ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15 (Schedule B) s. 78;

AND IN THE MATTER OF an application by Hydro One Networks Inc. for the relief necessary to increase transmission rates in 2017 and 2018.

EB-2016-0160

CROSS-EXAMINATION COMPENDIUM

IPSOS PANEL

ANWAATIN INC.

November 25, 2016

TAB 1

CUSTOMER CONSULTATION REPORT

DEVELOPMENT OF TRANSMISSION INVESTMENT PLAN

APRIL 2016

Prepared for:

Hydro One Networks Inc.
483 Bay Street
Toronto, ON
M5G 2P5

hydro one

Ipsos Public Affairs

CUSTOMER CONSULTATION REPORT

DEVELOPMENT OF TRANSMISSION INVESTMENT PLAN

APRIL 2016

This report has been prepared by
Ipsos for Hydro One Networks Inc.
The conclusions drawn and opinions
expressed are those of the authors.

Ipsos
160 Bloor Street East, #300
Toronto ON | M4W 1B9
Tel: 416.324.2900
Fax: 416.324.2865
www.ipsos.com

TABLE OF CONTENTS

INTRODUCTION

ABOUT THIS CONSULTATION

BACKGROUND AND CONTEXT

Ipsos was commissioned by Hydro One Networks Inc. (Hydro One) to assist with the design, execution, documentation, and analysis of feedback for its transmission-connected customer engagement and consultation process. This process was predicated on the customer engagement activities that were undertaken by Hydro One as part of its processes to develop its 2017-2022 Business Plan and was designed to supplement and complement these activities.

This report documents and summarizes feedback and insight from customers that will be considered by Hydro One as it develops its investment plan to support its Transmission Revenue Requirement and Rate Application for 2017-2018. The Company plans to submit this application on May 31, 2016.

Hydro One's consultation process contemplated the enhanced engagement between utilities and their ratepayers as described in the Ontario Energy Board's (OEB) *Renewed Regulatory Framework for Electricity* (RRFE). The RRFE holds the expectation that utilities "demonstrate consideration of all relevant factors, including the needs of existing and future customers and the costs to meet them, and that planning has been informed by appropriate consultation…"[1] The expectation therein; to provide an overview of associated customer engagement and outreach activities in its application, as well as to demonstrate how customer feedback/ needs have been reflected and considered, further shaped Hydro One's approach.

[1] Ontario Energy Board, Renewed Regulatory Framework for Electricity, October 2012, Section 2.5

By engaging Ipsos, a third-party research firm, the company set out to establish a best-in-class consultation process. Ipsos was engaged to ensure facilitation, the development of research and questions, and the report writing provided an unbiased, unvarnished, evidence-based consultation report to support the filing.

Further, Hydro One's application filing must demonstrate that services are provided "in a manner that responds to identified customer preferences."[2] This was accomplished by providing information on customer engagement to identify:

- Customer preferences;
- The value proposition the plan represents for customers (economic efficiency and cost-effectiveness) as it relates to sustainment-focused investments; and,
- The factors relating to customer preferences, or input from customers and participants in a process that considered preferences in the course of planning investment projects and activities.

CONSULTATION GOALS

- Establish a new, best-in-class approach to customer consultation to allow Hydro One to transition elements of its Cost of Service Application to the RRFE approach;
- Establish an inclusive, accessible, verifiable, and transparent consultation process to secure the input/feedback necessary to prepare an investment plan and Transmission Rate Application that considers Hydro One's customers' needs and preferences; and,
- Ensure the associated customer and stakeholder consultation and feedback is consistent with the OEB's Filing Requirements for Electricity Transmission Applications and the Renewed Regulatory Framework.

CONSULTATION OBJECTIVES

- Establish the process and conditions for effective consultation with transmission-connected customers;
- Ensure that every customer has the opportunity to participate;
- Provide sufficiently detailed plans and illustrative investment scenarios so that the customers can provide informed feedback;
- Take a research-based approach to consultation in order to gather the data necessary to support an informed and representative view;
- Contribute to better and objective analysis of customer input by engaging external research professionals; and,
- Demonstrate flexibility and provide tangible evidence of Hydro One's willingness to listen, learn and establish plans that are informed by the consultation and consider the needs of its customers.

OTHER CONSIDERATIONS FOR CONSULTATION

- Consultation should take place as early as possible to build trust and awareness of the process, and more importantly to allow time for Hydro One to develop plans that consider customer input;
- The process must be professional, well-executed and conducted in a manner that clearly states the aims, rules, and process for all involved;
- It should be understood that all viewpoints are welcome but that consultation may not result in consensus, nor is it intended to result in consensus;
- The process must respect the values and varying interests of all participants; and,
- Participants should represent decision makers or spokespersons for their representative organizations.

[2] Ibid, Section 1.0

DESCRIPTION OF HYDRO ONE

Hydro One is Ontario's largest electrical transmission utility. Its operations cover some of the most challenging and diverse geography in Canada. Hydro One's system transmits electricity from generation sources to transmission-connected customers, and indirectly through them, distribution customers.

Hydro One's transmission customers across Ontario include 47 local distribution companies (LDCs), Hydro One's own distribution system, and 90 large industrial customers directly connected to the transmission system.

Hydro One's transmission system totals 292 transmission stations and 29,000 circuit kilometres of high-voltage lines, towers and transformers, operating at 500 kV, 230 kV or 115 kV. It represents approximately $12B in assets.

Hydro One is accountable to plan, operate, build and maintain an affordable, robust and flexible transmission system that serves Ontario's needs and meets obligations as part of the North American grid.

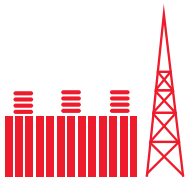
According to Hydro One, its investment plan will identify, prioritize, and schedule the investments made in their system. On this basis, Hydro One has stated that it aims to create value by:

- Ensuring its investment plan considers and reflects the needs and preferences of its customers by achieving a balance between managing risk, service and cost, while recognizing its customers' needs and maintaining a high standard of quality;
- Recognizing that every dollar spent comes at a cost to its customers and the people of Ontario;
- Making prudent, cost-effective, short and long-term investments in the transmission system so that the electricity needs of Ontario are met now and into the future;
- Addressing emerging risks to the system, and always looking for ways to economically extend the life of existing transmission assets; and,
- Being innovative by adapting new/proven technologies, equipment and processes that contribute to the efficiency of the operation.

CUSTOMER SEGMENTS

The consultations were designed to reflect the specific segments of transmission-connected customers of Hydro One. Hydro One's transmission-connected customers across Ontario include local distribution companies (LDCs), Hydro One's own distribution system, and large industrial customers directly connected to the transmission system.

All of these customers have significant power requirements. They include:



Generators:
Generators are transmission-connected customers of Hydro One.

Local Distribution Companies (LDC):
OEB-licensed distributors that provide electricity to their residential and business customers.

Large Industrial Businesses:
End-users connected to Hydro One's transmission system.

PART A: CONSULTATION METHODOLOGY

METHODOLOGY AND APPROACH

To provide Hydro One with the feedback required to inform its investment plan, a multi-faceted consultation engagement program was developed. This approach permitted the collection of qualitative insight in three waves: the first wave of one-on-one dedicated meetings with selected customers; the second wave of larger, facilitated group sessions; the third in the form of Ipsos' online consultation tool. Every transmission-connected customer of Hydro One was afforded the opportunity to participate in at least one wave of the consultation.

Regardless of the wave the customer was invited to participate in, all customers were emailed an advance copy of Hydro One's Transmission Consultation Materials, which included three illustrative investment scenarios. These scenarios were illustrative examples of investment plans, each containing details of potential investments in assets and asset classes, the change to the reliability risk profile, the overall capital expenditure required, as well as the incremental difference between scenarios, and corresponding rate increase for each scenario.

The materials have been appended to this report.

WAVE ONE

This wave involved one-on-one meetings with a selected cross-section of transmission-connected customers between March 9, 2016 and April 8, 2016.

Customers were selected and invited by Hydro One for one-on-one meetings based on a number of criteria:

- The customers represented at least 5 per cent of Hydro One's overall revenue in the transmission-connected customer segment; and,
- Were among the largest customers within each sub-segment (LDCs, large end-users, and electricity generators).

The selected customers represented:

- A range of customer satisfaction scores based on Hydro One's 2015 Transmission Customer Satisfaction Survey (i.e. both satisfied and non-satisfied customers were included);
- A range of reliability performance; and,
- Geographic diversity.

A total of 29 individuals representing 14 customers were selected and invited to Wave One, of which 42 individuals representing 12 customers participated.[3] The 12 one-on-one sessions were conducted at a location convenient to the customer, and included 4 LDCs, 6 end-users (large industrial), and 2 generators.

LDCs:

- Veridian Connections Inc.
- Hydro Ottawa Limited
- Thunder Bay Hydro Electricity Distribution Inc.
- Toronto Hydro-Electric System Limited

End-users (large industrial):

- Arcelormittal Dofasco Inc.
- Resolute FP Canada Inc.
- Domtar Inc.
- General Motors of Canada Ltd.
- Nova Chemicals (Canada) Ltd.
- Suncor Energy Inc.

Generators:

- Ontario Power Generation
- Bruce Power L.P.

The following products and feedback mechanisms were developed and used during Wave One:

- Hydro One Transmission Consultation Materials, including three illustrative investment scenarios to provide a launching point for discussion;
- Customer-specific information pertaining to potential investments that may directly affect their organization;
- Note takers present at each session to document comments from all participants; and,
- The opportunity to participate in the Wave Three self-directed Ipsos online consultation tool to supplement the discussion after the one-on-one session.

[3] For some customers, more participants attended the Wave One one-on-one session than those invited by Hydro One. For example, in some cases two individuals representing one customer were invited to participate in the one-on-one session, but three individuals representing the customer arrived on the day and participated in the discussion.

WAVE TWO

This wave represented formal, facilitated, face-to-face larger group sessions that all customers were invited to attend. These sessions were held across the province at convenient locations to allow for maximum customer participation. Sessions took place in Ottawa, London, Thunder Bay, Sudbury, and Toronto between March 16, 2016 and March 24, 2016. Customers were invited to attend the nearest location to them, but were given an opportunity to opt for any location that was more convenient. A total of 263 individuals from 188 customers were invited by Hydro One, of which 33 individuals representing 22 customers attended.[4]

By design the sessions included a mix of customer segments (LDCs, large industrial businesses, and electricity generators) to allow for a richer mix of feedback and opinions, and to promote transparency of potentially divergent views among customers. This allowed participants the unique opportunity to respond to each other during the session.

The following products and feedback mechanisms were developed and used:

- Hydro One Transmission Consultation Materials, including three illustrative investment scenarios to provide a launching point for discussion;
- Online Consultation Tool (Ipsos' Ideation platform); and,
- Note takers present at each session to document comments from all participants.

ABOUT IPSOS AND IDEATION EXCHANGE

Facilitation via Ideation:

Ipsos used its Online Consultation Tool, Ideation Exchange, in order to facilitate the larger consultations. Ipsos Ideation Exchange bridges knowledge, ideas, people, and settings to create an environment for open, participative and aligned collaboration. Used to facilitate brainstorming, integrated thinking, cross functional collaboration, strategic planning and assessment, the Ideation Exchange leverages technology and software to create a high-energy, interactive and efficient alternative to more traditional facilitation approaches.

What was especially powerful in the Ideation sessions was that all participants were active at the same time. The real-time electronic format allowed for simultaneous input from participants and the ability for participants to see the collective input of the others during the session in real-time. The sessions were highly energizing for participants and also created a high-level focus on the outcomes. In short, the tool offered a unique way to get:

- Anonymous, highly collaborative feedback;
- Rapid planning, ideation and prioritization;
- Wisdom of crowds;
- Polling, charting and tabulation of responses in real time;
- Quickly categorized responses;
- Convenience – access anywhere, for broad geographic participation; and,
- Quickly generated transcripts and actionable next steps.

Ideation Exchange is a platform where customers simultaneously contributed feedback in addition to voicing their opinions verbally throughout the session. Each customer had a laptop connected to a network to contribute opinions, preferences and feedback in real-time that was shared with the room. The laptops helped facilitate collaboration but did not replace the need for face-to-face interaction in the sessions. Session facilitators provided expertise in drawing out common themes within the room and encouraging conversation to ensure the highest level of output.

[4] For some customers, more participants attended the Wave Two facilitated group session than those invited by Hydro One. For example, in some cases two individuals representing one customer were invited to participate in the group session, but three individuals representing the customer participated in the session.

SESSION AGENDA

The session was conducted in three parts:

1. Introduction: Context and Objectives

Hydro One representatives provided an introduction to their organization, transmission system, and asset portfolio, and outlined the goals for the session - they would like to ensure that they are reflecting the needs and preferences of their customers; are being prudent and cost-effective; are addressing emerging risks; and are innovating by adapting new/proven technologies.

Hydro One representatives summarized their customer engagement process as it relates to developing their Investment Plan and rate filing, noting such elements as:

- One-on-one discussions with selected transmission-connected customers from all segments – LDCs, large industrial businesses, and generators;
- Larger, professionally facilitated customer engagement sessions held in Toronto, London, Ottawa, Thunder Bay, and Sudbury; and,
- An online consultation tool sent to all transmission-connected customers. The content that was shared and the questions that were posed in the Wave Three online tool were similar to what was provided /asked in the larger consultation sessions via Ipsos' Ideation platform in Wave Two.

2. Review: System Performance

Hydro One representatives detailed Hydro One's System Performance from 2011 to 2015 underscoring that equipment performance is the largest controllable factor affecting reliability; underlying reliability risk is increasing; condition assessments have identified critical replacement needs; and Hydro One continues to take action to mitigate reliability risk.

Hydro One outlined and reviewed:

- The duration and frequency of interruptions broken down by (i) average per delivery point, (ii) multi-circuit and single-circuit system, and (iii) contribution to interruption by cause;
- Which equipment classes are causing interruptions;
- Details and context for age and condition on asset classes;
- Unplanned and planned outage hours caused by equipment failure system-wide; and
- Ongoing activities to address reliability risk.

3. Discussion: Investment Scenarios

Hydro One representatives outlined recent changes that have occurred at their organization – a new President and CEO, new management and an independent Board of Directors, historical benchmarking with other transmission utilities across North America, as well as greater clarity from the OEB on the RRFE as it relates to transmitters.

Hydro One clarified that the information being presented as it related to the company's Investment Plans was not final nor did they have a recommendation – instead, they were looking to better understand their customers' needs and preferences to inform the development of the potential Investment Plan.

Hydro One presented three illustrative investment scenarios. These scenarios were illustrative examples of investment plans, each containing details of potential investments in assets and asset classes, the change to the reliability risk profile, the overall capital expenditure required, as well as the incremental difference between scenarios, and corresponding rate increase for each scenario.

They also clarified that the illustrative scenarios:

- Are flexible;
- Related to Sustainment Capital Expenditures only with Development and Common being a separate line item; and,
- Did not include Operating Investments, and that the forecast rate impacts did not include the impact of OM&A costs, load forecasts, or borrowing costs.

WAVE THREE

It was understood from the outset that not all customers would be able to participate in Wave One or Two sessions. It was clear that it was necessary to provide a third option for providing feedback. Ipsos provided a self-directed form of Ideation Exchange where customers could asynchronously provide feedback on the illustrative scenarios over a one week period. The same Hydro One presentation used in the Wave One and Two sessions and similar questions posed during these sessions were reflected in the self-directed online consultation tool. Customers simply signed into the platform at a time that was convenient for them, and provided self-guided feedback. The feedback from the online tool was then analyzed, along with feedback from the Wave One and Two in-person sessions, and incorporated into the report.

Hydro One invited all transmission-connected customers to participate in Wave Three between March 21, 2016 and March 31, 2016. In total, 292 individuals representing 183 organizations were invited to participate and 37 individuals logged into the online consultation tool. A total of 31 individuals partially or fully answered the list of questions. These 31 individuals represented 28 customers, as well as one individual from the National Research Council of Canada, and one from McMaster University.

Two individuals who participated in Wave Two also answered the Wave Three online consultation tool questions. Their responses and comments in both waves were included as part of the consultation feedback.

The following products and feedback mechanisms were developed and used during Wave Three:

- Hydro One Transmission Consultation Materials, including three potential investment scenarios to provide a launching point for discussion; and,
- Self-directed Ipsos' online consultation tool.

BREAKDOWN OF CONSULTATION PARTICIPANTS

The tables below break down the customers represented in each wave by number of participants and the number of customers represented. A full listing of the names of participants and the customers that they represent has been appended to this report. Multiple participants representing the same customer may have been invited to provide their feedback via the Online Consultation Tool on their organization's behalf.

TOTAL NUMBER OF PARTICIPANTS

	WAVE ONE	WAVE TWO						WAVE THREE
		Thunder Bay	Ottawa	Sudbury	Toronto	London	Total	
LDC	15	0	2	3	9	8	22	10
Large Industrial Business	21	3	0	3	4	0	10	10
Generator	6	0	0	0	0	0	0	9
Other	0	0	0	0	1	0	1	2
TOTAL	42	3	2	6	14	8	33	31

Other includes the Association of Power Producers of Ontario, National Research Council of Canada, and McMaster University.

TOTAL NUMBER OF CUSTOMER ORGANIZATIONS REPRESENTED

	WAVE ONE	WAVE TWO						WAVE THREE
		Thunder Bay	Ottawa	Sudbury	Toronto	London	Total	
LDC	4	0	1	1	7	4	13	9
Large Industrial Business	6	2	0	2	4	0	8	11
Generator	2	0	0	0	0	0	0	6
Other	2	0	0	0	0	0	0	6
TOTAL	12	2	1	3	12	4	22	28

Other includes the Association of Power Producers of Ontario, National Research Council of Canada, and McMaster University.

REPORTING CONVENTIONS

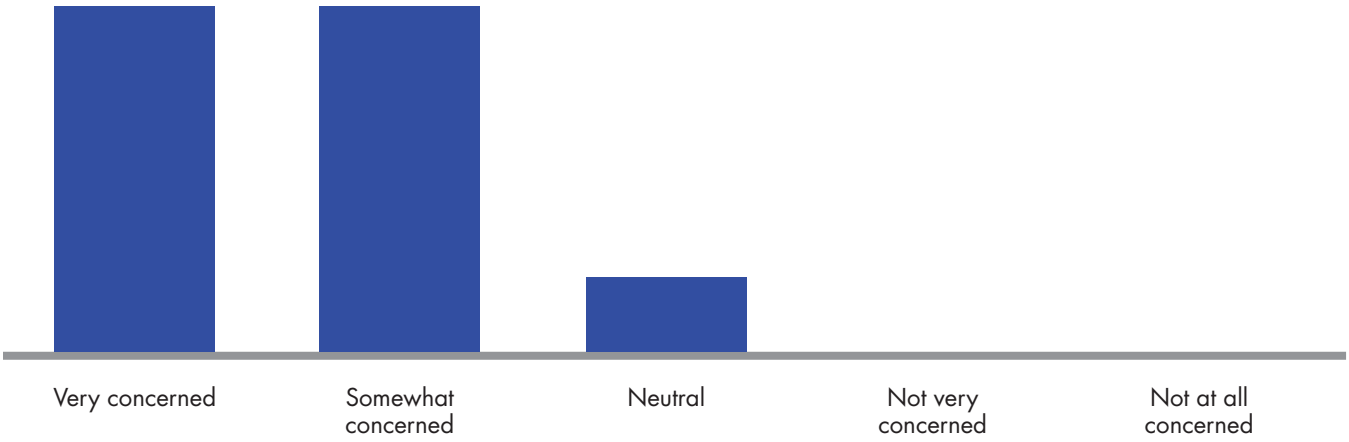
REPORTING OF OPEN-ENDED AND CLOSED-ENDED DATA

Both the discussion guide used in the Wave One and Two consultation sessions, as well as the online consultation tool emailed to customers as part of Wave Three included a combination of open and closed-ended questions. For open-ended questions, all responses, whether provided orally or in written form, were reviewed and summarized in the report. For questions where there was a general sentiment or consensus this has been described as such, and where there was a diversity of comments or opinions these differences are highlighted. Trends in opinions within and between customer segments are highlighted in Part B: Noted Differences by Customer Segment, while comparisons between customers in Northern Ontario and Southern Ontario are also highlighted in Part B: Noted Differences by Geography.

For close-ended questions, such as yes/no or scale questions, all responses were tabulated and reported in aggregate. Since not all participants answered each question, the base size of responses for each question (number of participants who answered) varies from question to question. Where closed-ended data has been reported in chart format, the base size or the number of participants who answered the question is shown at the bottom of the chart. In the example to the right, a total of 40 participants provided an answer to this question. The distribution of the 40 responses across each of the response options is shown in the chart.

Given that the sample sizes are relatively small, it is not appropriate to report the results as percentages. Therefore, we have opted to show the magnitude of the responses to each response option in chart format without indicating the percentage or count of responses.

