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May 4, 2017

RESS, EMAIL & COURIER

Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4

Attention: Ms. K. Walli, Board Secretary

Dear Ms. Walli:

Re: Hydro One Sault Ste. Marie LP - Application for 2017 Transmission Rates - Applicant Responses to Interrogatories from Board Staff, SEC, VECC and AMPCO (EB-2016-0356)

We are counsel to Hydro One Sault Ste. Marie LP, applicant in the above-noted proceeding. Please find enclosed the applicant's responses to the interrogatories from Board Staff, School Energy Coalition (SEC), the Vulnerable Energy Consumers Coalition (VECC) and the Association of Major Power Consumers in Ontario (AMPCO). The responses have also been filed through RESS and sent to the Board Secretary and each of the intervenors by email.

Yours truly,

for Tyson Dyck

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Enclosure

cc: Ms. M. McOuat, *Board Staff*
Intervenors
Mr. D. Fecteau, *Hydro One SSM*
Mr. K. Lewis, *Hydro One SSM*
Mr. C. Keizer, *Torys LLP*

ONTARIO ENERGY BOARD

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

AND IN THE MATTER OF an application by Hydro One Sault Ste. Marie Inc. on behalf of Hydro One Sault Ste. Marie LP for an Order or Orders pursuant to section 78 of the *Ontario Energy Board Act, 1998* for 2017 transmission rates and related matters.

EB-2016-0356

Hydro One Sault Ste. Marie LP

Interrogatory Responses

May 4, 2017

Exhibit 8, Tab 1, Schedule 1

Exhibit List

EXHIBIT LIST

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Exhibit 8, Tab 2, Schedule 1

Response to Board Staff Interrogatories

Response to Board Staff Interrogatories
Hydro One Sault Ste. Marie LP ("Hydro One SSM")
Application for 2017 Transmission Rates
EB-2016-0356

1-Staff-1

Ref: Exhibit 1, Tab 1, Schedule 1, p. 3
Ref: Exhibit 2, Tab 1, Schedule 1, p. 4

In its application at paragraph 10, Hydro One Sault Ste. Marie (Hydro One SSM), formerly GLPT, states that:

> In the event GLPT encounters unforeseen events which meet the three defined eligibility criteria of Causation, Materiality and Prudence, GLPT would also seek to establish a new Z-factor deferral account in Account 1572.

Question:

a) Please confirm that Hydro One SSM is not requesting the Z-factor deferral account in this application.

Response:

Hydro One SSM confirms it is not requesting a Z-factor deferral account in this application. In the event Hydro One SSM encounters unforeseen events which meet the three defined eligibility criteria of Causation, Materiality and Prudence in the 2017 test year, Hydro One SSM understands that it will be granted recourse to file for recovery of Z-factor events as per the OEB's Decision and Order in EB-2016-0050. If this is necessary, Hydro One SSM will follow the Filing Requirements for Electricity Transmission Applications for purposes of requesting a Z-factor deferral account and claiming costs eligible for Z-factor treatment (including the requirement to notify the OEB of an unforeseen event within six months of the event).

1-Staff-2

Ref: Exhibit 1, Tab 1, Schedule 2, p.2

<u>Question:</u>

Hydro One SSM states that the Ontario Energy Board (OEB), in its EB-2016-0050 Decision1, determined that Hydro One SSM can continue with its existing 2016 revenue requirement and file a new rate application, proposing a revenue cap index framework for the deferral period. OEB staff notes that the application as filed does not request approval for the revenue cap index for the deferral period. Hydro One SSM further states that this application is intended to represent year two of the five year revenue cap adjustment.

a) Is it Hydro One SSM's intention to maintain its proposed revenue cap index framework for the full ten year deferral period? If so, please provide a revised application requesting this approval.

b) If this is not the case, please clarify Hydro One SSM's proposal regarding its revenue cap index for the remaining nine years of the deferral period.

<u>Response:</u>

a) It is Hydro One SSM's intention to maintain the proposed revenue cap index framework for the full ten year deferral period and, as indicated in Exhibit 1, Tab 2, Schedule 9. Hydro One SSM would continue to use this framework throughout the deferral period by filing annual revenue cap adjustment applications which would be reviewed and approved by the Board

b) As noted in response to 1-Staff-2(a), Hydro One SSM intends to file annually for the remaining nine years of the deferral period.

1-Staff-3

Ref: Exhibit 1, Tab 2, Schedule 10, Appendix A, p. 10
Ref: Exhibit 1, Tab 2, Schedule 15, p.2
Ref: EB-2016-0160, Exhibit B2-2-1, p.1
Ref: EB-2016-0160, Exhibit B2-2-1, Attachment 1, p.10

Hydro One Network's (HONI) evidence in the EB-2016-01602 proceeding describes the stakeholder consultation process followed to support its Total Cost Benchmarking Study. HONI states that, in conducting the study, stakeholders would be consulted regarding the terms of reference for the study; have an opportunity to review the study proposal; and have an opportunity to review and provide comments on the preliminary results.

In its EB-2014-0238 Settlement Proposal, Hydro One SSM agreed to participate in HONI's Total Cost Benchmarking Study if it was requested to do so. Hydro One SSM states that it participated in the stakeholder consultation process, but was not selected as a comparator, and therefore did not participate. OEB staff notes that at page 10 of the HONI Total Cost Benchmarking study, the consultants state that:

> A concerted effort was made, as requested by stakeholders, to include more Canadian utilities. However, because there is no requirement for them to participate, and the effort for them to participate is significant, only a few Canadian utilities agreed and provided data for the study.

<u>Question:</u>

a) Which, if any, of the stakeholder sessions did Hydro One SSM attend?

b) Please explain why Hydro One SSM was not included in the HONI study.

c) Please describe the efforts made by Hydro One SSM to participate in the study.

<u>Response:</u>

a) Hydro One SSM attended the August 6, 2015 stakeholder session, at which time it was noted that they would not be required to provide data as part of the HONI study.

b) Hydro One SSM understanding is that Hydro One SSM was not considered an appropriate peer to be compared against HONI.

c) Hydro One SSM attended the meeting on August 6, 2015 and verbally offered to participate and was informed they were not an appropriate peer.

3-Staff-4

Ref: Exhibit 3, Tab 1, Schedule 2

Hydro One SSM has provided a list of improvement initiatives for its scorecard at Table 3-2-1 A.

<u>Question:</u>

a) Please provide the proposed timeline for the implementation of each improvement initiative in the table.

<u>Response:</u>

Hydro One SSM has updated Table 3-2-1 A to provide the proposed timeline for the implementation of each improvement initiative.

Performance Outcomes	Performance Categories	Improvement initiatives	GLPT Business Drivers	Timelines to Implement
Customer Focus Services are provided in a manner that responds to identified customer preferences.	Service Quality		Continued Value Creation	Not applicable
	Customer Satisfaction	Improvements in documenting and formally requesting feedback from customers on the outage process and overall % of satisfaction		Work with HONI in 2017-2018 calendar years to determine process and implement as part of the integration into HONI in 2019
Operational Effectiveness Continuous improvement in productivity and cost performance is achieved; and utilities deliver on system reliability and quality objectives.	Safety	Improvements in tracking of additional health and safety statistics for more granular reporting	HSSE, Continued Value Creation & Risk Management	Hydro One SSM is currently in the process of implementing tracking of additional health and safety measures that align with HONI such as recordable incidents and motor vehicle accidents. Intent is to start to track information by end of Q3 2017.
	System Reliability	Development of a process and collecting operational data utilizing the SCADA system with respect to equipment and system unavailability		Work with HONI in 2017-2018 calendar years to determine process and implement as part of the integration into HONI in 2019
	Asset Management	Continuous improvement in the development of tangible goals and objectives in growing asset management capabilities		Work with HONI in 2017-2018 calendar years to develop tangible goals and objectives and implement as part of the integration into HONI in 2019
	Cost Control			Not applicable
Public Policy Responsiveness Transmitters deliver on obligations mandated by government (e.g. in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	Connection of Renewable Generation		Risk Management	Not applicable
	Market Regulatory Compliance	Required collection of results from self assessment of the GLPT internal Compliance program and audit findings to illustrate achieved performance (i.e., number and type of violations)		On a prospective basis Hydro One SSM is collecting results from self assessments of the internal compliance program.
	Regional Infrastructure	Ongoing strategic objectives to ensure that the regional planning process continues as required		This is an ongoing process - Hydro One SSM is leveraging knowledge gained through the 2014 ELS regional planning process to inform its annual capital program and stakeholdering session.
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios		Continued Value Creation	Not applicable

3-Staff-5

Ref: Exhibit 3, Tab 1, Schedule 2, Appendix A

Hydro One SSM has provided a proposed scorecard at Appendix A.

<u>Question:</u>

a) Please provide the proposed target for each measure in the scorecard.

<u>Response:</u>

Hydro One SSM has updated the proposed scorecard to provide the proposed targets for each measure in the scorecard.

			Historical Years						
Performance Outcomes	**Performance Categories**	**Measures**	**2011**	**2012**	**2013**	**2014**	**2015**	**Trend**	**Target**
Customer Focus **Services are provided in a manner that responds to identified customer preferences.**	**Service Quality**	Satisfaction with Outage Planning Procedures (% Satisfied)	N/A	N/A	N/A	N/A	N/A	-	Currently there are no target set for this measure as Hydro One SSM intends to work with HONI to determine target as part of the integration process.
		Customer Delivery Point (DP) Performance Standard Outliers as % of Total DPs	33%	24%	25%	20%	16%	▲	Currently there are no target set for this measure as Hydro One SSM intends to work with HONI to determine target as part of the integration process.
	Customer Satisfaction	Overall % Customer Satisfaction in Corporate Survey	N/A	N/A	N/A	N/A	N/A	-	Currently there are no target set for this measure as Hydro One SSM intends to work with HONI to determine target as part of the integration process.
Operational Effectiveness **Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.**	**Safety**	High Risk Incidents (determined per GLPT's Managed System)	0.00	0.00	0.00	0.00	0.00	-	target as it relates to the scorecard has not been established as Hydro One SSM intends to work with HONI to determine target as part of the integration process.
	System Reliability	T-SAIFI (Ave. # Power Interruptions per per Delivery Point)	2.14	2.24	1.37	0.47	0.89	▲	Currently there are no target set for this measure as Hydro One SSM intends to work with HONI to determine target as part of the integration process.
		T-SAIDI (Ave. # Minutes of Power Interruptions per Delivery Point)	296.71	176.76	861.11	25.37	82.32	▲	Currently there are no target set for this measure as Hydro One SSM intends to work with HONI to determine target as part of the integration process.
		System Unavailability (%)	N/A	N/A	N/A	N/A	N/A	▲	Currently there are no target set for this measure as Hydro One SSM intends to work with HONI to determine target as part of the integration process.
		Unsupplied Energy (minutes)	111.97	20.38	24.73	6.79	60.35	▲	Currently there are no target set for this measure as Hydro One SSM intends to work with HONI to determine target as part of the integration process.
	Asset Management	In-Service Additions (% of OEB approved plan)	120%	111%	99%	99%	92%	-	The current KPI target is 100% for in-service additions in the test year(s), a target as it relates to the scorecard has not been established as Hydro One SSM intends to work with HONI to determine target as part of the integration process.
		CapEx as % of Budget	97%	113%	95%	95%	100%	-	The current KPI target is 100% for Capex as a % of Budget in the test year(s), a target as it relates to the scorecard has not been established as Hydro One SSM intends to work with HONI to determine target as part of the integration process.
	Cost Control	Total OM&A and Capital per Gross Fixed Asset Value (%)	10.69%	6.87%	4.38%	4.33%	5.76%	▲	Currently there are no target set for this measure as Hydro One SSM intends to work with HONI to determine target as part of the integration process.
		Sustainment Capital per Gross Fixed Asset Value (%)	7.55%	4.03%	1.29%	1.25%	2.70%	▲	Currently there are no target set for this measure as Hydro One SSM intends to work with HONI to determine target as part of the integration process.
		OM&A per Gross Fixed Asset Value (%)	3.15%	2.84%	3.09%	3.08%	3.06%	-	Currently there are no target set for this measure as Hydro One SSM intends to work with HONI to determine target as part of the integration process.

Performance Outcomes	Performance Categories	Measures		2011	2012	2013	2014	2015	Trend	Target
				Historical Years						
Public Policy Responsiveness Transmitters deliver on obligations mandated by government (e.g. in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	Connection of Renewable Generation	% on time completion of renewables connection impact assessments		100%	100%	100%	100%	100%	-	Currently there are no target set for this measure as Hydro One SSM intends to work with HONI to determine target as part of the integration process.
	Market Regulatory Compliance	NERC/NPCC Reliability Standards Compliance								
		- Number of High Impact Violations		N/A	N/A	N/A	N/A	N/A		Currently there are no target set for this measure as Hydro One SSM intends to work with HONI to determine target as part of the integration process.
		- Number of Medium/Low Impact Violations		N/A	N/A	N/A	N/A	N/A		Currently there are no target set for this measure as Hydro One SSM intends to work with HONI to determine target as part of the integration process.
	Regional Infrastructure	Regional Infrastructure Planning progress - % Deliverables met		N/A	N/A	N/A	100%	100%	-	Currently there are no target set for this measure as Hydro One SSM intends to work with HONI to determine target as part of the integration process.
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)		1.21	1.34	1.69	1.67	1.62	▲	Currently there are no target set for this measure as Hydro One SSM intends to work with HONI to determine target as part of the integration process.
		Leverage: Total Debt (includes short-term & long-term debt) to Equity Ratio		1.13	1.10	1.09	1.12	1.04	-	Currently there are no target set for this measure as Hydro One SSM intends to work with HONI to determine target as part of the integration process.
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.66%	9.42%	8.93%	9.36%	9.30%	-	The current KPI target is to achieve OEB approved deemed ROE per the rate application, a target as it relates to the scorecard has not been established as Hydro One SSM intends to work with HONI to determine target as part of the integration process.
			Achieved	10.94%	11.86%	11.51%	11.42%	9.66%	-	Not applicable

3-Staff-6

Ref: Exhibit 3, Tab 1, Schedule 2, p. 5

Hydro One SSM states that in 2017 and 2018, HONI and Hydro One SSM will begin to identify areas where long term operational synergies and savings may be achieved.

Question:

a) Please describe any initiatives that Hydro One SSM is taking on its own prior to these joint efforts to achieve efficiencies and savings.

Response:

Hydro One SSM is continuing to implement the efficiencies and savings identified in its last rate application EB-2014-0238 for the 2015 and 2016 test years. Hydro One SSM has successfully managed its overall OM&A expenses within the Board-approved envelopes for the 2015 and 2016 Test Years.

In addition, in response to staff vacancies, Hydro One SSM is managing its workforce in the short term through reallocation of work or with third party contracts in order to maintain flexibility without impacting its ability to achieve the 2017 health, safety and reliability targets and execute its operating and capital plans.

3-Staff-7

Ref: Exhibit 3, Tab 1, Schedule 4, Appendix A

Hydro One SSM has provided its benchmarking information at Exhibit 3, Tab1, Schedule 4, Appendix A. At page 2 the consultants state that the analysis is based on actual data to 2015 and forecast data for 2016 to 2018. OEB staff notes that the graphs shown in Figures 1, 2 and 3 appear to show rising or level costs for Hydro One SSM to the end of 2015, followed by a slight downward trend for 2016 to 2018. This is in contrast to the rest of the sample, which appears to show an increase in O&M in 2016, followed by fairly level costs in 2017 and 2018.

