,LOBs,Verticals
Mon 7/14/14		CAO/CFO review the first draft of Networks financials	CAO/CFO

Finish	KEY Date	Task Name	Resource Names
Tue 7/15/14		EC Mail Out: First draft of Networks financials and rate impacts	EC
Tue 7/22/14	key	EC Review: First draft of Networks financials and rate impacts	EC
Thu 7/31/14	key	Written Business Plan documents submitted to Business Planning	LOBs
Wed 8/20/14		Updated load forecast due to Business Planning	Reg
Tue 8/26/14		Brampton, Telecom, Remotes business plans and templates due to Business Planning	Subs
Fri 9/5/14		Second draft view of Networks financials and rate impacts of business planning inputs completed	BP
Fri 9/5/14		Updated revenue forecast due to Business Planning	Finance
Tue 9/9/14		EC Mail Out: Brampton, Telecom, Remotes business plans	EC,Subs
Tue 9/9/14		EC Mail Out: Second draft of Networks financials and rate impacts	EC,LOBs,Verticals
Wed 9/10/14		Asset Plan document submitted to Business Planning	AM
Tue 9/16/14	key	EC Review: Second draft of Networks financials and rate impacts	EC,LOBs,Verticals
Tue 9/16/14	key	EC Review: Brampton, Telecom, Remotes business plans	EC,Subs
Wed 9/17/14	key	Hydro One Brampton Networks Inc. (HOBNI) FRPC review of 2015-19 Business Plan	EC,Brampton
Tue 9/30/14		EC Mail Out: Asset Plan and Operations business plans	EC,LOBs,Verticals
Tue 10/7/14	key	EC Review: Asset Plan and Operations business plans	EC,LOBs,Verticals
Wed 10/8/14		Final load forecast due to Business Planning	Reg
Tue 10/14/14		EC Mail Out of the draft 2015 Budget and 2015-19 Business Plan H1 Board Material	EC,LOBs,Verticals
Wed 10/15/14	key	Brampton Board Approval: 2015-19 Business Plan	Brampton
Tue 10/21/14	key	EC review of the draft 2015 Budget and 2015-19 Business Plan H1 Board Material	EC,LOBs,Verticals
Fri 10/24/14		Final revenue forecast due to Business Planning	Finance
Thu 10/30/14		Final revenue results issued by Business Planning	BP
Thu 11/6/14	key	H1 Board Mail Out: 2015 Budget and 2015-19 Business Plan Memo and Presentation	EC,LOBs,Verticals,BOD
Thu 11/13/14	key	H1 Board Approval: 2015 Budget and 2015-19 Business Plan	EC,LOBs,Verticals,BOD

Notes:

- BP → Business Planning
- LOBs → Operations units…Stations, Lines & Forestry, Engineering & Construction
- Verticals → See Appendix C for a complete list of Corporate Support Groups units
- Subs → Subsidiaries of Hydro One (Hydro One Telecom, Hydro One Brampton and Hydro One Remotes)
- AM →Asset Management
- Reg → Regulatory
- Finance → Management Accounting & Reporting and Corporate Accounting
- EC →Executive Committee
- BOD → Board of Directors

Appendix B: Submission Requirements

(If your unit is shown here in green, please refer to the requirements in this section)

	"Vertical"	Written Business Plan	Green Sheets	Blue Sheets
Shared Services				
Business Planning & Support	Vertical	Yes	Yes	Yes
Corporate Finance				
Corporate Controller	Vertical	Yes	Yes	Yes
Taxation	Vertical	Yes	Yes	Yes
Treasury and Risk	Vertical	Yes	Yes	Yes
Facilities Real Estate	Vertical	Yes	Yes	Yes
Outsourcing Services	Vertical	Yes	Yes	Yes
Regulatory Affairs	Vertical	Yes	Yes	Yes
Supply Chain & Shared Services				
Fleet Services		Yes		
Supply Chain Services		Yes		
Corporate Relations				
Corporate Communications	Vertical	Yes	Yes	Yes
First nations and Metis Relations	Vertical	Yes	Yes	Yes
People & Culture	Vertical	Yes	Yes	Yes
Customer Service	Vertical	Yes		
Customer Contact Operations	Vertical	included above	Yes	
Customer Experience & CDM	Vertical	included above	Yes	
Customer Service Support	Vertical	included above	Yes	
Key Account Management	Vertical	included above	Yes	
Value Growth	Vertical	included above	Yes	
VP Customer Services	Vertical	included above	Yes	
Audit	Vertical	Yes	Yes	Yes
General Counsel and Secretariat	Vertical	Yes	Yes	Yes
Operations				
Information Solutions Division	Vertical	Yes		
Corporate Projects	Vertical	included above	Yes	Yes
IT	Vertical	included above	Yes	Yes
Security	Vertical	included above	Yes	Yes
Planning	Vertical	Yes		
Distribution Asset Management	Vertical	included above	Yes	
Network Development & Regional Pla	Vertical	included above	Yes	
Project Development		included above	Yes	
Transmission Asset Management	Vertical	included above	Yes	
Smart Grid Development	Vertical	included above	Yes	
VP Planning	Vertical	included above	Yes	
Health Safety & Environment		Yes		
Lines and Forestry		Yes		
Forestry Operations		included above		
Provincial Lines		included above		
Quality Assurance & Operations Sup		included above		
VP Lines & Forestry		included above		
Stations and Operating		Yes		
Station Services		included above		
Technical Services		included above		
Network Operating	Vertical	Yes	Yes	Yes
VP Office - Operations	Vertical	NA	Yes	Yes
Engineering & Construction		Yes		
Construction Services		included above		
Engineering Services		included above		
Project Management		included above		
SVP Engineering & Technology		included above		
HOI	Vertical	Yes	Yes	Yes

Appendix C: Template Instructions- Vertical Groups

Template

Please use the accompanying Excel file to complete your direct business plan / budget details and return the completed file along with your Business Plan to your unit's prime for the consolidation of the business plan and send it to Uri Akselrud in Business Planning.

Hydro One Networks Inc. (HONI)	*Hydro One Inc. (HOI)*
Blank HONI BP 2015-2019(2020).xlsx	Blank HOI BP 2015-2019(2020).xlsx

1) Summary and Analysis Tabs (to be completed and reviewed by BU leaders)

(a) OM&A Summary

- Shows a summary of OM&A expenditures for the current and prior business plan as well as plan over plan (POP) and year over year (YOY) variances in dollars a well as percentages. Labour is split between regular and non-regular staff and non-labour costs are listed by cost category.
- Also shows total headcount levels and the related POP and YOY variances.
- The tab is automatically updated by inputs from other tabs.

(b) Year-End Headcount

- Summary of headcount levels for the current business plan by representation for both regular and non-regular staff.
- The tab is **automatically** updated by inputs from other tabs.

2) Input Tabs

(a) Input – Labour (FTE Levels)

- Input tab for FTE levels which drive labour costing.
- **Use blue cells to input** FTEs by year, department, representation and band. Separate input cells should be used for regular and non-regular staff.
- Use fractions if necessary as numbers entered are subject to annualized assumptions e.g. summer student for 3 months (non-regular) = 3/12 = **0.25** (time factor) **x 0.5 (**salary factor for MP5) = **0.13**.
- **Use green cells to input** overtime and other allowances, power-flex and long-term incentive adjustments and adjustments to assumed annual salaries by representation. The amounts should be entered in full dollars.

(b) Input – Non-Labour

- Input tab for non-labour costs.
- **Use blue cells to input** non-labour costs by year, department and account.
- Amounts should be input in full dollars e.g. $75k should be entered as $75,000.

(c) Input – Detail of Non-Labour Costs

- Shows details of non-labour costs for the current business plan for consultants, contractors, general miscellaneous, courses and conferences, other and recoverable costs.
- **Use yellow cells to identify** non-labour details such as programs, projects, specific engagements, etc. that make up the respective non labour costs.

(d) Input – Year End Headcount

- Input tab for year end headcount.
- **Use blue cells to input** year end headcount by year, department, representation and band. Separate input cells should be used for regular and non-regular staff.

(e) Input – Rate Hearing Expenditures

- Show details of rate hearing costs by activity type and type of application (i.e. TX/DX) for the current business plan.
- The tab is to be used for incremental rate hearing costs only, such as studies (e.g. – cost allocation) required for the rate filing. The internal costs of staff working on the rate filing are not to be included in this table.
- **Use yellow cells to provide** descriptions for hearing activities, types of application and related costs.

3) Automatically Updated & Restricted Tabs

The following tabs are automatically updated by inputs from other tabs and **should not** be updated by end users:

- Consolidated Green sheet;
- Summary by Department (A – J);
- LCA Control.

Appendix D: Financial and Costing Assumptions

Economics

(from Regulatory)

	2014	*2015*	*2016*	*2017*	*2018*	*2019*
CPI – Ontario (%)	1.7	1.7	2.0	1.9	2.0	2.1
TX cost escalation for Construction (%)	1.8	1.9	1.8	2.3	2.7	2.6
TX cost escalation for Operations & Maintenance (%)	1.9	2.1	2.6	2.5	2.1	1.9
DX cost escalation for Construction (%)	1.6	2.2	2.1	2.3	3.2	3.5
DX cost escalation for Operations & Maintenance (%)	1.3	1.9	2.1	2.0	2.0	1.9
CPI-Ontario and cost escalation forecasts were based on the IHS Global Insight January 2014 and February 2014 forecasts respectively.						

Interest Rates

(from Treasury)

	2014	**2015**	**2016**	**2017**	**2018**	**2019**
HO1 5-Year Bond Rate (%)	2.91	3.16	4.06	4.36	4.46	4.46
HO1 10-Year Bond Rate (%)	3.96	4.21	5.11	5.41	5.51	5.51
HO1 30-Year Bond Rate (%)	4.78	5.03	5.93	6.23	6.33	6.33
90-Day Banker's Acceptance Rate (%)	2.10	2.27	4.00	5.56	5.65	5.84

The current interest rate forecasts are from the following sources:

- 10-year Government of Canada bond forecasts are from the following sources:
  - The 2014 forecast is based on the average of the 3 month and 12 month April 2014 Consensus Forecasts
  - The 2015 to 2020 forecast is based on the long term April 2014 Consensus Forecasts

Hydro One spreads are based on April 2014 averages.

The 90 Day BA Rate Outlook is from the following sources:

- The 2014 forecast is the average April 2014 actuals from Bank of Canada series V39071
- The 2015 to 2020 forecast is based on the Global Insight February 2014 forecast

BA Spread is the Average Annual Spread over Bankers Acceptance as per the OEBs Cost of Capital Parameters for Rates Effective in 2014.

(from Business Planning based on embedded cost of debt)

Interest Capitalized – GAAP	*2014*	*2015*	*2016*	*2017*	*2018*	*2019*
Interest Capitalized TX (%)	4.79%	4.81%	4.99%	5.12%	5.23%	5.39%
Interest Capitalized DX (%)	4.66%	4.71%	4.89%	5.03%	5.17%	5.37%
Interest Capitalized Common (%)	4.73%	4.77%	4.95%	5.08%	5.20%	5.38%
Interest Capitalized Remotes (%)	4.85%	5.34%	5.25%	5.22%	5.21%	5.22%
Interest Capitalized Brampton (%)	6.25%	6.25%	6.25%	6.20%	6.22%	6.22%
Interest Capitalized Telecom (%)	1.35%	2.47%	3.72%	4.70%	4.89%	5.08%

Due to the adoption of interest capitalization policy under US GAAP, we are no longer using the OEB-prescribed rates for capitalizing interest. We have calculated the new rates based on our embedded cost of debt, factoring in the updated forecasted borrowing requirements and Treasury's April 2014 Consensus Forecast. Note that the 2014 rate is a forecasted annual rate.

The interest capitalized rates for Telecom are the summation of the 90-day Banker's Acceptance Rate and a spread of 15 basis points. The 90-Day Banker's Rate Outlook was prepared based upon the February 2014 Global Insight Forecast.

Capital Overhead Rate

(from Business Planning based on Black and Veatch Study)

Networks-GAAP	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Capital Overhead Rate TX (%)	13	14	15	15	15	16
Capital Overhead Rate Dx (%)	14	14	13	13	13	13
Capital Overhead Rate Common (%)	13	14	14	14	14	15

The capitalized overhead rates are based on an independent study by third party consultants. These rates may require adjustment if there is a significant change in the spending mix as the OM&A and Capital programs are finalized.

US GAAP REPORTING STANDARDS ASSUMPTIONS

(from Corporate Finance)

Consistent with the 2014-19 plan, the accounting framework to be used in developing the 2015-19 business plan will again be US generally accepted accounting principles (GAAP).

Hydro One has received approval from the Ontario Securities Commission to prepare and file its consolidated securities filings based on US GAAP until December 31, 2014. Based on our successful filing on the NYSE, we will continue to prepare and file based on US GAAP.