CONCERN ABOUT RELIABILITY RISK



How concerned are you about system reliability risk?
Base: Wave 2 and Wave 3 participants who responded to the question (n=40)

TERMINOLOGY – INTERRUPTION VS. OUTAGE

Throughout the report the terms interruption and outage are used often. The term interruption refers to a complete loss of electric power and outage refers to the disabling of a component's capability to deliver power (planned or unplanned). An outage may or may not cause an interruption of service to customers. Where a participant used the terms interchangeably or used the terms differently, the report documents them using the above meanings. However participants' verbatim comments shown in the report as a formal quote have not been altered.

EXECUTIVE SUMMARY

CUSTOMER NEEDS AND PREFERENCES

Reliability was the most frequently and consistently mentioned need raised by customers across all the consultation activities. For most large industrial customers frequency of interruptions is a greater concern than duration, whereas Local Distribution Companies (LDCs) were more likely to say that duration of interruptions is a greater concern than frequency of interruptions. Despite these different perspectives, most customers agreed that improvements in both frequency and duration are among their top needs. Planned outages are considered by many to be much more manageable and less of a concern than unplanned interruptions. Overall power quality and transmission capacity were also raised as major issues facing customers, particularly those in the North.

While not the most often mentioned need, cost was raised at various times throughout the consultation. The desire for good reliability at a competitive or low cost is universal. For LDCs, since the transmission rate is a pass-through cost, the primary issue they face is the impact on the ratepayer and some expressed concern that their customers are feeling rate increase fatigue.

The need for greater communication between Hydro One and transmission-connected customers was articulated often throughout the consultation activities. Some customers stated that historically Hydro One's long-term plans were not communicated with them so they have struggled with certain aspects of their own localized or distribution network planning as well as their own asset replacement planning as a result. In general, customers acknowledged that this type of consultation discussion with customers would not have happened 10 years ago and they welcome, if not now expect, the opportunity to hear more about Hydro One's plans for the future.

PRIORITIZATION OF GREATEST CONCERNS WITH HYDRO ONE

Interruptions and rates (specifically rate increases greater than 5%) were mentioned as the top two concerns by the largest share of customers, with adequate asset management and replacement coming in close to the top. Other concerns were acknowledged as being important but interruptions have the biggest impact on productivity and revenue loss. Many customers provided examples of the financial and health and safety impacts of even short interruptions in service. Given these impacts, customers wanted to see Hydro One strike the right balance between reliability and rates.

ADDRESSING RELIABILITY RISKS VS. DEFERRING INVESTMENT

For the most part, customers believe that Hydro One does need to be more proactive in addressing current and emerging reliability risk now. Those that didn't strongly agree with this statement stated that they themselves have not had many transmission interruptions. While there was general acceptance that Hydro One's assets appear to be aged, some stated that they did not have enough information on asset age and performance, or the methodology of condition assessment and maintenance to confidently provide an opinion on the extent to which Hydro One should be more proactive in addressing current and emerging reliability risks now, rather than deferring investments.

RELIABILITY RISK VS. RATES

The majority of customers who participated in the consultation activities indicated that increased reliability risk, particularly at the magnitude of approximately 10% is unacceptable. Most would be willing to support the investment required to at least maintain the current level of reliability risk. The general sentiment, overall, was that the right balance between reliability risk and rates is somewhere between Illustrative Scenario 2 (6.3% rate increase for an essentially unchanged reliability risk) and Scenario 3 (6.8% rate increase for approximately 10% improvement in reliability risk). Based on the scenarios, a marginal improvement in reliability risk (less than 10%) would reflect a rate increase that falls between 6.3% and 6.8%.

A few of the large industrial customers, in particular those experiencing a relatively high number/frequency of unplanned interruptions, were quite clear that in their view Scenario 3 is the required minimum. However, these same customers, as well as others, expect to see an improvement in actual reliability performance, not necessarily only a reduced reliability risk for this level of investment. We consistently heard, across all customers (LDC, generator and industrial) an expectation to see an improvement in their service performance in terms of reliability (fewer unplanned interruptions) as well as power quality.

FEEDBACK ON THE CONSULTATION PROCESS

Overall customers provided positive feedback about the consultation process and several commended Hydro One for engaging in a consultative process for the development of the investment plan.

There was a high level of interest in learning more about Hydro One's system performance, asset age, condition assessments, and the specific actions Hydro One has undertaken and plans to undertake to mitigate reliability risk. Most customers participated actively in the Wave Two sessions posing questions and offering comments spontaneously as well when asked specifically for their opinion.

When asked, most customers agreed that that their feedback was heard. Opinions were divided as to whether the sessions got to the right issues. Those that indicated that the session may not have gotten to the right issues were unsure they received sufficient information from Hydro One to fully form an opinion on Hydro One's illustrative scenarios.

PART B: CONSULTATION INSIGHT

INTRODUCTION – CONTEXT SETTING AND CONSULTATION PROCESS

Customers that participated in the consultation, whether through the in-person consultation sessions of Wave One and Wave Two or the online consultation tool in Wave Three were provided with an introduction to Hydro One – its mission and goals, information on the scope and value of its assets, and the regulators to which they are accountable.

Hydro One then detailed its risk-based approach to investment planning. The company's investment plans and rate filing to the OEB will reflect its desire to address the needs and preferences of customers, to make prudent and cost effective decisions, to proactively address emerging risks, and to be innovative.

Participants were then taken through the customer engagement process which is consistent with the OEB's Renewed Regulatory Framework.

Customers were told that the Investment Plan will be informed by customer needs and preferences, analysis of asset needs, and the organization's ability to resource, schedule and execute work.

Participants were reminded that all transmission-connected customers will have the opportunity to provide input that will support the development of the Investment Plan through the various mechanisms outlined in Part A: one-on-one discussions, larger professionally facilitated customer engagement sessions, as well as the self-directed online consultation tool.

WE TAKE A RISK-BASED APPROACH TO INVESTMENT

We are accountable to plan, operate, build, and maintain an affordable, robust, and flexible transmission system that **serves Ontario's needs** and meets our obligations as part of the North American grid.

Our investment plan will identify, prioritize, and schedule the investments we make in our system. On this basis, we aim to create value by:

- Ensuring our investment plan considers and reflects the needs and preferences of our customers by achieving a balance between managing reliability risk, service and cost.
- Recognizing every dollar we spend comes at a cost to our customers and the people of Ontario.
- Making prudent, cost-effective, short and long-term investments in our transmission system so that the electricity needs of Ontario are met now and into the future.
- Addressing emerging risks of our system, and always looking for ways to economically extend the life of existing transmission assets.
- Being innovative by adapting new/proven technologies, equipment, and processes that contribute to the efficiency of our operation.

OUR CUSTOMER ENGAGEMENT PROCESS

Hydro One is in the process of **developing its Transmission Investment Plan** for 2017 and beyond.

This investment plan will in turn, underpin our **Transmission Rate Application** to the OEB later this spring.

Our Investment Plan will be based on our customers' needs and preferences, our analysis of **assets' needs** and of our **ability to resource, schedule and execute work.**

All transmission-connected customers will have the opportunity to provide input that will support the development of the Investment Plan through:

- One-on-one discussions
- Larger, professionally facilitated customer engagement sessions held in Toronto, London, Ottawa, Thunder Bay, and Sudbury
- An online survey

The approach we are taking is consistent with the OEB's Renewed Regulatory Framework.

SUMMARY OF SYSTEM PERFORMANCE

Hydro One's transmission reliability has remained flat.

The **transmission system faces increasing challenges** due to asset condition.

Equipment performance is the largest controllable factor, contributing 42% of system *interruption*[1] minutes. Assets continue to age (e.g., 20% of conductors now beyond *expected service life*[2] of 70 years).

Evidence suggests that underlying reliability risk is increasing:

- Equipment outages[3] caused by failure or necessary repairs/replacements increased ~300% from 2011 – 2015
- Increased duration of placing customers, normally served by a multi-circuit system[4] on single supply, increasing interruption risk by ~400%

Condition assessments have identified critical replacement needs, for example:

- 2,300 cct-km of conductors identified for priority replacement due to being at or near end of useful life[5]
- 9,100 steel towers at heightened failure risk due to depletion of their corrosion protection layer

Hydro One continues to take action to mitigate reliability risk by:

- Managing equipment performance through robust, condition-based asset replacement programs
- Reducing customer exposure to single-supply through improved planning and work processes

1. Outages on the transmission system that interrupt the supply of energy to transmission customers.
2. The average time in years that an asset can be expected to operate under normal system conditions.
3. The removal of facilities from service, unavailability for connection of facilities, temporary de-rating, restriction of use or reduction in the performance of facilities for any reason, including to permit the inspection, testing, maintenance or repair of facilities.
4. Delivery points served by multiple transmission circuits, creating system redundancy; tend to be located in the southern areas of the province.
5. As asset-specific determination based on an asset's condition, criticality, performance, demographics, utilization and economics.

CUSTOMER NEEDS AND PREFERENCES

Q: As a transmission customer, what's most important to you to ensure your needs and preferences are met?

FREQUENCY VS. DURATION OF SERVICE INTERRUPTIONS

LDCs indicated that duration of interruptions is a greater concern than frequency of interruptions, while for large industrial businesses frequency of interruptions is a greater concern. However, most customers agreed that improvements in both are among their top needs. Planned outages are considered by many to be much more manageable and less of a concern than unplanned interruptions.

"We are seeing prolonged periods of time where we're on a single-line supply. One line is out of service, it's taken apart, not available on recall and then we're totally black for 70% of our customers. It's happened repeatedly in the last five years. Our sense is those assets aren't being regularly inspected…"

"It's the unplanned outages. That's what kills us…we're down for 16 to 24 hours. You measure it being out for a second and I'm out for a day. We can deal with the planned. The unplanned stuff, depending on how and where it hits, we can be out for a day."

"In our world, sometimes we're losing a day even in Southwestern Ontario. A day is a day. We're making [quantity deleted for customer confidentiality] a day. Takes an hour to figure out what's wrong. Then you send people home and you're not sure when you call them back….very expensive proposition. Recently we…lost 24 hours. It's expensive."

TRANSMISSION RATES/COSTS

While not the most frequently mentioned need, cost was raised at various times at most sessions. The desire for good reliability at a competitive or low cost is universal. For LDCs, since the transmission rate is a pass-through cost, the issue is primarily the impact on the ratepayer and some expressed concern that ratepayers are feeling rate fatigue. The inability to effectively explain reasons for transmission rate increases to their customers is a shared challenge across many LDCs.

One LDC in particular indicated some ratepayers would not be willing to pay for improved reliability. A few large industrial customers discussed the fact that their businesses are tied to a commodity price and when the price is low, securing investment for their own asset management or replacing assets can be a challenge. Thus there is an even greater need to understand Hydro One's asset management planning in order to understand if the plan justifies an increase in rates.

"Needs… Quality product delivered reliably at a competitive price, the same that I expect of all vendors supporting a 24/7 operation."

"Good reliability at reasonable rates."

"Supply reliability at a reasonable competitive rate."

SYSTEM RELIABILITY

Reliability was the most frequently and consistently mentioned need raised by customers across all consultation activities. In fact, there was a great deal of consensus across the customers who participated regardless of their role as an LDC, generator or large industrial business. Outages and interruptions are of great concern and many customers provided examples of the financial and health and safety impacts of even short interruptions in service.

"Every time there is an unplanned outage, even if we are back online in 15-20 minutes it's a 2 hour interruption which is a $100,000 cost."

"Another transformer failure puts us out of business for a very long time."

"It takes 8 hours to get our facility back online. Health and safety issues [arise] in a blackout. There was a fire caused in one instance. It puts employees at a lot of risk."

"Unreliable service, especially when we have no warning of the loss of power or power quality, costs us the most."

COMMUNICATION

The need for greater communication between Hydro One and transmission-connected customers was articulated often through the consultation activities. Some customers stated that historically long term plans were not communicated to them so they have struggled with certain aspects of their own localized or distribution network planning as a result. Most were appreciative of the opportunity to hear about, and more importantly to have input into, Hydro One's system performance, maintenance activities and direction for its five year planning.

"Ensure transparency and good reporting. You do a pretty good job of that so far. It could even be expanded. We would like to see metrics on those parameters [reliability and power quality]that are critical to us and to our customers, and have transparency so we can see deeper than we do today so we understand the issues."

"[We need] timely communication and cooperation/coordination from Hydro One to ensure a balance between system risk and asset maintenance."

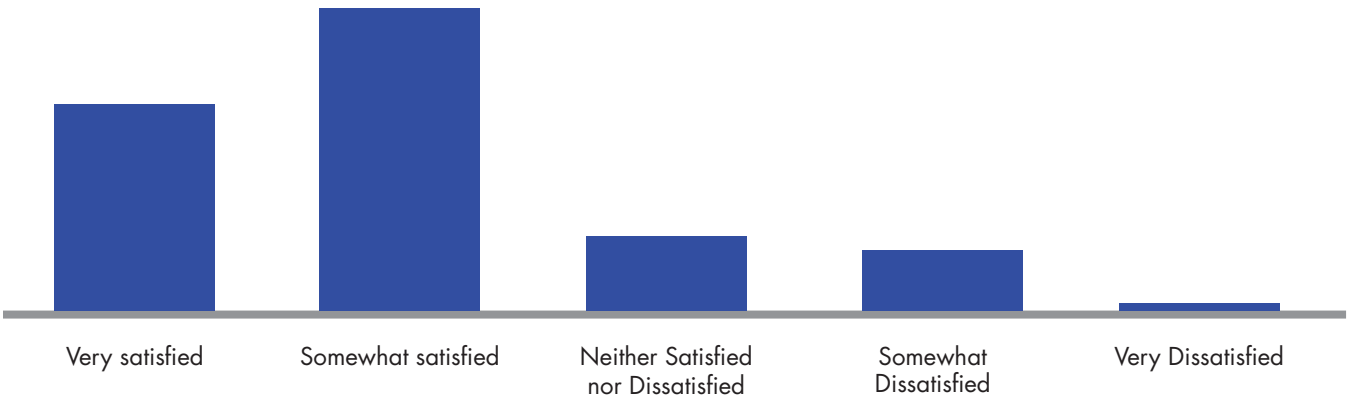
"[We would like a] a report on power quality every quarter or 6 month[s]…we would like to be in touch with an account manager at least once a year….we would like to know short and long term plans of Hydro One and planned power outages months in advance if possible."

OVERALL SATISFACTION WITH HYDRO ONE PERFORMANCE

Q: As a transmission customer, what's most important to you to ensure your needs and preferences are met?

Customers expressed satisfaction with Hydro One's performance overall with many customers offering a rating of 4 or 5 on a 5 points scale of satisfaction (a rating of 5 represents 'very satisfied'). Some customers were clear to point out that they are more satisfied with some aspects of Hydro One than others. Reliability of service and power quality are two aspects that customers are less satisfied with. There is a general sentiment that customers have a good relationship with their Account Executive, in fact, some customers organically offered examples of how their Account Executive has been helpful and effective in their role with the customer. However, concerns were prevalent that the broader Hydro One relationship should be more transparent, and that management should be more open in sharing information that affects its decision-making particularly where the customer and Hydro One are dealing with similar issues.

SATISFACTION WITH HYDRO ONE'S PERFORMANCE



As a transmission customer, overall, how satisfied are you with Hydro One's performance?
Base: Wave 2 and Wave 3 participants who responded to the question (n=51)

CUSTOMER CHALLENGES

Q. Thinking about your electricity needs as a transmission customer, what are the main challenges you face in your organization and industry today?)

Unplanned interruptions were frequently listed as one of the main challenges that customers face today. The financial implications on the business or organization can be in the millions of dollars for a short unplanned interruption. Some focused on specific capacity issues and development projects that impact their supply and/or business as key challenges they face.

"Supply point reliability -- Between 2010 and 2014 nearly 40% of our total customer outage minutes were due to Hydro One loss of supply."

"Not going broke - Ontario is a very uncompetitive environment in which to operate a business, and the mix of high electricity costs coupled with decreasing (power) quality and deceasing delivery (unexpected outages) is a big part of the competitive nature of Ontario."

Customers expressed that Hydro One does a good job of coordinating and scheduling planned outages with businesses and LDCs, but they continue to see this as a challenge for them, particularly if the number of planned outages increases. Some customers indicated that getting internal buy-in for halting or re-structuring production can be a challenge.

Speaking on behalf of their end customers, several LDC representatives re-iterated at this point that there is some amount of rate increase fatigue among their customers. LDCs are mindful of the need to invest in sustainment programs and asset management, but struggle with how to explain this to the ratepayer. They acknowledge that ratepayers do not have a good understanding of the transmission portion of their bill. Several LDCs feel the stress of having to address rate increases with ratepayers.

"... [the challenge is] replacing aging assets without escalating costs to our customers."

"[the challenge is] maintaining reliability, while controlling costs. Transmission costs are something an LDC cannot control and they are passed through. Reliability of a transmission system is viewed by customers the same as distribution reliability. An outage affects a customer the same regardless of TX or DX."

Consistent with comments related to customer needs and preferences there was a sentiment held by some customers that they are "in the dark" about Hydro One's long-term asset planning and sustainment goals. In fact, many commented that the consultation session they participated in was highly valued, and they appreciated the opportunity to hear Hydro One's plans in detail, so that they can determine on their own if they feel that the rate increase required to deliver the plan strikes the right balance.

"[the challenge is] lack of transparency regarding operational load flow model so that we can conduct analysis in house."

A couple of customers expressed some confusion about why the transmission rates and distribution rates are different and stated that this was a challenge for them.

Customers across large industrial businesses, LDCs and generators spoke of being frustrated that transmission-related activities or work in their immediate vicinity or vital to their organization is not being addressed quickly enough. At least one customer indicated that their ongoing issues with capacity are a major challenge to the sustainment and growth of their business. Naturally, customers were keenly interested in how assets in their specific area are being addressed. This comment was not always tied to sustainment of assets, as some customers referenced development projects.

CUSTOMER CONCERNS

Q. Please rank for us in order how concerned your organization is (or would be) about the following regarding Hydro One.

- Hydro One's business relationship with you
- An increase in transmission rates less than 5%
- An increase in transmission rates more than 5%
- Adequate asset maintenance and replacement
- The number of unplanned interruptions
- The number of planned or scheduled outages
- Power quality
- Getting assurance that an increase in rates will improve reliability
- Hydro One asks for my organization's input while developing their investment plan
- The input I provide is reflected in Hydro One's investment plan

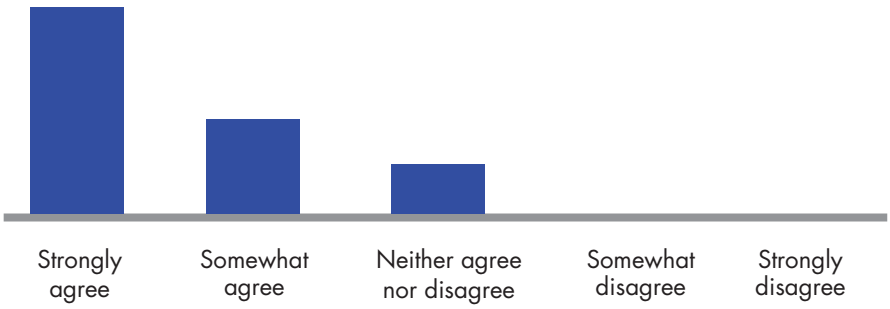
Interruptions and rates were the primary concerns, with adequate asset management and replacement being a secondary concern. Other concerns were acknowledged as being important but interruptions have the biggest impacts on productivity and revenue loss, with rates being a concern for managing bottom lines and communicating with ratepayers.

ADDRESSING RELIABILITY RISKS VS. DEFERRING INVESTMENT

Q. To what extent do you agree that Hydro One needs to be more proactive in addressing current and emerging reliability risks now, rather than deferring investments?

For the most part, customers believed that Hydro One does need to be more proactive in addressing current and emerging reliability risk now. Those that didn't strongly agree with this statement stated that they themselves have not had many transmission outages. While there was general acceptance that Hydro One's assets appear to be aged, they indicated that they did not have enough information on asset age and performance to answer the question with confidence.

ADDRESSING RELIABILITY RISKS VS. DEFERRING INVESTMENT



To what extent do you agree that Hydro One needs to be more proactive in addressing current and emerging reliability risks now, rather than deferring investments.
Base: Wave 2 and Wave 3 participants who responded to the question (n=45)

"We have not had many transmission outages in our area. The assets appear aged. There has not been enough information on asset age and performance to answer this question with confidence."

"Hydro One is the third largest electricity cost in North America. If you improve reliability then you should be able to reduce cost."

"We have assets to replace…if your investment is based on the assets we need tons of lead time, by the time you start it your risk is already a reality. The more proactive you can be the better."

"You've got to jump in somewhere I guess. We ranked it pretty high, a 4 [somewhat agree]."

SYSTEM PERFORMANCE

At this point in the consultation sessions customers were led through a presentation by a representative of Hydro One or advised to read through the presentation if participating via online only. The presentation detailed Hydro One's system performance for the past five years.

During and immediately following this portion of the presentation, customers asked clarifying questions or expressed any concerns about the information being presented. A common question was whether or not momentary outages count as an outage for the purposes of measuring the change in the number of unplanned outages that occurred – this question was answered in the affirmative. Customers agreed that momentary outages should count as those are just as impactful to some organizations as longer interruptions.