Question:

a) Please describe the methodology used to forecast costs for 2016 to 2018.

b) The link to the website provided for exchange rates appears to have been updated. Please provide the exchange rates used to support the forecast.

c) Please provide the data points underpinning the graphs shown in separate tables as shown below for each of Figures 1, 2 and 3.

Title						
	2013	**2014**	**2015**	**2016**	**2017**	**2018**
First Quartile						
Second Quartile						
Third Quartile						
Average						
Hydro One SSM						

d) Please calculate the percentage difference between Hydro One SSM total costs and the average of the sample, based on the data provided in the tables in Part c), above.

e) Please describe the factors and initiatives underlying Hydro One SSM's decreasing costs from 2015 to 2018, as shown in Figures 1, 2 and 3 of the benchmarking study.

f) Please explain why it is appropriate for Hydro One SSM to request an inflationary increase when its costs over the period appear to be decreasing, as forecast in the benchmarking study.

Response:

a) First Quartile used a straight-line forecast for each utility based on their historical data.

b) Please see table below:

	2013	2014	2015	2016	2017	2018
USD to CAD	1.03	1.03	1.2791	1.3	1.3	1.3

c) Please see tables below:

Figure 1: Transmission Lines & Substations O&M plus A&G per Gross Asset						
	2013	**2014**	**2015**	**2016**	**2017**	**2018**
First Quartile	2.405%	2.387%	2.290%	2.368%	2.304%	2.266%
Second Quartile	3.628%	3.538%	3.052%	3.361%	3.291%	3.220%
Third Quartile	4.090%	3.980%	4.033%	4.033%	4.073%	4.113%
Average	3.485%	3.365%	3.201%	3.350%	3.341%	3.331%
Hydro One SSM	3.082%	3.057%	3.174%	3.079%	2.959%	2.956%
Figure 2: A&G per Gross Asset						
	2013	**2014**	**2015**	**2016**	**2017**	**2018**
First Quartile	0.508%	0.532%	0.517%	0.520%	0.512%	0.470%
Second Quartile	0.959%	0.848%	0.841%	0.793%	0.712%	0.631%
Third Quartile	1.320%	1.181%	1.132%	1.178%	1.183%	1.163%
Average	0.925%	0.839%	0.842%	0.843%	0.826%	0.809%
Hydro One SSM	1.167%	1.152%	1.168%	1.129%	1.058%	1.020%
Figure 3: Transmission Lines & Substations O&M per Gross Asset						
	2013	**2014**	**2015**	**2016**	**2017**	**2018**
First Quartile	1.811%	1.794%	1.637%	1.797%	1.792%	1.786%
Second Quartile	2.357%	2.137%	2.116%	2.241%	2.263%	2.285%
Third Quartile	3.263%	3.235%	3.005%	3.251%	3.272%	3.294%
Average	2.560%	2.526%	2.359%	2.508%	2.515%	2.522%
Hydro One SSM	1.915%	1.905%	2.045%	2.021%	1.939%	1.932%

d) The results of the calculation are shown in the table below:

	2013	2014	2015	2016	2017	2018
Figure 1	-0.403%	-0.308%	-0.027%	-0.271%	-0.382%	-0.375%
Figure 2	0.243%	0.313%	0.327%	0.286%	0.233%	0.211%
Figure 3	-0.646%	-0.621%	-0.314%	-0.487%	-0.575%	-0.590%

e) Please refer to Hydro One SSM's response to 2-AMPCO-4 (b).

f) In EB-2016-0050, the Board's Decision and Order dated October 13, 2016, the OEB found that Hydro One SSM can continue with its existing 2016 revenue requirement and may bring forward a separate rate application to seek approval for elements of a specific revenue cap index framework in future years. As a result, this transmission rate application, filed by Hydro One SSM, is based on a revenue cap index for 2017 which is modelled on the price cap incentive regulation framework ("Price Cap IR') used for distributors. Under Price Cap IR the OEB determines the inflationary rate to be applied. The inflationary rate applied is against the total revenue requirement of the utility. It is not limited to a view of only one aspect of costs (i.e., OM&A). Given the direction provided by the Board, in its Decision and Order dated October 13, 2016 (EB-2016-0050), and the OEB prescribed inflation rate in Price Cap IR, Hydro One SSM believes it is appropriate to request an inflation factor of 1.90%, as calculated and released by the OEB on October 27, 2016 for Ontario distributor incentive rate setting under the Price Cap IR and Annual Index plans for rates effective in 2017.

In addition, the Board's Handbook to Electricity Distributor and Transmitter Consolidations dated January 19, 2016 ("Handbook") allows the acquiring utility to select a deferral period to allow an opportunity to realize cost savings to offset the transaction costs and premiums incurred in respect to the transaction. In EB-2016-0050 the Board's Decision and Order dated October 13, 2016, the OEB approved a 10 year deferral period upon which Hydro One Inc. could realize cost savings to offset the transaction costs and premiums incurred in respect to the transaction. To the extent costs are decreasing in the test year, as a result of both continuing to implement efficiencies and savings identified in its last rate application and from synergy savings resulting from the acquisition, Hydro One SSM believes these saving are to be used to offset the transaction costs and premiums incurred in respect to the transaction and should not impact the calculation of the inflation factor.

5-Staff-8

Ref: Exhibit 5, Tab 1, Schedule 2

Hydro One SSM has proposed disposition of four sub-accounts of Account 1508 for a total debit amount of $101,950. The total balance reported by Hydro One SSM in its 3.1.1 filing for the 4th quarter of 2016 was a debit of $705,019.

Question:

a) Please reconcile the balance reported in the RRR filing to the amount proposed for disposition (Note: OEB staff acknowledges that there are some Account 1508 sub-accounts that are not proposed for disposition in this proceeding for certain reasons).

Response:

Hydro One SSM has provided the following table to reconcile the balance reported in the RRR filing to the amount proposed for disposition. The difference is derived from two items as follows:

i. The balance referenced related to the RRR filing was the net accrual balance, while the balance sought for disposition includes interest. In order to compare the figures, the interest costs as laid out in the continuity schedule found at Exhibit 5, Tab 3, Schedule 1 were added.

ii. Hydro One SSM has accrued a balance in the approved sub-account to capture costs in respect of gains and losses resulting from premature asset component retirements. Hydro One SSM incurred a loss on disposal in each of 2015 and 2016, net of proceeds from disposition. However, Hydro One SSM is not seeking to disburse the balance of this account as rate base will not be rebased as a part of this application, and therefore the amounts disposed will remain in Hydro One SSM's rate base for the life of the deferral period consistent with the rate making methodology applied in this application.

Balance per 3.1.1 Filing (Net Accruals)	**$705,019**
Add: Interest Costs included in amount proposed for distribution	27,069
Less: Sub-account Gains & Losses (no recovery sought)	(630,138)
Proposed Disposition per this Application	**$101,951**

Exhibit 8, Tab 3, Schedule 1

Response to SEC Interrogatories

Response to School Energy Coalition ("SEC") Interrogatories
Hydro One Sault Ste. Marie LP ("Hydro One SSM")
Application for 2017 Transmission Rates
EB-2016-0356

1-SEC-1

Ex 1-1-2, p.3

Question:

Please confirm that to date the Board has not declared the Applicant's rates interim.

Response:

Hydro One SSM confirms the Board has not addressed Hydro One SSM's request that its current revenue requirement be made interim as of January 1, 2017.

Please refer to Hydro One SSM's response to 1.0-VECC-2 for additional information.

1-SEC-2

Ex.1-2-10, Appendix A

<u>Question:</u>

Page 11 of the EB-2014-0238 Settlement Agreement states "GLPT also undertakes to submit to the Board a more detailed and comprehensive Asset Management plan as part of the GLPT's next rate application". Please confirm the Applicant has not filed such a plan in this application.

<u>Response:</u>

Hydro One SSM confirms they did not file a more detailed and comprehensive Asset Management plan. The more detailed and comprehensive Asset Management was not filed because Hydro One SSM, with the assistance of Hydro One Networks, is in the midst of assessing and revising its approach to asset management. As such, any Asset Management plan prepared prior to the completion of this activity would not accurately convey how Hydro One SSM's assets will be managed in the long term.

3-SEC-3

Ex.3-1-2, Appendix A

<u>Question:</u>

With respect to the proposed scorecard:

a) Please provide a revised version of the proposed scorecard to include 2016 information.

b) What is the 'OEB approved plan' amount for 2017 for the in-service additions (% of OEB approved plan) measure? Please explain the basis of the Board's approval of the amount.

c) Please confirm that, with the exception of the measure for safety, the Applicant's scorecard is the same as that proposed by Hydro One in EB-2016-0160.

<u>Response:</u>

a) Hydro One SSM has provided below an updated proposed scorecard with draft 2016 information.

				Historical Years						
Performance Outcomes	**Performance Categories**	**Measures**		**2011**	**2012**	**2013**	**2014**	**2015**	**2016 Draft**	**Trend**
Customer Focus Services are provided in a manner that responds to identified customer preferences.	Service Quality	Satisfaction with Outage Planning Procedures (%		N/A	N/A	N/A	N/A	N/A	N/A	-
		Customer Delivery Point (DP) Performance Standard Outliers as % of Total DPs		33%	24%	25%	20%	16%	0%	▲
	Customer Satisfaction	Overall % Customer Satisfaction in Corporate Survey		N/A	N/A	N/A	N/A	N/A	N/A	-
Operational Effectiveness Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	Safety	High Risk Incidents (determined per GLPT's Managed System)		0.00	0.00	0.00	0.00	0.00	0.00	-
	System Reliability	T-SAIFI (Ave. # Power Interruptions per per Delivery Point)		2.14	2.24	1.37	0.47	0.89	0.60	▲
		T-SAIDI (Ave. # Minutes of Power Interruptions per Delivery Point)		296.71	176.76	861.11	25.37	82.32	22.80	▲
		System Unavailability (%)		N/A	N/A	N/A	N/A	N/A	N/A	▲
		Unsupplied Energy (minutes)		111.97	20.38	24.73	6.79	60.35	153.81	▲
	Asset Management	In-Service Additions (% of OEB approved plan)		120%	111%	99%	99%	92%	98%	-
		CapEx as % of Budget		97%	113%	95%	95%	100%	101%	-
	Cost Control	Total OM&A and Capital per Gross Fixed Asset Value (%)		10.69%	6.87%	4.38%	4.33%	5.76%	5.81%	▲
		Sustainment Capital per Gross Fixed Asset Value (%)		7.55%	4.03%	1.29%	1.25%	2.70%	2.70%	▲
		OM&A per Gross Fixed Asset Value (%)		3.15%	2.84%	3.09%	3.08%	3.06%	3.10%	-
Public Policy Responsiveness Transmitters deliver on obligations mandated by government (e.g. in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	Connection of Renewable Generation	% on time completion of renewables connection impact assessments		100%	100%	100%	100%	100%	100%	-
	Market Regulatory Compliance	NERC/NPCC Reliability Standards Compliance								
		- Number of High Impact Violations		N/A	N/A	N/A	N/A	N/A	N/A	
		- Number of Medium/Low Impact Violations		N/A	N/A	N/A	N/A	N/A	N/A	
	Regional Infrastructure	Regional Infrastructure Planning progress - %		N/A	N/A	N/A	100%	100%	100%	-
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)		1.21	1.34	1.69	1.67	1.62	1.33	▲
		Leverage: Total Debt (includes short-term & long-term debt) to Equity Ratio		1.13	1.10	1.09	1.12	1.04	1.03	-
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.66%	9.42%	8.93%	9.36%	9.30%	9.19%	-
			Achieved	10.94%	11.86%	11.51%	11.42%	9.66%	9.93%	-

b) There is no 'OEB approved plan' amount for 2017 for the in-service additions.

c) Hydro One SSM confirmed that, with the exception of the measure for safety, the Applicant's scorecard is materially the same as that proposed by Hydro One in EB-2016-0160.

3-SEC-4

Ex.3-1-4, Appendix A

Question:

With respect to the First Quartile Consulting Benchmarking Report:

a) Please provide a copy of the RFP and any terms of reference.

b) Please explain how the First Quartile selected the peer group comparators.

c) Please confirm the study only compares OM&A costs, and is not a total cost benchmarking study. If confirmed, please explain why capital spending was not benchmarked.

d) For the last five years, please provide the percentage of the Applicant's actual revenue requirement that is made up of OM&A costs. Please provide similar information based on forecast OM&A costs and total forecast revenue requirement.

e) Please provide a revised version of Figures 1 through 5 showing the peer group information by quintiles. Please also provide the underlying data in the same format as requested in 3-Staff-7(c)

f) Please explain how First Quartile forecasted costs for the comparators for 2016-2018.

Response:

a) Hydro One SSM did not RFP the benchmarking study as First Quartile performed the study in previous rate applications and Hydro One SSM wanted to ensure comparability of reports.

b) First Quartile Consulting used data from a subset of the companies who participate in their annual benchmarking study for transmission and distribution operators in North America. Within that, the goal was to use the same companies for the entire time period so that shifts in results could be caused by changes in operations, rather than changes in the comparator panel.

   With this, as with any benchmarking comparison panel, the goal is to have an accurate representation of the industry, with some similar companies and some that are different from the one under study. Demographics considered included voltage classes used, tree density, weather patterns, and overall size. The panel was reviewed for accuracy and completeness of data, and those with complete data were utilized for the comparison.