The Ontario Energy Board has authorised Hydro One Networks Inc. (both Distribution and Transmission) and Hydro One Remote Communities Inc. to base their rate setting as well as their regulatory accounting and reporting on US GAAP.

While Hydro One Brampton Networks Inc. and Hydro One Telecom Inc. will base their own local financial reporting on International Financial Reporting Standards (IFRS), these subsidiaries will prepare business planning information on a US GAAP basis to allow for the preparation of a consolidated US GAAP plan.

Assumptions:

- Interest will be capitalized on all capital projects and programs, irrespective of planned construction or development time.
- Corporate Finance will provide a forecast interest capitalization rate for each business to be used in place the former OEB AFUDC rate.
- Overheads capitalized will be consistent with previous rates developed under Canadian GAAP (CGAAP) – i.e. nothing currently in the standard rates will be disallowed as capital (contrary to the case under IFRS).
- Contributed capital will have the same treatment as under CGAAP (i.e. continue to treat as a contra to the fixed asset rather than as unearned revenue under IFRS).
- Group deprecation historically used under CGAAP continues under US GAAP – unlike IFRS, no premature retirement losses will be recorded in the P&L.
- All regulatory assets and liabilities continue on the Balance Sheet and interest continues to be added using OEB-mandated rates, applied on a simple interest basis.
- There are minor differences in capitalization rules between US and CGAAP that impact major software projects.

Benefit Costs Rates (Payroll Burden)

(from Corporate Finance)

The forecast Hydro One burden rates for each subsidiary are shown below. Note that the dollar amounts and a more detailed breakdown are available upon request. **Based on US GAAP**

Company	Category	2014	2015	2016	2017	2018	2019
Hydro One Inc	**Non-Regular Staff**						
	% of total earnings*	2.95%	2.95%	2.96%	2.97%	2.97%	2.92%
	Regular Staff						
	Non-Pension						
	% of total earnings*	2.95%	2.95%	2.96%	2.97%	2.97%	2.92%
	% of base pensionable earnings**	13.66%	13.65%	13.77%	13.90%	14.06%	14.24%
	Pension						
	% of base pensionable earnings	12.26%	12.24%	12.21%	12.18%	12.16%	12.14%
Networks	**Non-Regular Staff**						
	% of total earnings*	6.36%	6.31%	6.36%	6.39%	6.43%	6.47%
	Regular Staff						
	Non-Pension						
	% of total earnings*	6.36%	6.31%	6.36%	6.39%	6.43%	6.47%
	% of base pensionable earnings**	30.30%	30.30%	30.55%	30.80%	31.07%	31.45%
	% of base pensionable earnings***	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%
		30.75%	**30.74%**	**30.99%**	**31.24%**	**31.50%**	**31.89%**
	Pension						
	% of base pensionable earnings	30.92%	30.88%	30.82%	30.74%	30.68%	30.64%
Remote Comm.	**Non-Regular Staff**						
	% of total earnings*	5.72%	5.71%	5.76%	5.79%	5.81%	5.84%
	Regular Staff						
	Non-Pension						
	% of total earnings*	5.72%	5.71%	5.76%	5.79%	5.81%	5.84%
	% of base pensionable earnings**	29.06%	28.97%	29.17%	29.37%	29.61%	29.91%
	Pension						
	% of base pensionable earnings	30.56%	30.51%	30.45%	30.37%	30.31%	30.26%
Telecom	**Non-Regular Staff**						
	% of total earnings*	5.31%	5.30%	5.35%	5.37%	5.40%	5.43%
	Regular Staff						
	Non-Pension						
	% of total earnings*	5.31%	5.30%	5.35%	5.37%	5.40%	5.43%
	% of base pensionable earnings**	19.81%	19.46%	20.17%	20.97%	22.51%	22.52%
	Pension						
	% of base pensionable earnings	23.73%	23.71%	23.69%	23.65%	23.63%	23.61%

- *CPP, Emp. Insurance, Emp. Health Tax, Workers' Compensation Schedule 1 Premiums
- **Health, Dental, Life Insurance, Maternity, Retirement Bonus, Post-Retirement Health, dental, Life Insurance, Ontario Health Premiums (OHP)
- *** OPRB – Inergi
- - Base Pensionable Earnings includes pensionable bonus.
- - Total Earnings includes base pay, bonus, overtime, taxable benefits and taxable allowances.

Labour Escalation

(from Business Planning from CFO)
Salary increases are assumed to be 2% net annually.

All incentive plans have been discontinued, with the exception of the MCP Short Term Incentive Plan. Payout under this plan is assumed to be 15.0% in all years

Income and Capital Tax Rates

(from Taxation)

	2014	*2015*	*2016*	*2017*	*2018*	*2019*
Federal Tax Rate	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%
Provincial Rate	11.50%	11.50%	11.50%	11.50%	11.50%	11.50%
Total Statutory Tax Rate	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%
Capital Tax Rate	NIL	NIL	NIL	NIL	NIL	NIL

Harmonized Sales Tax (HST)/Goods and Services Tax (GST)

(from Taxation)

The 13% harmonized sales tax (HST) is a combination of the former 8% PST and the 5% GST. Like the GST, any HST costs will be fully recoverable with some restrictions (outlined below) for the first 8 years of its implementation. Therefore, when preparing your business plan do not add the 13% HST to your planned expenditures. The only exception is for certain non-deductible costs as described below.

Restricted Input Tax Credits

(from Taxation)

Until June 30, 2018, the 8% provincial portion of the HST payable on the following expenditures will not be fully recoverable and will be a cost to the business.

- Energy (e.g. – electricity bill for a Hydro One office) – other than for manufacturing, or when purchased for resale.
- Telecommunications (e.g. –voice or data services) – other than internet service and toll free numbers, or when purchased for re-sale.
- Vehicles under 3,000 kgs. kerb weight – both on acquisition of the vehicles, and on fuel (other than diesel) that is purchased for vehicles less than 3,000 kgs.
- Meals and entertainment – the same expenditures that today are subject to 50% GST restriction will be subject to full restriction of the provincial component of the HST.

The Restricted Input Tax Credit will be phased out over a three year period as follows:

- Up to June 30, 2015 100% add-back Effective RITC: 8%
- 7/1/2015 – 6/30/2016 75% add-back Effective RITC: 6%
- 7/1/2016 – 6/30/2017 50% add-back Effective RITC: 4%
- 7/1/2017 – 6/30/2018 25% add-back Effective RITC: 2%
- After June 30, 2018, no RITC add-back is required.

Business plans should reflect this non-deductible HST as a cost.

Appendix E: Productivity at Hydro One

Productivity at Hydro One

The effectiveness of productive effort, as measured in terms of the rate of output per unit of input, where output can be measured both quantitatively and qualitatively.

$$\frac{\textbf{Output}}{\textbf{Input}} = \textbf{Productivity}$$

Published: May 9th, 2014

Productivity at Hydro One

Contents

Definition of Productivity

The effectiveness of productive effort, as measured in terms of the rate of output per unit of input, where output can be measured both quantitatively and qualitatively through the SCQERTS model.

The Importance of Productivity Improvements at Hydro One

The cost of providing reliable and safe electricity has been steadily increasing over the years and the current demographic and infrastructure forecasts predict that this will continue on into the foreseeable future. It is important that Hydro One keep electricity rates low for our customers through continuous productivity improvements and to prove that we are doing so to the OEB to enable positive decisions on our rate applications. This will allow Hydro One to continue our work program for the benefit of all Ontarians and to solidify Hydro One's position as a leader during the consolidation of the distribution industry.

Accountabilities

The Corporate Controllers group is accountable for monitoring, tracking and reporting the results of productivity initiatives on behalf of Hydro One Networks Inc. The productivity team will assist each business unit in identifying, analyzing, calculating savings, implementing and incorporating productivity savings into the business plan. The business units will be accountable for providing back up documentation and tracking key measures to be used for calculating the savings of their productivity initiatives.

Authorities

To carry out productivity related accountabilities, the productivity team requires coordinating authority in relation to the business units involved.

The Productivity Framework at Hydro One

By implementing productivity initiatives Hydro One will benefit from a broad range of improvements that cover more than just labour efficiencies and cost savings. The elements of productivity listed below are key areas of focus for productive gains at Hydro One.

Safety – ensuring all productivity gains are maintaining or improving safety standards

Customer – improving customer satisfaction through better service

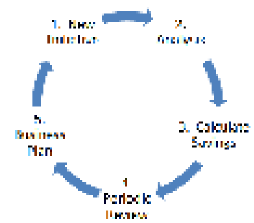
Quality – completing work to higher standards to improve asset performance and life expectancy

Expense – reducing expenses through better management of resources

Reliability – decreasing instances of service disruption and outage times

Time – increasing output per labour hour providing labour cost savings

Scope – broadening the scope of work to accomplish more using the same resources



The Productivity Process

1. Identifying new initiatives

In a collaborative effort between the business units and the productivity team will work together to identify processes that are planned or already implemented that will provide productivity improvements or cost savings. There are four ways that we will achieve this:

I. New Business Cases Visibility

II. Corporate Wide Communications

III. Line of Business SPOC (Single Point of Contact)

IV. Business Planning Process

2. Gathering Information & Analyzing benefits

The business units will do an internal evaluation of any new initiative to determine whether they would see any benefits from its implementation. This process could involve business cases for equipment or infrastructure investments, but for most process improvements the analysis will likely be based on the experiences of the business unit.

3. Forecasting Savings

The productivity team will use the business unit's internal evaluation of the initiative as a starting point for forecasting the savings. The methodology for calculating the savings should be agreed upon by the both parties, however, the productivity team as the subject matter experts for accounting must approve any savings that are to be reported. The business unit in turn must agree that any forecasted savings are achievable under current plans and conditions as they will ultimately be accountable for the success of the initiatives.

When calculating year over year savings as a result of productivity one of the most important factors is deciding on an appropriate baseline comparative year. This quite often has a very large impact on the total savings for the initiative.

The default selection of the comparative year is the year before the initiative began or savings were achieved. In certain circumstances the comparative year may be pushed forward if the comparative year is too far back and no longer relevant. In general, the productivity team will try and use a standard year for the baseline of all initiatives where possible.

4. Periodic Review and Reporting of Results

The productivity team and business units will be jointly responsible for tracking and reporting the ongoing savings and productivity improvements of the active initiatives on quarterly basis. The productivity team will provide guidance to the business unit on proper accounting methodologies that can be used to track the results as well as assisting with the actual calculations. The productivity results will be presented to the Ops Committee on a quarterly basis.

5. Inclusion in the Business Plan

Forecasted savings that have been mutually agreed upon should be included in the business plans budget as a reduction in labour or cost savings. This will ensure that the productivity savings will lead to decreases in cost and the savings will be properly tracked and accounted for. This will be a collaborative effort between the business unit, the productivity team and the business planning group that will require ongoing communication and reporting.

Scope of Savings to Report

Some productivity improvements come about through better practices or smarter management of resources while others may require significant investment in equipment, infrastructure or software. There are existing processes and mechanisms in place to help determine whether an investment should be implemented, including business cases, decision support and benefits cards. The productivity team will report savings that occurred net of expenses in the year that the savings were achieved and will not include any investment costs that might be required.

Developing a Communications Strategy

In order to increase awareness of both the productivity team and the strategic focus on productivity improvements at Hydro One, a new centralized mailbox has been set up so that the LOB's can send their ideas or actual improvements to the productivity team at productivityimprovements@hydroone.com. This will help provide the productivity team with a steady stream of initiatives to investigate and track savings for while opening up lines of communication with the field.

By showcasing successful productivity initiatives from various LOB's using corporate communications channels such as Hydro One Plug In page or the Between the Lines publications, the productivity team will build awareness of the team and motivate other groups to bring forward their own successful initiatives.

Productivity Reports and Presentations

- Productivity Value Cards
- Productivity Summary
- Productivity Presentation

Meeting and Presentation Schedule

- Quarterly Ops Committee (Presentation)
- Quarterly LOB Initiatives Review with SPOC (Meeting)
- Regulatory Updates (Meeting)
- Business Unit (Presentation)
- Corporate Communication (Presentation)

Appendix F: Key Contacts

Hydro One Business Planning

- Scot Hutchinson, Manager Financial Planning & Analysis – (416) 345- 5569
- Adam Pappas, Financial Analyst – (416) 345-5557
- Uri Akselrud, Accounting & Financial Analyst – (416) 345-5654

Asset Management

- Kathleen McCorriston, Manager Program Integration – (416) 345-4010
- Darlene Bradley, Director Transmission Asset Management – (416) 345-5209
- Paul Brown, Director Distribution Asset Management – (416) 345-4534

Regulatory Affairs

- Dx → Allan Cowan at (416) 345-6219.
- Tx → Jeffrey Smith(416) 345-5721

Enterprise Risk Management

- Rob Quail, Director – Enterprise Risk Management at (416) 345-5509 (Rob’s group is available to facilitate workshops and support assessments.)