Several customers inquired as to whether Hydro One has historical data going back more than the five years shown in the presentation on the number of unplanned outage hours due to equipment failure. They would like the opportunity to review the trend in unplanned outage hours due to equipment failure in the context of historical capital expenditure on sustainment. There was also interest in understanding what benchmarking Hydro One has done. There was some negative criticism that Hydro One has not been spending sufficiently on sustainment capital historically.

Another common question was how asset condition assessments are made – who determines them and are the metrics used the right ones, for example for conductor sample testing. At least one customer questioned whether condition assessment is the best/ regulator-preferred methodology.

Clarifying why transformer work is so complicated and crucial was needed for some, but obvious to others. A couple of LDCs suggested that they may need to have a transformer in the background to mitigate risk, and offered that with better coordination, LDCs can mitigate risk by taking a transformer out of service with lesser impact.

At this stage there was concern about the number of unplanned outage hours due to equipment failure being very high. Some customers inquired about Hydro One's maintenance spending and spoke negatively about past diligence shown in investment in maintenance generally and on specific elements and equipment. A few inquired about how Hydro One undertakes steel tower coating and associated timing.

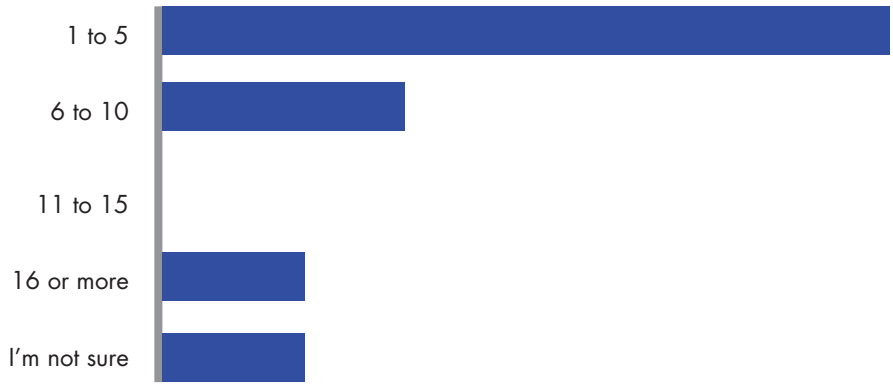
EXPERIENCE WITH UNPLANNED INTERRUPTIONS

Q. Are you aware of how many unplanned interruptions your organization experienced in 2015? Please tell us the number of interruptions.

When asked to indicate the number of unplanned interruptions their organization experienced in 2015, opinions varied quite a bit. The opinions of customers varied primarily regionally, but to some extent by LDC versus industrial as well.

Those on a single-circuit supply in the North are more likely to experience interruptions than those on the multi-circuit supply in the South. During discussions, customers stated the consequences of unplanned interruptions. For example, for one mine a one-day outage can cost tens of millions in lost productivity. For one paper mill, a ten-second interruption takes 8-10 hours to come back online, and costs run between $500,000 to $1 million.

NUMBER OF UNPLANNED INTERRUPTIONS EXPERIENCED IN 2015



Are you aware of how many unplanned interruptions your organization experienced in 2015?
Base: Wave 2 and Wave 3 participants who responded to the question (n=41)

RELIABILITY PERFORMANCE VS. RELIABILITY RISK

Q. Do you have a good understanding of the difference between the two?

The following definitions were provided to customers.

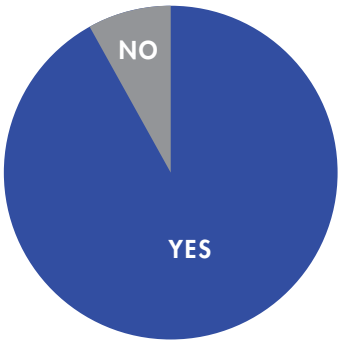
Reliability performance is a measure of the ability of the transmission system to supply customers' electric power and energy requirements. It is calculated based upon the duration and frequency of interruptions at prescribed delivery points.

Reliability risk is a relative measure of the possibility that the transmission system will not supply customers' electric power and energy requirements, at all times, due to planned and unplanned outages of system components.

Most customers indicated that they understood the difference between reliability performance and reliability risk. Generally customers understood performance to be looking back and risk to be forward looking. A few customers said that performance and risk are intrinsically linked.

> "We're involved in our asset integrity, a lot is very similar. It is kind of nice to hear we are not doing this in isolation."
>
> "Once reliability starts to fall it's too late."

UNDERSTANDING RELIABILITY PERFORMANCE VS. RISK



Do you feel you have a good understanding of the difference between reliability performance and reliability risk?
Base: Wave 2 and Wave 3 participants who responded to the question (n=39)

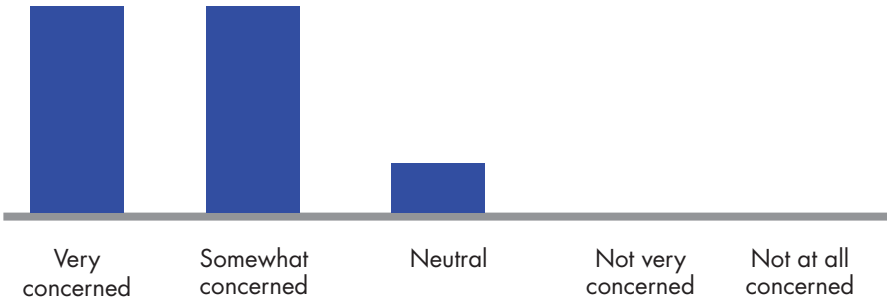
CONCERN ABOUT RELIABILITY RISK

Q. And, how concerned are you about system reliability risk?

Most customers indicated being concerned about system reliability risk. They acknowledge the assets are aging and this will impact performance eventually. Unplanned outages are of significantly greater concern than planned outages, the latter of which several customers said could be managed.

A few customers expressed a dissenting view and indicated that system reliability risk was not their concern.

CONCERN ABOUT RELIABILITY RISK



How concerned are you about system reliability risk?
Base: Wave 2 and Wave 3 participants who responded to the question (n=40)

> "You're asking about risk not performance. For me, as an end user, risk is your problem. My problem is performance. At the end of the day, do I have it or not? I'm worried about how many outage hours I have not how many I potentially have."

ILLUSTRATIVE RELIABILITY RISK VS. RATE SCENARIOS

Customers in all sessions were taken through three illustrative investment scenarios in detail. The scenarios were illustrative examples of investment plans detailing key elements, investments by asset class, and overall risk profile.

Customers were shown each scenario in detail, including the four major asset replacement programs, and were then shown a summary of all three scenarios side-by-side, which also included the corresponding increase on transmission rates.

Customers were advised that they were not being asked to choose a preferred scenario, rather to provide feedback on each scenario as it relates to magnitude and scope, pacing, timing, and rate increases, so that Hydro One could understand the strengths and weaknesses of each scenario from the perspective of customers.

Hydro One representatives clarified that the scenarios related only to sustainment capital expenditures, and that they did not include development work (a separate line item) or operating and common costs (also separate line items). The forecast rate impacts did not consider changes in load or OM&A costs.

Further, they clarified that the investments shown are system-wide, meaning they take into account all of the work needed to be done within the province of Ontario and determined courses of action that would address investments at a system level. Therefore, the investments are intended to improve system reliability risk as an aggregate, and thus individual customers may not see investments in their immediate vicinity or on equipment vital to their organization. Similarly, changes in reliability risk across the system may or may not impact their individual service experience (may not mean a decline in the number of unplanned interruptions that they experience).

Additionally, Hydro One discussed the idea of investing now in order to mitigate risk in the future and made it clear that these sustainment capital expenditures were ultimately non-discretionary investments, as they would have to occur eventually, as many assets and assets classes are reaching end-of-life.

Customers were advised that Scenario 1 would result in an increased reliability risk of approximately 10%, Scenario 2 would mean risk would remain essentially flat, and Scenario 3 would result in a decrease in reliability risk by approximately 10%. In terms of investment, for each $500 million in incremental capital investment approximately 10% improvement in reliability risk is expected.

INVESTMENT SCENARIOS

Illustrative scenarios have been developed for various levels of sustainment expenditures.

These in turn, **result in different rate impacts and reliability risks.**

These scenarios focus on the Sustainment Capital portion of our Investment Plan and are meant to represent a spectrum of potential investments.

We do not have a recommended scenario, nor are we asking you to choose" from the scenarios presented.

The asset solutions identified are flexible. The inclusion and pacing of investments in the plan may vary from what is presented in the scenarios. Through this conversation, we would like to better understand your business needs and preferences to inform our 5-year Investment Plan.

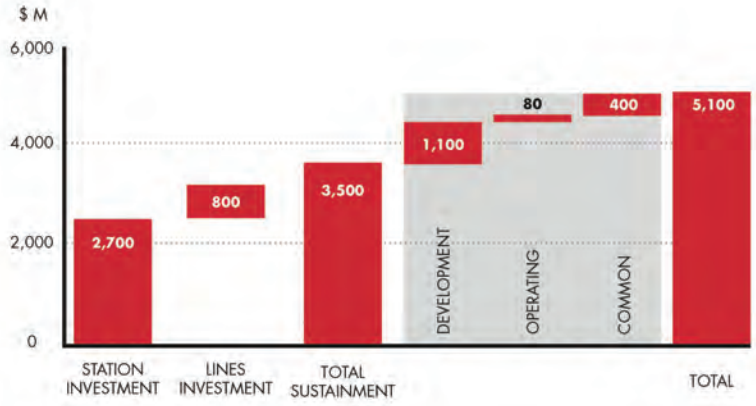
SCENARIO ONE

SCENARIO 1
~$5,100M (2016 – 2020)

KEY ELEMENTS OF SCENARIO 1

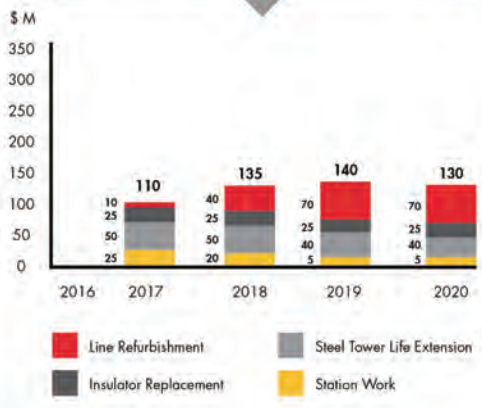
- Coordinated replacement of multiple elements at stations to reduce outages
- Investment to replace high risk air-blast circuit breakers
- Replacement of aging transformer population
- Does not fully address increasing risk due to line asset aging/conditions

Overall risk profile:
Reliability risk expected to increase



SCENARIOS TWO AND THREE

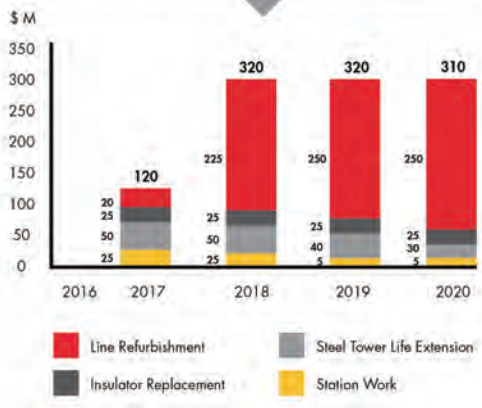
SCENARIO 2
~$520M in incremental CapEx from 2016 – 2020



- Scenario 1 and additional station work, insulator replacement, and steel tower life extension program
- Projected replacement of 1,200 cct-km of conductors, including all copper conductors at end of useful life

Overall risk profile:
Current reliability risk expected to remain unchanged

SCENARIO 3
~$1.1B in incremental CapEx from 2016 – 2020



- Scenario 1 and additional station work, insulator replacement, and steel tower life extension program
- Projected replacement of 2,300 cct-km of conductors, including all copper conductors at end of useful life

Overall risk profile:
Reliability risk expected to decrease

Hydro One also addressed a "Zero Scenario" in which the rate increase would be capped at historic levels (approximately 3.2%) as customers indicated it would be helpful to illustrate what that might look like.

> "Might be useful to show what the decrease in reliability might be if nothing was done. 'If we do nothing and don't raise your rates, this is what you'll get'…Show us the nosedive and what it takes to come out of that dive…"

Hydro One calculated the reliability risk level for this Scenario and determined that it would result in an unacceptable reliability risk increase (approximately 20% increased reliability risk), and therefore could not consider it.

MAGNITUDE AND SCOPE OF INVESTMENT

The scope of investment in Scenario 1 was perceived as an appropriate minimum to some customers given the information they had heard about system performance and in particular the number of unplanned outages and interruptions that have been caused by equipment failure. However, there were concerns raised about the increased reliability risk in this scenario and most customers indicated being unwilling to accept a rate increase for a transmission system plan where reliability risk still increases. For many this was not even worthy of discussion. Increased risk, particularly the magnitude of the increase in risk (approximately 10%) is unacceptable. A few customers commented that Scenario 1 should include information on the future rate impact of deferring investment.

Based on the written and oral feedback, Scenario 2 seemed like a balanced approach that was perceived as being more acceptable as it related to the reliability risk not increasing, but remaining static. Large industrial customers, particularly those in the North, were the most likely to feel that unchanged risk is unacceptable. The critical issue is that they want to see an improvement in the reliability and quality of their service. For their specific situations, the question was whether the expected rate increase in cost is commensurate with the level of savings they will realize from reduced interruptions, or what their future expected costs will be if reliability worsens.

Some customers expressed the opinion that Scenario 3 was the most responsible course of action, particularly as it related to addressing service interruptions. A few customers shared that the difference [in rate impacts] between Scenario 1 and Three was not significant and it is worth the cost when compared against lowering reliability risk by 10%. However, a few indicated that the proposed 6.8% rate increase in Scenario 3 was unaffordable.

Feedback on the specific asset class investments other than line work (insulators, steels towers, and station work) was limited. Some concerns were raised about the reliability and potential failure of new equipment, and the availability of backup assets in case of failure. However, customers mostly commented on the line work since that was the item with the biggest change in scope from scenario to scenario.

INVESTMENT PACING

The spike in line investments from Scenario 2 to Scenario 3 seemed sudden to a few who wondered if a more level approach would be more reasonable. The spike in investments between these two scenarios also raised questions about Hydro One's ability to ramp up internally as well as engage third party workers for the amount of work needed. There was some skepticism that the elements of Scenario 3 could be accomplished within five years.

> "The difference between Scenario 1 and 3 is significant. Not saying Scenario 3 isn't right, but how quickly [can]you get there. Pacing or smoothing that more so than what you've illustrated, may be a more appropriate approach. [The] question is time frame."

RATE INCREASES

A couple of key clarifications were required when discussing rate increases. The first was that the rate increases shown would be compounded over five years, and the second was that the increases shown would apply only to transmission rates and not the overall bill. While Hydro One stated that for the average customer the transmission rate represents 10% of the bill, one customer estimated it to be closer to 25% of their bill.

A few customers pushed back on why rate increases need to jump to a 5.1% minimum from the historical 3.2%.

> "I'm having a hard time understanding the starting point in Scenario 1. Your rate increase has been on par with inflation. Why is the starting point rate increase so high? Must be something we're not seeing that does not relate to capital. If starting point wasn't so high, it would be much easier to say yes to Scenario 3."

> "All in electricity rates (supply, delivery, global adjustment, etc…) are already too high for consumers and industry alike. The amount of unplanned outages has not been that significant in recent years to warrant excessive capital spending to mitigate risk. Effort should be made to keep rates at current levels."

IMPACT ON RATEPAYERS

LDCs expressed concern about the impact on ratepayers and the level of acceptance of an increase among their customers given that the transmission rate increase would be a pass-through cost to ratepayers. Ratepayers don't understand the distinction between transmission and distribution rates, and only know that their bills are increasing. The LDC is the one held accountable for these increases, and one customer mentioned that there is rate increase fatigue and sensitivity among ratepayers in their region.

> "A big part will be [to be] armed with info to share with our customers, holder of the bill. They will want to see the bigger picture."

INDIVIDUAL BENEFIT VS. SYSTEM BENEFIT

Adding to the concern about the impact on ratepayers, LDCs indicated that they do not have any information as to what direct benefit their region would receive in terms of improved reliability risk or performance as a result of the increase in the transmission rate. LDCs held this concern while acknowledging that deferring investments to address risk now will only create more issues that could create a need for even greater investments and rate increases in the future.

Large industrial customers more directly expressed a preference for investments on aspects of the system that will benefit their immediate vicinity and thus their organization.

> "The reliability for us is on the transmission system, we would love to see improvement but this is province wide."
>
> "I am here because I [would like] to be aware of the investments made locally to me. I want to know the priority areas."

A few customers indicated that the illustrative scenarios did not provide enough information about how the investments would be allocated or sufficient evidence that a rate increase is necessary. Clarifying questions were also raised about how the rate increases were calculated.

> "We do not accept the premise that a rate increase will address reliability risk, or indeed that a rate increase is justified at all."
>
> "It tells me nothing except that Hydro One plans to spend $5.1 billion dollars and it will have no direct benefit…It does not explain where the money is spent, how projects are prioritized, what the business case is, and the long term impact on O&M expense."

OTHER POINTS OF DISCUSSION

There were other themes that emerged organically from the discussions on the illustrative scenarios.

FINANCIAL

Benchmarking: A few customers across Wave One and Two inquired about how Hydro One's capital expenditure associated with each scenario compares against other transmission utilities. In these cases, customers were not looking for benchmarking of historical expenditure but rather for comparative information relating to future capital investment plans of comparator utilities.

"How does Scenario 2 and 3 compare with those peer utilities and their investment levels?"

The importance of competitively priced energy: A few customers expressed their belief that increasing rates, in particular without the assurance of improved reliability performance, will contribute to businesses being driven out of Ontario. However, one LDC customer stated that Hydro One is not responsible for ensuring competitiveness in Ontario.

"…effort should be made to keep rates at current levels…to avoid driving further investment and industry from the province."

"Skyrocketing hydro costs as well as increased transmission costs and additional charges are making it very difficult to compete in a competitive business environment. We have shifted our operations to off peak periods to reduce electricity costs and Hydro One is charging Network Service Charges for peaks that occur in the off-peak, shoulder period."

Padding: One customer expressed concern that Hydro One needs to increase its asset portfolio in order to get a bigger rate increase from the regulator.

"This really looks like pocket padding to get more revenue for your shareholders due to a larger, overpriced asset base – I do not see where you have an incentive to save – the bigger your asset portfolio, the more money you can ask for at the OEB."

Raising Capital or Other Revenue Sources: Customers wanted to know if transmission rates are Hydro One's only source of income. One customer also asked if Hydro One is able to raise capital to finance the investment plan rather than increase transmission rates.

"To what extent can they tap the public markets for money now that they're a public company...do a share offering to raise capital to finance that. Would that be something that could be considered, so you get a pool of money to finance sustainment activity as opposed to ratepayers of the province."

Re-allocation: Customers asked whether Hydro One could re-allocate the funds dedicated to sustainment within Scenario 1 to decrease reliability risk. Questions also arose around whether Hydro One should defer funds currently dedicated to development within Scenario 1 to sustainment in order to mitigate rate increases.

"Is there a way…with a 5.1 billion dollar Scenario 1, to rearrange the work program to have a better risk profile? That is – if Scenario 1 reflects your spending over the last 5 years and relations between stations, lines, towers, is there a rebalancing within the 5.1 that gives you a better reliability outcome?"

"The development money…what is this money? We are paying as a ratepayer for reliability and paying for development money that has no impact for us. The scenarios I am okay with reliability but foregoing it against development is not good. If you don't have the money you keep the heart going."

Level of investments relative to asset value: Customers pointed out that $5B represents half the value of Hydro One's transmission assets (asset value as outlined in the presentation by Hydro One). This was perceived as a significant investment that should span a longer period, and caused customers to question Hydro One's ability to secure sufficient resources to execute the intended work.

"Adding $5.1B in CapEx over 5 years is a significant cost/investment that should be amortized over the next 40 to 70 year life of the assets."

OPERATIONS

Cooperation: Planned outages should ideally be bundled and scheduled in the most economical and least intrusive way. Currently for some customers, cooperation with Hydro One is working well. While others feel they are not provided sufficient information about asset work being done in their regions, or directly related to their organizations. Customers expressed willingness to work with Hydro One in order to mitigate their own vulnerability as it related to potential outages and interruptions.

Improving maintenance efficiencies: Customers would like to know what if any efficiencies are being considered rather than simply raising rates. For example, would it be possible to increase efficiency in maintenance plans in an economically beneficial way.

"Hydro One is using reliability risk as a lever to increase rates, when it should be seeking to be more effective in how it manages costs."

"Given how Hydro One is stating they really need this level of investment to make up for prior years shortfalls, then the expectation is that extra efforts will be made elsewhere such as OM&A to reduce the rate impact to inflation."

New asset maintenance work efficiencies: There was a suggestion that by replacing old assets with new ones, that Hydro One would see a compounding benefit on maintenance costs. This in turn would mitigate future rate increases. The customer wanted to know if that presumption was true and what the financial benefits would look like.