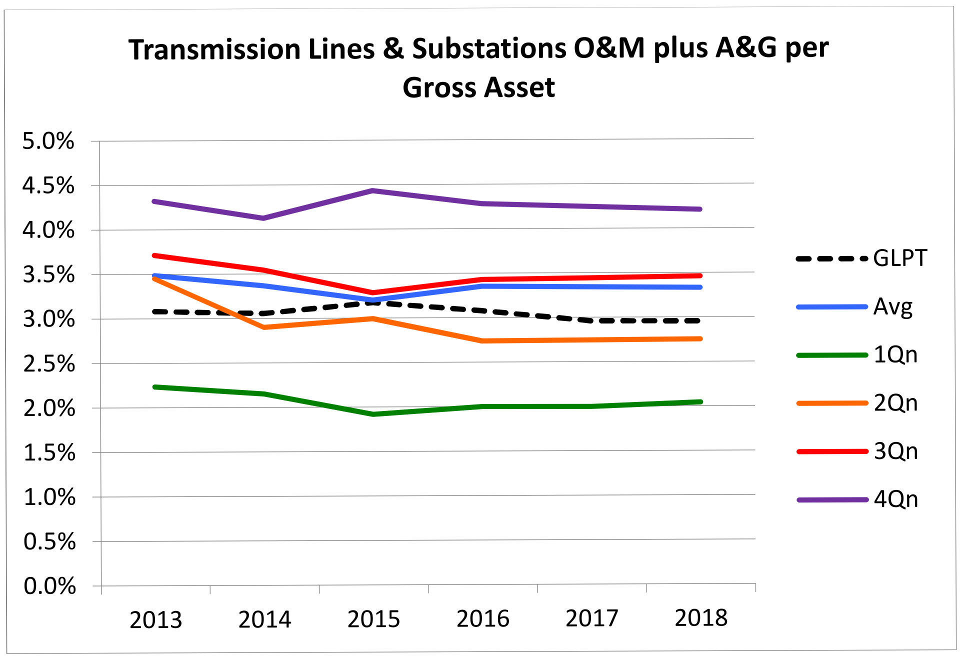
c) Hydro One SSM confirms that the study only compares OM&A costs, and is not a total cost benchmarking study. Historically capital spending was not included in the benchmarking study and Hydro One SSM will consider the inclusion of capital spending in future benchmarking reports.

d) OM&A costs as a percentage of revenue requirement were the following per OEB-Approved figures:

2012 – 26.2%
2013 – 26.5%
2014 – 26.6%
2015 – 27.4%
2016 – 28.0%
2017 Forecast – 27.6%

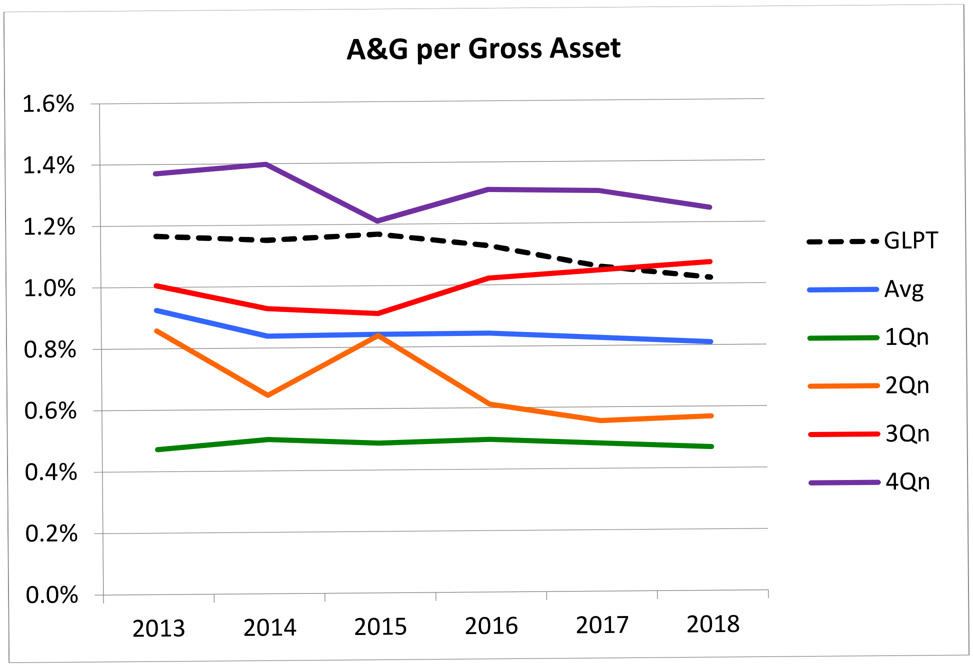
e) See below

Figure 1:



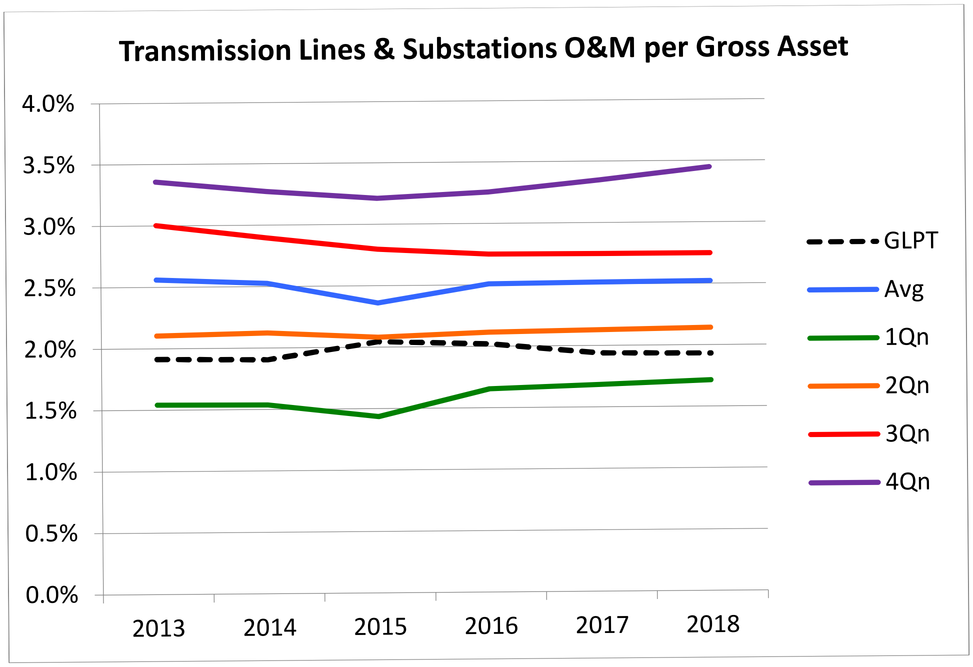
	2013	2014	2015	2016	2017	2018
Hydro One SSM/GLPT	3.08%	3.06%	3.17%	3.08%	2.96%	2.96%
Avg	3.48%	3.36%	3.20%	3.35%	3.34%	3.33%
1Qn	2.23%	2.15%	1.92%	2.00%	2.00%	2.04%
2Qn	3.45%	2.90%	2.99%	2.74%	2.75%	2.75%
3Qn	3.71%	3.54%	3.28%	3.43%	3.44%	3.46%
4Qn	4.32%	4.12%	4.43%	4.28%	4.24%	4.21%

Figure 2:



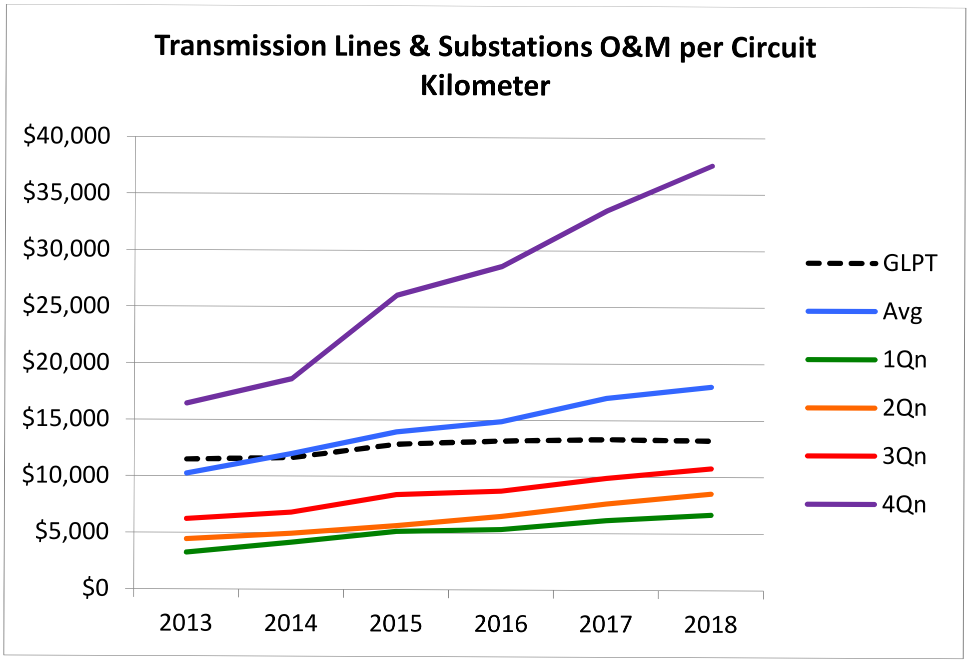
	2013	2014	2015	2016	2017	2018
Hydro One SSM/GLPT	1.17%	1.15%	1.17%	1.13%	1.06%	1.02%
Avg	0.92%	0.84%	0.84%	0.84%	0.83%	0.81%
1Qn	0.47%	0.50%	0.49%	0.50%	0.48%	0.47%
2Qn	0.86%	0.65%	0.84%	0.61%	0.56%	0.57%
3Qn	1.01%	0.93%	0.91%	1.02%	1.05%	1.07%
4Qn	1.37%	1.40%	1.21%	1.31%	1.30%	1.25%

Figure 3:



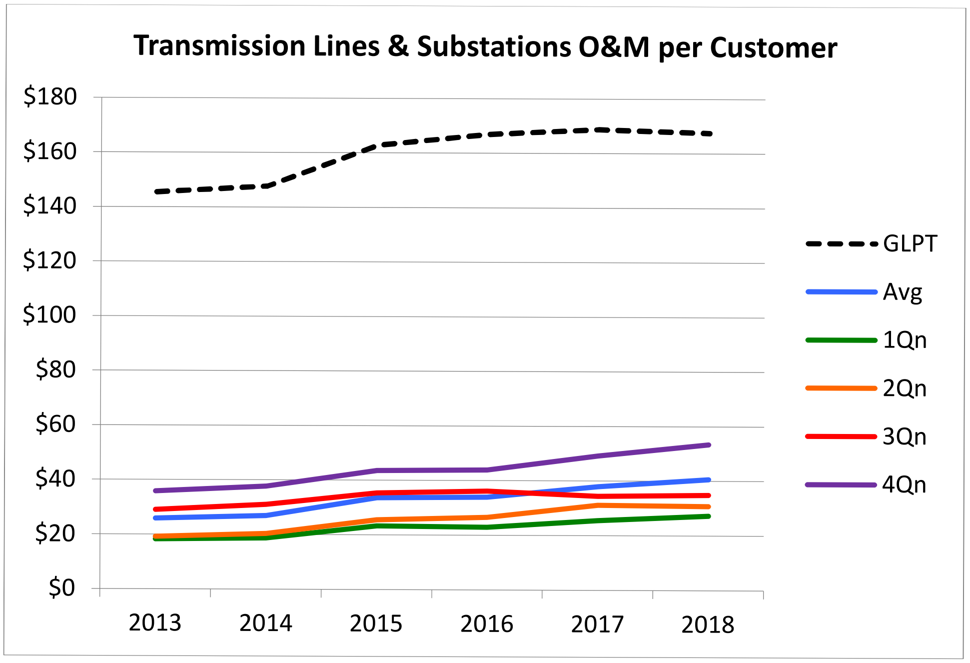
	2013	2014	2015	2016	2017	2018
Hydro One SSM/GLPT	1.91%	1.91%	2.05%	2.02%	1.94%	1.93%
Avg	2.56%	2.53%	2.36%	2.51%	2.51%	2.52%
1Qn	1.54%	1.54%	1.43%	1.65%	1.68%	1.71%
2Qn	2.10%	2.12%	2.08%	2.12%	2.13%	2.14%
3Qn	3.00%	2.90%	2.80%	2.75%	2.75%	2.75%
4Qn	3.36%	3.27%	3.21%	3.26%	3.35%	3.45%

Figure 4:



	2013	2014	2015	2016	2017	2018
Hydro One SSM/GLPT	$11,492	$11,664	$12,867	$13,190	$13,335	$13,234
Avg	$10,240	$11,978	$13,935	$14,891	$16,980	$17,996
1Qn	$3,239	$4,146	$5,145	$5,346	$6,157	$6,661
2Qn	$4,435	$4,947	$5,635	$6,499	$7,629	$8,545
3Qn	$6,214	$6,812	$8,384	$8,736	$9,908	$10,764
4Qn	$16,427	$18,607	$26,024	$28,610	$33,558	$37,566

Figure 5:



	2013	2014	2015	2016	2017	2018
Hydro One SSM/GLPT	$145.48	$147.65	$162.88	$166.97	$168.80	$167.53
Avg	$25.85	$26.96	$33.64	$33.97	$37.96	$40.68
1Qn	$18.26	$18.72	$23.28	$22.98	$25.54	$27.22
2Qn	$19.23	$20.30	$25.48	$26.60	$31.18	$30.78
3Qn	$29.03	$31.07	$35.40	$36.21	$34.45	$34.91
4Qn	$35.80	$37.71	$43.56	$43.92	$49.23	$53.38

f) Please refer to the response to OEB Staff question 3-Staff-7(a).

4-SEC-5

Ex.4-1-1, p.1

<u>Question:</u>

What is the basis for the Applicant's statement that "the general assumption is that transmitters' opportunities to realize productivity improvements are not greater than those of distributors".

<u>Response:</u>

In light of the fact that the OEB does not have an established productivity factor for transmitters, Hydro One SSM used the OEB-approved productivity factor established for Ontario distributors, and has made the assumption that this is an appropriate factor to use. As indicated on Page 2 of E4/T2/S1, this factor would only be used for adjustments to Hydro One SSM's 2017 and 2018 revenue requirement, after which time Hydro One SSM's revenue requirement adjustment factor would adopt the same productivity and stretch factors as proposed by Hydro One Networks Inc. As also mentioned in the same Schedule, Hydro One SSM has not conducted any studies to justify the factors, as it believes it would not be cost effective given the short period of time the factor would be used.

4-SEC-6

Ex.4-1-1, p.2

Question:

Please explain specifically where in the First Quartile Consulting Benchmarking Report, the Applicant believes the results show that its benchmarking is in the top cohort, quartile, or quintile, as to warrant a stretch factor of zero.

Response:

Figure 3, page 3 of the First Quartile Consulting report shows the O&M per Asset for Hydro One SSM/GLPT to be slightly outside of (higher than) the first quartile cost level. Similarly, in Figure 1, page 2 of that report, the total costs of OM&A per Asset for Hydro One SSM/GLPT are shown between the first and second quartile cost value.

4-SEC-7

Ex.4-1-1, p.2

Question:

Please confirm the Applicant did not ask First Quartile to review the Board's policies and decisions to determine, based on the benchmarking information, what an appropriate stretch factor would be.

Response:

Hydro One SSM confirms it did not ask First Quartile or any other party to conduct any studies to justify the factors, as we believe it would not be cost effective given the short period of time the factor would be used. As discussed in response to 4-SEC-5, the proposed stretch factor will be used for 2017 and 2018 revenue requirement adjustments, after which time Hydro One SSM will adopt the same stretch factor as proposed by Hydro One Networks Inc. Also, given that Hydro One SSM is in the midst of consolidation, where efficiencies and synergies are being sought, Hydro One SSM still believes that a "0" stretch factor is appropriate.

Please refer to the response to 4-SEC-5 for additional information.

4-SEC-8

Ex.4-1-1, p.2

Question:

Please provide revised versions of Table 4-1-1A, showing the proposed annual adjustment and 2017 proposed revenue requirement, for each of the following stretch factor scenarios:

a) 0.15%

b) 0.3%

c) 0.45%

d) 0.6%

Response:

Please see attached an updated table reflecting the above noted stretch factors.

	Stretch Factor 0%	Stretch Factor 0.15%	Stretch Factor 0.30%	Stretch Factor 0.45%	Stretch Factor 0.60%	
GLPT 2016 OEB Approved Revenue Requirement	$39,778,120	$39,778,120	$39,778,120	$39,778,120	$39,778,120	(a)
Adjustment Factor (Inflation - Productivity - Stretch (1.9%-0%-stretch factor)	1.90%	1.75%	1.60%	1.45%	1.30%	(b)
Proposed Annual Adjustment	$755,784	$696,117	$636,450	$576,783	$517,116	(c) = (a x b)
Hydro One SSM 2017 Proposed Revenue Requirement	$40,533,904	$40,474,237	$40,414,570	$40,354,903	$40,295,236	(d) = (a + c)

5-SEC-9

Ex.5-1-2, p.8

Question:

Please provide both, the Board-approved and actual in-service additions, for each of 2015 and 2016.