Management Accounting and Reporting

- Donna Wallis (416) 345-6808 (for green sheets for Vertical groups within Operations)

EXHIBIT 2 – RATE BASE

2-SEC-32

Reference: 2-SEC-8

Based on the Applicant's forecasted capital expenditures for 2015-2019 in its Distribution System Plan, please estimate what the hypothetical 2016-2019 in-service additions would be.

RESPONSE

The 2015 Capital expenditure includes an ERP System expenditure that is expected to be in service in 2016.

The forecasted in-service additions are all of the capital expenditures identified for the 2016-2019 period including the ERP project which will start in 2015 and be placed in service in 2016.

2-SEC-33

Reference: 2-VECC-33

Does the Applicant utilize Hydro One Networks Inc. customer billing system?

RESPONSE

No. Hydro One Brampton employs its own billing system.

EXHIBIT 4 – OPERATING COSTS

4-SEC-34

Reference: 4-Staff-43

Please explain the increase in the regulatory costs between the Applicant's 2011 and 2015 cost of service applications.

RESPONSE

Increase in contract staff that backfilled for full time staff who prepared the application. Consultants were used to prepare content of application. Arranged additional training for staff to prepare content for the application, preparation for the technical conference and further steps in application. More work was required preparing this application than the previous one. The filing requirements were expanded due to the RRFE. For example DSP costs were not part of the 2011 application.

4-SEC-35

Reference: 4-Staff-44a

Does the Applicant outsource any of the listed activities to Hydro One Networks Inc.? If so, please provide details.

RESPONSE

No. None of the services listed in *Exhibit 4, Tab 2, Schedule 5* referenced in *4-Staff-44* are outsourced to Hydro One Networks Inc.

4-SEC-36

Reference: **4-Staff-44**

4-EP-29

With respect to the Applicant's new collective agreements, please provide the impact for the test year, if there had been a 0%, 1%, 1.5% and 2% wage increase.

RESPONSE

HOBNI was unable to complete these calculations in the time available.

4-SEC-37

Reference: Ex.4-1-1-p.3

2013 Yearbook of Electricity Distributors] Please explain why the Applicant's 2013 OM&A expenses ($23,430,854) set out in the evidence is different than the amount set out in the 2013 OEB Yearbook ($23,773,756, sum of Sheet IS, sum of lines 13-15).

RESPONSE

2013 OMA Reported in 2015 COS		
Reported in RRR (2013 OEB Yearbook)	**$**	**23,773,756**
Taxes Other than Income Taxes - Not Included in 2013 in COS	-$	55,477
Less RRR adjustments:		
Add GEA OM&A Expenses Deferred for RRR purposes	$	124,804
To Record Smart Meter OM&A incurred up to the December 31, 2012	-$	412,229
Total 2013 OMA Reported for 2013 in 2015 Cost of Service	**$**	**23,430,854**

Differences relate to:

1. Taxes other than Income Taxes of $55,477 are included in OM&A roll up in RRR year book but were not included in 2013 OM&A expenses in the application.
2. GEA OM&A costs of $124,804 are not part of RRR 2013 OM&A in the OEB year book but are included in 2013 OM&A expenses in the application. For RRR purposes GEA expenses are tracked in a GEA deferral account for future disposition. In the rate application the amounts are being requested for disposition and hence added back to period costs.
3. LTD December 31/12 smart meter OM&A costs of $412,229 were included in RRR 2013 OM&A in the OEB yearbook since the Board approved HOBNI's final disposition for smart meter costs in 2013. For the rate application, the pre 2013 Smart Meter costs were excluded from 2013 OM&A costs in the rate application, and were included in OM&A for the respective years of expenditure.

2015 COS REFERENCE: ***Exhibit 2 Tab1 Schedule 1 Page 6***

"Adjustments to 2013 Working Capital Allowance:

A reduction of $0.29 million was made to the O&M expenses reported in the 2013 RRR Trial Balance composed of the difference between:

- A reduction of $0.41 million pertaining to Smart Meter O&M expenses, relating to the 2013 final disposition, that were recognized for regulatory RRR reporting purposes but they were not 2013 period costs reported in the 2015 Cost of Service rate application, and

- GEA O&M expenses of $0.12 million were added back to the closing balance of 2013 capital accounts. Since GEA expenditures are expected to be approved in this application these costs were added back to rate base."

Energy Probe

Technical Conference Questions

EXHIBIT NO. TC1.3

EXHIBIT 1 – ADMINISTRATIVE DOCUMENTS

1-Energy Probe-49TC

Ref: 1-Staff-1

a) Please confirm that the only change made was related to OPEB costs. If this cannot be confirmed, please provide a tracking sheet that shows the changes and includes a reference to the interrogatory response or correction that the change is based on.

RESPONSE

Confirmed, the only changes made were related to OPEB costs.

b) Please update the response for any further changes made as a result of the technical conference questions or any further corrections or updates made.

RESPONSE

No changes were made with respect to the Technical Conference questions.

1-Energy Probe-50TC

Ref: 1-Staff-8

What was HOBNI's approved 2013 distribution OM&A approved budget?

RESPONSE

$24,679,000

EXHIBIT 2 – RATE BASE

2-Energy Probe-51TC

Ref: 2-Staff-10

a) What is the impact on the collection lag of HOBNI beginning to collect active residential accounts at 60 days instead of 90 days?

RESPONSE

The move to collecting from over 90 to over 60 was to contain our final bill accounts receivable. The savings using 2013 as the benchmark could potentially be the reduction of bad debt expense by 100K. This savings has been factored in to our 2015 budget.

b) Has HOBNI taken into account this change in the calculation of the working capital allowance? If not, why not?

RESPONSE

No. HOBNI is using the default working capital allowance of 13%.

2-Energy Probe-52TC

Ref: 2-Staff-26

When does HOBNI expect the installation of the aerial device and the attachment of the bin body to be completed and the vehicles in question placed into service?

RESPONSE

The aerial devices and bin bodies are on target for a November completion and then placed in service in December 2014.

2-Energy Probe-53TC

Ref: 2-Energy Probe-3 &

4-Energy Probe-36 &

Exhibit 2, Tab 2, Schedule 2

a) The response indicates that the rate base calculation for 2013 is based on the half year rule, while for financial accounting, the month of in-service additions has been used. Is this correct?

RESPONSE

No. This is not correct. In 2013 HOBNI used the month-in-service additions for all calculations. The half year rule is only used for the forecast years.

b) If the response to part (a) is yes, please explain why the 2013 continuity schedule shown in Exhibit 2, Tab 2, Schedule 2 shows the same depreciation expense as found in the response to 4-Energy Probe-36 using the month-in-service methodology.

RESPONSE

N/A

2-Energy Probe-54TC

Ref: 2-Energy Probe-5

a) Please confirm that HOBNI has not made any changes to the capital expenditure forecasts for 2014 based on year to date actuals.

RESPONSE

Confirmed.

b) The bottom of the 2014 continuity schedule has been cut off. Please provide the entire table.

RESPONSE

On August 18, 2014 HOBNI submitted an amendment to its Interrogatory responses including an update to the capital expenditure forecast table. See part two of the letter, see the 26th page of the “pdf” file submitted.

2-Energy Probe-55TC

Ref: 2-Energy Probe-10

The continuity schedule for 2015 shows disposals of gross assets of $2,963,781 and disposals of accumulated depreciation of $2,191,181. The difference of $772,600 is shown as loss on disposal of property in the same schedule.

The response to the interrogatory indicates that the transportation equipment being replaced is fully depreciated and therefore does not have any impact on the difference of $772,600 noted above.

The response indicates that the sale or scrap value associated with the replaced vehicles is netted out in the depreciation expense.

a) Please explain how the sale or scrap value has been included in the $772,600 or elsewhere in the depreciation expense.

RESPONSE

The sale / scrap value of vehicles is not included in the depreciation expense. The accounting treatment for the sale of transportation equipment is to remove the net book value of the vehicle by debiting accumulated amortization and crediting capital. Any difference between the proceeds from the sale of the vehicle and the NBV is booked to a gain or loss.

b) What is the forecasted sale or scrap value associated with the vehicles that are being replaced in 2015?

RESPONSE

Currently we are not forecasting the sale of any vehicles in 2015.

EXHIBIT 3 – OPERATING REVENUE

3-Energy Probe-56TC

Ref: 3-Energy Probe-15

a) The response refers to the previously filed Excel spreadsheet. However, that spreadsheet appears to use a 20 year AVERAGE for 1994 through 2013 rather than the requested 20 year TREND over the same period. Please confirm.

RESPONSE

Confirmed, the average was used.

b) Please confirm that based on the following data, the TREND function yields the forecasts as noted for 2015. If this cannot be confirmed, please provide the 20 year trend forecasts for HDD and CDD for 2015 and show how these numbers were generated.

	HDD	CDD
1994	4,109.8	247.7
1995	4,042.0	251.1
1996	4,176.8	220.7
1997	4,033.9	237.5
1998	3,220.3	375.0
1999	3,534.4	439.9
2000	3,826.1	265.5
2001	3,420.4	391.9
2002	3,629.8	518.8
2003	3,981.5	325.6
2004	3,797.9	228.9
2005	3,796.8	536.2
2006	3,378.5	382.5
2007	3,719.4	436.0
2008	3,836.0	275.7
2009	3,835.8	197.9
2010	3,501.0	439.6
2011	3,647.5	428.1
2012	3,214.8	482.7
2013	3,797.6	336.9
2015	3,500.1	405.8

RESPONSE

The trend function yields the following forecast for 2015. The numbers were calculated by applying the Trend function in Excel. Please note that there is a difference in EP's and HOBNI's total CDD for 1995 – EP 251.1 and HOBNI 351.1.

By month:

20 Year Average - 1994 to 2013		
Month	**HDD**	**CDD**
Jan	658.0	0.0
Feb	607.3	0.0
Mar	493.5	0.0
Apr	291.0	0.4
May	117.0	25.0
Jun	26.0	71.2
Jul	-0.7	159.6
Aug	1.6	121.4
Sep	54.2	38.4
Oct	239.0	3.4
Nov	398.0	0.0
Dec	615.2	0.0
Total	**3500.1**	**419.4**

By year:

20 Year Average - 1994 to 2013		
Year	**HDD**	**CDD**
1994	4,109.8	247.7
1995	4,042.0	351.1
1996	4,176.8	220.7
1997	4,033.9	237.5
1998	3,220.3	375.0
1999	3,534.4	439.9
2000	3,826.1	265.5
2001	3,420.4	391.9
2002	3,629.8	518.8
2003	3,981.5	325.6
2004	3,797.9	228.9
2005	3,796.8	536.2
2006	3,378.5	382.5
2007	3,719.4	436.0
2008	3,836.0	275.7
2009	3,835.8	197.9
2010	3,501.0	439.6
2011	3,501.0	428.1
2012	3,647.5	482.7
2013	3,214.8	336.9
2014	3,519.6	413.9
2015	3,500.1	419.4

c) Based on the 20 year TREND of HDD and CDD, please update the response to part (b).

RESPONSE

The table below shows the updated response to part (b) of *3-EP-15*.

Description	Revenues at Existing Rates	Revenue Deficiency
Energy Probe Requested Adjustment	65,453,723	4,159,134
Original Application	65,287,595	4,325,262
Impact on Revenues	**166,128**	**(166,128)**

d) Please confirm that in the response to part (b), HOBNI has not made any adjustment to the cost of power component of the WCA portion of rate base and the associated impact on the revenue requirement.

RESPONSE

No changes were made in relation to the scenario presented in part (b) above.

3-Energy Probe-57TC

Ref: 3-Energy Probe-16

Please confirm that the forecast figure of 137,433 shown for residential customers in 2014 should be 137,173.

RESPONSE

Confirmed, the correct number in this table should have been 137,173

EXHIBIT 4 – OPERATING COSTS

4-Energy Probe-58TC

Ref: 4-Energy Probe-23 &

Exhibit 4, Tab 3, Schedule 4

a) What year were the costs of $344,317 for the DSP included in?

RESPONSE

2014 (incurred in 2013 and 2014)

b) What is the forecast annual expense to update the DSP each year?

RESPONSE

The estimated cost to update the DSP annually is $222,000. The cost includes cost of undertaking and setting up system studies.

c) Please confirm that the DSP costs of $344,317 are included in the Special Studies line of Table 24 in Exhibit 4, Tab 3, Schedule 4.

RESPONSE

Confirmed

EXHIBIT 5 - COST OF CAPITAL AND RATE OF RETURN

5-Energy Probe-59TC

Ref: 5-Energy Probe-41

The response indicates that HOBNI has received $10 million in debt mapped to it in 2014 in place of the forecasted amount of $20 million.

a) Does HOBNI expect to be mapped any further debt in 2014? If yes, please provide details.