"If you replace the asset, it's very probabl[e] you won't have to maintain at the same level of the old asset. So there is a case to be made that as you spend more replacing the asset, you suspect the OM&A element should [decline]. And it would be very helpful to see the benefit of that to demonstrate that increased expenditures on those assets has a compounding benefit. It's also to unlock those unnecessary maintenance practices that don't need to be there. It's more economic[al] just to replace it."

Human resources: Several customers questioned Hydro One's ability to secure sufficient resources to support the investments Scenarios 2 and 3. They specifically questioned if Hydro One has the internal capacity to support the investments, or if is there a need to bring in third party workers. This was a concern particularly as it related to the increased line work outlined in Scenario 3.

"If your plan's gonna require two to three times the resources of your previous peak, how realistic is that? …There are other large LDCs trying to secure third-party resources at an aggressive rate at the same time. So the availability and cost in the market may be a surprise to all of us."

PLANNING

Coordination: There was a desire for greater coordination with Hydro One and transmission-connected customers when work is being done. This comment was made in the context of a thinking about the design of the investment plan.

"In the design of the investment, can you consider [from a] coordination point of view? Whenever he [person at organization] asks why Hydro One takes this out. Then he gets the answer [from Hydro One] it's going to potentially impact the system. It may be a change in work practice but we see a lot more of this."

Disaster planning: Since catastrophic unplanned service interruptions can be weather-related, a customer questioned if it makes sense to make investments that cannot prevent this from occurring.

"If it comes down to what we want to pay for insurance, this investment will not stop a catastrophic event from occurring (ice storm, forest fire, etc.) so is $5B worth reduced interruptions?"

Mandated work interfering with capital plan: One LDC mentioned that they have an investment plan but are then mandated by their municipality to do other work, and therefore they get sidetracked. It raised the question as to whether Hydro One has the same challenges.

"We have a particular bucket of money; city tells you to move poles, a million dollars' worth of capital work you have to do…"

Order of how the assets would be repaired/replaced: Customers wanted to know if priority was being given to crucial assets – such as those that provide power to nuclear stations; those areas that are currently on a single-line supply/radial circuit; and large industrial businesses for whom service interruptions have serious financial consequences.

"Is it possible to flag some assets as being crucial and 'cannot fail', and therefore be placed in priority sequence."

"I know we couldn't live with a 9% increase in risk of unreliability at [a nuclear station]."

"We've tried to impress upon Hydro One…thinking of [the] industrial cluster second to nuclear impact economically."

Time period: To some customers five years feels like a short period to be considering investment plans. These customers questioned if Hydro One should be planning beyond 2021.

"A longer time duration shows a lot, and skews the data. You usually need at least 7 years of data, this set appears short."

Planned outages vs. unplanned interruptions: Some customers indicated that unplanned interruptions have more negative consequences than planned outages and these interruptions are the primary concern. They would like to know if it is possible to focus on and improve reliability risk on unplanned interruptions only.

Appropriate measures of success: A few customers wanted more clarity on what Hydro One sees as the goal when it comes to reliability. What level of reliability risk or performance is it striving for.

"…what could be of more value would be something to show where you've been, what you're asking for and where it will take you. This doesn't speak to what you'll achieve from this investment."

INCREASING CONCERNS ABOUT RELIABILITY AMONG RATEPAYERS

A few of the LDCs indicated that feedback from their end customers suggests that ratepayers' expectations and scrutiny around reliability is increasing.

"As an LDC we have public hearings with the consumers. One survey question we had was regarding their expectations. 25% of our customers expect zero outages."

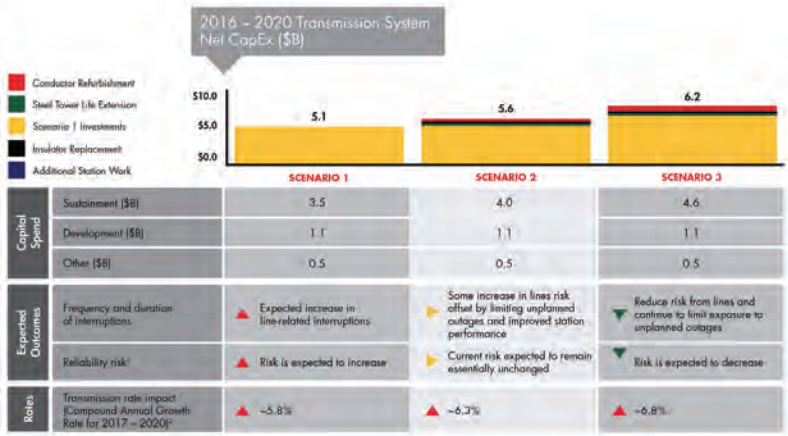
SUMMARY OF SCENARIO FEEDBACK

Although customers were not asked to choose one scenario and told that the scenarios were to be considered illustrative and flexible, some customers did state a preference.

Most of those who offered an opinion stated that their preference landed between Scenarios 2 and 3. They stated that an investment level between Scenarios 2 and 3 was most appropriate.

However, they emphasized that they must see an improvement in reliability and quality. In practical terms, they are looking for fewer unplanned interruptions, and investments that benefit their organizations or regions directly.

OVERVIEW OF THREE POTENTIAL SCENARIOS



1. Reliability risk is a probabilistic calculation based on asset demographics and the historical relationship between its age and its failure or replacement.
2. Excludes impacts of potential changes in load forecast and any potential change to operations and maintenance spending.

Participants were given an opportunity to create their ideal aggregate scenario and encouraged to do so. While a few customers particularly those who completed the online consultation tool, offered comments, most did not. From Wave Two, it was apparent that some participants were reasonably satisfied with one or more of the scenarios. Others didn't offer comment because they didn't feel they had the right information or sufficient information in order to offer a suggestion.

The main comments and questions that arose orally and in writing about each of the illustrative investment scenarios have been summarized in the chart on below.

Scenario One

- Perceived as the bare minimum targeting the highest risk assets and largest outages.
- Seen by many as insufficient to address reliability risk concerns.
- While many expressed concern that an increase in reliability risk is unacceptable, they were also sensitive to the proposed rate increase.
- Customers questioned if there would be efficiencies in other areas- for example, in OM&A- that could help offset the rate increase.
- Customers asked if it possible to re-allocate the work such that it decreases reliability risk, without raising the rate.

Scenario Two

- Perceived to be a comfortable and conservative middle ground, and most balanced approach.
- At minimum, some would like to see reliability remain unchanged (as opposed to increasing risk of Scenario 1) and this Scenario would address that.
- The investment required to have reliability remain unchanged is perceived as disproportionate to some.
- The pace increase from Scenario 1 is thought to be more comfortable and realistic than Scenario 3.

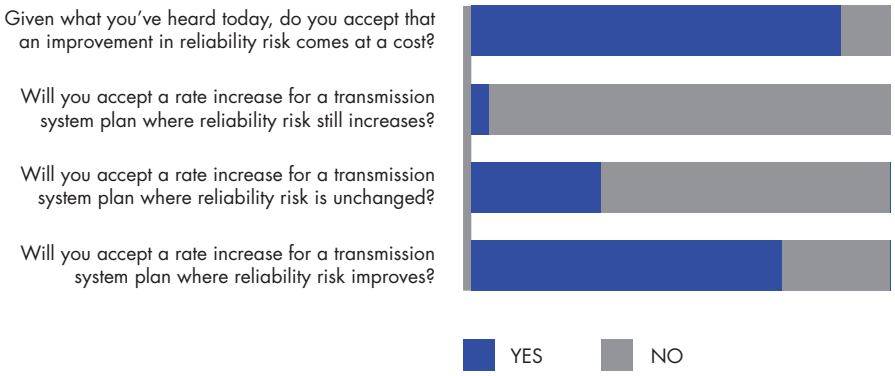
Scenario Three

- The spike from Scenario 2 and 3 seemed high to some, who thought that the pacing and approach should be more level.
- Questions arose about resource capacity - would Hydro One be able to ramp up internally as needed in order to complete this work. As well, customer asked if Hydro One would have to hire third party workers, and asked what would happen if they are unavailable.
- A few large industrial customer felt strongly that Scenario 3 was the minimum in terms of asset maintenance and replacement and capital investment. These businesses are the ones who struggle most with interruptions.
- The rate impact was perceived as being too high and unaffordable to some.

RELIABILITY RISK VS. RATES

Customers were posed reliability risk vs. rates trade-off questions as part of Waves Two and Three. Most customers who provided an answer to the first question: *"Given what you've heard today, do you accept that an improvement in reliability risk comes at a cost"*, answered yes. Most answered no when asked if they will accept a rate increase for a transmission system plan where reliability risk still increases. Over half of those who answered the question about whether they will accept a rate increase for a transmission system plan where reliability risk is unchanged answered no. Well over half of those who answered the question about whether they will accept a rate increase for a transmission system plan where reliability risk improves answered yes.

RELIABILITY RISK VS. RATES TRADE-OFF



Base: Wave 2 and Wave 3 participants who responded to the question (n=22-30)

NOTED DIFFERENCES BY CUSTOMER SEGMENTS

LDCs

LDCs are concerned about how the ratepayers in their region will respond to an increase in transmission rates. Their ratepayers have a hard time understanding the difference between transmission and distribution rates, and the LDCs expressed concern that their ratepayers may not be willing to accept an increase in rates for improved reliability even if the LDC feels it is beneficial.

As it relates to asset management, most LDCs are in agreement with Hydro One because they are also tasked with assessing their aging assets and making decisions around investment plans and accompanying rate increases.

With regard to the illustrative investment scenarios, LDCs expressed skepticism and concern that Hydro One would be able to ramp up as needed for the amount of asset work they are proposing both internally and as it relates to workers in the field. The general consensus for Scenario 3 is that there would be a need to hire third party workers in order to complete the necessary work on lines.

In summary, while LDCs recognize and appreciate the need for rate increases to fund asset investments, they are wary of large rate increases as these are passed along to the ratepayers, who are sensitive to the bottom line on their bills.

LARGE INDUSTRIAL BUSINESSES

Reliability is the most important and pressing concern for large industrial businesses such as automotive manufacturers, mines, and mills. Unplanned service interruptions have dire financial consequences for many in this group where lost productivity costs run into the tens of millions. There are also safety considerations for mine and mill workers where they have to manually re-set machinery.

Secondary concerns for this group are power capacity. This pertains to those large industrial businesses in the North who have a need for additional power but are unable to generate it themselves or obtain it through the current transmission system – that is, they have been unable to find a solution through Hydro One or other means.

Some of these customers expressed positive feedback about the day-to-day communication and customer service they receive from their area representatives, but have concerns that Hydro One may not keep up with broader communication about its long-term planning.

Rate increase sensitivity is less of an issue with this group who depend on reliable good quality power to be competitive and successful in their businesses.

GENERATORS

For nuclear generators, their primary concern is safety. They feel that they are a core, essential service to the province and that any work related to reliability that directly affects them should be a top priority.

Additionally, they would like to know how planned outages will affect their ability to generate. Cooperation around scheduling is very important.

In terms of rate increases, they are less sensitive as safety and reliability are their key concerns. Additionally they recognize that investing in the short term to address reliability risks means better reliability in the long term. One generator indicated that for them the scenarios were too reactive, and in fact not forward-looking enough.

NOTED DIFFERENCES BY GEOGRAPHY

NORTHERN ONTARIO

Customers in the North who are more likely to be on single circuit supply tend to experience more frequent unplanned interruptions than those in the South and the cost implications are enormous. There are also safety considerations for these huge operations when an interruption occurs. At the same time, they recognize the challenges presented by the physical landscape of their region for maintenance and sustainment work.

SOUTHERN ONTARIO

Since customers in Southern Ontario are more likely to be on multi-circuit supply, they experience fewer unplanned service interruptions than their counterparts in the North. Therefore, the need for improved reliability risk was somewhat less pressing for them and it makes the case for increasing rates to improve reliability more difficult.

Furthermore, they struggle more with the idea of system-wide asset management and how the investment plan would benefit them directly.

Some LDCs are aware of and sensitive to the challenges faced by Hydro One as it relates to urban expansion and space restrictions, and the complex nature of maintenance and sustainment work as a result. The LDCs that mentioned this also communicated their willingness to cooperate with Hydro One in order to minimize customer vulnerability as it relates to planned outages.

Most large industrial customers, as well as nuclear generators, believe that an increase in rates for better reliability is worthwhile regardless of region; however as stated above, this region experiences better reliability and are therefore more sensitive to rate increases.

PART C: FEEDBACK ON THE CONSULTATION PROCESS

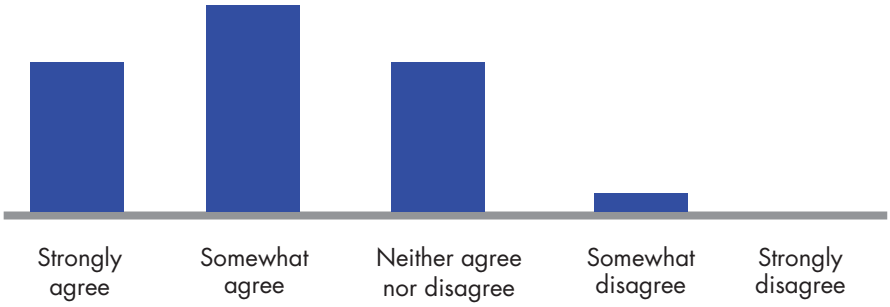
Waves Two and Three wrapped up by posing a few questions to customers about the usefulness of the consultation process, and the extent to which they believed their feedback was captured and heard. Customers were also asked if they think Hydro One should hold this type of broader customer consultation in the future and if so how often.
It was explained to customers that a broader customer consultation would be in addition to one-on-one local discussions that will continue to occur on a project-by-project basis.

FEELING HEARD

Q. I feel my feedback was heard today regarding Hydro One's approach to investment planning?

Most customers across the consultation activities indicated that that their feedback was heard, and some expressed confidence that their input will be incorporated into Hydro One's investment plan. Others were doubtful that their input would have much impact on decision-making within Hydro One. Customers acknowledged that this type of discussion would not have happened 10 years ago and they welcome the opportunity to hear more about Hydro One's plans for the future.

ADDRESSING RELIABILITY RISKS VS. DEFERRING INVESTMENT



I feel my feedback was heard today regarding Hydro One's approach to investment planning.
Base: Wave 2 and Wave 3 participants who responded to the question (n=27)

"I am happy to see what has happened today. The success of this meeting is based on how far our feedback gets. I want to see some active changes and discussion based on meetings as a whole. The plan needs to morph to be a success. If all this does that confirms what it is in the plan then a waste of time. I'm happy to be part of this as long as portions of discussion make it through the system."

"They do a good job of getting workshops together, it's fantastic content. They're leading the discussion on multiple fronts. The problem is no one has the answer."

GETTING TO THE RIGHT ISSUES

Q. Based on everything you saw and heard today, did the session get to the right issues?

Opinions were mixed on the extent to which the sessions got to the right issues, or achieved sufficient detail on the issues that customers feel are important to the investment plan in order to make a judgement on their preferred investment plan.

"We think that Hydro One does a good job on consultation and leading the discussion on all fronts. There are no answers to all of this. It is hard to say if they are being proactive in their investment, but [Hydro One is] proactive in their discussion of the risk. Hydro One is having the correct conversation."

"Sort of – seems the questions asked are grouped from Hydro One's perspective and not the end user perspective."

"I think it is important to include the expected rate impact based on all costs – seeing cost control is our customers' focus and the focus of the province to promote business in Ontario. Without knowing the total rate impact, forming an opinion is difficult."

FREQUENCY OF GROUP CONSULTATION SESSIONS

Q. How often do you think Hydro One should hold these sessions?

There was a general consensus that Hydro One should hold sessions like this annually and most customers indicated that they would personally be willing to participate in future meetings. A few commented that they would prefer to conduct the sessions semi-annually.

"If people in the industry hear of change coming from these types of meetings then you will get better attendance."

APPENDIX

APPENDIX

CONSULTATION PARTICIPANT LIST

Wave One – One-on-One Consultations

Adel Ali, General Motors of Canada Ltd.
Michael Angemeer, Veridian Connections Inc.
David Bench, Domtar Inc.
Angelo Boschetti, Toronto Hydro-Electric System Limited
Paul Boucher, Bruce Power L.P.
Kevin Brad, Nova Chemicals (Canada) Ltd.
Terry Britton, Veridian Connections Inc.
Joe Cooper, Domtar Inc.
Ralph Cote, Bruce Power L.P.
Mike Demsky, General Motors of Canada Ltd.
Laurie Elliot, Hydro Ottawa Limited
Derek Francis, Suncor Energy Inc.
Dave Garland, Hydro Ottawa Limited
Peter Giardetti, Resolute FP Canada Inc.
Jeff Hansen, Ontario Power Generation
Mark Hiseler, Suncor Energy Inc.
Ed Johnston, Veridian Connections Inc.
Tom Lacey, Nova Chemicals (Canada) Ltd.
Anthony Lachance, Domtar Inc.
Remi Lalonde, Resolute FP Canada Inc.
Bryan Lewis, Domtar Inc.
Shawn Li, Toronto Hydro-Electric System Limited
Greg Lubertowicz, Arcelormittal Dofasco Inc.
Robert Mace, Thunder Bay Hydro Electricity Distribution Inc.
Ivan Matthews, Hydro Ottawa Limited
Eric McCarthy, Ontario Power Generation
Brian McLauchlan, Domtar Inc.
Jay Mitroff, Domtar Inc.
Jim Pegg, Hydro Ottawa Limited
Peter Petriw, Veridian Connections Inc.
Rich Remple, Suncor Energy Inc.
Janice Salter, Ontario Power Generation
Falguni Shah, Veridian Connections Inc.
Sushil Shah, Ontario Power Generation
Jack Simpson, Toronto Hydro-Electric System Limited
Michael Smart, Resolute FP Canada Inc.
Craig Smith, Veridian Connections Inc.
Robert Swanstrom, Suncor Energy Inc.
Rob Thompson, Nova Chemicals (Canada) Ltd.
Tom Thompson, Nova Chemicals (Canada) Ltd.
Mike Weatherbee, Veridian Connections Inc.
Doug Yates, General Motors of Canada Ltd.

APPENDIX

CONSULTATION PARTICIPANT LIST

Wave Two – Large Group Consultations

Kevin Bailey, Welland Hydro-Electric System Corp.
Mike Block, Peterborough Distribution Inc.
Tom Brackenbury, Kingston Hydro Corporation
Jake Brooks, Association of Power Producers of Ontario
Darren Brown, Goldcorp, Musselwhite
Jim Brown, EnWin Utilities Ltd.
Carolyn Bultena, GDF Suez Canada Inc.
Tim Clutterbuck, ASW Steel Inc.
Tim Curtis, Niagara-on-the-Lake Hydro
Robert Evangelista, Hydro One Brampton Networks Inc.
Dave Forsyth, Gerdau Long Steel North America
Al Gereghty, Vale Canada Ltd.
Paul Gleason, EnWin Utilities Ltd.
Phil Guido, Greater Sudbury Hydro Inc.
Herbert Haller, Waterloo North Hydro Inc.
Jie Han, FortisOntario Inc.
Howard Holland, Goldcorp, Musselwhite
Brian Koltun, Vale Canada Ltd.
Andy Mahut, US Steel Canada Inc.
Jim Miller, Kingston Hydro Corporation
Brad Millroy, London Hydro Inc.
Riaz Shaikh, PowerStream Inc.
Ismail Sheikh, London Hydro Inc.
Mark Simpson, Brantford Power Inc.
David Smelsky, Halton Hills Hydro Inc.
Cole Tavener, London Hydro Inc.
Kerry Taylor, Greater Sudbury Hydro Inc.
Allan Van Damme, London Hydro Inc.
Mark Van de Rydt, Greater Sudbury Hydro Inc.
Dennis Visintin, AV Terrace Bay Inc.
Tom Wasik, Hydro One Brampton Networks Inc.
Dave Wilkinson, Waterloo North Hydro Inc.
Hooman Zamani, Kirkland Lake Gold Inc.

APPENDIX

CONSULTATION PARTICIPANT LIST

Wave Three – Self-Directed Online Consultation Tool

This list includes individuals who logged in to the Wave Three online consultation tool but did not respond to any questions.