Response:

Based on Hydro One SSM audited financials as of April 20, 2017, the Board approved and actual in service additions for 2015 and 2016 are as follows:

	2015	2016
Board Approaved In-service Additions	$ 9,460,000	$ 9,768,700
Actual In-service Additions	$ 8,743,578	$ 9,557,937

Please refer to the response to VECC question 5-VEC-20 for additional information.

Exhibit 8, Tab 4, Schedule 1

Response to VECC Interrogatories

Response to Vulnerable Energy Consumers Coalition ("VECC") Interrogatories
Hydro One Sault Ste. Marie LP ("Hydro One SSM")
Application for 2017 Transmission Rates
EB-2016-0356

1.0 ADMINISTRATION (EXHIBIT 1)

1.0-VECC-1

Ref: E1/T1/S1, page 3

Question:

a) What is the percentage increase in the revenue requirement for Hydro One SSM that the Company is seeking to include in the determination of the UTR for 2017 (i.e., after the disbursal of deferral and variance account balances are also taken into account)?

Response:

The percentage increase in the revenue requirement for Hydro One SSM that the Company is seeking to include in the determination of the UTR for 2017 (i.e., after the disbursal of deferral and variance account balances are also taken into account) is 2.3%. Before the disbursal of deferral and variance account balances the percentage increase in the revenue requirement is 1.9%.

1.0-VECC-2

Ref: E1/T1/S1, page 3

Question:

a) Does the OEB provide any guidelines as to when Transmitters requesting rates effective January 1 are expected/required to file their rate applications?

Response:

Hydro One SSM is not aware of any such standards or guidelines with respect to the filing and processing of transmission rate applications. However, it is worth noting that the OEB has in the past issued its decision establishing transmission rates with an effective date of January 1 well after such effective date (see EB-2009-0408). In Hydro One SSM's opinion, the circumstances in this case, as described below, warrant the establishment of transmission rates effective January 1, 2017.

Hydro One SSM was acquired by Hydro One Inc. ("HOI") in 2016. On October 13, 2016, the OEB approved HOI's section 86(2)(b) application (EB-2016-0050) dated March 10, 2016, granting leave for HOI to acquire the voting securities of Great Lakes Power Transmission Inc. (Hydro One SSM's general partner, now known as Hydro One Sault Ste. Marie Inc.). The acquisition closed on October 31, 2016. In its EB-2016-0050 Decision and Order dated October 13, 2016, the OEB found that Hydro One SSM can continue with its existing 2016 revenue requirement and may bring forward a separate rate application to seek approval for elements of a specific revenue cap index framework in future years. On the basis of that Decision and Order,, Hydro One SSM management began the process of preparing and filing the EB-2016-0356 application for 2017 transmission rates, which it filed as quickly as practicable after the acquisition closed.

1.0-VECC-3

Ref: E1/T1/S1, page 4

Question:

a) At lines 14-15 reference is made to "standard average of performance" with respect to reliability. Please indicate: i) what this standard is, ii) how it is was established and iii) how Hydro One SSM's performance compares to it.

b) Reference is made (at lines 15-16) to the threshold set by the IESO for unsupplied energy. Please indicate what this threshold is and how it is used by the IESO.

Response:

Hydro One SSM is not able to identify the reference noted above, but in an attempt to answer the question Hydro One SSM assumes the reference in question should be E1/T1/S2 page 4 of 36

a)

i. As part of the OEB Transmission System Code requirement 4.5 Hydro One SSM has developed Customer Delivery Point Performance Standards ("CDPPS"). The standard relates the reliability of supply to the size of load being served at the delivery point measures for both frequency and duration of interruption.

ii. The standard was established utilizing Hydro One Networks Inc.'s historical (1991-2000) statistics.

iii. Hydro One SSM's performance can be found at Table 3-1-3 B "2012-2015 Frequency of Interruptions" and Table 3-1-3 C "2012-2015 Duration of Interruptions". Further, Hydro One SSM has provided an updated version of these tables to include 2016 figures in response to 3.0-VECC-13 part (e).

b) Unsupplied energy (UE) is a measure that the IESO uses to assess the reliability performance of a local area transmission system in each year. UE measures the amount of energy (in MW Minutes) that is not delivered to customers due to planned or unplanned outages of elements that comprise the transmitter's transmission network. Hydro One SSM' s performance against threshold can be found in Figure 3-1-3 C "Unsupplied Energy data for 2004-2015 (MW Minutes).

1.0-VECC-4

Ref: E1/T2/S2, page 1

<u>Question:</u>

a) Please provide a schematic of Hydro One SSM's system indicating where/how it is connected with its neighbouring utilities.

b) Is Hydro One Networks Inc. a transmission customer of Hydro One SSM or is the connection just transmitter to transmitter?

<u>Response:</u>

a) Please see attached as **Appendix 1-VECC-4(a)** a schematic of Hydro One SSM's system indicating where/how it is connected with its neighboring utilities.

b) Hydro One Networks Inc.'s connection to Hydro One SSM is just transmitter to transmitter.

1.0-VECC-5

Ref: E1/T2/S5, page 1

<u>Question:</u>

a) Has the Board addressed Hydro One SSM's request that its current revenue requirement be made interim as of January 1, 2017? If yes, please provide a copy of the relevant order.

<u>Response:</u>

The Board has not addressed Hydro One SSM's request that its current revenue requirement be made interim as of January 1, 2017. Please refer to Hydro One SSM's response to 1.0-VECC-2 for additional information.

1.0-VECC-6

Ref: E1/T2/S12, page 1

Question:

a) The Application states that Hydro One SSM has "materially" followed the filing requirements applicable to revenue cap index proposal as set out by the Board. Recognizing that this is its first such application, what aspects of the filing requirements does Hydro One SSM consider it has not followed and why?

Response:

Based on the OEB's EB-2016-0050 Decision and Order, Hydro One SSM is requesting to continue with its existing 2016 revenue requirement and proposing a revenue cap index framework for the 10 year deferral period. This 10 year term is longer than the typical 5 year term for revenue cap index as set out under Chapter 2 of the Filing Requirements. Hydro One SSM is not aware of any other aspects of the Filing Requirements applicable to revenue cap index that it has not followed.

1.0-VECC-7

Ref: E1/T2/S14, page 1

Question:

a) Please explain how matters that may be considered to be non-utility business are "segregated" from Hydro One SSM's rate-regulated activities.

Response:

For any non-utility business activity carried out by Hydro One SSM, the activity is assigned a project number and specific General Ledger accounts within Hydro One SSM's financial management system, thus allowing it to track all costs separately from utility business.

1.0-VECC-8

Ref: E1/T2/S15, page 3

<u>Question:</u>

a) Please provide the necessary data to demonstrate that GLPT (now Hydro One SSM) has successfully managed its overall OM&A expenses within the Board-approved envelops for the 2015 and 2016 test years (per lines 17-18).

<u>Response:</u>

As per attached Settlement Proposal dated November 12, 2014 (see **Appendix 1-VECC-8(i)**), Hydro One SSM and the interveners agreed to include OM&A costs of $10,821,100 and $11,121,900 in revenue requirement for the 2015 and 2016 test years respectively.

As per the attached audited financial statements (see **Appendix 1-VECC-8(ii)**), OM&A costs in 2015 are $10,730,000 ($9,473,000 ("Operating and Administration Costs") + $1,257,000 ("Maintenance")) and for 2016 is $11,089,000 ($9,473,000 ("Operating and Administration Costs") + $1,616,000 ("Maintenance")).

The audited financial statement figures include (i) certain non-utility costs which have been segregated from the utility operations and should not be measured against the Board-approved OM&A, and (ii) regulatory costs incurred for each year which have been recorded in deferral or variance accounts for regulatory purposes. The amounts included in the audited financial statement OM&A costs are as follows: (i) non-utility operations costs were ~$160,000 and ~$91,000 for 2015 and 2016, respectively, and regulatory costs incurred were ~$15,000 and (~$15,000) for 2015 and 2016, respectively.

2.0 MANAGEMENT SUMMARY (EXHIBIT 2)

2.0-VECC-9

Ref: E2/T1/S1, page 3

Question:

a) Please confirm that the proposed annual adjustment for 2017 is not based on "expected inflation" but rather the historic inflation observed over 2014-2015.

b) What is Hydro One SSM's estimate of expected inflation for 2017 over 2016?

Response:

a) Hydro One SSM's proposed annual adjustment is based on the OEB calculated inflation for distributors released on October 27, 2016 adjusted by a productivity factor and a stretch factor. The productivity factor has been set at 0% given the OEB approved productivity factor for distributors for the 2017 test year. The stretch factor has been set at 0% given Hydro One SSM's benchmarking results relative to its comparable peers and the expected significant changes to business processes and planning activities stemming from Hydro One SSM's operational integration with Hydro One Networks Inc.

b) Hydro One SSM does not calculate an expected inflation for 2017 over 2016.

2.0-VECC-10

Ref: E2/T1/S1, page 4

Question:

a) Please confirm that Hydro One SSM is not specifically requesting, at this time, the approval of a Z-factor deferral account and that the request for any such deferral account (along with the amounts involved) would be made within six months of the unforeseen event.

Response:

Please refer to the response to OEB Board Staff question 1-Staff-1.

3.0 SERVICE QUALITY AND RELIABILITY PERFORMANCE REPORTING (EXHIBIT 3)

3.0 –VECC -11

Ref: E3/T1/S2, pages 5 and 9-10

Preamble: In Table 3-1-2A Hydro One SSM sets out a number of improvement initiatives to improve the measurement of its performance. These are described further on pages 9-10.

Question:

a) Please confirm that Hydro One SSM expects to have the necessary systems and processes in place to report on all of the measures in the proposed scorecard by the end of 2017.

b) If this is not the case, please indicate: i) those measures for which the necessary reporting capabilities will not be in place by the end of 2017 and ii) when the Hydro One SSM expects it will be able to report on these measures.

Response:

a) Please refer to the response to OEB Staff question 3-Staff-4.

b) Please refer to the response to OEB Staff question 3-Staff-4.

3.0 –VECC -12

Ref: E3/T1/S2, pages 7-10

<u>Question:</u>

a) Did Hydro One SSM consult with any external stakeholders and/or customers in the development of its proposed scorecard?

- If yes, please outline the nature of the consultation.

b) Please compare Hydro One SSM's proposed scorecard and performance measures with those proposed by Hydro One Networks in its most recent cost of service application (EB-2016-0160, Exhibit B2/T1/S1, Table 1). Please comment on any differences and why they are appropriate.

c) Please update the schedule on pages 7-8 to include, where available, 2016 results.

d) Why are there no historic values reported for the two Market Regulatory Compliance measures related to NERC/NPCC Reliability Standards Compliance?

e) Given the importance of cost to customers why is there no performance measure relating to total overall costs borne by ratepayers (e.g., total costs / MW delivered)?

f) Has Hydro One SSM benchmarked its performance with respect to any of the scorecard measures against the performance of its peers?

- If yes, please provide the results?

g) Does Hydro One SSM have any plans to further benchmark its performance with respect to its proposed scorecard measures against that of its peers?

- If yes, please outline such plans.
- If not, why not?

<u>Response:</u>

a) Hydro One SSM did not consult with any external stakeholders and/or customers in the development of its proposed scorecard; the intent is to work with Hydro One Networks Inc. during the integration process to determine stakeholders and customers involvement on a prospective basis.

b) Hydro One SSM reviewed Hydro One Networks scorecard and performance measures when preparing their scorecard and performance measures. For the most part Hydro One SSM and Hydro One Networks scorecards are consistent with the exception of the Health and Safety metrics. Hydro One SSM focuses on high risk incidents and does not historically track recordable incidents in the same manner Hydro One Networks does. As part of the integration into the Hydro One family Hydro One SSM plans to track recordable incidents in the future.

c) Please refer to the response to SEC question 3-SEC-3.

d) There are no historic values reported for the two Market Regulatory Compliance measures related to NERC/NPCC Reliability Standards Compliance because prior to July 1, 2016 Hydro One SSM was not subject to these standards. On July 1, 2016 the North American Electric Reliability ("NERC") Bulk Electric System ("BES") definition was revised, where the revised BES definition now includes transmission assets equal to or greater than 100 kV. This change resulted in certain Hydro One SSM assets being defined as NERC BES.

e) Hydro One SSM believes the cost control metrics that have been included in the scorecard (i.e., OM&A + Capital/GFA, Sust. Capital/GFA and OM&A/GFA) are more appropriate measures than (total costs / MW delivered) as:

   i. MW is not a true indicator of costs;

   ii. GFA is frequently used for benchmarking (used by Hydro One and other transmitters in North America); and

   iii. using GFA accounts for various customer densities in rural and remote areas, where MW would distort this.

f) Hydro One SSM has not benchmarked its performance with respect to any of the scorecard measures outside of its benchmarking report provided at E3/T1/S4 Appendix A

g) At this time Hydro One SSM does not have any plans to benchmark its performance with respect to its proposed scorecard measures against that of its peers. This will be considered as part of the integration of Hydro One SSM into Hydro One Networks Inc.

3.0 –VECC -13

Ref: E3/T1/S3, pages 2-4

Question:

a) Do the Delivery Point Standards also apply to generators connected to Hydro One SSM and are they included in the values reported on page 4?

b) Is ten years' worth of data available for each of Hydro One SSM's customers such that baseline (inlier) triggers been established for all customers? If not, for how many customers have triggers not been established?

c) Do the performance measures (both outliers and inliers) include planned outages or just unplanned outages?

d) Please provide the minimum, the maximum and the median values for the current baseline triggers.

e) Please update the tables on page 4 to include 2016 data if available.

f) Were there any "extraordinary events (as per E3/T1/S3, Appendix A, page 3) that impacted performance during 2012-2015 (2016)?

- If yes, what were they?
- If yes, what were the impacts in each year?
- If yes, are the impacts included in values reported on page 4?