RESPONSE

Yes. HOBNI expects to receive $10 million in debt from a Hydro One Inc. debt issue prior to the end of 2014. The term is expected to be 30 years.

b) If the response to part (a) is no, does HOBNI forecast the need for the $10 million difference in 2014 in 2015? If no, please explain why not.

RESPONSE

N/A

VECC

Technical Conference Questions

EXHIBIT NO. TC1.4

EXHIBIT 2 – RATE BASE

2.0 – VECC – 47

Reference: 2-Staff-23

a) Prior to 2013 planned pole replacement had a higher average cost than reactive pole replacement. Please explain why and why in 2013 this changed?

RESPONSE

The planned pole replacement includes rebuilding the pole installation and associated hardware using present day standards where as the reactive pole replacements are generally completed in a like for like manner in an individual fashion.

The change in average cost of reactive pole replacements was impacted by then 2013 ice storm. Ice storm restoration efforts included working extended hours; the net impact was an increase in service restoration costs.

EXHIBIT 3 - OPERATING REVENUE

3.0 –VECC - 48

Reference: 3-Staff – 31 a)

a) What is the voltage level for the line used to serve the embedded distributor and what is its total capacity/capability (in MWs)?

RESPONSE

The voltage level of the line used to serve the embedded distributor is 44 kV. The total capacity of the line is 27.43 MW. Due to limitations at the transformer station, the total capability of the line is 18.56 MW.

3.0 –VECC - 49

Reference: 3-Energy Probe – 17

E3/T1/S2

a) Please confirm that the values shown in updated Tale 32 (totaling 65,993,613 kWh) are the impact of CDM as measured in terms of purchases (and not billed energy).

RESPONSE

Confirmed.

b) Please provide the revised 2015 manual adjustment for CDM by customer class based on billed energy.

RESPONSE

Updated Allocation of Manual Adjustment Across Rate Classes for 2015

Rate class	kWh	kW	Loss Factor	Billed kWh
Residential	12,914,183	-	3.410%	12,488,330
GS < 50 kW	3,396,909	-	3.410%	3,284,894
GS 50 to 699 kW	27,424,414	54,111	3.410%	26,520,079
GS 700 to 4,999 kW	19,911,545	38,766	3.410%	19,254,951
Large Use	2,346,562	4,608	1.280%	2,316,905
Sentinel Lighting	-	-	0.000%	-
Standby Power	-	-	0.000%	-
Street Lighting	-	-	0.000%	-
Total	**65,993,613**	**97,486**		**63,865,161**

c) Please provide revised versions of Tables 18 and 23B from the initial Application reflecting HOBNI's currently proposed 2015 load forecast.

RESPONSE

Updated Table 18: Weather Normalized Billed Energy Forecast (2015)

Rate Class	Non-Normalized Billed Energy	Adjustment for Weather Normalization	Normalized Billed Energy	CDM Adjustment	Weather Normal Billed Energy Forecast After CDM Adjustment	Wholesale Market Participant Adjustment	Weather Normal Billed Energy Forecast
Residential	1,250,627,456	69,711,799	1,320,339,255	(12,488,330)	1,307,850,925	-	1,307,850,925
General Service < 50 kW	337,269,906	18,799,917	356,069,822	(3,284,894)	352,784,928	-	352,784,928
Unmetered Scattered Load	5,931,733	-	5,931,733	-	5,931,733	-	5,931,733
General Service > 50 to 699 kW	1,052,124,730	35,423,727	1,087,548,457	(26,520,079)	1,061,028,378	-	1,061,028,378
General Service > 700 to 4999 kW	864,832,332	12,668,804	877,501,136	(19,254,951)	858,246,185	(55,918,315)	802,327,870
Large User	377,236,612	5,382,902	382,619,513	(2,316,905)	380,302,608	-	380,302,608
Street Lights	33,306,955	-	33,306,955	-	33,306,955	-	33,306,955
Total	**3,921,329,723**	**141,987,148**	**4,063,316,871**	**(63,865,161)**	**3,999,451,711**	**(55,918,315)**	**3,943,533,396**

Updated Table 23B: 2015 Billed kW Forecast

Description	General Service > 50 to 699 kW	General Service > 700 to 4999 kW	Large User	Street Lights	Total
Forecasted kWh	1,061,028,378	858,246,185	380,302,608	33,306,955	2,332,884,125
Ratio of kW/kWh	0.2799%	0.2284%	0.1882%	0.3023%	0.2463%
Forecasted Billed kW	2,970,114	1,960,406	715,627	100,672	5,746,820

3.0 –VECC - 50

Reference: 3-Energy Probe – 18 a)

a) Please explain why the revenues in each of the following three categories for the first half of 2014 are significantly higher than those in 2013 and whether the revenues for 2014 overall are expected to be comparably higher than those in 2013:

- Specific Service Charges
- Late Payment Charges
- Other Operating Revenues

RESPONSE

OTHER DISTRIBUTION REVENUE	**2013 Actual Jan-Jun2013**		**Bridge Year Jan-Jun2014**
Reporting Basis	**CGAAP**		**CGAAP**
Specific Service Charges	$	493,716	$ 693,213
Late Payment Charges	$	607,712	$ 686,766
Other Operating Revenues	$	342,318	$ 516,038
Other Income or Deductions	$	255,151	$ 232,076
Total	$	1,698,897	$ 2,128,093

- **Specific Service Charges**

	2013	**2014**	Difference
Specific Service Charges			
4236 - New Occupancy Revenue	293,640.00	272,730.00	(20,910.00)
4237 - Disconnect & Reconnect	298,440.00	392,090.00	93,650.00
4235 - Miscellaneous Services	(98,363.63)	28,393.28	126,756.91
	493,716.37	693,213.28	199,496.91

There are two main reasons for the difference between 2013 and 2014 in Specific Charges.

i. There was an increase of approximately $94K in disconnect & reconnect revenue in January to June 2014 as a result of the number of customers that had disconnect/reconnects being 34% higher than for the same period in 2013. The winter of 2014 was considerably colder than average causing consumption to increase and customers' bills to be higher than normal. Although Hydro One Brampton works with customers in an effort to find mutually agreeable terms to pay outstanding balances, there are times when customers are disconnected. The cooler summer has meant that consumption has now dropped below 2013 levels and therefore we not expect that his trend will continue for the remainder of the year.

ii. In 2013 an adjustment was made to Miscellaneous Services revenue which reduced the balance in this account by approximately $120K. This expense related to a reversal of an incorrect accrual from a prior year.

- **Late Payment Charges**

Late payment charges are higher by approximately $79K in 2014 compared to 2013 due to both the number of customers being billed for late payment charges, as well as to an increase in the average amount charged for late charges. From January to June 2014, the number of customers billed for late charges was 2.3% higher than for the same period in 2013. In addition the average amount charged increased by 13.6%. This increase was due to the cold winter in 2014 that resulted in higher consumption by customers and higher bills. The cooler spring and summer has meant that consumption has dropped below 2013 levels and we therefore do not expect that his trend would continue for the remainder of the year.

- **Other Operating Revenue**

Other Operating Revenue		2013	2014	Difference
4086	SSS Charge	-	182,069	182,069
4090	Electric Services Incidental t	1,324	830	(494)
4082	RETAIL SERVICES REVENUES	79,935	77,451	(2,484)
4084	STR REVENUES	2,940	2,100	(840)
4212	RENTAL INCOME	46,121	39,165	(6,956)
4213	POLE RENTAL REVENUE	211,998	214,424	2,426
		342,318	516,039	173,721

The difference is due to the SSS Charge being booked to Distribution Revenue in the first half of 2013 and to Other Operating Revenue in 2014. As per the OEB's APH revision of January 1, 2012 the SSS Administration Revenue was to be charged to USoA account 4086, it had previously been charged to USoA 4080. HOBNI did not program the change to the USoA account until late in 2013 at which time the YTD balance for SSS was transferred from to the correct account. If we include the SSS Charge for January to June 2013 in other revenue the difference would be lower in 2014 by approximately $19K. Since this relates to reclassification we do not expect that revenues in 2014 will be higher than in 2013.

Other Operating Revenue		2013	2014	Difference
4080	SSS Charge	193,064.25		
4086	SSS Charge	-	182,069	182,069
4090	Electric Services Incidental t	1,324	830	(494)
4082	RETAIL SERVICES REVENUES	79,935	77,451	(2,484)
4084	STR REVENUES	2,940	2,100	(840)
4212	RENTAL INCOME	46,121	39,165	(6,956)
4213	POLE RENTAL REVENUE	211,998	214,424	2,426
		535,382	516,039	(19,343)

3.0 –VECC - 51

Reference: 3-VECC - 9

a) A review of the Load Forecast Model provided indicates that from May 2002 on the purchased power values were calculated as:

- The values shown under Planning and Standards,
- Less those reported under Snelgrove (adjusted for losses),
- Plus those reported under Algonquin.

Please explain how this reconciles with the intent to capture all purchases (including those from embedded generators and for market participants) but exclude power sold to embedded distributors, embedded generators and load transfer customers (per E3/T1/S1, page 3)

RESPONSE

The table below provides a template calculation of how purchased kWh are determined for the load forecast model. It shows how total kWh for regression are determined, how throughput sales as well as total purchases are calculated. This approach is consistent with the approach used in previous years.

Year	IESO	Algonquin Generation	FIT/Micro-FIT Generation	WMP	Snelgrove (Embedded Distributor)	Sales to Distributed Generators	Load Transfer	Total kWh For Regression	CDM Adjustment	Sales to Snelgrove (Embedded Distributor)	Sales to Distributed Generation	Total Throughput kWh Quantities	WMP	Total Purchases
XX	XXX	XXX	XXX	XXX	(XXX)	(XXX)	(XXX)	XXX	(XX)	XXX	XX	XXX	(XXX)	XXX
XX	XXX	XXX	XXX	XXX	(XXX)	(XXX)	(XXX)	XXX	(XX)	XXX	XX	XXX	(XXX)	XXX
XX	XXX	XXX	XXX	XXX	(XXX)	(XXX)	(XXX)	XXX	(XX)	XXX	XX	XXX	(XXX)	XXX
XX	XXX	XXX	XXX	XXX	(XXX)	(XXX)	(XXX)	XXX	(XX)	XXX	XX	XXX	(XXX)	XXX
XX	XXX	XXX	XXX	XXX	(XXX)	(XXX)	(XXX)	XXX	(XX)	XXX	XX	XXX	(XXX)	XXX
XX	XXX	XXX	XXX	XXX	(XXX)	(XXX)	(XXX)	XXX	(XX)	XXX	XX	XXX	(XXX)	XXX
XX	XXX	XXX	XXX	XXX	(XXX)	(XXX)	(XXX)	XXX	(XX)	XXX	XX	XXX	(XXX)	XXX
XX	XXX	XXX	XXX	XXX	(XXX)	(XXX)	(XXX)	XXX	(XX)	XXX	XX	XXX	(XXX)	XXX
XX	XXX	XXX	XXX	XXX	(XXX)	(XXX)	(XXX)	XXX	(XX)	XXX	XX	XXX	(XXX)	XXX
XX	XXX	XXX	XXX	XXX	(XXX)	(XXX)	(XXX)	XXX	(XX)	XXX	XX	XXX	(XXX)	XXX
XX	XXX	XXX	XXX	XXX	(XXX)	(XXX)	(XXX)	XXX	(XX)	XXX	XX	XXX	(XXX)	XXX

3.0 –VECC - 52

Reference: 3-VECC - 17

a) Are the kW values from Table 30 used anywhere in the application? If so, where?

RESPONSE

No.

3.0 –VECC - 53

Reference: 3-VECC - 18

a) Please confirm that in this Application HOBNI is seeking recovery of lost revenue from the impact in 2011 through 2014 of CDM programs implemented in 2011-2013.

RESPONSE

Confirmed

b) Please confirm that the OPA has not released its final report regarding the impacts of 2013 CDM programs. How will HOBNI respond if the final impacts of 2013 CDM programs in 2013 and 2014 differ from those used in its LRAM calculations?

RESPONSE

The 2013 Final CDM report is due on September 10, 2014. HOBNI has stated in its application that it will update the 2013 CDM results once the 2013 final evaluations become available.

c) Is it conceivable that future reports by the OPA could revise the estimates of the impact of 2011-2013 CDM programs in 2014? How will HOBNI respond if this occurs?

RESPONSE

There is the possibility of the revision in the reported impact of 2011-2013 CDM programs in 2014. Given that there is quarterly reporting for each year, with preliminary actuals in April of the following year, and then a final report by September of the following year, any substantive revisions would be expected to be made by the time the final report is released. HOBNI accepts the use of the final reports as best information, and would not propose making any changes to a future reporting period unless material.

d) With respect to VECC 18 b), given why are the impacts of the 2011-2013 programs included in the CDM Threshold for LRAMVA proposed for 2015, as the impacts of these programs are captured in the actual kWh data used in the load forecast model?