Adel Ali, General Motors of Canada Ltd.
Gerry Bernard, Tembec Enterprises Inc.
John Brace, McLean's Mountain Wind L.P.
Jake Brooks, Association of Power Producers of Ontario
Darrell Brown, Goldcorp, Musselwhite
Jim Brown, EnWin Utilities Ltd.
Robert Chercoe, National Research Council of Canada
J.J. Davis, Kruger Energy Port Alma Limited Partnership
Shawn DeForge, AuRico Gold Inc.
Joe Emberson, McMaster University
Robert Evangelista, Hydro One Brampton Networks Inc.
Ryan Forget, Atlantic Power L.P.
Sean Gillespie, Atlantic Power L.P.
Jeff Glaser, Panabrasive Inc.
Ben Greenhouse, Summerhaven Wind, L.P.
Rodney Guy, Greater Sudbury Hydro Inc.
Herbert Haller, Waterloo North Hydro Inc.
Paul Heeg, Haldimand County Hydro Inc.
Jim Huntington, Niagara-On-The-Lake Hydro Inc.
Irv Klajman, PowerStream Inc.
Gerry Landriault, FQM (Akubra) Inc.
Greg Lubertowicz, Arcelormittal Dofasco Inc.
James Macumber, Enersource Hydro Mississauga Inc.
Gary Mayne, ASW Steel Inc.
Robert Mozzoni, Goreway Station Partnership
Marianna Nagy, U.S. Steel Canada Inc.
Mike Ploc, Peterborough Distribution Inc.
Claude Quesnel, Greater Sudbury Hydro Inc.
Ismail Sheikh, London Hydro Inc.
Michael Shuman, Kirkland Lake Gold Inc.
Mark Simpson, Brantford Power Inc.
Dave Stevens, Lake Shore Gold Corp.
Derek Teevan, Detour Gold Corporation
Patricia Vallejo, Next Era Energy Canada
Jason Weir, Suncor Adelaide Wind Limited Partnership
Kevin Whitehead, Whitby Hydro Electric

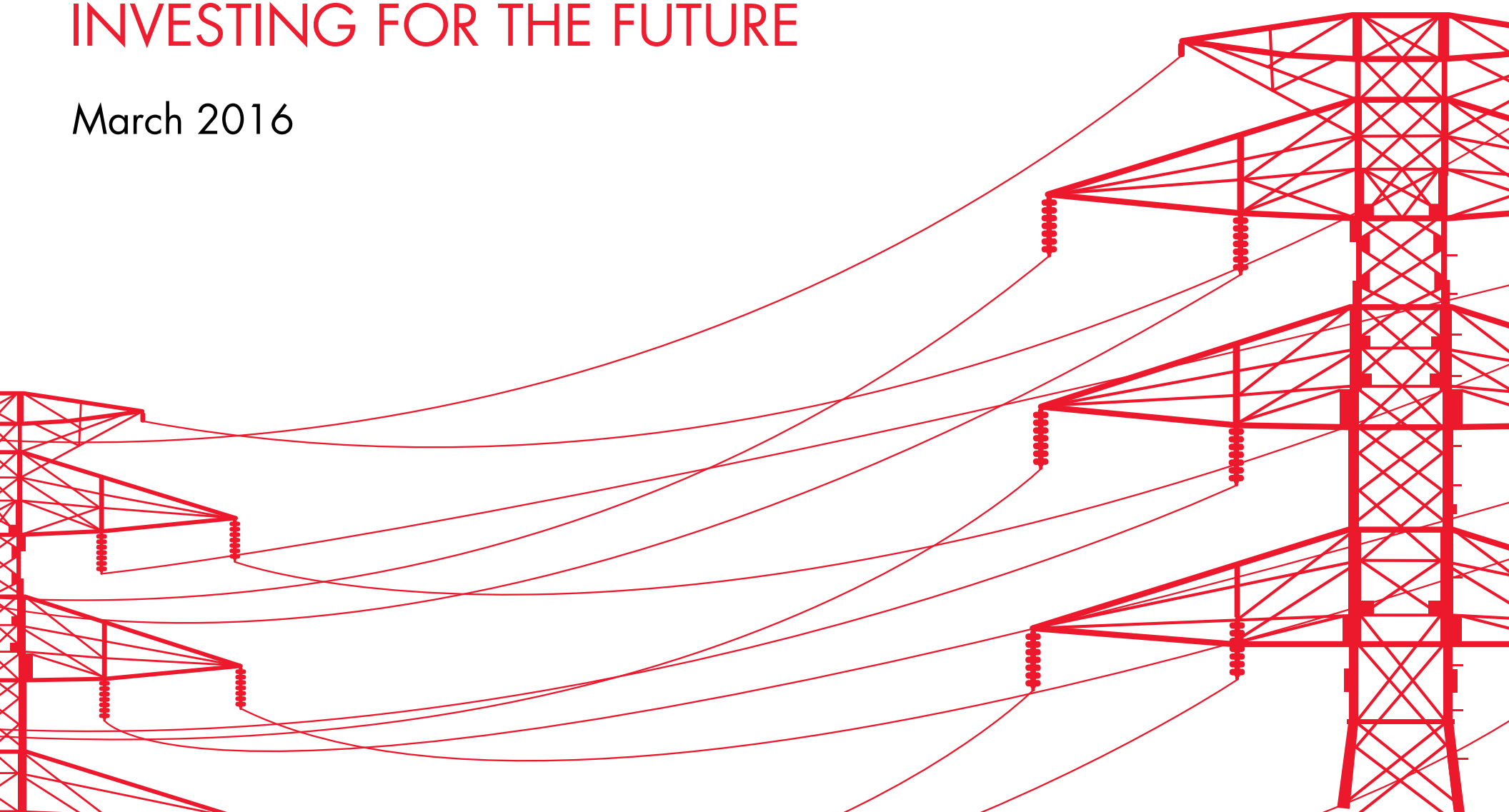
TAB 2

PRESENTATION TO CUSTOMERS INCLUDING DISCUSSION GUIDE

TRANSMISSION CUSTOMER ENGAGEMENT:

INVESTING FOR THE FUTURE

March 2016



CONFIDENTIAL AND FORWARD-LOOKING INFORMATION

CONFIDENTIAL INFORMATION

In this presentation, "Hydro One" or "the Company" refers to Hydro One Networks Inc. and its affiliates, taken together as a whole.
Hydro One is providing the information contained in the following presentation on a confidential basis in order to solicit your feedback on potential alternate investment scenarios and their expected impact on the reliability of our transmission system. The feedback from this customer consultation will be considered when making regulatory filings. Any information concerning Hydro One provided as part of this presentation should not be disclosed except as necessary within your corporation in order to provide meaningful feedback.

You should not trade in securities of Hydro One Limited or Hydro One Inc. based on any of the information contained within this presentation and should not use the information for any other purpose.

In this presentation, all amounts are in Canadian dollars, unless otherwise indicated. Any graphs, tables or other information in this presentation demonstrating the historical performance of Hydro One is intended only to illustrate past performance and is not necessarily indicative of future performance.

Forward-Looking Information

This presentation contains "forward-looking information" within the meaning of applicable Canadian securities laws. Forward-looking information in this presentation is based on current expectations, estimates, forecasts and projections about Hydro One's business and the industry in which Hydro One operates and includes beliefs of and assumptions made by management. Such statements include, but are not limited to: statements regarding expected or projected capital and development expenditures, the timing of these expenditures and the Company's investment plans; the use of customer feedback from the consultation process and its impact on the Company's investment plans; the impact of future investments on customer risk, reliability performance and risk, and service interruptions; statements about asset condition, the average ages of critical assets, and their future expected condition; statements about types of asset replacements and their expected associated costs; and statements about illustrative scenarios and their impact on capital spend, expected outcomes, rates, changes in risk profile according to asset class, and increased or decreased system risk impact.

Words such as "aim", "could", "would", "expect", "anticipate", "intend", "attempt", "may", "plan", "will", "believe", "seek", "estimate", "goal", "target", "project" and variations of such words and similar expressions are intended to identify such forward-looking information. These statements are not guarantees of future performance and involve assumptions and risks and uncertainties that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed, implied or forecasted in such forward-looking information. Hydro One does not intend, and it disclaims any obligation to update any forward-looking information, except as required by law.

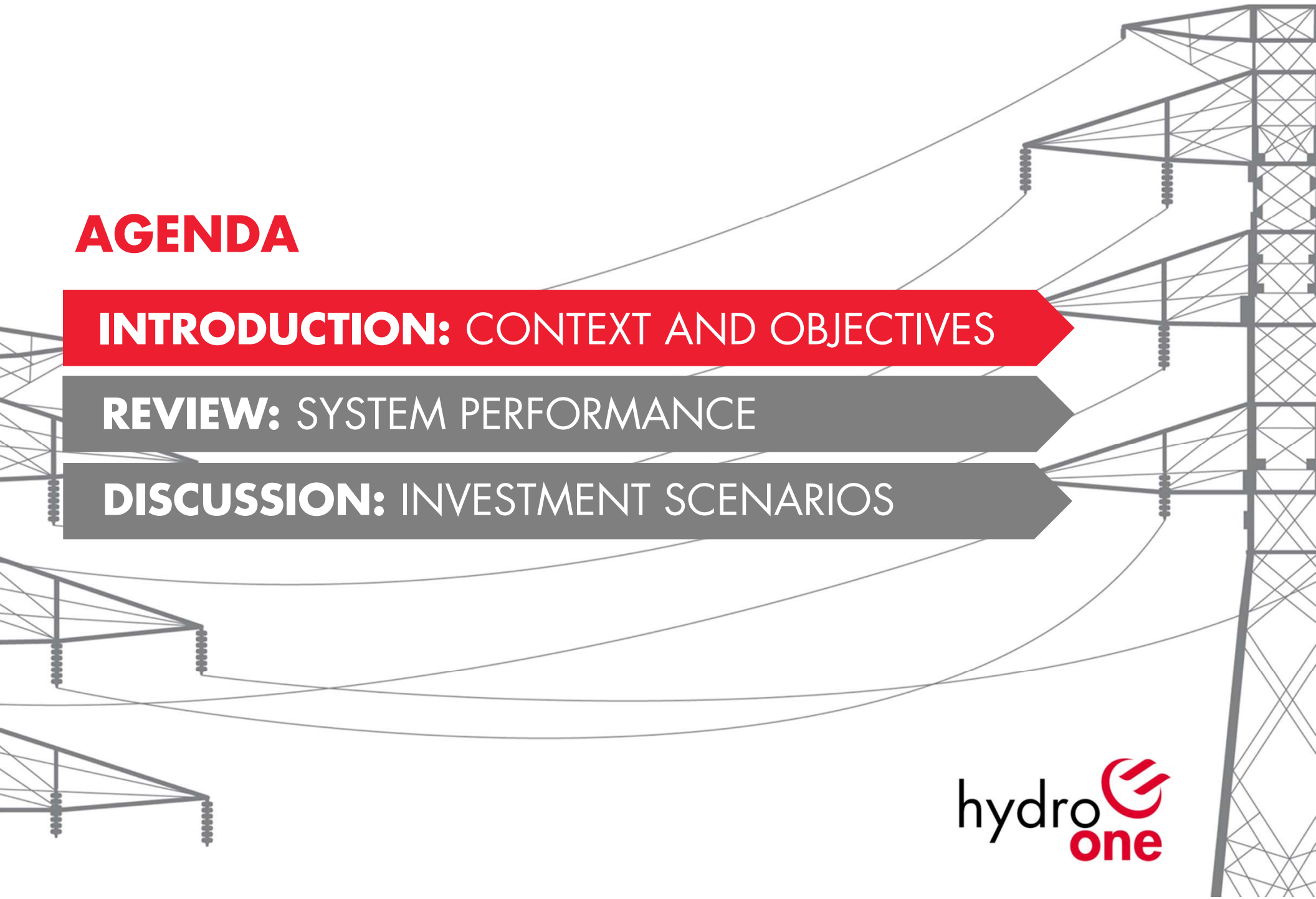
The forward-looking information in this presentation is based on a variety of factors and assumptions. Actual results may differ materially from those predicted by such forward-looking information. While Hydro One does not know what impact any of these differences may have, Hydro One's business, results of operations and financial condition may be materially adversely affected if any such differences occur. Factors that could cause actual results or outcomes to differ materially from the results expressed or implied by forward-looking information are: the risk that previously granted regulatory approvals may be subsequently challenged, appealed or overturned; the risk of public opposition to and delays or denials of requisite approvals and accommodations for the Company's planned projects; the risk that the Company is not able to arrange sufficient cost-effective financing to fund capital expenditures; the risk that the Company may not be able to execute plans for capital projects necessary to maintain the performance of the Company's assets or to carry out projects in a timely manner; the risk that the Company's Board of Directors may not approve the projected expenditures; and the risk that the regulator may alter or deny approval for requested investments and recoverability in rates.

AGENDA

INTRODUCTION: CONTEXT AND OBJECTIVES

REVIEW: SYSTEM PERFORMANCE

DISCUSSION: INVESTMENT SCENARIOS



hydro one

WHO WE ARE AND WHAT WE DO

Hydro One is one of the largest transmission utilities in North America.

We cover more than **640,000 km²** which is twice the size of France.

Our system is the backbone of Ontario's electricity ensuring safe and reliable power is available for the homes and businesses of Ontario.

Hydro One covers some of the most challenging and diverse geography in Canada. Hydro One's system transmits electricity from generation sources to our customers.

Hydro One's transmission customers across Ontario include 47 transmission-connected local distribution companies (LDCs), Hydro One's distribution system, and 90 large industrial customers directly connected to the transmission system.

Hydro One's transmission system totals approximately 292 transmission stations and approximately 29,000 circuit kilometres of high-voltage lines, towers and transformers, operating at 500 kV, 230 kV or 115 kV. It represents ~$12B in assets.

WHO WE ARE AND WHAT WE DO

In 2015, Hydro One transported 137 TWh of electricity.

The transmission system is linked to five jurisdictions adjacent to Ontario: Manitoba, Minnesota, Michigan, New York and Quebec through high-voltage interconnections.

It is part of North America's Eastern Interconnection and must comply with standards established by the North American Electric Reliability Corporation (NERC).

Hydro One's transmission operations are regulated by the Ontario Energy Board (OEB) and the National Energy Board (NEB), together with an operating agreement with the Independent Electricity System Operator (IESO).

WE TAKE A RISK-BASED APPROACH TO INVESTMENT

We are accountable to plan, operate, build, and maintain an affordable, robust and flexible transmission system that **serves Ontario's needs** and meets our obligations as part of the North American grid.

Our investment plan will identify, prioritize, and schedule the investments we make in our system. On this basis, we aim to create value by:

- Ensuring our investment plan considers and reflects the needs and preferences of our customers by achieving a balance between managing reliability risk, service and cost.
- Recognizing every dollar we spend comes at a cost to our customers and the people of Ontario.
- Making prudent, cost-effective, short and long-term investments in our transmission system so that the electricity needs of Ontario are met now and into the future.
- Addressing emerging risks of our system, and always looking for ways to economically extend the life of existing transmission assets.
- Being innovative by adapting new/proven technologies, equipment and processes that contribute to the efficiency of our operation.

OUR CUSTOMER ENGAGEMENT PROCESS

Hydro One is in the process of **developing its Transmission Investment Plan** for 2017 and beyond.

This investment plan will in turn, underpin our **Transmission Rate Application** to the OEB later this spring.

Our Investment Plan will be based on our customers' needs and preferences, our analysis of assets' needs and of our ability to resource, schedule and execute work.

All transmission-connected customers will have the opportunity to provide input that will support the development of the Investment Plan through:

- One-on-one discussions
- Larger, professionally facilitated customer engagement sessions held in Toronto, London, Ottawa, Thunder Bay, and Sudbury
- An online survey

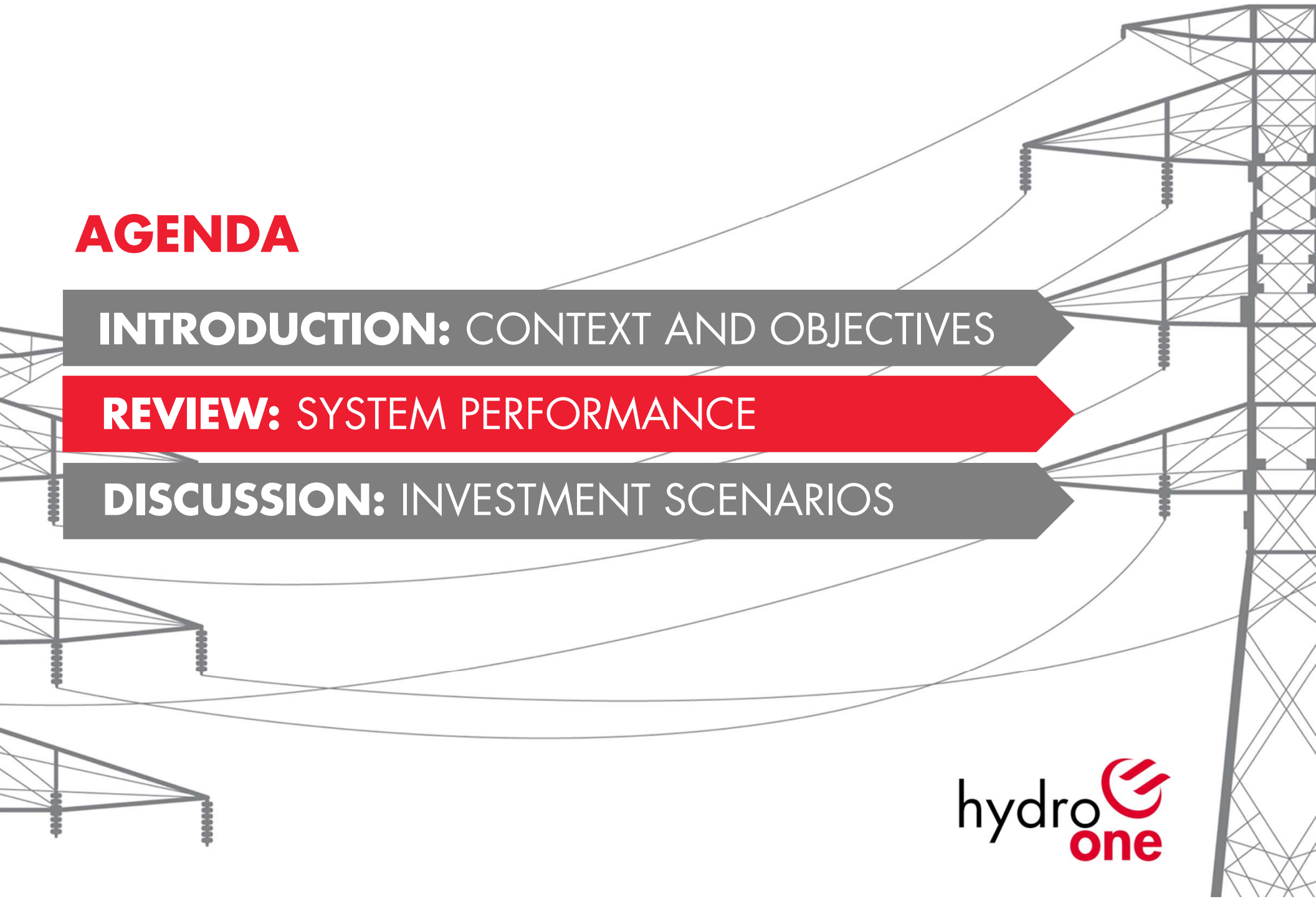
The approach we are taking is consistent with the OEB's Renewed Regulatory Framework.

AGENDA

INTRODUCTION: CONTEXT AND OBJECTIVES

REVIEW: SYSTEM PERFORMANCE

DISCUSSION: INVESTMENT SCENARIOS



SUMMARY OF SYSTEM PERFORMANCE

Hydro One's transmission reliability has remained flat.

The **transmission system faces increasing challenges** due to asset condition.

Equipment performance is the largest controllable factor, contributing 42% of system *interruption*[1] minutes. Assets continue to age (e.g., 20% of conductors now beyond *expected service life*[2] of 70 years).

Evidence suggests that underlying reliability risk is increasing:

- Equipment outages[3] caused by failure or necessary repairs/replacements increased ~300% from 2011 – 2015.
- Increased duration of placing customers, normally served by a multi-circuit system[4] on single supply, increasing interruption risk by ~400%.

Condition assessments have identified critical replacement needs, for example:

- 2,300 cct-km of conductors identified for priority replacement due to being at or near end of useful life[5].
- 9,100 steel towers at heightened failure risk due to depletion of their corrosion protection layer.

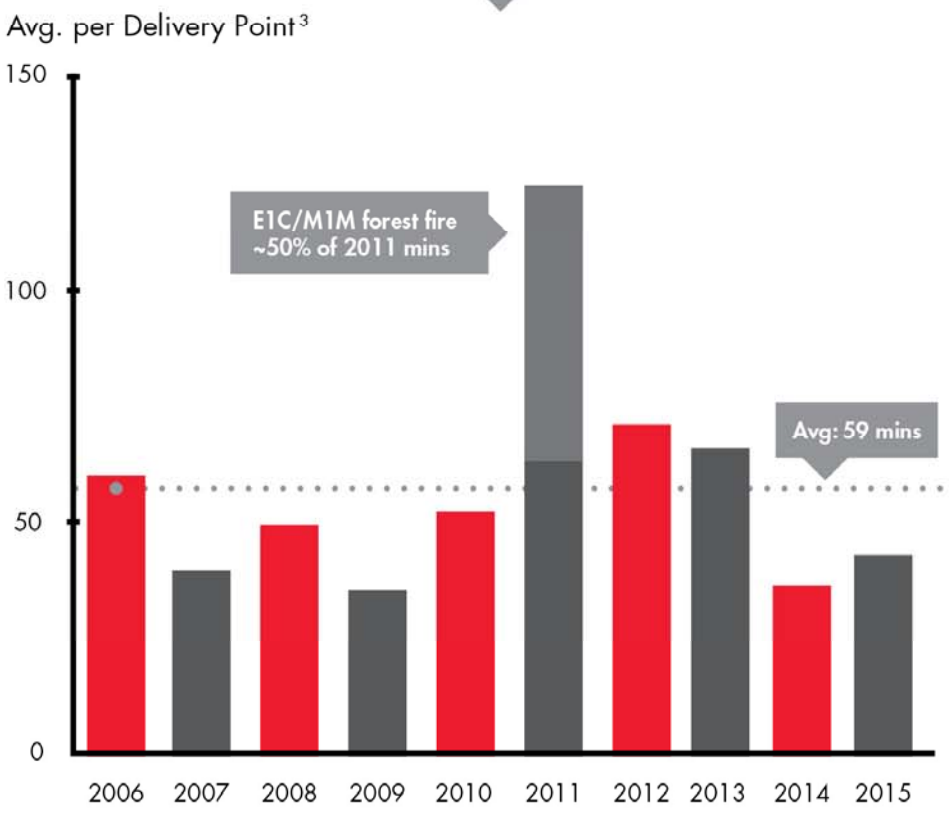
Hydro One continues to take action to mitigate reliability risk by:

- Managing equipment performance through robust, condition-based asset replacement programs.
- Reducing customer exposure to single-supply through improved planning and work processes.