Response:

a) Delivery Point Standards do not apply to generators connected to Hydro One SSM and are not included in the values reported on page 4.

b) Hydro One SSM does have 10 years' worth of data and has established inlier baselines, however Hydro One SSM is still investigating the value of these baselines. Some poor performance years have a negative impact on the expectation that inliers should aid with evaluation of a single delivery point continuous improvements in the level of reliability expected. For example, 3 year rolling average = 1 minute of interruption vs. baseline + standard deviation = 10 minutes, therefore although the delivery point has been experiencing improved levels of reliability, the current standard would not define them as an inlier unless 2 years of consecutive performance of over 10 min are recorded.

c) The performance measures (both outliers and inliers) include unplanned outages (maintained outages >1min) only.

d) As noted in response to part (b) above, Hydro One SSM is still investigating the value of the inlier baselines as it relates to its delivery points. Therefore, at this time no maximum or median values have been established related to baseline triggers, and Hydro One SSM continues to measure against the standard average and minimum standards of performance for baseline triggers, which can be found in Table 3-1-3 A of E3/T1/S3.

e) Please see revised tables below:

Customer Delivery Point	# DP's	Interruption Frequency (Outages)				
		2012	2013	2014	2015	2016
>80 MW						
GLPT	***1***	***1.0***	***-***	***-***	***-***	***-***
Minimum Standard	1	1.0	1.0	1.0	1.0	1.0
Standard Average	1	0.3	0.3	0.3	0.3	0.3
40-80 MW						
GLPT	***1***	***-***	***2.0***	***-***	***-***	***-***
Minimum Standard	1	1.5	1.5	1.5	1.5	1.5
Standard Average	1	0.5	0.5	0.5	0.5	0.5
15-40 MW						
GLPT	***4***	***3.0***	***-***	***-***	***-***	***1.0***
Minimum Standard	4	14.0	14.0	14.0	14.0	14.0
Standard Average	4	4.4	4.4	4.4	4.4	4.4
0-15 MW						
GLPT	***15***	***43.0***	***24.0***	***9.0***	***17.0***	***10.0***
Minimum Standard	15	135.0	135.0	135.0	135.0	135.0
Standard Average	15	61.5	61.5	61.5	61.5	61.5

Customer Delivery Point	# DP's	Interruption Duration (minutes)				
		2012	2013	2014	2015	2016
>80 MW						
GLPT	***1***	***16***	***-***	***-***	***-***	***-***
Minimum Standard	1	25	25	25	25	25
Standard Average	1	5	5	5	5	5
40-80 MW						
GLPT	***1***	***-***	***23***	***-***	***-***	***-***
Minimum Standard	1	55	55	55	55	55
Standard Average	1	11	11	11	11	11
15-40 MW						
GLPT	***4***	***44***	***-***	***-***	***-***	***47***
Minimum Standard	4	560	560	560	560	560
Standard Average	4	88	88	88	88	88
0-15 MW						
GLPT	***15***	***3,652***	***16,338***	***482***	***1,564***	***410***
Minimum Standard	15	5,400	5,400	5,400	5,400	5,400
Standard Average	15	1,335	1,335	1,335	1,335	1,335

f) Hydro One SSM did not experience any extraordinary events in the year’s reports, but did have two significant events which impacted duration of interruption stats in 2013 (Northern Ave Transformer failure and Mackay Grounding transformer failure).

3.0 –VECC -14

Ref: E3/T1/S3, pages 5-11

Question:

a) It is noted that the Unsupplied Energy data goes back to 2004. Is there T-SAIFI and T-SAIDI data available for the years prior to 2012 (even for just the system overall)? If so, please provide.

b) With respect to pages 7-8 and page 10, is there a difference in the nature of the supply to the upper load vs. lower load categories (e.g. single circuit vs. multiple circuit) that would explain some of the difference in reliability?

Response:

a) Hydro One SSM does not have the T-SAIFI and T-SAIDI available for the years prior to 2012.

b) Hydro One SSM does not distinguish between single and multiple circuits when calculating reliability statistics. Lower load categories tend to be single circuits vs upper load categories which tends to be multiple circuits which may reduce reliability statistics on lower load categories.

In 2016 Hydro One SSM planned maintenance and capital program was performed on a number of single circuit feeds that impacted unsupplied energy to its market participants. Hydro One SSM worked with its market participants to reduce the overall impact on their operations.

3.0 –VECC -15

Ref: E3/T1/S4/Appendix A, pages 2-3

Question:

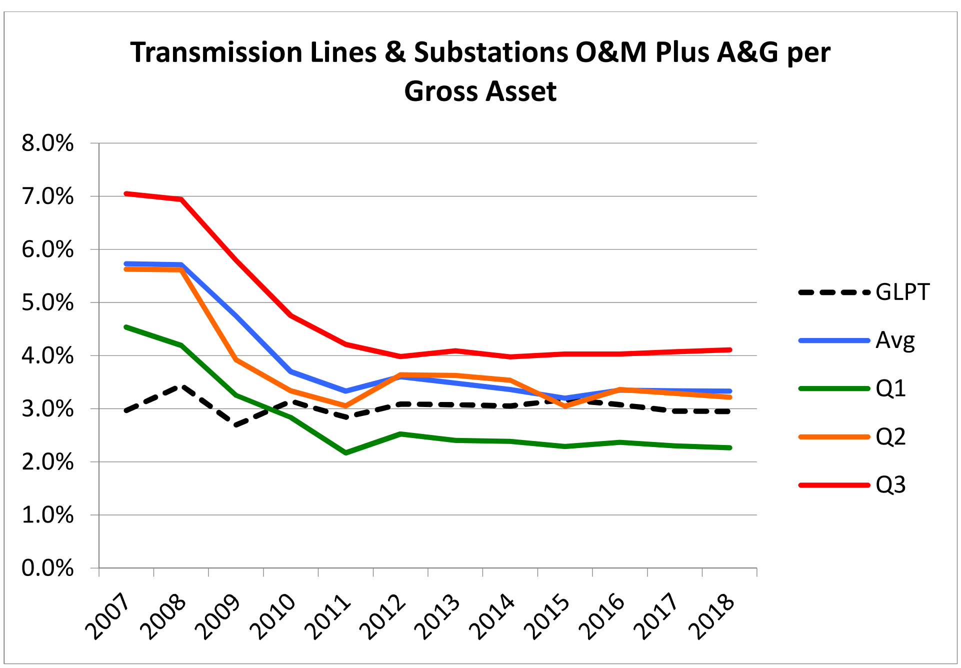
a) Page 2 indicates that data is available for the years 2007-2015. Please redo the line graphs in Figures 1, 2 and 3 to include the earlier years.

b) Please provide the 2007-2015 (and 2016 if available) numerator and denominator values for Hydro One SSM used to calculate the metric – Total O&M plus A&G per Gross Assets for the Company.

Response:

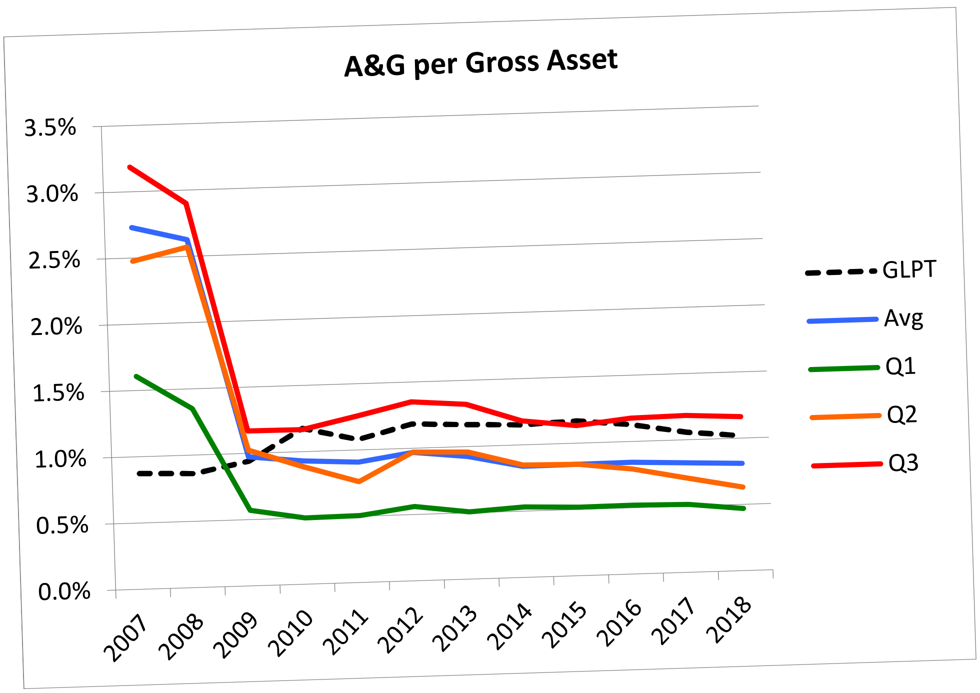
a) We provide below the revised charts for Figures 1, 2, and 3, showing data back to 2007. One important note is a change was made between 2009 and 2010 in the approach used in allocating A&G costs for all companies except Hydro One SSM/GLPT. The result is the overall graphs either for A&G alone, or those including A&G costs, show a significant decrease between 2009 and 2010, and then level off, with a consistent methodology used thereafter. Hydro One SSM/GLPT itself wasn't affected by the change in allocation procedure.

Figure 1:



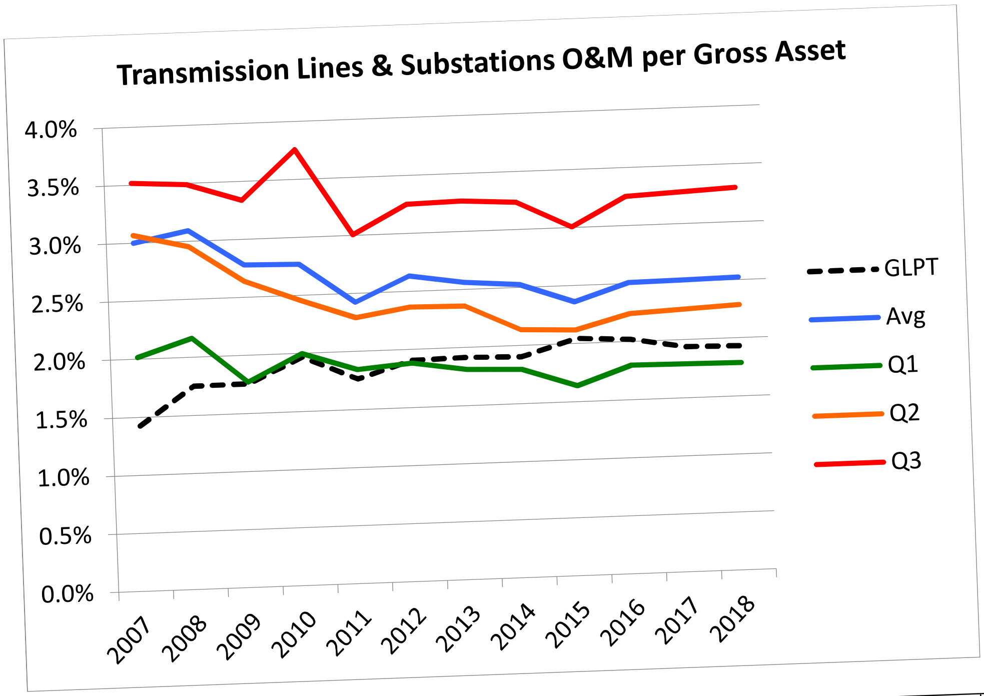
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Hydro One SSM/GLPT	3.0%	3.4%	2.7%	3.1%	2.8%	3.1%	3.1%	3.1%	3.2%	3.1%	3.0%	3.0%
Avg	5.7%	5.7%	4.7%	3.7%	3.3%	3.6%	3.5%	3.4%	3.2%	3.4%	3.3%	3.3%
Q1	4.5%	4.2%	3.3%	2.8%	2.2%	2.5%	2.4%	2.4%	2.3%	2.4%	2.3%	2.3%
Q2	5.6%	5.6%	3.9%	3.3%	3.1%	3.6%	3.6%	3.5%	3.1%	3.4%	3.3%	3.2%
Q3	7.0%	6.9%	5.8%	4.8%	4.2%	4.0%	4.1%	4.0%	4.0%	4.0%	4.1%	4.1%

Figure 2:



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Hydro One SSM/GLPT	0.9%	0.9%	0.9%	1.2%	1.1%	1.2%	1.2%	1.2%	1.2%	1.1%	1.1%	1.0%
Avg	2.7%	2.6%	1.0%	0.9%	0.9%	1.0%	0.9%	0.8%	0.8%	0.8%	0.8%	0.8%
Q1	1.6%	1.3%	0.6%	0.5%	0.5%	0.6%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Q2	2.5%	2.6%	1.0%	0.9%	0.8%	1.0%	1.0%	0.8%	0.8%	0.8%	0.7%	0.6%
Q3	3.2%	2.9%	1.2%	1.2%	1.3%	1.4%	1.3%	1.2%	1.1%	1.2%	1.2%	1.2%

Figure 3:



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Hydro One SSM/GLPT	1.4%	1.8%	1.8%	2.0%	1.8%	1.9%	1.9%	1.9%	2.0%	2.0%	1.9%	1.9%
Avg	3.0%	3.1%	2.8%	2.8%	2.4%	2.6%	2.6%	2.5%	2.4%	2.5%	2.5%	2.5%
Q1	2.0%	2.2%	1.8%	2.0%	1.8%	1.9%	1.8%	1.8%	1.6%	1.8%	1.8%	1.8%
Q2	3.1%	3.0%	2.6%	2.5%	2.3%	2.4%	2.4%	2.1%	2.1%	2.2%	2.3%	2.3%
Q3	3.5%	3.5%	3.3%	3.8%	3.0%	3.3%	3.3%	3.2%	3.0%	3.3%	3.3%	3.3%

b) Please refer to Hydro One SSM's response to 4-AMPCO-8.

3.0-VECC-16

Ref: E3/T1/S5

Question:

a) The compliance discussion focuses on the management of compliance with NERC reliability standards. Are there any other standards set by either the IESO or the Ontario Energy Board that Hydro One SSM is expected to be compliant with?

- If yes, what are they?
- If yes, why were they not considered for inclusion in the proposed performance scorecard?

Response:

Hydro One SSM is also expected to be compliant with those set out by the OEB's Transmission System Code and Affiliate Relationships Code for Distributors and Transmitters, the IESO's Market Rules and NPCC Directives. Hydro One SSM is committed to complying with all of these applicable standards. Hydro One SSM chose to focus on the NERC reliability standards for the purposes of the proposed performance scorecard given recent changes to these standards and their applicability to Hydro One SSM's operations, which warrant such increased attention. Hydro One SSM will continue to refine the metrics on its scorecard to ensure they are driving business behaviours that are consistent with Hydro One SSM's goals and business objectives.

4.0 REVENUE REQUIREMENT AND ANNUAL ADJUSTMENT (EXHIBIT 4)

4.0-VECC-17

Ref: E4/T1/S1, page 4

Question:

a) It is noted (see http://www.ontarioenergyboard.ca/oeb/Industry/Regulatory%20Proceedings/Applications%20Before%20the%20Board/Electricity%20Distribution%20Rates/2017%20Electricity%20Distribution%20Rate%20Applications) that the inflation factor for distribution utilities is based on a 70/30 weighting of Non-Labour and Labour inflation indices. Please explain why this split is also applicable and appropriate to Hydro One SSM's transmission business. If it is not, what would be the appropriate split?

Response:

Please refer to the response to SEC question 4-SEC-5.

4-VECC-18

Ref: E4/T1/S1, pages 2-3

Question:

a) Please confirm that, in terms of cost performance, while Hydro One SSM is below the average of its peers it is much closer to the average performance and Q2 performance than to Q1 performance.

Response:

We cannot confirm this statement. For O&M per asset, Hydro One SSM is substantially closer to the Q1 performance level than it is to either the mean or median of the comparison group. On O&M plus A&G, the company is slightly closer to the median than to Q1 performance. It is only on A&G costs that Hydro One SSM is not near the Q1 range.

Please see the response to OEB Staff question 3-Staff-7 (c) and (d) for additional information.

5.0 DEFERRAL AND VARIANCE ACCOUNTS (EXHIBIT 5)

5.0-VECC-19

Ref: E5/T1/S1, page 4

Question:

a) Please indicate what the base cost for the Property Tax and Use and Occupation Permit Fees Variances account will be and how it is determined.

Response:

The base cost for the Property Tax and Use and Occupation Permit Fees Variances account will be $146,200. The $146,200 amount is reflective of the existing permit(s) as amended effective January 1, 2016.