RESPONSE

The "Amount used for CDM threshold for LRAMVA (2015)" is not used for the CDM adjustment to the Load Forecast. No part of the CDM reductions for 2011 and 2012 are contained in the CDM load forecast reductions since the impacts of these programs have been captured in the actual kWh data used in the load forecast. For 2013 however, half of the reductions are contained in the CDM load forecast reduction as only half the impacts of these programs have been captured in the actual kWh data.

This is explained in *Exhibit 3, Tab 1, Schedule 2, p. 3-4* and further discussed in *3-Staff- 34*.

EXHIBIT 4 – OPERATING COSTS

4.0 -VECC -54

Reference: 4.0-VECC-27

a) HOBNI's EDA fees are significantly below those reported by similar sized electric distribution utilities. For example Horizon's 2012 fees were $106,500, whereas HOBNI is reporting EDA fee of only $5,120 for that year. Please confirm that table shown in the response is not in thousands of dollars.

RESPONSE

The table is not in thousands. The amount paid to the for membership fees in 2012 was $5,120.

b) Part b) of the questions asks whether the MEARIE Group insurance was purchased under a tender or other competitive process. Please respond.

RESPONSE

The MEARIE Group insurance was tendered.

4.0-VECC- 55

Reference: 4.0-VECC-29

a) Please explain why Training/Conference & Travel costs have increased by almost $300,000 since 2010.

RESPONSE

There are two main reasons for this increase.

1. Since 2010, HOBNI has completed mandatory training that had not been done in prior years. This included WHMIS, forklift recertification and Workplace and Violence Harassment. In addition there were a number of new mandatory training requirements such as Ministry of Labour Awareness Training for workers and supervisors, Certificate of Recognition (COR) training. Finally there are a number of mandatory training modules that are cyclical in nature and repeat every three to five years (Fall Prevention, Spills Training).

2. In 2013 Hydro One Brampton implemented non-safety training for their staff. Up until that time technical and soft skills training had not been done on a consistent basis throughout the entire company. The cost of this additional training is approximately $200,000 per year or $1,000 per employee which includes the cost of both the trainer and as well as the employees labour and travel expenses.

EXHIBIT 7 - COST ALLOCATION

7.0 – VECC – 56

Reference: 7-Staff-62

a) Does HOBNI have any information as to when/how the Board may implement a “fixed rate design” for small volume customers? If so, please provide.

RESPONSE

The Board is currently reviewing submissions from stakeholders regarding “fixed rate design” for low volume customers.

b) Do the proposals in HOBNI’s 2015 Rate Application specifically reflect the anticipated outcomes of either of the following:

- The Cost of Capital Review that the Board has indicated in its 2014-2017 Business Plan will be undertaken in the 2014 fiscal year?

RESPONSE

No HOBNI’s rate application does not reflect any anticipated outcomes of the Cost of Capital Review.

- The Low Income Strategy Review (EB-2014-0227) that the OEB is currently undertaking at the direction of the Minister of Energy?

If yes, how? If not, why not?

RESPONSE

No HOBNI’s rate application does not reflect any anticipated outcomes of this review. HOBNI will comply with the OEB’s implementation guidelines once issued.

7.0 – VECC –57

Reference: 7-VECC -32

a) How many years of actual smart meter data did HOBNI have for purposes of determining weather-normalized load profiles?

RESPONSE

One full year of complete smart meter data was used for purposes of determining the weather-normalized load profiles.

7.0 –VECC -58

Reference: 7-VECC-36

a) In considering the bill impacts for the Energy From Waste class, HOBNI indicates that it took into account the dollar size of the impacts relative to the generator's overall business revenues. Was a similar approach taken for any other customer classes? If not, why not?

RESPONSE

A similar approach was not taken for any other class. There is one generator in this class who generates significantly more than any other generator in the City. In addition, HOBNI does not provide this generator any distribution service on their generator account. The service HOBNI provides this generator, is to read the generators meter, produce a monthly bill, maintain a customer account on the billing system, providing customer service functions as needed and preparing a cheque in payment for the generation quantities. The monthly charge determined for this account is effectively an administrative charge. Electricity is not provided to this generator account.

7.0 –VECC -59

Reference: 7-VECC-37

a) The response states that If both class' ratios were changed to 120% then HOBNI would over collect about $370,000 in revenue. Please confirm that this only occurs if the ratios for the other classes remain as currently proposed.

RESPONSE

This is confirmed, if both GS<50 kW and GS>700 revenue to cost ratios were changed to 120% and the ratios for the other classes remain as proposed, HOBNI would over collect about $370,000 in revenue.

EXHIBIT 8 - RATE DESIGN

8.0 –VECC -60

Reference: 8-Staff – 61 b)

a) Other than customer counts, did HOBNI undertake any analysis to that would demonstrate it is comparable to the large distributors used for the fixed/variable comparison? If so, on what other basis were the 10 distributors assessed and deemed to be comparable to HOBNI? Please provide the supporting analysis.

RESPONSE

HOBNI did not undertake any other analysis to determine comparability with other large distributors. HOBNI compared its fixed/variable ratios to those of other large distributors' as electricity distributors cost drivers are very similar. Distribution costs are essentially fixed thus there are common costs drivers for all LDCs. Electricity distributors are in the same business, to construct infrastructure, to maintain and operate it, and to deliver electricity through their infrastructure.

8.0 –VECC -61

Reference: 8-VECC-42 a)

a) Given that the Embedded Distributor's load is expected to increase in the future (per 3-Staff-31), why is it appropriate to utilize a 100% fixed charge for 2015 which will then be perpetuated throughout the subsequent IRM period?

RESPONSE

HOBNI has designed a fixed distribution charge that will allow it to recover the full cost of providing distribution service to the Embedded Distributor. By taking volume out of the equation the company will recover its revenue requirement from this customer class irrespective of how much load is delivered. HOBNI's costs do not vary according to the volume of energy delivered. Its costs are basically fixed in nature.

BOMA

Technical Conference Questions

EXHIBIT NO. TC1.5

EXHIBIT 1 – ADMINISTRATIVE DOCUMENTS

1. Reference: 1-Staff-5, Page 7 of 162

In order to improve Customer Service Expectations, Hydro One Brampton is in the process of restructuring its call centre operations to create three (3) defined working groups so that calls may be directed to the specific working group where individuals that have specialized knowledge in their area of expertise can address the customer directly. This will address concerns pertaining to knowledge and helpfulness of staff. This new customer service structure will also facilitate a quicker customer response.

Please clarify if Hydro One Brampton is seeking to improve its customer service, not its "Customer Service Expectations", i.e. improve its performance rather than increase its targets excepting the scorecard changes cited in Reference 4 below.

RESPONSE

Yes Hydro One Brampton is seeking to improve its customer service performance by creating the three defined call centre groups.

Please confirm that the biggest gap between Hydro One Brampton performance and the average for UP Ontario Data is on the "quality of information". Please clarify why Hydro One Brampton is not addressing this gap.

RESPONSE

In creating call centre groups, the quality of information to our customers will be addressed as each group will have more focused training and knowledge in their areas of expertise.

2. Reference: 1-Staff-6, Page 9 of 162

Hydro One Brampton will be launching an outage map system on its website in 2014 to enable a more timely outage management information system for its customers.

Please clarify how customers will access their internet when their power is off.

RESPONSE

Hydro One Brampton's website will be available on a variety of (transportable) electronic devices. These devices permit our customers to access our website via a mobile fashion

3. Reference 1-Staff-7, Page 11 of 162

Please refer to the attached table that was published in Energy Council of Canada website on July 16, 20141. This table2 clearly identifies that Hydro One Brampton currently has the lowest residential distribution rates as compared to the other comparable LDC's.

Please clarify if Hydro One Brampton also provides customers with information on the impact of its rate applications on their bills.

RESPONSE

No it does not. However, the customer bill inserts were used to make our customers aware of the Companies Rate application

Please clarify how and when Hydro One Brampton provides customers on how to reduce their bills through conservation or taking advantage of time of use pricing showing them how to reduce their bills even if rates go up as a result of increased revenue requirements.

RESPONSE

All of the available pertaining to TOU pricing is available on the company's web site. Billing inserts have been used to bring this to the attention of our customers.

Please clarify if Hydro One Brampton would rather increase it rates so as to have residential rates similar to other comparable LDCs rather than its own cost structure.

RESPONSE

Hydro One Brampton is seeking fare and reasonable rates in order to provide customers with the delivery of safe and reliable power.

Please clarify if Hydro One Brampton has compared its rates for non-residential customers to that same cohort of LDCs.

RESPONSE

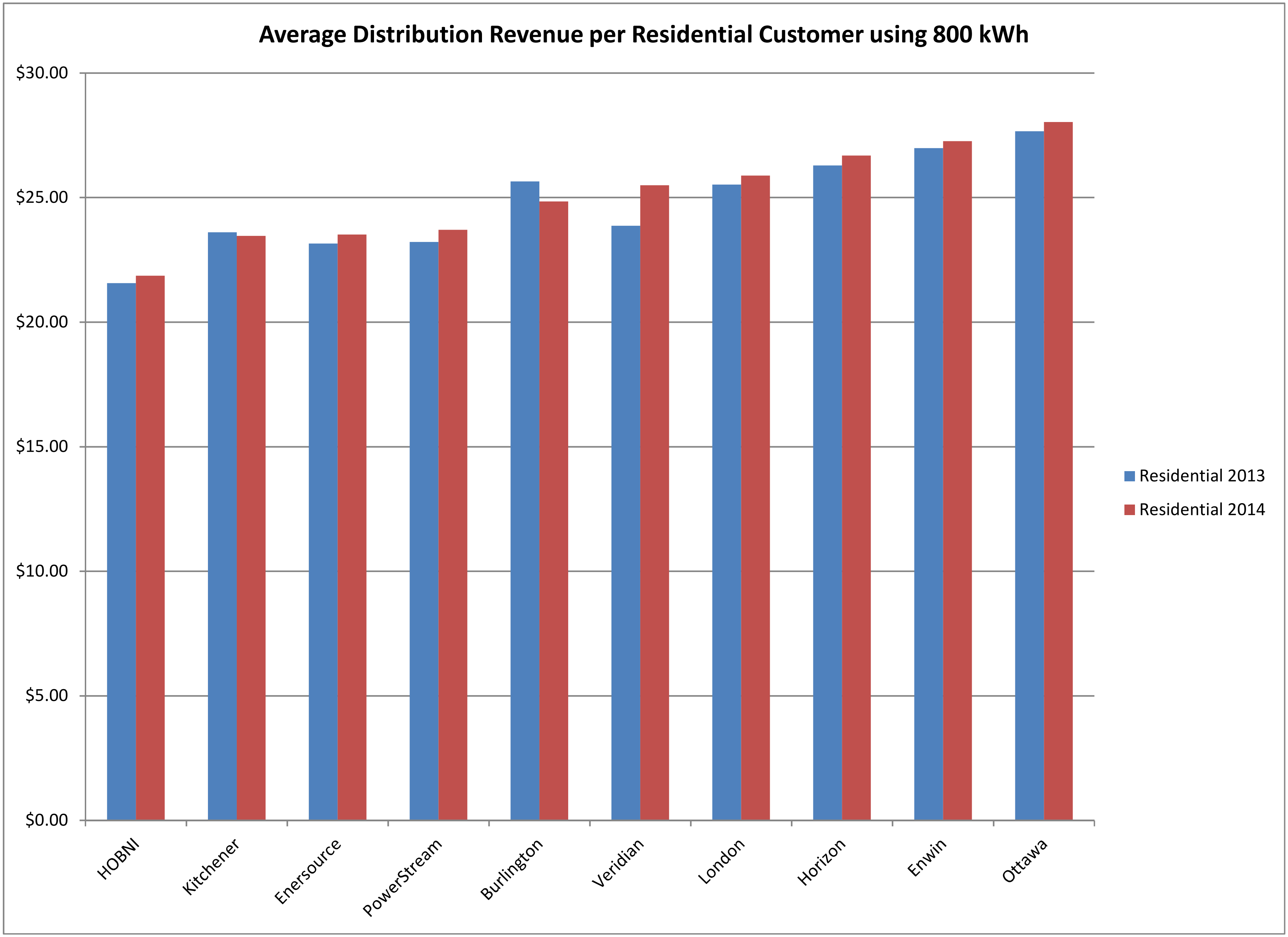
Yes it has. Please see the following:

Hard Copies

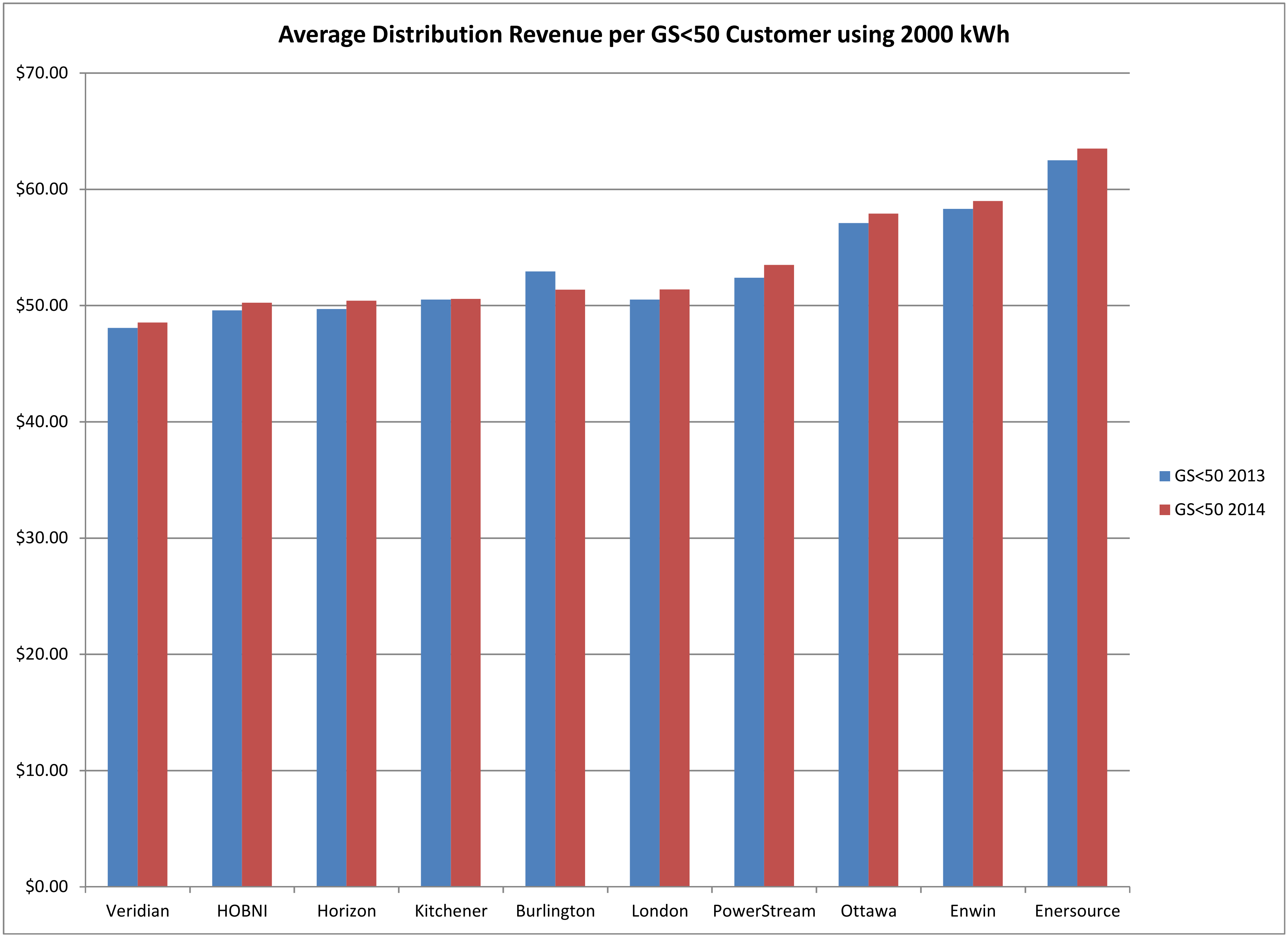
BOMA - 3

EXHIBIT NO. TC1.5 - ATTACHMENT A

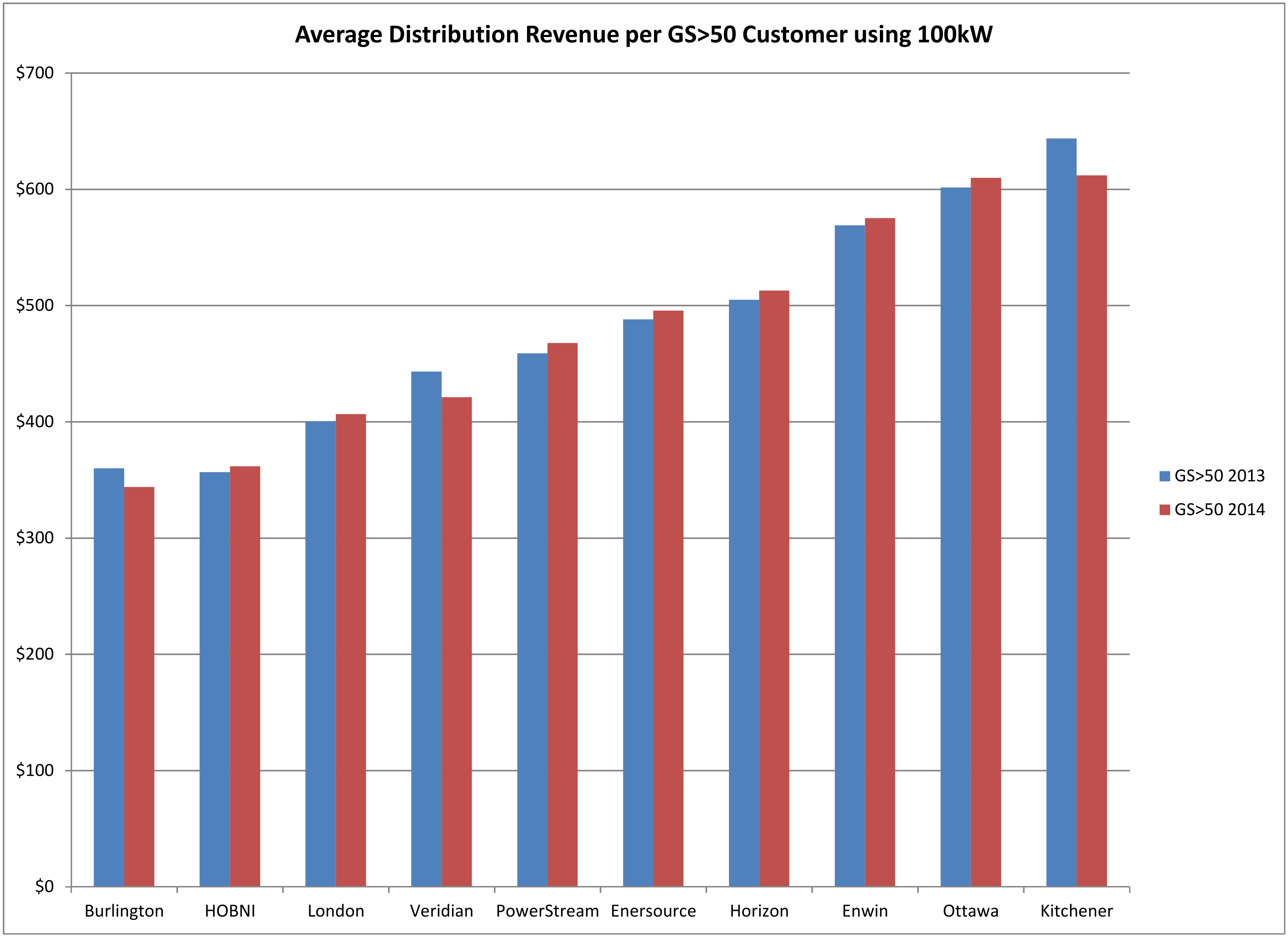
2013 Year Book Ranking

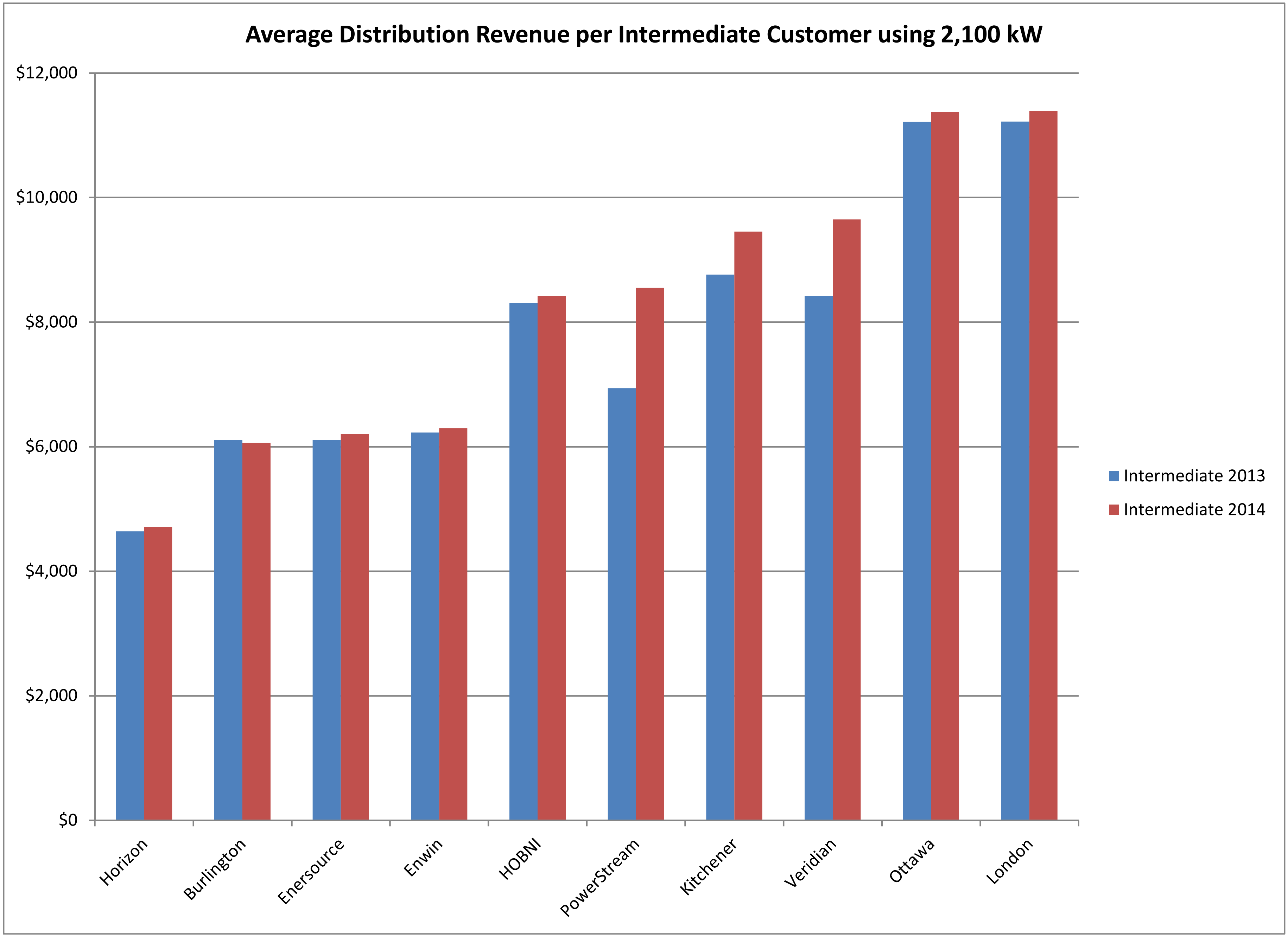


Average Distribution Revenue per Residential Customer using 800 kWh
$30.00
$25.00
$20.00
$15.00
$10.00
$5.00
$0.00
HOBNI
Kitchener
Enersource
PowerStream
Burlington
Veridian
London
Horizon
Enwin
Ottawa
Residential 2013
Residential 2014