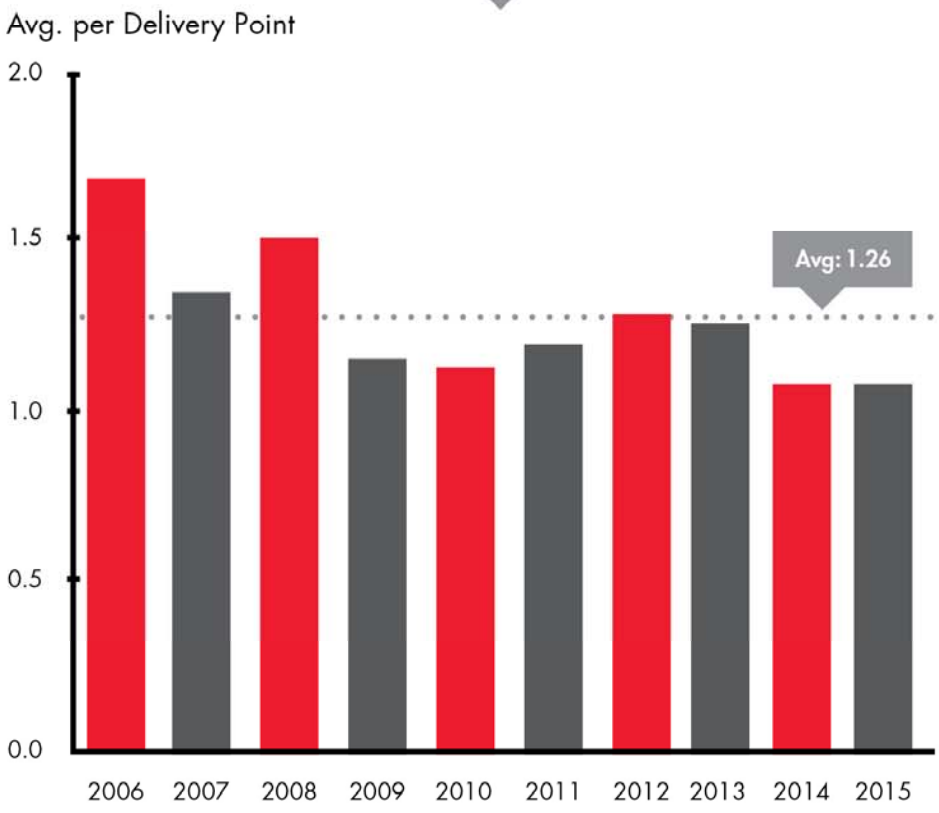
1. Outages on the transmission system that interrupt the supply of energy to transmission customers.
2. The average time in years that an asset can be expected to operate under normal system conditions.
3. The removal of facilities from service, unavailability for connection of facilities, temporary de-rating, restriction of use or reduction in the performance of facilities for any reason, including to permit the inspection, testing, maintenance or repair of facilities.
4. Delivery points served by multiple transmission circuits, creating system redundancy; tend to be located in the southern areas of the province.
5. As asset-specific determination based on an asset's condition, criticality, performance, demographics, utilization and economics.

OVERALL TRANSMISSION RELIABILITY HAS REMAINED FLAT

DURATION OF INTERRUPTIONS (SAIDI)[1]
2006 – 2015



FREQUENCY OF INTERRUPTIONS (SAIFI)[2]
2006 – 2015



Note: Includes both sustained and momentary interruptions. Excludes planned interruptions and interruptions due to customer activity. Excludes 2013 GTA flood (extreme Force Majeure event - a natural consequence of external forces that are beyond reasonable control).

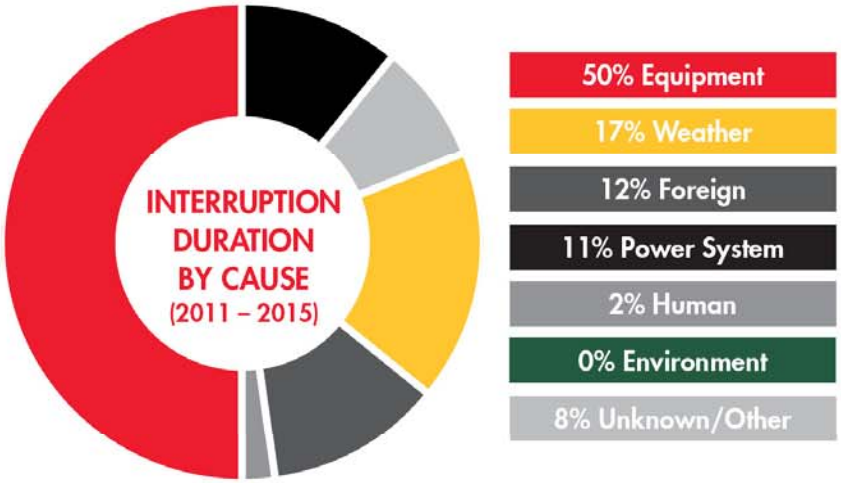
1. System Average Interruption Duration Index
2. System Average Interruption Frequency Index
3. Interface between the Hydro One transmission system and its load customers. Delivery points consist of: (a) all Hydro One owned step-down transformer stations' low-voltage buses, and (b) stations owned by end-use transmission customers, including LDCs and other transmitters operating at 115kV or higher.

EQUIPMENT PERFORMANCE AND DRIVERS VARY ACROSS MULTI-CIRCUIT AND SINGLE-CIRCUIT SYSTEMS (2011-2015)

Equipment failure is the single largest driver of customer interruption minutes across both systems.

MULTI-CIRCUIT SYSTEM (SAIDI)

KEY FACTS:
- ~70% of delivery points
- ~85% of total load
- Located primarily in Southern Ontario

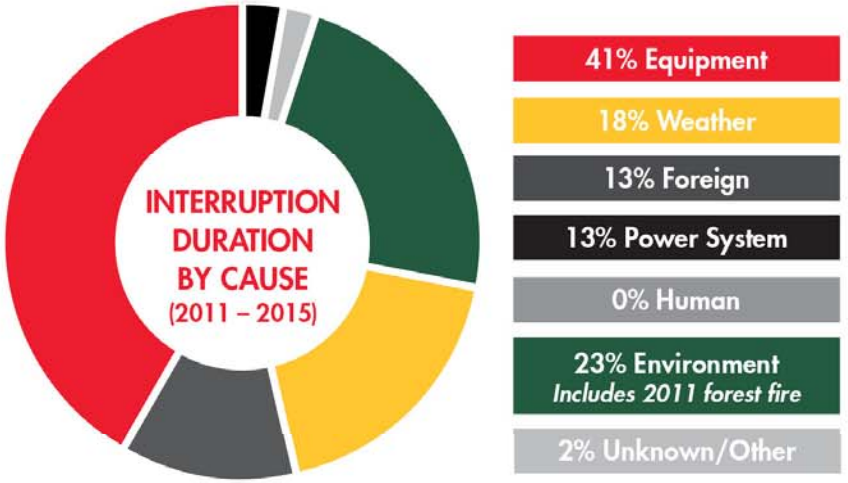


Average interruption duration per delivery point: **10 mins**

Duration of interruptions limited by redundancy in the multi-circuit network

SINGLE-CIRCUIT SYSTEM (SAIDI)[1]

KEY FACTS:
- ~30% of delivery points
- ~15% of total load
- Located primarily in Northern Ontario



Average interruption duration per delivery point: **211 mins**

Lack of redundancy drives increased duration of interruptions

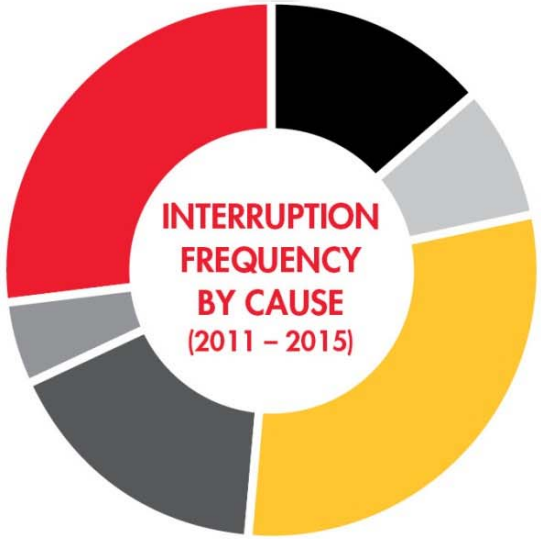
Note: Excludes planned interruptions and interruptions due to customer activity. Excludes Force Majeure events.

1. Delivery points served by sole transmission circuit, leading to limited redundancy; tend to be located in the northern areas of the province.

SAIFI CONTRIBUTION BY CAUSE (2011-2015)

MULTI-CIRCUIT (SAIFI)

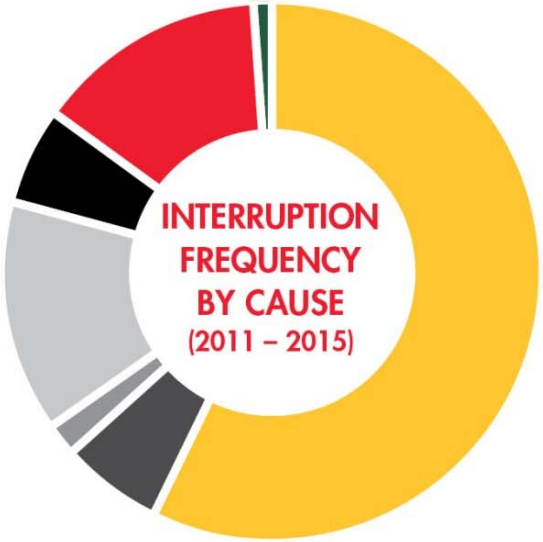
Average frequency per delivery point: 0.27



- 26% Equipment
- 30% Weather
- 17% Foreign
- 14% Power System
- 5% Human
- 0% Environment
- 8% Unknown/Other

SINGLE-CIRCUIT (SAIFI)

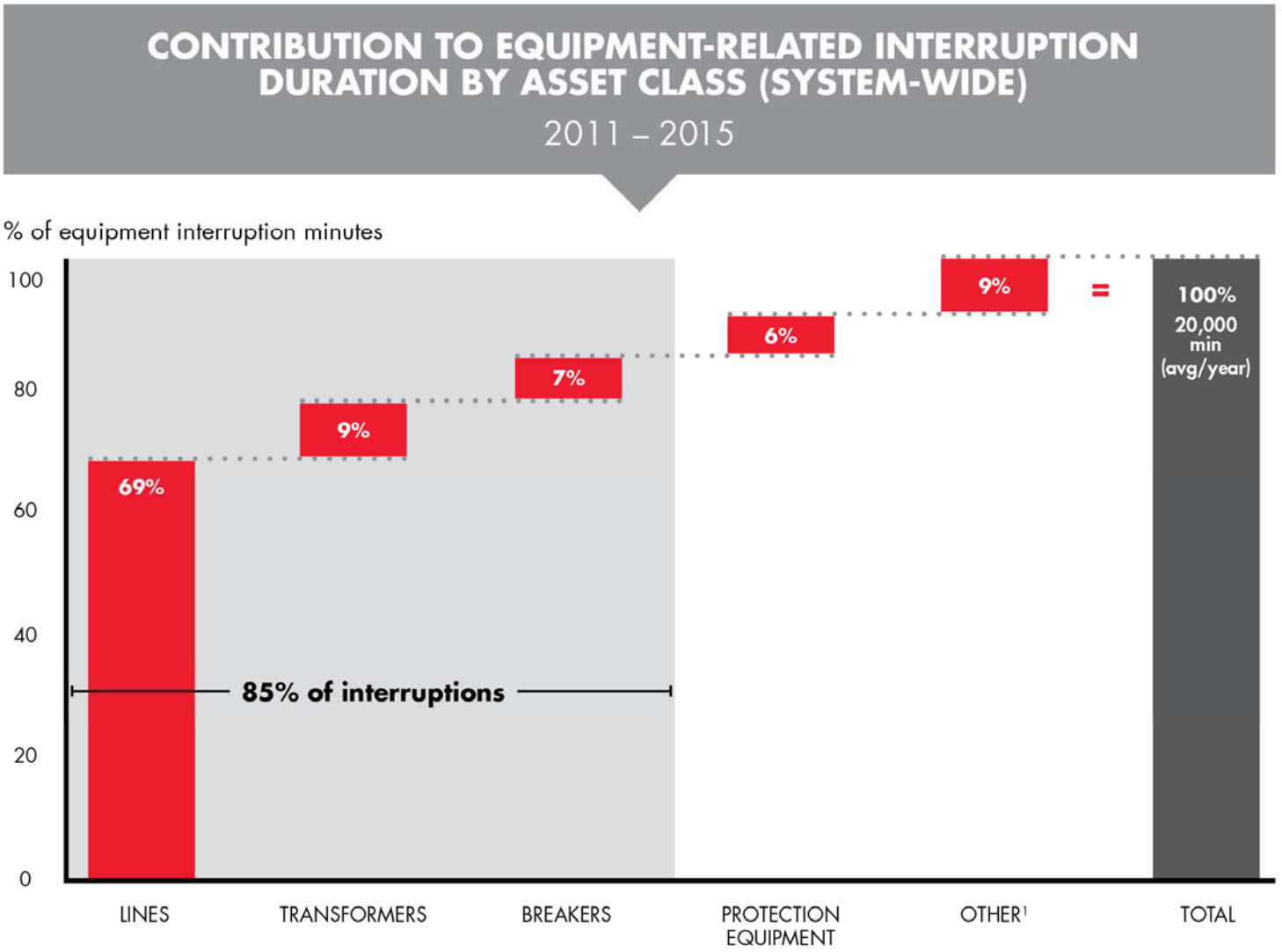
Average frequency per delivery point: 1.51



- 14% Equipment
- 58% Weather
  Weather is a major driver of short frequency interruptions on single-circuit system
- 6% Foreign
- 6% Power System
- 2% Human
- 1% Environment
- 13% Unknown/Other

Note: Includes both sustained and momentary interruptions. Excludes planned interruptions and interruptions due to customer activity. Excludes interruptions due to Force Majeure events.

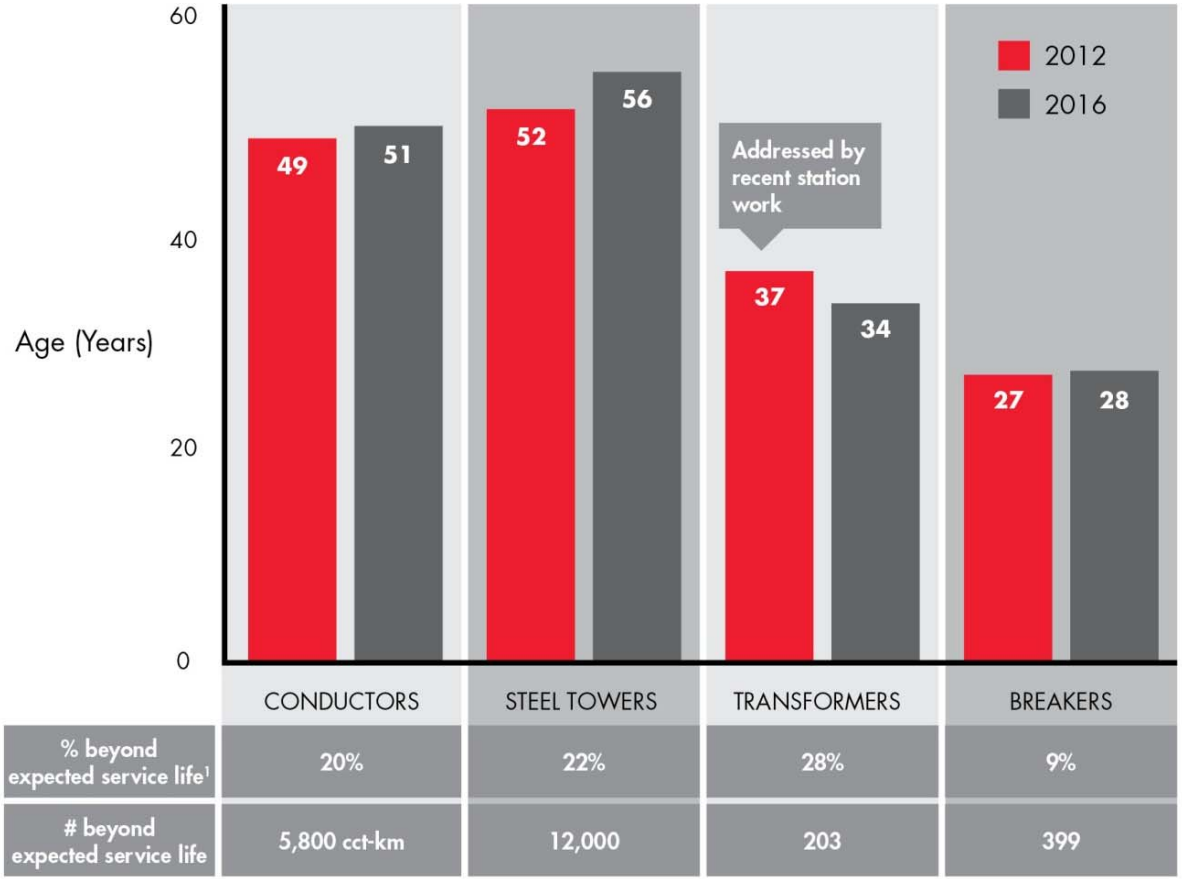
LINES, TRANSFORMERS AND BREAKERS ACCOUNT FOR 85% OF EQUIPMENT-RELATED INTERRUPTION DURATION



1. Other includes switches, instrument transformers, surge arrestors, system auxiliaries

THE AVERAGE AGE OF CRITICAL ASSETS HAS INCREASED IN RECENT YEARS, AND TESTING HAS IDENTIFIED PRIORITY ASSETS FOR REPLACEMENT

HISTORICAL REPLACEMENT RATE HAS BEEN INSUFFICIENT TO ADDRESS SYSTEM AGING...



	CONDUCTORS	STEEL TOWERS	TRANSFORMERS	BREAKERS
% beyond expected service life[1]	20%	22%	28%	9%
# beyond expected service life	5,800 cct-km	12,000	203	399

+

CONDITION ASSESSMENTS HAVE IDENTIFIED SPECIFIC ASSETS FOR REPLACEMENT.