5.0-VECC-20

Ref: E5/T1/S2, page 8

Question:

a) The application states that the "forecast" cumulative in-service additions for 2015 and 2016 are equal to the Board-approved amount. Please indicate whether the actual cumulative in-service additions for 2015 and 2016 were also equal to the Board-approved amount. If not, what was the variance?

Response:

The actual cumulative in-service additions for 2015 and 2016 were less than the Board-approved amount, the variance was $927,185. Please refer to the response to SEC question 5-SEC-9 for additional information.

HYDRO ONE SAULT STE. MARIE LP
BY ITS GENERAL PARTNER
HYDRO ONE SAULT STE. MARIE INC
SAULT STE. MARIE, ONTARIO

SYSTEM OPERATING DIAGRAM

REV. DATE	DWG. No.	REV. #
1 Dec. 2016	AD–36204	82

API - Algoma Power INC.
PUC - Public Utilities Commission

TORYS LLP

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November 12, 2014

EMAIL, COURIER & RESS

Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4

Attention: Board Secretary

Dear Ms. Walli:

Re: Great Lakes Power Transmission LP - Application for 2015 & 2016 Transmission Rates (EB-2014-0238) - Settlement Proposal

We are counsel for the Applicant in respect of the above noted matter. Pursuant to Procedural Order No. 1, please find attached a proposed Settlement Proposal concluded between the parties noted therein. Each of the parties to the Settlement Proposal has reviewed and approved the proposed agreement as described therein.

Should you have any questions or concerns, please let me know.

Yours truly,

Tyson Dyck

Tel 416.865.8136
Fax 416.865.7380
tdyck@torys.com

cc: All Intervenors
R. Battista, Board Staff
D. Fecteau, GLPT LP
S. Seabrook, GLPT LP
C. Keizer, Torys LLP

SETTLEMENT PROPOSAL

November 12, 2014

GREAT LAKES POWER TRANSMISSION LP
2015 & 2016 RATES APPLICATION
(EB-2014-0238)

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PREAMBLE

This Settlement Proposal is filed with the Ontario Energy Board (the "**Board**") in connection with an application by Great Lakes Power Transmission ("**GLPT**") pursuant to section 78 of the *Ontario Energy Board Act, 1998* for an order or orders approving or fixing just and reasonable rates for the transmission of electricity (EB-2014-0238).

Pursuant to Procedural Orders No. 1 and 2 in this proceeding, a Settlement Conference was held on October 28, 2014 in accordance with the *Ontario Energy Board Rules of Practice and Procedure* (the "**Rules**") and the Board's *Practice Direction on Settlement Conferences* (the "**Practice Direction**"). This Settlement Proposal arises from the Settlement Conference and is for the consideration of the Board in its determination of GLPT's 2015 and 2016 electricity transmission rates.

The Parties

GLPT and the following intervenors (collectively the "**Participating Intervenors**"), as well as Ontario Energy Board technical staff ("**Board Staff**"), participated in the Settlement Conference in respect of all issues contained in this proposal:

- Energy Probe Research Foundation ("**Energy Probe**")
- School Energy Coalition ("**SEC**")
- Vulnerable Energy Consumers Coalition ("**VECC**")

The following intervenors did not participate in the Settlement Conference:

- Independent Electricity System Operator ("**IESO**")
- Upper Canada Transmission, Inc. ("**UCT**")

The Applicant and the Participating Intervenors are collectively referred to herein as the "**Parties**". In accordance with pages 5-6 of the Practice Direction, Board Staff is neither a Party nor a signatory to this Settlement Proposal (unless the Board provides otherwise, which it did not in this proceeding). Although Board Staff is not a party to this Settlement Proposal, the Board Staff who did participate in the Settlement Conference are bound by the same confidentiality standards that apply to the Parties to the proceeding.

These settlement proceedings are subject to the rules relating to confidentiality and privilege contained in the Guidelines. The parties understand this to mean that the documents and other information provided, the discussion of each issue, the offers and counter-offers, and the negotiations leading to the settlement – or not – of each issue during the Settlement Conference are strictly confidential and without prejudice. None of the foregoing is admissible as evidence in this proceeding, or otherwise, with one exception: the need to resolve a subsequent dispute over the interpretation of any provision of this Settlement Proposal.

This document is called a "Settlement Proposal" because it is a proposal by the Parties to the Board to settle the issues in this proceeding. It is termed a proposal as between the Parties and the Board. However, as between the Parties, and subject only to the Board's approval of this Settlement Proposal, this document is intended to be a legal agreement, creating mutual obligations, and binding and enforceable in accordance with its terms. As set forth later in this Preamble, this agreement is subject to a condition subsequent, that if it is not accepted by the Board in its entirety, then unless amended by the Parties it is null and void and of no further effect. In entering into this agreement, the Parties understand and agree that, pursuant to the Act, the Board has exclusive jurisdiction with respect to the interpretation or enforcement of the terms hereof.

The Settlement Proposal describes the agreements reached on the settled issues and identifies the parties who agree, or alternatively who take no position on each issue. The Settlement Proposal provides a direct link between each issue and the supporting evidence in the record to date. In this regard, the parties who agree with the individual settlements are of the view that the evidence provided is sufficient to support the Settlement Proposal in relation to the settled issues and, moreover, that the quality and detail of the supporting evidence, together with the corresponding rationale, will allow the Board to make findings on the settled issues.

Best efforts have been made to identify all of the evidence that relates to each settled issue. The supporting evidence for each settled issue is identified individually by reference to its exhibit number in an abbreviated format. For example, Exhibit 2, Tab 1, Schedule 1, Page 3 (commencing page) is referred to as 2-1-1-3. A concise description of the content of each exhibit is also provided. In this regard, GLPT's response to an interrogatory (IR) is described by citing the name of the Party and the number of the interrogatory (e.g., Board Staff IR #1 or SEC IR #2). The identification and listing of the evidence that relates to each issue is provided to assist the Board. The identification and listing of the evidence that relates to each settled issue is not intended to limit any party who wishes to assert that other evidence is relevant to a particular settled issue.

According to the Practice Direction (p. 4), the Parties must consider whether a Settlement Proposal should include an appropriate adjustment mechanism for any settled issue that may be affected by external factors. GLPT and the other Parties who participated in the Settlement Conference agree that no settled issue requires an adjustment mechanism other than those expressly set forth herein.

All of the issues contained in this proposal have been settled by the Parties as a package (the "**package**") and none of the provisions of these issues are severable. Compromises were made by the Parties with respect to various matters to arrive at this comprehensive Settlement Proposal. The distinct issues addressed in this proposal are intricately interrelated, and reductions or increases to the agreed-upon amounts may have financial consequences in other areas of this proposal which may be unacceptable to one or more of the Parties. If the Board does not, prior to the commencement of the hearing of the evidence, accept the package in its entirety, then there is no settlement (unless the Parties agree that any portion of the package that the Board does accept may continue as part of a valid Settlement Proposal). None of the Parties can withdraw from this proposal except in accordance with Rule 32.05 of the Rules. Moreover, the settlement of any particular issue in this proceeding and the positions of the Parties in this Settlement Proposal are without prejudice to the rights of the Parties to raise the same issue and/or to take any position thereon in any other proceeding, whether or not GLPT is a party to such proceeding.

The Parties agree that this Settlement Proposal and the Appendices form part of the record in EB-2014-0238. The Revenue Requirement Work Forms were prepared by the Applicant. The intervenors are relying on the accuracy and completeness of the Revenue Requirement Work Forms in entering into this Settlement Proposal. Summary of the Proposed Settlement

Summary of the Settlement Proposal

For the purposes of organizing this Settlement Proposal, and without prejudice to the positions of the Parties with respect to the issues that might otherwise be considered in this proceeding should a hearing be required, the Parties have followed, as applicable, the issues list set out at **'Appendix A'** to this Settlement Proposal, which was approved by the Board in its October 27, 2014 Decision.

We are pleased to inform the Board that the Parties have reached a comprehensive agreement on all issues.

Through this Settlement Proposal, GLPT agrees to certain changes from its initial application for 2015 and 2016 electricity transmission rates, as filed with the Board on July 14, 2014. The most significant matters arising from this Settlement Proposal are as follows:

- **Overall Revenue Requirements:** The Overall Base Revenue requirements as agreed by the parties are $39,582,100 and $40,020,600, for 2015 and 2016, respectively.

- **OM&A**: GLPT initially proposed operating costs that included OM&A costs of $11,021,100 for 2015 and $11,331,900 for 2016. As part of obtaining a complete settlement of all issues, the Parties have agreed that GLPT's OM&A expenses for the Test Years, as described herein, should be $10,821,100 for the 2015 test year and $11,121,900 for the 2016 test year, with the reduction from the proposed amounts reflecting the cost savings associated with additional efficiency and productivity measures that GLPT will undertake to implement during the test years.

- **Rate Base**: GLPT initially requested rate base amounts of $218,760,200 and $218,654,100 for 2015 and 2016, respectively. The Parties have agreed on the requested rate base amounts, with the expectation that a net cumulative asymmetrical variance account will be created for the test years to track the impact on revenue requirement of the cost of In-Service Additions during the test years.

- **Disbursal of Deferral and Variance Accounts**: In its application, GLPT proposed to disburse the various account balances by aggregating the balance of all accounts, including the remaining balance in Account 1595, and disbursing them over a three year period beginning in 2015. For the purpose of obtaining a complete settlement of all issues, the Parties have agreed that the various account balances being disbursed, and the proposed disbursal methodology, are appropriate

- **Closing, Creation and Continuation of Deferral and Variance Accounts**: Except as otherwise noted in this paragraph, the Parties accept GLPT's proposals in respect of the closing, creation and continuation of deferral and variance accounts. For the purpose of obtaining a complete settlement of all issues, the Parties have agreed that the sub-account within account 1508 related changes to existing IFRS standards or changes in the interpretation of such standards should be closed. In addition, as indicated above, the Parties also agree that a net cumulative asymmetrical variance account should be created for the test years to track the impact on revenue requirement of the cost of in-service additions during the test years. Finally, GLPT agrees at this time not to pursue a new deferral account for recording incremental expenditures related to new customer connection activities, but the Parties agree that GLPT may apply to the Board in the future to establish this account.

- **Rates**: The Parties have agreed that GLPT's rates are effective January 1 of each year with implementation on that date or according to a process established by the Board.

- **Other**: As part of the complete settlement of all issues, GLPT undertakes to submit to the Board: a more detailed and comprehensive asset management plan as part of GLPT's next rate application; agrees to participate in HONI's Total Cost Benchmarking Study (described in the proposed Settlement Proposal filed in EB-2014-0140) through the provision of relevant data, if GLPT is requested to do so; undertakes to complete a new lead lag study as part of GLPT's next rate application; and undertakes to prepare a new, bottom-up load forecast for submission to the Board with GLPT's next rate application.

Attached at **Appendix 'B'** is a copy of the Revenue Requirement Work Forms updated to reflect the impacts of the proposed settlement as herein described for the 2015 and 2016 Test Years.

ISSUES

1. General

1.1 Has GLPT responded appropriately to all relevant Board directions from previous proceedings?

Complete Settlement: There is an agreement to settle this issue as follows:

For the purpose of obtaining a complete settlement of all issues, the Parties agree that GLPT has responded appropriately to all relevant Board directions from previous proceedings.

Approval:

Parties in Support:	SEC, VECC, Energy Probe
Parties Taking No Position:	N/A

Evidence: The evidence in relation to this issue includes the following: N/A

1.2 Is the overall increase in 2015 and 2016 revenue requirement reasonable?

Complete Settlement: Subject to the terms of this Settlement Proposal, including section 4, there is an agreement to settle this issue as follows:

In its application and evidence, GLPT forecasted its 2015 and 2016 base revenue requirement to be $39,782,100 and $40,230,600, respectively.

For the purpose of obtaining a complete settlement of all issues, the Parties accept that base revenue requirements for 2015 and 2016 of $39,582,100 and $40,020,600, respectively, are reasonable, and that these amounts should be adjusted to include future updates to the Board's Cost of Capital parameters for the rate year beginning January 1, 2015 and again for the rate year beginning January 1, 2016.

Approval:

Parties in Support:	SEC, VECC, Energy Probe
Parties Taking No Position:	N/A

Evidence: The evidence in relation to this issue includes the following:

1-1-1	Application
1-1-2	Summary of Application
1-1-3	Schedule of Overall Revenue Deficiency
1-1-4	Revenue Requirement Work Forms (2015 & 2016)
1-1-5	Sensitivity Analysis
9-2-1	2-Staff-8
9-2-1	2-Staff-20
9-4-1	3.0-VECC-9
9-5-1	2-Energy Probe-8
9-5-1	2-Energy Probe-13
9-5-1	2-Energy Probe-23
10-4-1	3.0-VECC-26
10-5-1	1-Energy Probe-24s
10-5-1	6-Energy Probe-27s

1.3 Are the productivity measures proposed and benchmarking performed by GLPT reasonable and appropriate?

Complete Settlement: There is an agreement to settle this issue as follows:

In its application and evidence, GLPT indicated that it had engaged First Quartile Consulting ("1QC") to provide a benchmarking study to compare the requested 2015 and 2016 OM&A expenditures against other transmission providers in North America. The 1QC benchmarking study indicates that GLPT falls below average on a cost per gross asset basis. GLPT also described its approach to asset management in the application and evidence, and indicated that it continues to improve its asset management approach with the development of tools and programs. GLPT also included evidence of productivity initiatives that it is has commenced and plans to undertake.

For the purpose of obtaining a complete settlement of all issues, the Parties agree that GLPT's productivity measures and benchmarking are reasonable and appropriate. As part of the complete settlement of all issues, GLPT also agrees to participate in HONI's Total Cost Benchmarking Study (described in the proposed Settlement Proposal filed in EB-2014-0140) through the provision of relevant data, if GLPT is requested to do so.

Approval:

Parties in Support:	SEC, VECC, Energy Probe
Parties Taking No Position:	N/A

Evidence: The evidence in relation to this issue includes the following:

1-1-2	Summary of Application
2-2-1	Asset Management and Capital Budgeting
4-1-1	Summary of Operating Costs
4-2-1	OM&A Overview
9-2-1	2-Staff-9
9-2-1	2-Staff-12
9-4-1	1.0-VECC-1
9-4-1	4.0-VECC-15
9-5-1	2-Energy Probe-9
10-2-1	2-Staff-36s

2. Rate Base

2.1 Is the proposed rate base for 2015 and 2016 appropriate?

Complete Settlement: There is an agreement to settle this issue as follows:

In its application and evidence, GLPT forecasted its 2015 and 2016 rate base to be $218,760,200 and $218,654,100, respectively, as presented in Table 2-1-1A of the pre-filed evidence.