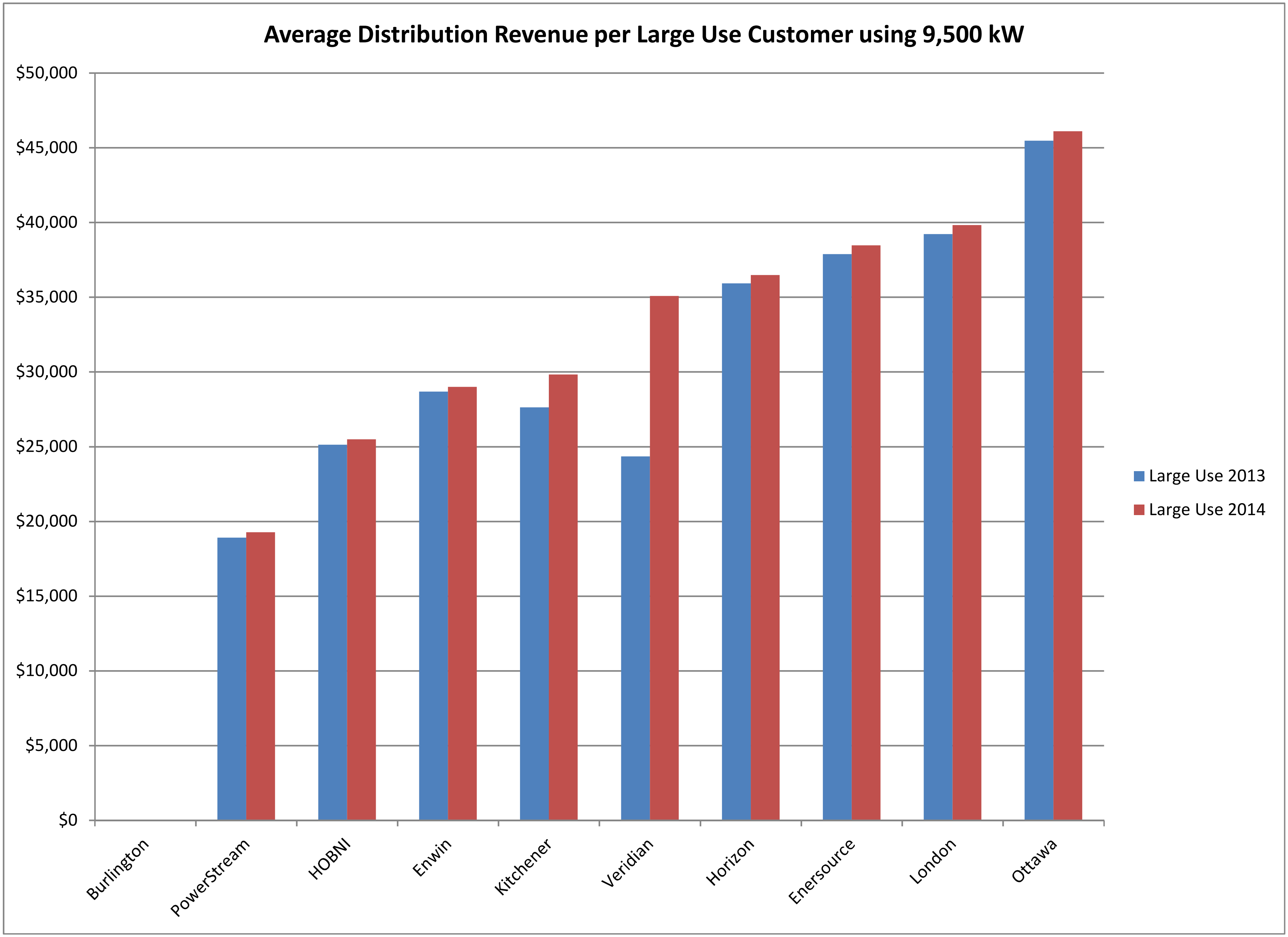


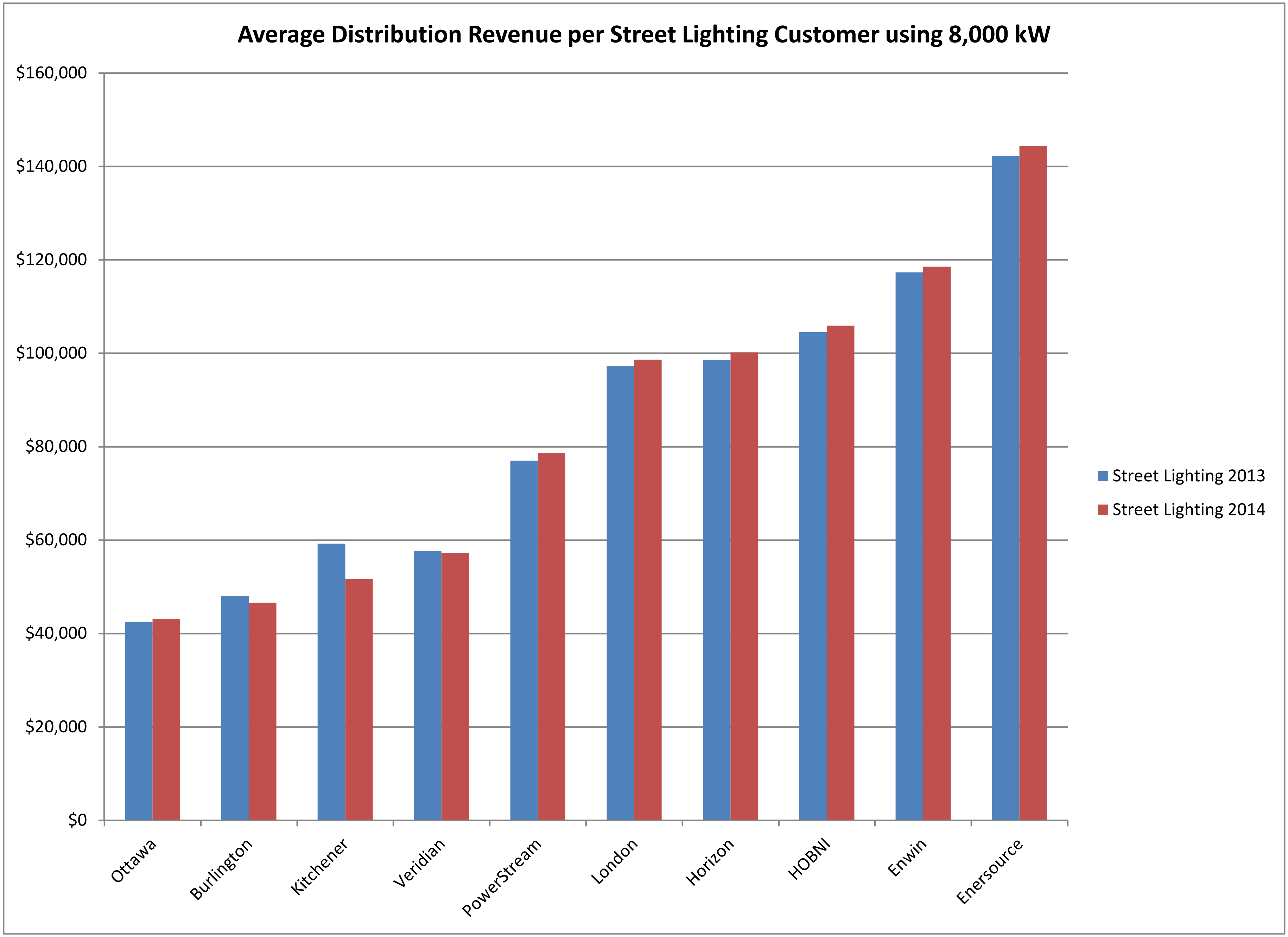
Average Distribution Revenue per GS<50 Customer using 2000 kWh
$70.00
$60.00
$50.00
$40.00
$30.00
$20.00
$10.00
$0.00
Veridian
HOBNI
Horizon
Kitchener
Burlington
London
PowerStream
Ottawa
Enwin
Enersource
GS<50 2013
GS<50 2014


Average Distribution Revenue per GS>50 Customer using 100kW
$700
$600
$500
$400
$300
$200
$100
$0
Burlington
HOBNI
London
Veridian
PowerStream
Enersource
Horizon
Enwin
Ottawa
Kitchener
GS>50 2013
GS>50 2014



Average Distribution Revenue per Intermediate Customer using 2,100 kW
$12,000
$10,000
$8,000
$6,000
$4,000
$2,000
$0
Horizon
Burlington
Enersource
Enwin
HOBNI
PowerStream
Kitchener
Veridian
Ottawa
London
Intermediate 2013
Intermediate 2014


Average Distribution Revenue per Large Use Customer using 9,500 kW
$50,000
$45,000
$40,000
$35,000
$30,000
$25,000
$20,000
$15,000
$10,000
$5,000
$0
Burlington
PowerStream
HOBNI
Enwin
Kitchener
Veridian
Horizon
Enersource
London
Ottawa
Large Use 2013
Large Use 2014



Average Distribution Revenue per Street Lighting Customer using 8,000 kW
$160,000
$140,000
$120,000
$100,000
$80,000
$60,000
$40,000
$20,000
$0
Ottawa
Burlington
Kitchener
Veridian
PowerStream
London
Horizon
HOBNI
Enwin
Enersource
Street Lighting 2013
Street Lighting 2014

4. Reference: 1-Staff-8, Page 12 of 162

The Hydro One Brampton's Board of Directors approved the business plan but requested a number of changes to the 2014 scorecard.

> Please confirm if Hydro One's Board of Directors required any changes to Hydro One Brampton's Business Plan.

RESPONSE

No changes were requested by Hydro One Inc.'s Board of Directors.

5. Reference: 1-Staff-8, Page 13 of 162

In previous years Hydro One Brampton has conducted a customer satisfaction survey of its residential customers. In 2014, the Company will also conduct a survey of its commercial and industrial customers. The target for both surveys will be to achieve a customer satisfaction rating of e 90%

Please confirm if Hydro One Brampton has ever done a customer satisfaction survey of its commercial and industrial customers prior to the one cited for 2014.

RESPONSE

No this was the first commercial and industrial customer survey that the Company has conducted.

6. Reference: 1-Staff-8, Page 16 of 162 – Attachment Page 6

2014-19 HYDRO ONE BUSINESS PLAN SCHEDULE

Please clarify if Hydro One's Board of Directors required any changes to Hydro One Brampton's Business Plan after October 16, 2013.

RESPONSE

No changes were requested by Hydro One Inc.'s Board of Directors.

EXHIBIT 2 – RATE BASE

7. Reference: 2-Staff-18, Page 36 of 162

b) The Major Defective Equipment History for Transformers shows a significant increase from 47 failures in 2010 to 139 failures in 2013. Please comment on the reason for the significant increase in major failures for this category and what steps Hydro One Brampton has taken to address such issues.

Hydro One Brampton performs annual inspections on a rotation based on a geographically organized manner. In 2013, the inspections covered an area containing older vintage transformers which had a higher population of transformers that reached or exceed their useful life. Due to the higher population of older transformers inspected, the inspectors identified 139 transformers that required replacement due to their physical condition.

> Please clarify if the failures were actual failures or failures predicted by the inspections. If actual, please clarify how many of these failures affected non-residential customers. If the replacements were the result of inspection, please clarify how many of these older transformers served non-residential customers.

RESPONSE

The defective equipment statistics were identified based on equipment no longer suitable for continued service based on degradation beyond safe or acceptable operating condition. Physical condition criteria of asset degradation may include concerns to public safety, to worker safety and immediate environmental conditions. Of the transformers that were inspected and replaced in 2013, three replaced units served non-residential customers.

8. Reference: 2-Staff-19, Page 37 of 162

Hydro One Brampton does not have any arrangements with any entities for shared ownership of a spare transformer. Hydro One Brampton has tried to reach an agreement with other utilities in the past but was unsuccessful.

> Please clarify if the failure to reach agreements with other utilities on this matter was mutual or due to the lack of interest by the other utilities.

RESPONSE

Failure to reach agreement with one utility was as a result of identifying that spare transformers would not be technically compatible with the requirements of Hydro One Brampton.

In terms of the second utility, technical compatibility was possible but the utility informed Hydro One Brampton that the spare transformer was no longer available as it was selected to be placed in to service for a new station in construction.

9. Reference: 2-Staff-20, Page 38 of 162

The feeder tie switches will not be remotely controllable. The proposed plan is to implement manually operated switches.

> Please clarify why replacement of feeder tie switches are not part of Hydro One Brampton's smart grid efforts, i.e., remotely controllable.
>
> Please clarify how the fact that Hydro One Brampton did not forecast funds for smart grid applications like remotely controlled switches in its Business Plan and Rate filing is consistent with the Renewed Regulatory Framework for Electricity which includes: *Public Policy Responsiveness:* utilities deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board) which are both strongly supportive of smart grid implementation.

RESPONSE

Hydro One Brampton has identified multiple locations where remote switching capabilities are immediately required and has allocated effort and funding through the planning process and business cases. Examples of business cases that outline remote feeder switching include:

- SS-2014-019-01
- SS-2014-019-02
- SS-2014-019-03
- SS-2014-019-04
- SS-2014-019-05
- SS-2015-019-01
- SS-2015-019-02
- SS-2015-019-03
- SS-2015-019-04

Hydro One Brampton's Distribution System Plan and the proposed project that underpin the plan are based on identified needs from internal and external factors. There are many initiatives that Hydro One Brampton wants to undertake but when consideration of the rate impact to our customers are not selected. In the project identified through board staff interrogatories 2-Staff-20, the immediate load critically and projected immediate and near term loading does support the need for remotely controllable switching requirements. A more prudent and effective capital pacing solution would be utilize manually operated switches for this case and upgrade to remote enabled functionality in the long term (10-15 years). This is a more effective utilization of funds.

10. Reference: 2-Staff-23, Page 47 of 162

HOBNI examines pole replacement needs with other major projects such as road widening and conversion projects, where possible scheduling of a pole line replacement is coordinated with a development of a major road project.