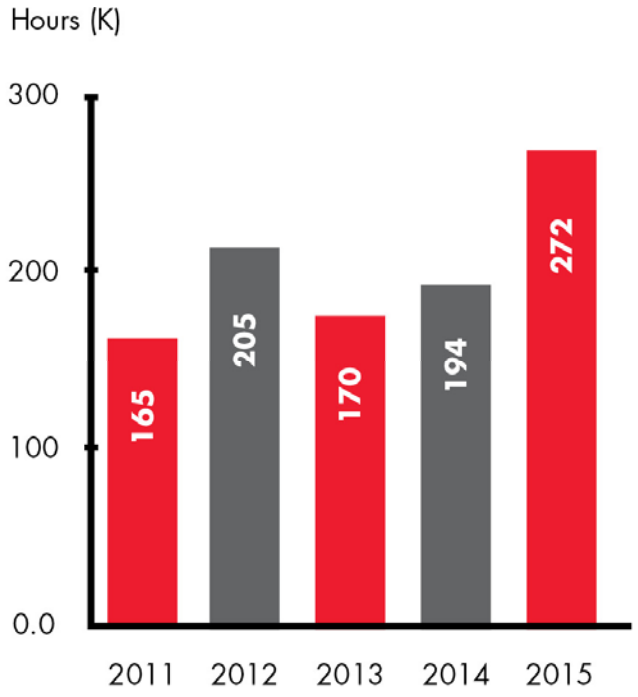
ASSET	CONDITION
CONDUCTORS	• Based on actual conductor sample testing, 2,300 cct-km of transmission lines known to be at or approaching end of useful life
STEEL TOWERS	• 9,100 steel structures located in known high-corrosion areas based on inventory assessment
TRANSFORMERS	• 31 transformers (4.3%) rated high-risk or very high-risk based on condition assessment
BREAKERS	• ~470 breakers rated high-risk or very high-risk based on condition assessment
INSULATORS	• ~25% of insulators at greater risk of failure • Ongoing testing will determine remaining insulator strength

1. The average time in years that an asset can be expected to operate under normal system conditions.

ASSET CONDITION IS INCREASING OUTAGES ACROSS THE SYSTEM

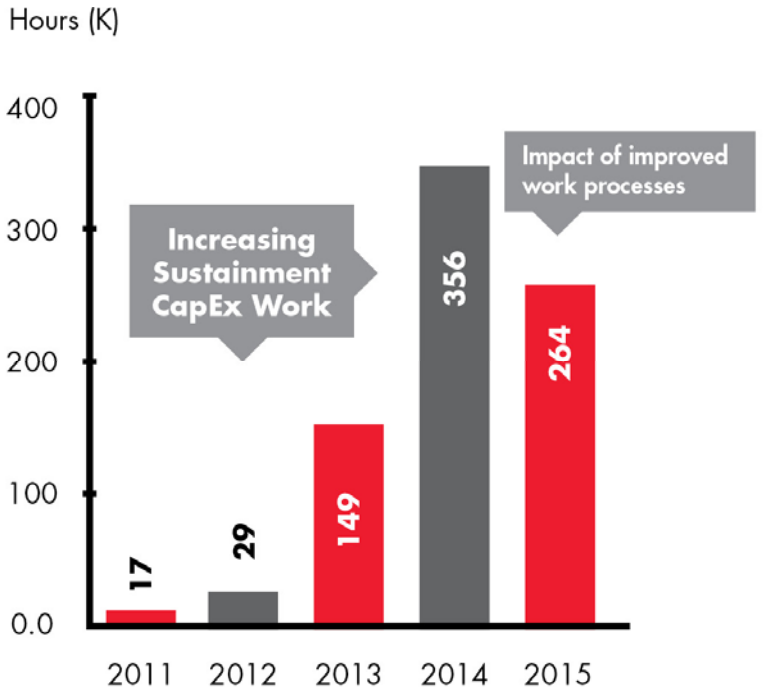
1 UNPLANNED OUTAGE HOURS DUE TO EQUIPMENT FAILURE[1]

(system-wide)



2 PLANNED OUTAGE HOURS FOR EQUIPMENT REPAIR/REPLACEMENT[2]

(system-wide)



Implications of outages:

Single-circuit system:
Increased duration of interruptions

Multi-circuit system:
Greater time on single supply → increased interruption risk

1. Includes direct outages caused by power equipment or protection equipment failure
2. Includes total duration of planned outages designated as for repair or replacement across all equipment types

HYDRO ONE IS UNDERTAKING A NUMBER OF ACTIONS TO MITIGATE RELIABILITY RISK

ONGOING ACTIVITY TO ADDRESS RELIABILITY RISK

1 Unplanned Outages: Equipment Failure

The risk due to unplanned outages is being managed by:

- Continued focus on asset condition assessments and data-driven risk analysis
- Assessing maintenance programs and CapEx spend vs. transmission reliability contributions from asset classes
- Evaluating assets that may be run–to-failure candidates (those not directly affecting transmission reliability)

2 Planned Outages: Equipment Repair and Replacement

The risk due to planned outages is being managed by continued prudent planning and work processes, such as:

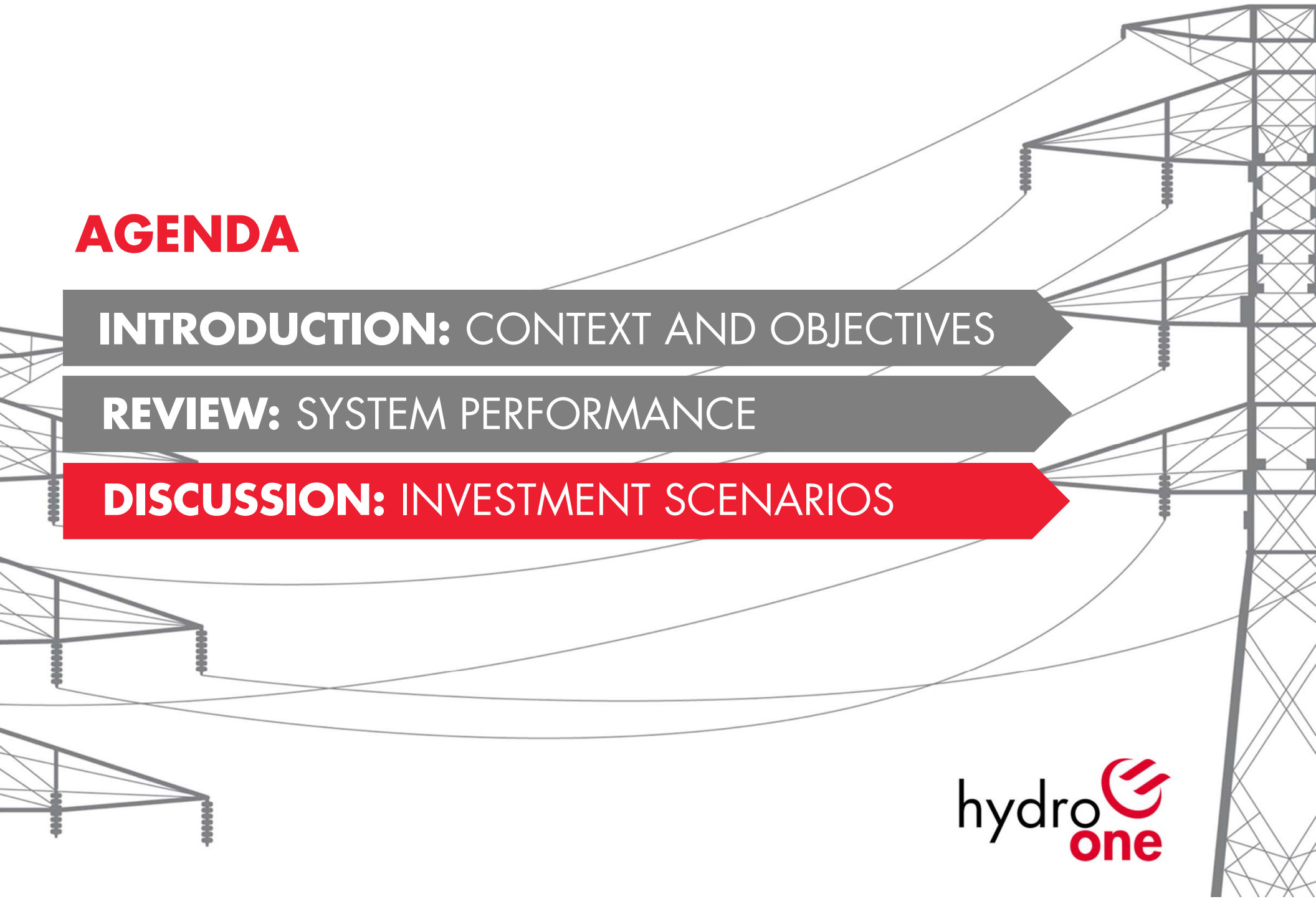
- Station-centric work approach
- Re-evaluating maintenance program cycles
- Focusing on identifying and enabling work bundling opportunities
- Transmission System Outage Groups process
- Multi-disciplinary planning
- Pre-outage inspections on companion assets (e.g., transformers) for multi-circuit outage requirements

AGENDA

INTRODUCTION: CONTEXT AND OBJECTIVES

REVIEW: SYSTEM PERFORMANCE

DISCUSSION: INVESTMENT SCENARIOS



hydro one

DISCUSSION

Recent changes that have occurred include...

- New management and independent Board of Directors
- Better line of sight to specific system risks and new approaches to address certain risks
- Benchmarking suggests that Hydro One's total spending on its transmission system has been less than comparators
- Greater clarity from the Ontario Energy Board on the Renewed Regulatory Framework for Electricity as it relates to transmitters

INVESTMENT SCENARIOS

Illustrative scenarios have been developed for various levels of sustainment expenditures.

These in turn, **result in different rate impacts and reliability risks.**

These scenarios focus on the Sustainment Capital portion of our Investment Plan and are meant to represent a spectrum of potential investments.

We do not have a recommended scenario, nor are we asking you to choose from the scenarios presented.

The asset solutions identified are flexible. The inclusion and pacing of investments in the plan may vary from what is presented in the scenarios.

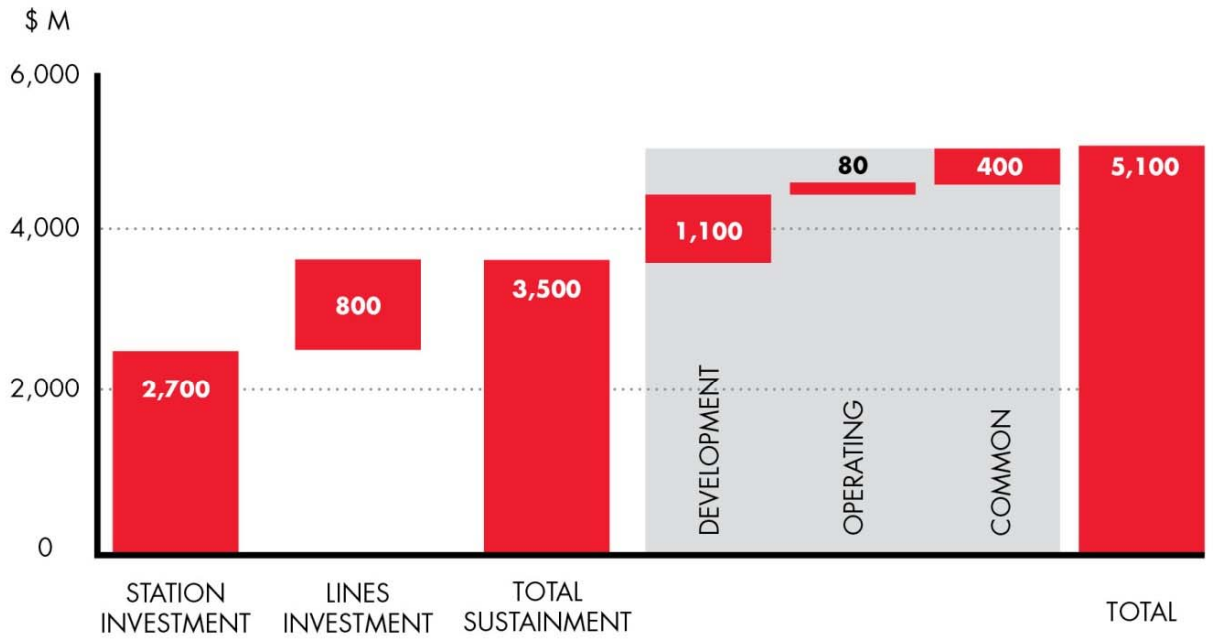
Through this conversation, we would like to better understand your business needs and preferences to inform our 5-year Investment Plan.

SCENARIO ONE

SCENARIO 1
~$5,100M (2016 – 2020)

KEY ELEMENTS OF SCENARIO 1

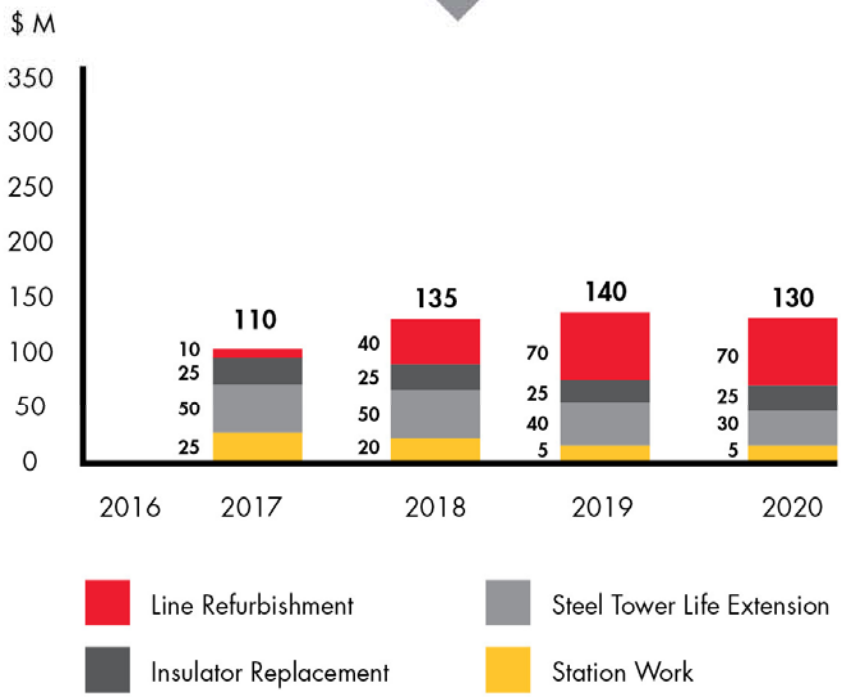
- Coordinated replacement of multiple elements at stations to reduce outages
- Investment to replace high risk air-blast circuit breakers
- Replacement of aging transformer population
- Does not fully address increasing risk due to line asset aging/conditions



Overall risk profile:
Reliability risk expected to increase

SCENARIOS TWO AND THREE

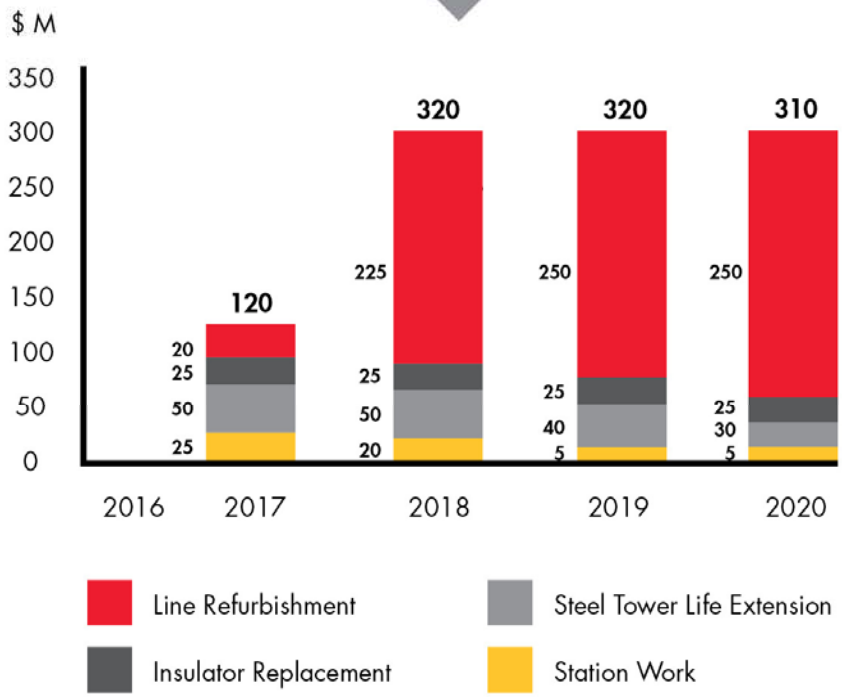
SCENARIO 2
~$520M in incremental CapEx from 2016 – 2020



- Scenario 1 and additional station work, insulator replacement, and steel tower life extension program
- Projected replacement of 1,200 cct-km of conductors, including all copper conductors at end of useful life

Overall risk profile:
Current reliability risk expected to remain unchanged

SCENARIO 3
~$1.1B in incremental CapEx from 2016 – 2020



- Scenario 1 and additional station work, insulator replacement, and steel tower life extension program
- Projected replacement of 2,300 cct-km of conductors, including all copper conductors at end of useful life

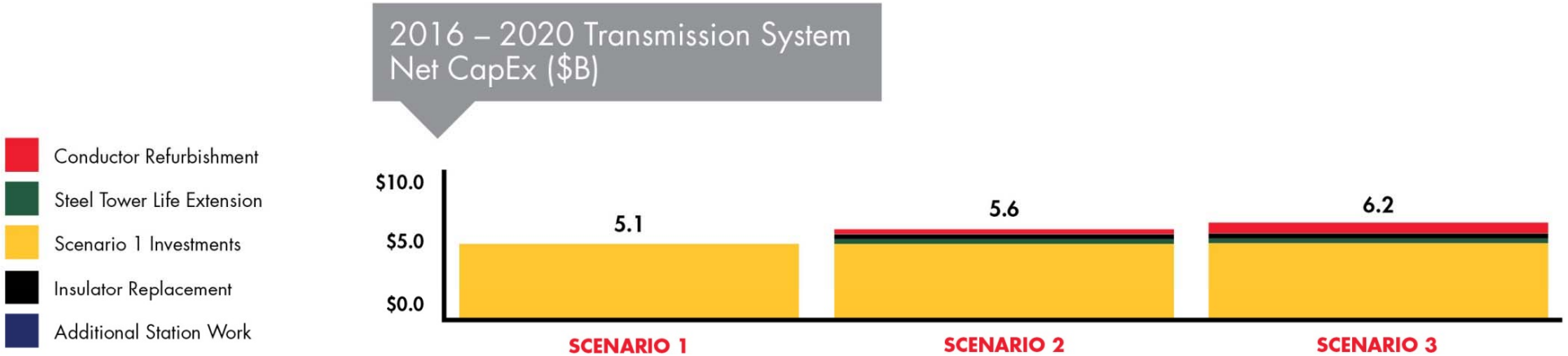
Overall risk profile:
Reliability risk expected to decrease

SCENARIOS BASED ON FOUR MAJOR ASSET REPLACEMENT PROGRAMS

	DESCRIPTION	RATIONALE
STATION WORK	Additional replacement of air-blast circuit breakers (ABCB) with new SF6[1] breakers	• Air-blast circuit breakers known to have 5-7x higher likelihood of unplanned outage than new SF6 breakers • ABCB is an obsolete technology and manufacturers will cease support by 2020
LINE REFURBISHMENT	Accelerated replacement of lines, based on asset condition	• 20% of conductors beyond end of service life (70 years) will reach ~40% by 2024 under historic replacement rates • Historic average replacement rate of 60 cct-km lags rate required to maintain system age • Condition assessments of conductor fleet identified 2,300 cct-km conductors are either at or near end of useful life based on actual conductor sample testing
STEEL TOWER LIFE EXTENSION	Coating of select steel tower structures to extend useful life	• 25% of towers located in high-corrosion regions • Corrosion rate for high-corrosion regions is ~10x higher than in lower corrosion regions • 20% of towers in high-corrosion regions are > 80 years old • Coating extends tower life by 25 years, deferring the need for replacement, with a net present value of $100-200M
INSULATOR REPLACEMENT	Replacement of insulators with known increased risk of failure	• Insulators installed between 1965 and 1982 have a known increased risk of failure • The insulator failure in March 2015 in the GTA reinforces the need to accelerate replacement of insulators • Condition testing underway to better quantify increased risk

1. Sulfur hexafluoride breaker

OVERVIEW OF THREE POTENTIAL SCENARIOS



		SCENARIO 1	SCENARIO 2	SCENARIO 3
Capital Spend	Sustainment ($B)	3.5	4.0	4.6
	Development ($B)	1.1	1.1	1.1
	Other ($B)	0.5	0.5	0.5
Expected Outcomes	Frequency and duration of interruptions	▲ Expected increase in line-related interruptions	▶ Some increase in lines risk offset by limiting unplanned outages and improved station performance	▼ Reduce risk from lines and continue to limit exposure to unplanned outages
	Reliability risk[1]	▲ Risk is expected to increase	▶ Current risk expected to remain essentially unchanged	▼ Risk is expected to decrease
Rates	Transmission rate impact (Compound Annual Growth Rate for 2017 – 2020)[2]	▲ ~5.8%	▲ ~6.3%	▲ ~6.8%

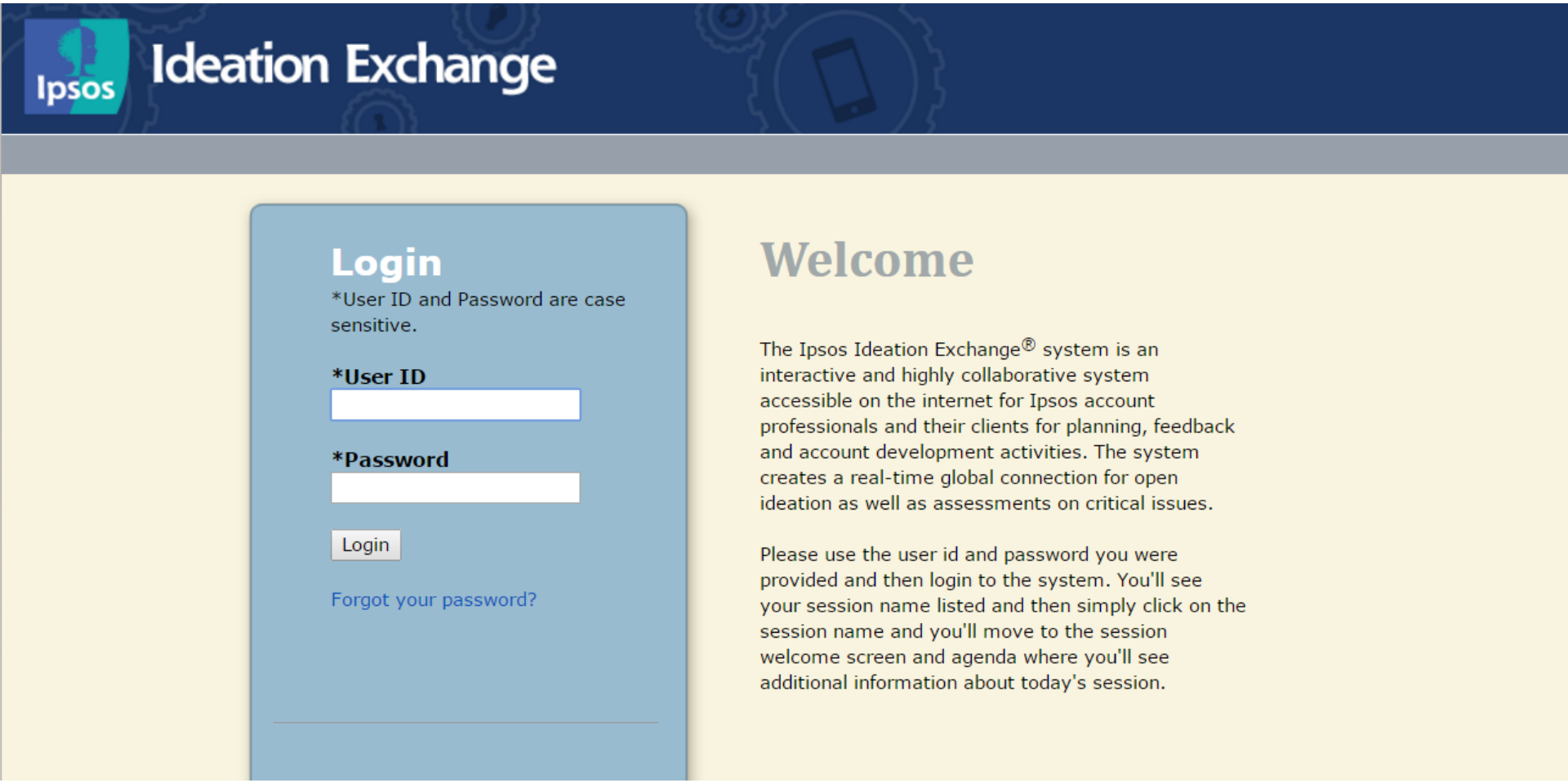
1. Reliability risk is a probabilistic calculation based on asset demographics and the historical relationship between its age and its failure or replacement.
2. Excludes impacts of potential changes in load forecast and any potential change to operations and maintenance spending.