For the purpose of obtaining a complete settlement of all issues, the Parties agree that the Board should accept these amounts as GLPT's forecasted rate base for the 2015 and 2016 Test Years. GLPT also undertakes to submit to the Board a more detailed and comprehensive Asset Management plan as part of GLPT's next rate application

Further, since GLPT is forecasting to increase its capital additions in 2015 and 2016 Test Years, relative to 2013-2014, the Parties agree as part of the complete settlement of all issues, that a net cumulative asymmetrical variance account should be created for the test years to track the impact on revenue requirement of the cost of in-service additions during the test years compared to Board approved amounts, for disposition in a future rate application ("**In-service Addition Net Cumulative Asymmetrical Variance Account**"). The purpose of this account is to capture the revenue requirement amount which (i) would arise if the total in-service additions forecasted by GLPT for the test years 2015 and 2016 and agreed to in this Settlement Proposal are higher than the actual total in-service additions for 2015 and 2016, and (ii) reflects the net difference between the forecasted and in-service additions for 2015 and 2016 in the event that the circumstance set out in (i) occurs. For clarity, the account relates to variances in in-service additions and not variances in rate base generally. If the cumulative amount of in-service additions during 2015 and 2016 is less than the cumulative Board-approved amount, then the revenue requirement impact of the shortfall would be entered in the variance account, for disposition in a future rate application. If the cumulative amount of in-service additions exceeds the cumulative Board-approved amount for the test years, no entry would be made in the variance account. This approach ensures that ratepayers pay only for assets in service.

Approval:

Parties in Support: SEC, VECC, Energy Probe

Parties Taking No Position: N/A

Evidence: The evidence in relation to this issue includes the following:

1-1-2	Summary of Application
2-1-1	Rate Base Overview
2-1-2	Summary and Continuity Statements
9-2-1	2-Staff-2
9-2-1	2-Staff-3
9-2-1	2-Staff-4
9-2-1	2-Staff-7
9-2-1	2-Staff-8
9-2-1	2-Staff-10
9-2-1	2-Staff-11
9-3-1	2-SEC-3
9-3-1	2-SEC-5
9-3-1	2-SEC-6
9-4-1	2.0-VECC-2
9-4-1	2.0-VECC-3
9-4-1	2.0-VECC-4
9-4-1	2.0-VECC-5
9-4-1	2.0-VECC-6
9-5-1	2-Energy Probe-1
9-5-1	2-Energy Probe-2
9-5-1	2-Energy Probe-5
10-2-1	2-Staff-34s
10-2-1	2-Staff-35s
10-4-1	2.0-VECC-24
10-4-1	2.0-VECC-25
10-5-1	1-Energy Probe-24s

2.2 Is the working capital allowance for 2015 and 2016 appropriate?

Complete Settlement: There is an agreement to settle this issue as follows:

The working cash allowance for the Test Years has been calculated by GLPT using the results of the working capital study completed in 2010 by Navigant Consulting Inc., plus a provision for inventory assets that are working capital for GLPT but that form no part of the working cash study.

For the purpose of obtaining a complete settlement of all issues, the Parties accept GLPT's working capital allowance calculation, and that the total working capital requirements of $474,000 for 2015 and $489,800 for 2016 are appropriate. As part of the complete settlement of all issues, GLPT also undertakes to complete a new lead lag study as part of GLPT's next rate application.

Approval:

Parties in Support: SEC, VECC, Energy Probe

Parties Taking No Position: N/A

Evidence: The evidence in relation to this issue includes the following:

1-1-4	Revenue Requirement Work Forms (2015 & 2016)
2-1-1	Rate Base Overview
2-1-3	Working Capital Allowance
9-2-1	2-Staff-2
9-4-1	2.0-VECC-6
9-5-1	2-Energy Probe-6

2.3 Is the capital expenditure forecast for 2015 and 2016 appropriate

2.3.1 **2015**

Complete Settlement: There is an agreement to settle this issue as follows:

For the purpose of obtaining a complete settlement of all issues, and subject to section 2.1, the Parties accept that GLPT's proposed capital addition of $9,460,000 for 2015 is appropriate.

Approval:

Parties in Support: SEC, VECC, Energy Probe

Parties Taking No Position: N/A

Evidence: The evidence in relation to this issue includes the following:

1-4-1	Materiality Threshold
2-1-1	Rate Base Overview
2-1-2	Summary and Continuity Statements
2-2-1	Asset Management and Capital Budgeting
9-2-1	2-Staff-3
9-5-1	4-Energy Probe-19

2.3.2 **2016**

Complete Settlement: There is an agreement to settle this issue as follows:

For the purpose of obtaining a complete settlement of all issues, and subject to section 2.1, the Parties accept that GLPT's proposed capital addition of $9,768,700 for 2016 is appropriate.

Approval:

Parties in Support: SEC, VECC, Energy Probe

Parties Taking No Position: N/A

Evidence: The evidence in relation to this issue includes the following:

1-4-1	Materiality Threshold
2-1-1	Rate Base Overview
2-1-2	Summary and Continuity Statements
2-2-1	Asset Management and Capital Budgeting
9-2-1	2-Staff-3
9-5-1	4-Energy Probe-19

2.4 Is the capitalization policy and allocation procedure appropriate?

Complete Settlement: There is an agreement to settle this issue as follows:

For the purpose of obtaining a complete settlement of all issues, the Parties accept that GLPT's capitalization policy and allocation procedures, as set out in the application, are appropriate.

Approval:

Parties in Support: SEC, VECC, Energy Probe

Parties Taking No Position: N/A

Evidence: The evidence in relation to this issue includes the following:

2-1-1 Rate Base Overview

3. Load Forecast and Revenue Forecast

3.1 Is the load forecast and methodology appropriate?

Complete Settlement: There is an agreement to settle this issue as follows:

For the purpose of obtaining a complete settlement of all issues, the Parties accept that GLPT's load forecast and revenue forecast is appropriate. Further, GLPT undertakes to prepare a new, bottom-up (Customer) load forecast for submission to the Board with GLPT's next rate application.

Approval:

Parties in Support: SEC, VECC, Energy Probe

Parties Taking No Position: N/A

Evidence: The evidence in relation to this issue includes the following:

3-1-1	Operating Revenue
3-1-2	Charge Determinant Forecast and Variance Analysis
9-2-1	3-Staff-13
9-4-1	3.0-VECC-9
9-4-1	3.0-VECC-10
9-4-1	3.0-VECC-11
9-5-1	2-Energy Probe-8
10-4-1	3.0-VECC-27
10-5-1	1-Energy Probe-24s

3.2 Is the impact of CDM appropriately reflected in the load forecast?

Complete Settlement: There is an agreement to settle this issue as follows:

For the purpose of obtaining a complete settlement of all issues, the Parties accept that the impact of CDM is appropriately reflected in the load forecast. As indicated in section 3.1 above, as part of the complete settlement of all issues, GLPT undertakes to prepare a new, bottom-up (Customer) load forecast for submission to the Board with GLPT's next rate application.

Approval:

Parties in Support: SEC, VECC, Energy Probe

Parties Taking No Position: N/A

Evidence: The evidence in relation to this issue includes the following:

3-1-1 Operating Revenue
3-1-2 Charge Determinant Forecast and Variance Analysis

3.3 Are Other Revenues forecasts appropriate?

Complete Settlement: There is an agreement to settle this issue as follows:

In its application and evidence, GLPT forecasted its other income to be ($89,900) in each of 2015 and 2016, as presented in Table 3-1-3A of the pre-filed evidence.

For the purpose of obtaining a complete settlement of all issues, the Parties accept GLPT's forecasted other income for the 2015 and 2016 Test Years as appropriate.

Approval:

Parties in Support: SEC, VECC, Energy Probe

Parties Taking No Position: N/A

Evidence: The evidence in relation to this issue includes the following:

3-1-1 Operating Revenue

4. Operations, Maintenance and Administrative Costs

In its application, GLPT initially proposed total operating costs of $23,075,900 for 2015 and $23,532,600 for 2016. As shown in Table 4-1-1A, this was comprised of the following components:

- Operations, Maintenance and Administration ($11,021,100 for 2015 and $11,331,900 for 2016)
- Depreciation and Amortization ($9,701,200 for 2015 and $9,771,300 for 2016)
- Income Taxes ($2,115,400 for 2015 and $2,189,000 for 2016)
- Property Taxes ($238,200 for 2015 and $240,400 for 2016)

Operations, Maintenance & Administration expenses (OM&A), are considered in section 4.1, 4.2 and 4.4 of this Settlement Proposal, below.

Depreciation and Amortization expenses are considered in section 4.3 of this Settlement Proposal, below.

Income Taxes and Property Taxes are considered together in section 4.5, 4.6 and 4.7 of this Settlement Proposal.

4.1 Is the overall OM&A forecast in 2015 and 2016 appropriate?

4.2 Are the proposed spending levels for Shared Services and other costs in 2015 and 2016 appropriate?

4.4 Are the 2015 and 2016 compensation costs and employee levels appropriate?

Complete Settlement: There is an agreement to settle these issues 4.1, 4.2 and 4.4 as follows:

As indicated above, GLPT initially proposed operating costs that included OM&A costs of $11,021,100 for 2015 and $11,331,900 for 2016.

For the purpose of obtaining a complete settlement of all issues, the Parties have agreed that GLPT's OM&A expenses for the Test Years, as described herein, should be $10,821,100 for the 2015 test year and $11,121,900 for the 2016 test year. The Parties recognize that the reductions from GLPT's proposed OM&A costs for 2015 and 2016 reflect the cost savings associated with additional efficiency and productivity measures that GLPT will undertake to implement during the Test Years.

The Parties also note that the Pensions and Other Post- Employment Benefits (OPEB) costs included in the test period revenue requirement are based on actuarial calculations. In complying with IFRS accounting principles, the costs are recorded on an accrual basis for financial reporting as well. However, the actual payment for these costs is made by GLPT on a cash basis. In recent years, GLPT has paid out more in Pension costs than it recovered in rates while the opposite occurred for OPEB costs.

The table below sets out the actual cash amounts paid by GLPT over the 2010 to 2013 period and forecasted for 2014-2016 versus what was included in the applicable year's revenue requirement. Looking at Pension and OPEB on a combined basis it is apparent that, since 2010, GLPT has recovered less in rates than has been actually been paid out. Furthermore, there is no material difference between the cash and accrual accounting amounts reflected in GLPT's test period revenue requirement. Therefore, the Parties accept the Pension and OPEB costs included in GLPT's test period revenue requirement, without prejudice to the views they may hold as to the accounting practice that should apply for the calculation of Pension and OPEB costs to be recovered in rates and without prejudice to any position they may take in any other proceeding.

OPEB and Pension Costs

	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Bridge Year	2015 Test Year	2016 Test Year
OPEB							
Amount included in rates	$ 385,843	$ 359,614	$ 368,604	$ 490,000	$ 499,972	$ 480,984	$ 523,216
Amount actually paid	$ 199,208	$ 123,844	$ 131,136	$ 140,423	$ 150,000	$ 153,000	$ 156,060
Net Excess (less than) in rates	**$ 186,635**	**$ 235,770**	**$ 237,468**	**$ 349,577**	**$ 349,972**	**$ 327,984**	**$ 367,156**
Pension							
Amount included in rates	$ 229,405	$ 295,274	$ 302,656	$ 526,000	$ 536,704	$ 587,924	$ 644,561
Amount actually paid	$ 556,003	$ 1,536,782	$ 1,015,092	$ 680,650	$ 901,715	$ 913,149	$ 934,611
Net Excess (less than) in rates	**($326,598)**	**($1,241,508)**	**($712,436)**	**($154,650)**	**($365,011)**	**($325,225)**	**($290,050)**
Total Excess (less than) in rates	**($139,963)**	**($1,005,738)**	**($474,968)**	**$194,927**	**($15,039)**	**$2,759**	**$77,106**

Source: Response to Board staff interrogatory 4-Staff-22 (g) and Board staff interrogatory 4-Staff-23 (c)

Approval:

Parties in Support: SEC, VECC, Energy Probe

Parties Taking No Position: N/A

Evidence: The evidence in relation to this issue includes the following:

4-1-1	Summary of Operating Costs
4-2-1	OM&A Overview
4-2-2	Employee Compensation Breakdown
4-2-3	Shared Services & Corporate Cost Allocation
4-2-4	Purchase of Non-Affiliate Services
9-2-1	2-Staff-8
9-2-1	3-Staff-14
9-2-1	4-Staff-15
9-2-1	4-Staff-17
9-2-1	4-Staff-18
9-2-1	4-Staff-20
9-2-1	4-Staff-21
9-2-1	4-Staff-22
9-2-1	4-Staff-23
9-2-1	4-Staff-24
9-2-1	4-Staff-25
9-2-1	6-Staff-29
9-2-1	6-Staff-33
9-3-1	4-SEC-10
9-3-1	4-SEC-12
9-3-1	4-SEC-13
9-4-1	2.0-VECC-7
9-4-1	3.0-VECC-13
9-4-1	4.0-VECC-15
9-4-1	4.0-VECC-16
9-4-1	6.0-VECC-20
9-5-1	2-Energy Probe-9
9-5-1	2-Energy Probe-10
9-5-1	2-Energy Probe-11
9-5-1	4-Energy Probe-14
9-5-1	4-Energy Probe-17
9-5-1	4-Energy Probe-18
9-5-1	4-Energy Probe-19
9-5-1	4-Energy Probe-20
9-5-1	4-Energy Probe-21
9-5-1	4-Energy Probe-23
10-3-1	4-SEC-20
10-4-1	4.0-VECC-28
10-5-1	6-Energy Probe-27s

4.3 Is the proposed level of depreciation/amortization expense for 2015 and 2016 appropriate?

Complete Settlement: There is an agreement to settle issue 4.3 as follows:

As indicated above, GLPT initially proposed operating costs that included depreciation and amortization costs of $9,701,200 for 2015 and $9,771,300 for 2016.

For the purpose of obtaining a complete settlement of all issues, the Parties have agreed that GLPT's proposed depreciation and amortization costs of $9,701,200 for 2015 and $9,771,300 for 2016 are appropriate.

Approval:

Parties in Support:	SEC, VECC, Energy Probe
Parties Taking No Position:	N/A

Evidence: The evidence in relation to this issue includes the following:

4-1-1	Summary of Operating Costs
4-2-3	Shared Services & Corporate Cost Allocation
4-3-1	Depreciation & Amortization
9-2-1	2-Staff-9
10-2-1	6-Staff-39s

4.5 Is the 2015 and 2016 forecast of property taxes appropriate?

4.6 Are the requested income tax allowance for the test years 2015 and 2016 reasonable considering that the ownership structure of GLPT has changed since the last application EB-2012-0300?

4.7 Is the 2015 and 2016 forecast of income tax appropriate?

Complete Settlement: There is an agreement to settle these issues 4.5, 4.6, and 4.7 as follows:

In its initial application, GLPT:

- Calculated its property tax expense as $238,200 for 2015 and $240,400 for 2016. The calculation of these amounts is described in 4-4-3; and

- Calculated its income tax expense as $2,115,400 for 2015 and $2,189,000 for 2016. The calculation of this amount is described in 4-4-2.

Property Tax

For the purpose of obtaining a complete settlement of all issues, the Parties accept that GLPT's calculations of property taxes described herein, which total $238,200 for 2015 and $240,400 for 2016 are appropriate.

Income Tax

For the purpose of obtaining a complete settlement of all issues, the Parties accept GLPT's calculations of income tax, totaling $2,115,400 for 2015 and $2,189,000 for 2016, are appropriate. As shown in the corporate chart in 1-5-11-B, and as described in the section 81 notice filed by GLPT with the Board on January 31, 2013, there was a change in GLPT's corporate structure since GLPT's previous rate application (EB-2012-0300) whereby Great Lakes Power Transmission Holdings LP became the new sole limited partner of GLPT. In particular, GLPT's current corporate structure chart[1] indicates that a non- taxable entity, Great Lakes Power Transmission Holdings LP, owns 99.99% of the partnership units of GLPT (as the sole limited partner), and that a taxable entity, Great Lakes Power Transmission Inc., owns 0.01% of the partnership units (as the general partner). The previous ownership structure[2] showed ownership by two taxable entities, Great Lakes Power Transmission Inc. with 0.01% GP interest and Brookfield Infrastructure Holdings (Canada) Inc. with 99.99% LP interest.