> Please clarify why Hydro One Brampton does not include pole replacements in major projects such as road widening and conversion projects within its pole replacement plan and reporting even if their costs are accounted for separately.

RESPONSE

The pacing and replacement requirements of the poles are identified through the Asset Condition Assessment process where the entire population of poles are considered. Hence, the reporting of the pole replacement program to ensure reconciliation with financial reporting for accounting purposes

EXHIBIT 3 - OPERATING REVENUE

11. Reference: 3-Staff-33, Page 72 of 162

Ref: Exhibit 3, Tab 2, Schedule 3, page 2: Table 5 shows a decline in Residential class kWh usage in 2013. a) Please explain the 4.21% decline in Residential kWh usage.

RESPONSE

Between 2012 and 2013, the number of residential customers increased by 4,024 or 3.10% yet the total kWh consumption declined by 15,164,771 or -1.24%. The decline in kWh consumption can be partially explained by the ice storm at the end of 2013 which resulted in major disruption to the power supply in HOBNI's service territory. In addition, 2013 was a cooler year with 336.9 cooling degree days as compared with 2012, which had 482.7 cooling degree days. Residential load is significantly affected by cooling degree days which impact the air conditioning load and thus kWh consumption. Cooling degree days in 2013 were 30.21% lower than in 2012, causing an overall reduction to the Residential Class usage.

Please clarify if Hydro One Brampton attributes any of these declines in Residential kWh usage to conservation and demand management programs.

RESPONSE

HOBNI is the view that the decline in consumption can be partially explained by conservation and demand management programs along with free ridership and energy efficient products.

EXHIBIT 4 – OPERATING COSTS

12. Reference: 4-Staff-36, Page 79 of 162

As part of Hydro One Brampton's Smart Metering Implementation Plan, the Company installed smart meters on customers with demands of > 50 kW and < 200 kW. The radios in these meters have not functioned as planned despite many attempts by the manufacturer to resolve the issue. As a result, these meters have to be read manually. As part of the latest OEB initiative, pertaining to these customers, Hydro One Brampton will be changing out these meters and installing a traditional interval meter that can be read directly from the MV-90 system. This will reduce manual meter reading costs for these customers.

Please clarify if any of the higher administration costs were caused by data or billing errors.

RESPONSE

Additional administration costs have been occurred as a result of having to read these meters manually.

13. Reference: 4-Staff-37, Page 80 of 162

Hydro One Brampton entered into an agreement with HONI at the onset of the smart meter initiative in 2007 in order to take advantage of economies of scale. At that time, HONI and Hydro One Brampton were two of only three utilities utilizing the Trilliant system. Consequently there are no other vendors which could support the infrastructure other than the Trilliant system.

Please clarify who provides the meter reading service: Trilliant or Olameter.

RESPONSE

HONI provides smart meter automated meter reading services via use of Trilliant's headed system. Olameter provides manual meter reading services.

EXHIBIT 1 – ADMINISTRATIVE DOCUMENTS

14. Reference: 1-BOMA-2, Page 4 of 71

HOBNI only outsources when it makes sense to do so and is cost effective.

Please clarify if Hydro One Brampton completes business cases to determine if outsourcing is cost effective.

RESPONSE

Business cases are not prepared to determine if outsourcing is cost effective. Business cases are prepared to justify the preferred technical alternative identified to address a investment need. Business cases outline the investment scope, what the expected outcomes of the investment are, the schedule of the investment, the benefit to the customer and alternatives considered to address the initial need. Hydro One Brampton utilizes multiple criteria to determine outsourcing including, but not limited to, resource availability, cost, competencies and expertise, specialized equipment and fleet.

15. Reference: 1-BOMA-2 Page 7 of 71

It is difficult to develop savings estimates for some of the outsourced functions due to the complexity of the contracts. Specific savings have been provided for some of the major outsourced functions and qualitative information has been provided for the other major outsourced areas. This information is provided below.

A&W: Labour cost savings. The hourly rate paid to A&W for Lines staff is less than the hourly rate plus benefits that are paid to HOBNI staff.

	HOBNI Hourly Salary Including Benefits		A&W Hourly Rate
Line Journeyperson	68.46		65.02
Apprentice - 4th Year	61.85		54.64

Please clarify how Hydro One Brampton assures itself that the results of outsourcing as cost effective after the fact as the business cases projected and when the costs associated with outsourcing are included in the cost/benefit analysis before and after outsourcing.

RESPONSE

Hydro One Brampton assures itself that the results of outsourcing as cost effective by completing a competitive procurement process. Business cases are developed for the justification, benefit and risk mitigation elements and do not specifically address outsourcing. Hydro One Brampton utilizes multiple criteria to determine outsourcing including, but not limited to, resource availability, cost, competencies and expertise, specialized equipment and fleet. Since the budgets developed for the business cases are based on historical costs which include historical outsourced resources, benefits of savings are included in forecasted and budgeted project costs.

EXHIBIT 7 - COST ALLOCATION

16. Reference: 7-BOMA-17, Page 40 of 71

The decision not to forecast funds for expansion type projects over the planning period related to rebuilding and converting the distribution system as outlined above is due to the assumption that the forecasted OPA contracted Renewable Energy Generation projects to be connected to the grid during the planning period of the DSP is expected to within HOBNI's availably system capacity.

Please clarify that the OPA forecasts the amount of renewable energy expected in Hydro One Brampton's service territory over the planning period.

RESPONSE

The OPA does not forecast the amount of renewable energy generation expected in Hydro One Brampton (HOB). HOB forecasted the amount of "OPA contracted REG projects" based upon historical trends since 2010 as well as present and future OPA program outlook and program eligibility rules. This forecast relating to REG investment was submitted to the OPA for review. The OPA issued a letter of comment dated February, 12, 2014 and acknowledged that HOB's forecasts were reasonable and as such there would be no need to expend funds related to expansion work. The response letter is attached as Appendix B of the DSP.

Please clarify if the OPA forecasts the amount of combined heat and power expected in HOBNI's service territory over the planning period.

RESPONSE

HOB is not aware if the OPA forecasts the amount of combined heat and power (CHP) expected in Brampton. HOB has not processed any applications for CHP embedded generation in its service territory.

Please clarify why there is sufficient capacity for renewable energy but not for combined heat and power over the planning period.

RESPONSE

HOB has not suggested that there was only sufficient capacity for renewable energy generation and not for combined heat and power. Available capacity is based upon actual electrical energy generation output and not on the means by which the energy is converted to electrical energy. If in the future an application for CHP is received, HOB will evaluate same and be guided by the rules laid out by the Distribution System Code for Embedded Generation.

17. Reference: 7-BOMA-17, Page 41 of 71

(b) How is this "policy" consistent with the government's policy to encourage the growth of renewable energy in Ontario?

RESPONSE

The fact that HOBNI did not forecast funds for expansion in its Business Plan and Rate Filing is not a policy. HOBNI continues to aid and enable the growth of renewable energy in Ontario and is guided by program rules and policies set out by the OPA and the Minister of Energy and the Ontario Energy Board. HOBNI ensures it remains compliant with the requirements of the Distribution System Code and makes every effort to enable the growth of renewable energy in Brampton without compromising the reliability and safety of its electrical supply to its rate payers.

> Whether a Hydro One Brampton "policy" or not, please clarify how the fact that Hydro One Brampton did not forecast funds for expansion in its Business Plan and Rate filing is consistent with the Renewed Regulatory Framework for Electricity which includes: *Public Policy Responsiveness:* utilities deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).

RESPONSE

As stated in the response to *BOMA TC Question 6*, the forecasted generation to be connected to the HOB grid over the 5 year planning period accounts for less than 10% of available capacity.

If expansion work related to rebuilding of single phase to three phase line, upgrading to larger size conductor, converting lower voltage to a higher voltage, upgrading any voltage regulating transformer or station to a larger MVA or adding capacitor banks, this will be driven due to increase load customer base and to ensure the continued reliability and safety of the electrical supply. HOB is therefore still fulfilling its Public Policy Responsiveness for both generators and its load customers for reasons identified.

18. Reference: 7-BOMA-18, page 42 of 71

The table below provides the capacity (kW) and production kWh data of the 23 FIT generators for the 2013 calendar year.

Please clarify how many of these generators are also customers of Hydro One Brampton who generate at their billing premise.

RESPONSE

These generators are all customers of HOBNI.

Please clarify if the standby rate will be based on peak demand.

RESPONSE

There are no standby rates for these customers. Please see response to *7-BOMA-18(b).*

19. Reference: 1-BOMA-1, Page 3 of 71

The revenue to be generated in 2015 from the Distributed Generation Rate Class in the amount of $49,066 is not incremental, it is part of the Revenue Requirement that the Company is applying for.

> Please clarify that if this rate is not approved, the revenue requirement will decrease by $49,066.

RESPONSE

The revenue requirement will not decrease if this rate is not approved. Revenue requirement is an independently derived value not driven by specific rate approvals; see the OEB Revenue Requirement Workform model for details. The base revenue requirement that is determined is allocated across all customer classes and then rates are derived on the class base revenue requirement. If the allocated base revenue requirement for any given class was changed, the allocation of the base revenue requirement to other customer class (es) would be changed by a corresponding amount such that the total base revenue requirement is still recovered through rates from all customer classes.

EXHIBIT 8 - RATE DESIGN

20. Reference: 8-BOMA-21, Page 65/6 of 71

The revenue decoupling solution may end up being in a different format from the alternatives which are currently being considered; moreover, the current electricity distribution rate design needs improvement as it is not aligned with distributors cost structure and drivers. Electricity distribution utilities are in the business of building infrastructure, with investments with a long useful life with LDC's costs being largely fixed; rate design should better reflect this.

Please clarify which option HOBNI plans to adopt.

RESPONSE

It is unknown if distributors will have any options to choose from. The Board has asked interested parties to comment in writing on three proposed methodologies. The Board has received comments from stakeholders; the Board is considering the comments received before it finalizes its policy for a Report of the Board.

Please clarify if it will be consistent with the standby rate structure for distributed generation including renewable energy.

RESPONSE

Standby rate structure has no relationship with the rate structure for distributed generation. The rate structure for the distributed generation class will resemble that of other low volume customer classes.

21. Reference: 8-SEC-27, Page 33 of 33

For the General Service 50 to 699 kW, General Service 700 to 4,999 kW and the Large User classes HOBNI's fixed revenue ratio was substantially less than those of other large distributors; HOBNI's adjustment also permitted its fixed revenue ratio to be closer to those of other large distributors.

Please clarify if Hydro One Brampton's rationale for increasing the fixed/variable split for other rate classes is how its ratios compare to the averages of other large distributors rather than its own cost allocation studies.

RESPONSE

The rationale for increasing the fixed/variable split for the demand billed classes is how HOBNI's ratios compare with the averages of other large distributors. The main function of the cost allocation studies conducted by distributors is to allocate the revenue requirement to each customer class, the models do not determine the cost structure of a distribution company, i.e. which costs are fixed and which costs are variable. The fixed rate ceiling prices calculated in the Cost Allocation Study models are based on a common set of calculations, rather than looking at which costs vary with volume and which costs do not vary with volume.

Fixed/Variable Distribution Revenue Ratios - HOBNI VS Other Large Distributors

Customer Class	HOBNI Current Fixed/Varible Ratios		HOBNI Proposed Fixed/Varible Ratios		Original Large Distributors Fixed/Varible Ratios		Revised Large Distributors Fixed/Varible Ratios	
Residential	48.0%	52.0%	55.0%	45.0%	56.3%	43.7%	53.3%	46.7%
GS < 50 kW	31.7%	68.3%	40.0%	60.0%	47.2%	52.9%	43.6%	56.4%
GS > 50 kW to 699 kW	22.5%	77.5%	30.0%	70.0%	24.0%	76.0%	25.3%	74.7%
GS > 700 kW to 4,999 kW	19.5%	80.5%	30.0%	70.0%	41.6%	58.4%	42.2%	57.8%
Large Use	17.1%	82.9%	30.0%	70.0%	46.3%	53.7%	38.1%	61.9%
Street Lighting	34.6%	65.4%	55.0%	45.0%	56.9%	43.1%	58.1%	41.9%
Standby Power	0.0%	100.0%	0.0%	100.0%	0.0%	100.0%	0.3%	99.8%
Unmetered Scattered Load	14.7%	85.3%	40.0%	60.0%	64.7%	35.3%	58.3%	41.7%
Embedded Distributor	0.0%	100.0%	100.0%	0.0%	N/A	N/A	N/A	N/A
Distributed Generation Class	31.7%	68.3%	37.0%	63.0%	45.8%	54.2%	N/A	N/A
Energy from Waste Generation	0.0%	0.0%	100.0%	0.0%	N/A	N/A	N/A	N/A
Weighted Average	37.5%	62.5%	45.1%	54.9%	47.5%	52.5%	44.2%	55.8%