TAB 3

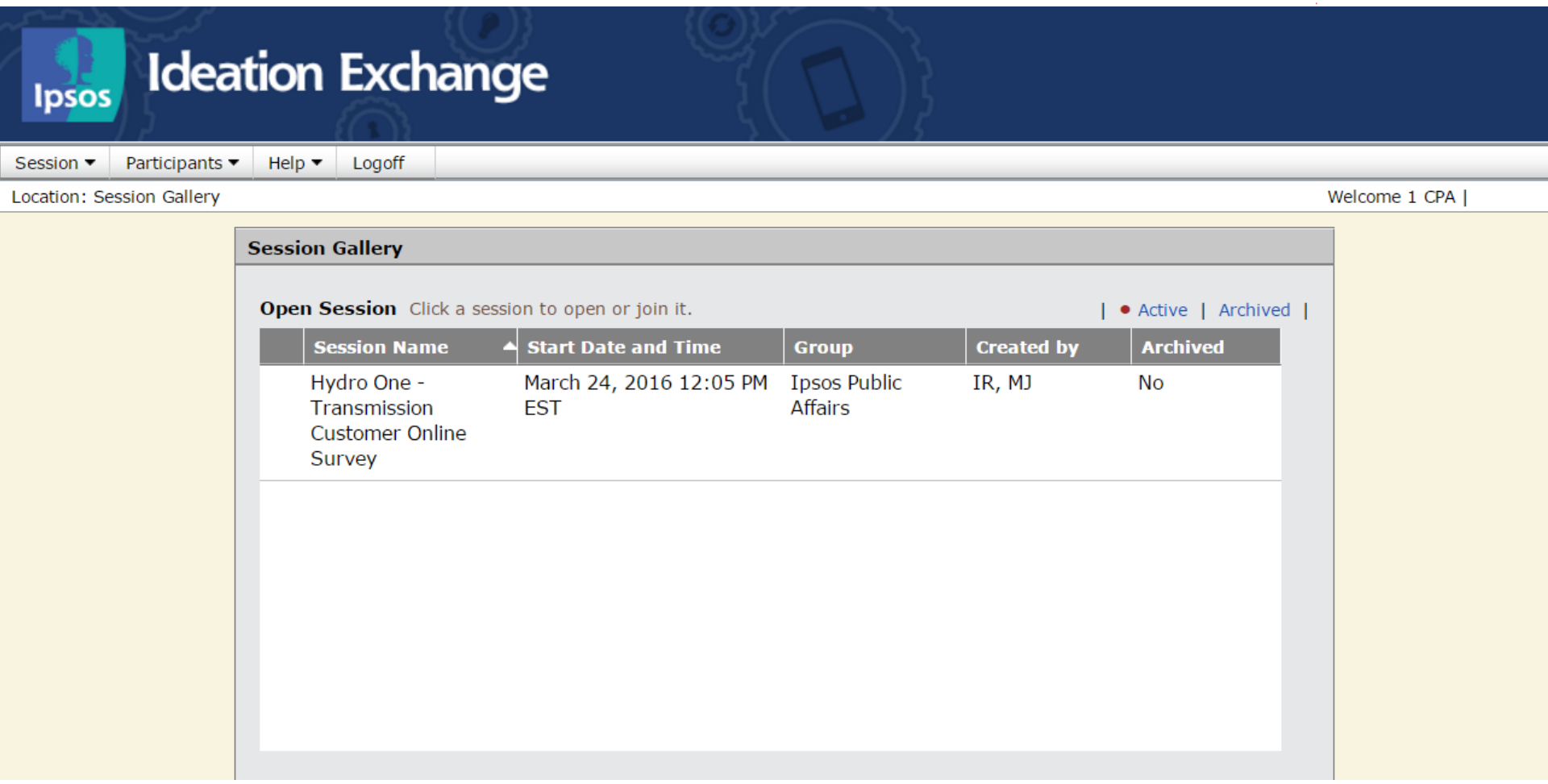
ONLINE CONSULTATION TOOL

Session screenshots

Login Page

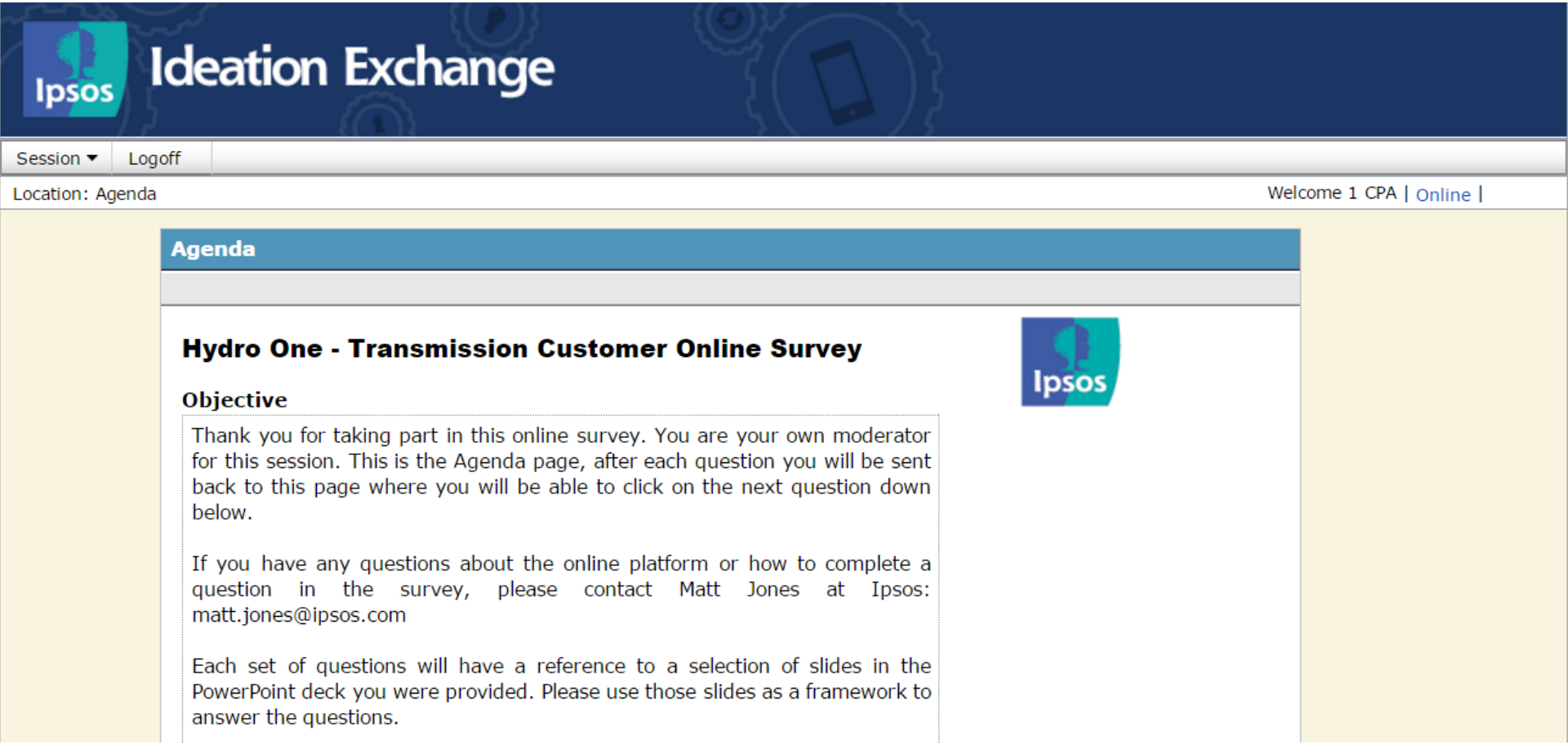

Ipsos
Ideation Exchange
Login
*User ID and Password are case sensitive.
*User ID
*Password
Login
Forgot your password?
Welcome
The Ipsos Ideation Exchange® system is an interactive and highly collaborative system accessible on the internet for Ipsos account professionals and their clients for planning, feedback and account development activities. The system creates a real-time global connection for open ideation as well as assessments on critical issues.
Please use the user id and password you were provided and then login to the system. You'll see your session name listed and then simply click on the session name and you'll move to the session welcome screen and agenda where you'll see additional information about today's session.

Session Landing Page



Ipsos

Filed: 2016-05-31
EB-2016-0160
Exhibit B1-2-2
Attachment 3
Page 4 of 21



Session Landing Page - 2 of 2

Once you have completed the Session Engagement question you can exit by simply closing your browser.

Topics	Activity
Questions - Section 1	
Q1 - Who is taking part today	Questions
Q2 - Your Needs as a Transmission Customer	Questions
Q3 - Hydro One Performance	Questions
Q4 - Customer Challenges and Concerns	Questions
Q5 - Concerns Ranking Exercise	Questions
Q6 - Agree / Disagree - Proactivity	Questions
Questions - Section 2	
Q7 - Review of System Performance	Questions
Q8 - Interruption Awareness Question	Questions
Q9 - Reliability Performance vs. Risk	Questions
Q10 - Concerns About System Reliability Risk	Questions
Questions - Section 3	
Q11 - Scenario Input	Questions
Q12 - Reliability vs. Rates	Questions
Q13 - Organization Risk Management	Questions
Q14 - Hydro One Proactivity	Questions
Stakeholder Engagement Process	
Q15 - Stakeholder Engagement	Questions

Filed: 2016-05-31
EB-2016-0160
Exhibit B1-2-2
Attachment 3
Page 6 of 21

Q1 - Who is taking part today

Agenda Topic: Questions - Section 1

Instructions:

Please answer the question below using the drop down menu. Once you are done hit Submit and you will be returned to the first page. Then click Q2 to proceed to the next question and repeat.

Help ▶ Save Submit

1. Please tell us if you are:

Filed: 2016-05-31
EB-2016-0160
Exhibit B1-2-2
Attachment 3
Page 7 of 21

Q2 - Your Needs as a Transmission Customer

Agenda Topic: Questions - Section 1

Instructions:

Enter your thoughts in the text box below and click Submit to finalize your answer. From the main screen, click Q3 to proceed.

Please refer to slides 4-7 in your presentation.

As a transmission customer, what's most important to you to ensure your needs and preference are met?

Help ▶ Save Submit

1. As a transmission customer, what's most important to you to ensure your needs and preference are met?

Filed: 2016-05-31
EB-2016-0160
Exhibit B1-2-2
Attachment 3
Page 8 of 21

Q3 - Hydro One Performance

Agenda Topic: Questions - Section 1

Instructions:

Please refer to slides 4-7.

Answer the question below and click Submit, then click Q4 to proceed.

Help ▶ Save Submit

1. As a transmission customer, overall, how satisfied are you with Hydro One's performance?

- (5) Very satisfied
- (4) Somewhat satisfied
- (3) Neither satisfied nor dissatisfied
- (2) Somewhat dissatisfied
- (1) Very dissatisfied

Ipsos

Filed: 2016-05-31
EB-2016-0160
Exhibit B1-2-2
Attachment 3
Page 9 of 21

Q4 - Customer Challenges and Concerns

Agenda Topic: Questions - Section 1

Instructions:

Please refer to slides 4-7.

Enter your thoughts into the text box below, then click Submit, then proceed to Q5.

Thinking about your electricity needs as a transmission customer, what are the main challenges you face in your organization and industry today?

Help ▶ Save Submit

1. Thinking about your electricity needs as a transmission customer, what are the main challenges you face in your organization and industry today?

Filed: 2016-05-31
EB-2016-0160
Exhibit B1-2-2
Attachment 3
Page 10 of 21

Q5 - Concerns Ranking Exercise

Agenda Topic: Questions - Section 1

Instructions:

Please refer to slides 4-7.

Using your mouse or trackpad, drag and drop the following concerns into order.

#1 is the Greatest concern

#10 is the Lowest concern

Click Submit to finalize your order of preference, then proceed to Q6.

Help ▶ View Results | Save | Submit

1. Please rank for us in order how concerned your organization is (or would be) about the following regarding Hydro One:
    1. Hydro One's business relationship with you
    2. An increase in transmission rates - less than 5%
    3. An increase in transmission rates - more than 5%
    4. Adequate asset maintenance and replacement
    5. The number of unplanned interruptions
    6. The number of planned or scheduled interruptions
    7. Power quality
    8. Getting assurance that an increase in rates will improve reliability
    9. Hydro One asks for my organization's input while developing their investment plan
    10. The input I provide is reflected in Hydro One's investment plan

Filed: 2016-05-31
EB-2016-0160
Exhibit B1-2-2
Attachment 3
Page 11 of 21

Q6 - Agree / Disagree - Proactivity

Agenda Topic: Questions - Section 1

Instructions:

Please refer to slides 4-7.

Answer the following question and click SUBMIT to finalize your response. The click Q7 to proceed.

Help ▶ Save Submit

1. To what extent do you agree that Hydro One needs to be more proactive in addressing current and emerging reliability risks now, rather than deferring investments.

- (5) Strongly agree
- (4) Somewhat agree
- (3) Neither agree nor disagree
- (2) Somewhat disagree
- (1) Strong disagree

Filed: 2016-05-31
EB-2016-0160
Exhibit B1-2-2
Attachment 3
Page 12 of 21

Q7 - Review of System Performance

Agenda Topic: Questions - Section 2

Instructions:

Please refer to slides 9-16

Is there anything unclear about what has just been presented?

Once you click submit, proceed to Q8.

Help ▶ Save Submit

1. Is there anything unclear about what has just been presented?

Filed: 2016-05-31
EB-2016-0160
Exhibit B1-2-2
Attachment 3
Page 13 of 21

Q8 - Interruption Awareness Question

Agenda Topic: Questions - Section 2

Instructions:

Please refer to slides 9-16

Are you aware of how many unplanned interruptions your organization experienced in 2015? Please tell us the number of interruptions.

Click Submit, then click Q9 to proceed.

Help ▶ Save Submit

1. Are you aware of how many unplanned interruptions your organization experienced in 2015? Please tell us the number of interruptions.

- (5) 1-5
- (4) 6-10
- (3) 11-15
- (2) 16 or more
- (1) I'm not sure

Filed: 2016-05-31
EB-2016-0160
Exhibit B1-2-2
Attachment 3
Page 14 of 21

Q9 - Reliability Performance vs. Risk

Agenda Topic: Questions - Section 2

Instructions:

Please refer to slides 9-16

As you heard...

Reliability performance refers to a measure of the ability of the transmission system to supply customers' electric power and energy requirements. It is calculated based upon the duration and frequency of interruptions at prescribed delivery points

Reliability risk refers to a relative measure of the possibility that the transmission system will not supply customers' electric power and energy requirements, at all time, due to planned and unplanned outages of system components.

Click Submit to finalize your answer, then click Q10 to proceed.

Help ▶ Save Submit

1. Do you feel you have a good understanding of the difference between reliability performance and reliability risk? ○ Yes ○ No

Ipsos

Filed: 2016-05-31
EB-2016-0160
Exhibit B1-2-2
Attachment 3
Page 15 of 21

Q10 - Concerns About System Reliability Risk

Agenda Topic: Questions - Section 2

Instructions:

Please refer to slides 9-16

Answer the question below and click SUBMIT to finalize your response. Then proceed to Q11.

Help ▶ Save Submit

1. How concerned are you about system reliability risk? ▼

Filed: 2016-05-31
EB-2016-0160
Exhibit B1-2-2
Attachment 3
Page 16 of 21

Q11 - Scenario Input

Agenda Topic: Questions - Section 3

Instructions:

Please refer to the scenario slides for each of the corresponding questions below.

Scenario One: Slide 20

Scenario Two: Slide 21

Scenario Three: Slide 21

For an overview of the three potential scenarios please refer to slide 23.

Click Submit to finalize your answers, then proceed to Q12.

Help ▶ Save Submit

1. Please enter your thoughts on Scenario One

Filed: 2016-05-31
EB-2016-0160
Exhibit B1-2-2
Attachment 3
Page 17 of 21

2. Please enter your thoughts on Scenario Two

3. Please enter your thoughts on Scenario Three

Filed: 2016-05-31
EB-2016-0160
Exhibit B1-2-2
Attachment 3
Page 18 of 21

Q12 - Reliability vs. Rates

Agenda Topic: Questions - Section 3

Instructions:

What is the benefit of a reliable electricity system vs. the benefits of maintaining current rates?

Click Submit to finalize your response, then proceed to Q13.

Help ▶ Save Submit

1. What is the benefit of a reliable electricity system vs. the benefits of maintaining current rates?

Filed: 2016-05-31
EB-2016-0160
Exhibit B1-2-2
Attachment 3
Page 19 of 21

Q13 - Organization Risk Management

Agenda Topic: Questions - Section 3

Instructions:

Please answer each of the questions below, then click Submit to finalize your responses. Then proceed to Q14.

Help ▶ Save Submit

1. Given what you've heard today, do you accept that an improvement in reliability risk comes at a cost?	○ Yes ○ No
2. Will you accept a rate increase for a transmission system plan where reliability risk still increases?	○ Yes ○ No
3. Will you accept a rate increase for a transmission system plan where reliability risk is unchanged?	○ Yes ○ No
4. Will you accept a rate increase for a transmission system plan where reliability risk improves?	○ Yes ○ No

5. If you could create the ideal aggregate / composite Scenario using elements of all three, what would it be? Please take as much time as you need to tell us in detail about these elements.

Filed: 2016-05-31
EB-2016-0160
Exhibit B1-2-2
Attachment 3
Page 20 of 21

Q14 - Hydro One Proactivity

Agenda Topic: Questions - Section 3

Instructions:

Answer the following question and click Submit to finalize your response. Then proceed to Q15.

Help ▶ Save Submit

1. To what extent do you agree that Hydro One needs to be more proactive in addressing emerging reliability risks now, rather than deferring investments.

- (5) Strongly agree
- (4) Somewhat agree
- (3) Neither agree or disagree
- (2) Somewhat disagree
- (1) Strongly disagree

Stakeholder Engagement Evaluation - Question 15

Q15 - Stakeholder Engagement

Agenda Topic: Stakeholder Engagement Process

Instructions:

This is the final screen. Please answer all questions below and click Submit.

Once you are done you can close the browser to exit. Thank you for your participation.

Help ▶ Save Submit

1. I feel my feedback was heard today regarding Hydro One's approach to investment planning.
   - (5) Strongly agree
   - (4) Somewhat agree
   - (3) Neither agree nor disagree
   - (2) Somewhat disagree
   - (1) Strongly disagree
2. Would you be willing to participate in a similar discussion in the future?
3. How often do you think Hydro One should hold these sessions?