Regarding the provision of a tax allowance in GLPT's revenue requirement, the Board had previously found that the stand-alone principle applied to GLPT and that the tax allowance will be allowed in rates. The Board stated, "The two partners [i.e., the general partner and sole limited partner of GLPT] are taxable corporations in Canada. There is no need to look further up the Brookfield corporate structure for purposes of determining the tax position." While it is evident that GLPT is no longer directly held by two taxable entities, the Parties are of the view that the tax allowance should continue to be included in the revenue requirement for the test period. Underpinning this view is the fact that there is a taxable entity, Brookfield Infrastructure Holdings (Canada) Inc., further up the ownership chart. In effect, the change in corporate structure does not alter the tax liability or the corporate entities within the structure responsible for that liability.

[1] See EB-2014-0238/ Exhibit 1Tab5 Schedule 2 Appendix B p.5
[2] See EB-2012-0300/Exhibit 1 Tab1 Schedule 12 Appendix B p.5

Approval:

Parties in Support:	SEC, VECC, Energy Probe
Parties Taking No Position:	N/A

Evidence: The evidence in relation to this issue includes the following:

4-4-1	Tax Overview
4-4-2	Income Tax
4-4-3	Property Tax
4-4-4	Interest Expense
4-4-5	Capital Cost Allowance
9-4-1	4.0-VECC-19

5. Cost of Capital

5.1 Is the proposed capital structure, rate of return on equity and short term debt rate appropriate?

5.2 Is the proposed long term debt rate appropriate?

Capital Structure

Complete Settlement: There is an agreement to settle these issues 5.1 and 5.2 as follows:

In its application and evidence, GLPT proposed a capital structure for both the 2015 and 2016 Test Years that is 60% deemed debt (comprised of 4% short-term and 56% long-term) and 40% equity, as presented in Tables 5-1-1A and 5-1-1B of the pre-filed evidence.

For the purpose of obtaining a complete settlement of all issues, the Parties accept that GLPT's proposed capital structure for the 2015 and 2016 Test Years is appropriate.

Approval:

Parties in Support: SEC, VECC, Energy Probe

Parties Taking No Position: N/A

Evidence: The evidence in relation to this issue includes the following:

5-1-1	Cost of Capital & Rate of Return
9-2-1	5-Staff-26

Cost of Debt

Complete Settlement: There is an agreement to settle this issue as follows:

In its application, GLPT proposed a rate of interest on long term debt using its effective rate of interest on its actual debt. The rate proposed by GLPT was 6.87% in both 2015 and 2016, as presented in the Tables at 5-1-1A and 5-1-1B of the pre-filed evidence.

In its application, GLPT acknowledged that the Board has determined that the deemed amount of short term debt that should be factored into rate setting be fixed at 4% of rate base. For rates effective January 1, 2015 and January 1, 2016, to be consistent with GLPT's approach to Return on Equity ("ROE"), GLPT indicated its deemed short term debt rate to be 2.11% for each of 2015 and 2016. The deemed short term debt rate for 2015 and 2016 will be updated when the Board issues its approved cost of capital parameters for the rate year beginning January 1, 2015 and then again for the rate year beginning January 1, 2016.

For the purpose of obtaining a complete settlement of all issues, the Parties accept, as appropriate, GLPT's proposed rate of interest on long term debt of 6.87% and the Board-prescribed rate of interest on short term debt for the purpose of determining the cost of debt component of GLPT's revenue requirements for the 2015 and 2016 Test Years.

Approval:

Parties in Support: SEC, VECC, Energy Probe

Parties Taking No Position: N/A

Evidence: The evidence in relation to this issue includes the following:

5-1-1 Cost of Capital & Rate of Return

Cost of Equity

Complete Settlement: There is an agreement to settle this issue as follows:

In its application, GLPT initially proposed a ROE of 9.36% for each of the 2015 and 2016 test years. GLPT stated that it would update the ROE for each test year with the Board-approved figure, in accordance with the Board's Cost of Capital Report.

For the purpose of obtaining a complete settlement of all issues, the Parties accept GLPT's proposed ROE for the 2015 and 2016 test years, as updated when the Board issues its approved cost of capital parameters for the rate year beginning January 1, 2015 and again for the rate year beginning January 1, 2016.

Approval:

Parties in Support: SEC, VECC, Energy Probe

Parties Taking No Position: N/A

Evidence: The evidence in relation to this issue includes the following:

5-1-1 Cost of Capital & Rate of Return

6. Deferral and Variance Accounts

6.1 Are the proposed amounts, disposition and continuances of GLPT's existing Deferral and Variance Account appropriate?

6.1.1 Continuances

Complete Settlement: There is an agreement to settle this issue as follows:

In its application, GLPT proposed the following:

- the continuation in the test period of the sub-account for costs related to a legal claim made by Comstock Canada Inc., within account 1508;
- the continuation in the test period of the sub-account for Property Tax and Use and Occupation Permit Fee variances, within account 1508;
- the continuation in the test period of the sub-account to track and record impacts on test year revenue requirements resulting from any changes to existing IFRS standards or changes in the interpretation of such standards, within account 1508;
- the continuation in the test period of the sub-account to record costs in respect of IFRS gains and losses resulting from premature asset component retirements, within account 1508; and
- the continuation in the test period of the sub-account to record expenditures related to addressing an upcoming change to the definition of the Bulk Electric System ("BES"), within account 1508.

In addition, based upon the Board's Decision in EB-2009-0409, GLPT proposed to continue to maintain in the test period sub-accounts for Infrastructure Investment, Green Energy Initiatives and Preliminary Planning Costs, within account 1508. Based upon the Accounting Procedures Handbook, GLPT proposed to continue to maintain in the test period account 1592 for tax variances and account 1595 related to previously approved regulatory liability repayments and account 1575 related to IFRS-CGAAP Transitional PP&E Amounts (for disbursement only).

Account 1508 - Other Regulatory Assets

As at the date of the Application, GLPT had six active sub-accounts of Account 1508: (i) Infrastructure Investment, Green Energy Initiatives and Preliminary Planning Costs; (ii)

Comstock Claim; (iii) Property Tax and Use and Occupation Permit Fee Variances; (iv) Changes in IFRS; (v) IFRS Gains and Losses; and (vi) Changes to the definition of BES.

Account 1592 - Changes in Tax Legislation

The Board created this account to deal with changes in tax legislation and tax rules with respect to PILs and taxes.

Account 1575 - IFRS-CGAAP Transitional PP&E Amounts

The Board created this account to record differences arising as a result of accounting policy changes caused by the transition from previous CGAAP to modified IFRS.

Account 1595 - Five Year Liability Repayment

This account was established to refund the amount of $3,063,900 to ratepayers over a five year period beginning in 2011.

For the purpose of obtaining a complete settlement of all issues, the Parties accept GLPT's proposal that the Board should authorize GLPT to continue to establish and record costs in these existing accounts, as described in the evidence filed by GLPT in support of these requests (including the continuance of the account 1575 related to IFRS-CGAAP Transitional PP&E Amounts for disbursal only), with one exception: the Parties agree that the sub-account within account 1508 related changes to existing IFRS standards or changes in the interpretation of such standards should be closed.

The Parties also acknowledge that GLPT's loss on disposal of assets amounts in 2013 and 2014 were approximately $450,000 and $210,000, respectively, and GLPT anticipates the loss amounts related to planned projects will be in excess of $500,000 and $300,000 in each of 2015 and 2016, respectively. These amounts are therefore expected to exceed GLPT's materiality thresholds set out in 1-4-1 of the pre-filed evidence of $199,400 and $201, 600 for 2015 and 2016, respectively.

Approval:

Parties in Support: SEC, VECC, Energy Probe

Parties Taking No Position: N/A

Evidence: The evidence in relation to this issue includes the following:

6-1-1 Deferral and Variance Accounts Overview

6-1-2	Account 1508 - Other Regulatory Assets
6-1-3	Account 1575 - IFRS-CGAAP Transitional PP&E Amounts
6-4-1	Continuity of Deferral and Variance Accounts
9-2-1	6-Staff-27
9-2-1	6-Staff-28
9-2-1	6-Staff-29
9-2-1	6-Staff-30
9-2-1	6-Staff-31
9-2-1	6-Staff-32
9-2-1	6-Staff-33
9-3-1	4-SEC-14
9-5-1	6-Energy Probe-22
10-2-1	6-Staff-37s
10-2-1	6-Staff-39s
10-2-1	6-Staff-40s

6.1.2 Amounts and Dispositions

Complete Settlement: There is an agreement to settle this issue as follows:

In its application, GLPT proposed to disburse the various account balances by aggregating the balance of all accounts, including the remaining balance in Account 1595, and disbursing them over a three year period beginning in 2015.

For the purpose of obtaining a complete settlement of all issues, the Parties have agreed that the various account balances being disbursed, and the proposed disbursal methodology, are appropriate.

Approval:

Parties in Support: SEC, VECC, Energy Probe

Parties Taking No Position: N/A

Evidence: The evidence in relation to this issue includes the following:

6-1-1	Deferral and Variance Accounts Overview
6-1-4	Account 1595 – Three Year Liability Repayment
6-3-1	Disbursal of Existing Deferral and Variance Accounts
6-4-1	Continuity of Deferral and Variance Accounts

9-4-1 6.0-VECC-21

6.2 Are the proposed new Deferral and Variance Account appropriate?

Complete Settlement: There is an agreement to settle this issue as follows:

In its application, GLPT requested approval to establish the following in the test years:

- a sub-account within deferral account 1574 to record revenue deficiencies incurred from January 1, 2015 until GLPT's proposed 2015 rates are implemented, if necessary;
- a sub-account within deferral account 1574 to record revenue deficiencies incurred from January 1, 2016 until GLPT's proposed 2016 rates are implemented, if necessary;
- a new deferral account for recording incremental expenditures related to new customer connection activities.

For the purpose of obtaining a complete settlement of all issues, the Parties agree that an accounting order establishing the requested sub-accounts within deferral account 1574 is appropriate. In addition, as part of the complete settlement of all issues, the Parties accept that, at the appropriate time, the requested account may be established for GLPT to record costs related to new customer connection activities; however, the Parties agree that, at the present time, there is not sufficient certainty regarding the new customer connection activities to warrant establishing this account. The Parties agree that GLPT may apply to the Board in the future to establish this account as further details about the new customer connections become available. Upon such an application, the Participating Intervenors may take any position they feel appropriate.

As indicated in section 2.1 above, as part of a complete settlement of all the issues, the Parties agree that a In-Service Additions Net Cumulative Asymmetrical Variance Account should be created.

Approval:

Parties in Support: SEC, VECC, Energy Probe

Parties Taking No Position: N/A

Evidence: The evidence in relation to this issue includes the following:

6-1-1 Deferral and Variance Accounts Overview

6-2-1	Proposed Deferral and Variance Accounts
9-2-1	6-Staff-33
9-2-1	6-Energy Probe-23
10-2-1	6-Staff-40s
10-5-1	6-Energy Probe-27s
Pages 4-6	Board’s Decision and Order dated July 12, 2012 for proceeding EB-2012-0180 under the heading “Support Costs for OEB Designation Process”

7. <u>Cost Allocation</u>

7.1 Is the cost allocation proposed by GLPT appropriate?

Complete Settlement: There is an agreement to settle this issue as follows:

GLPT proposes to allocate its incremental revenue requirement to the Uniform Transmission Rate pools by applying the same proportions as set out in Hydro One's most recent cost allocation methodology, which remains unchanged from what was approved by the Board in the Decision and Rate Order in EB-2010-0002.

For the purpose of obtaining a complete settlement of all issues, the Parties agree that the Board should adopt GLPT's allocation of its incremental revenue requirement to the Uniform Transmission Rate pools in accordance with Hydro One's latest cost allocation methodology.

Approval:

Parties in Support:	SEC, VECC, Energy Probe
Parties Taking No Position:	N/A

Evidence: The evidence in relation to this issue includes the following:

8-1-1	Calculation of Uniform Transmission Rates
8-1-2	Uniform Transmission Rate Reconciliation
8-1-3	2014 Ontario Transmission Rate Schedules
9-4-1	7.0-VECC-23

8. Rate Design

8.1 Is the proposed charge determinate forecast appropriate?

Complete Settlement: There is an agreement to settle this issue as follows:

As described in 3-1-2 of its application, GLPT employed a methodology for developing a charge determinant forecast for its directly connected customers. As described in 8-1-1, this forecasting methodology was then combined with the approved charge determinants for Ontario's other three electricity transmitters in order to derive the Uniform Transmission Rate in Ontario (the "**UTR**").

	Proposed Annual Charge Determinants (MW)		
	Network	**Line Connection**	**Transformation Connection**
GLPT	3,445.341	2,461.434	455.652
All Transmitters	238,851.173	231,224.393	197,995.764

The Parties accept that the proposed charge determinants presented in the above table are appropriate. Note that the "All Transmitters" figure does not incorporate any update for HONI or other transmitters' 2015-2016 volume forecasts.

Approval:

Parties in Support: SEC, VECC, Energy Probe

Parties Taking No Position: N/A

Evidence: The evidence in relation to this issue includes the following:

3-1-2 Charge Determinant Forecast & Variance Analysis
8-1-1 Calculation of Uniform Transmission Rates
9-2-1 3-Staff-13
9-4-1 3.0-VECC-10
9-4-1 3.0-VECC-11
9-5-1 2-Energy Probe-8
10-4-1 3.0-VECC-27

8.2 Is the proposed calculation of the Uniform Transmission Rates appropriate?

Complete Settlement: There is an agreement to settle this issue as follows:

The Parties accept that GLPT's calculation of the Uniform Transmission Rates is appropriate, subject to the changes agreed to in this Settlement Proposal.

Approval:

Parties in Support: SEC, VECC, Energy Probe

Parties Taking No Position: N/A

Evidence: The evidence in relation to this issue includes the following:

8-1-1	Calculation of Uniform Transmission Rates
8-1-2	Uniform Transmission Rate Reconciliation
8-1-3	2014 Ontario Transmission Rate Schedules

9. <u>Rate Implementation</u>

9.1 Is the rate effective and implementation date appropriate?

Complete Settlement: There is an agreement to settle this issue as follows:

In its application, GLPT requested that its existing rates be made interim effective January 1, 2015, if necessary. GLPT also requested that its proposed rates for 2015 and 2016 test years be made effective as of January 1, 2015 and January 1, 2016, respectively.

The Parties accept that GLPT's existing rates should be made interim effective January 1, 2015, if necessary, and that GLPT's revised 2015 and 2016 rates should be made effective as of January 1, 2015 and January 1, 2016, respectively.

Approval*:*

Parties in Support: SEC, VECC, Energy Probe

Parties Taking No Position: N/A

Evidence: The evidence in relation to this issue includes the following:

1-1-1 Application
1-1-2 Summary of Application

APPENDIX 'A'

ISSUES LIST

BOARD APPROVED ISSUES LIST

1. General

1.1 Has GLPT responded appropriately to all relevant Board directions from previous proceedings?

1.2 Is the overall increase in 2015 and 2016 revenue requirement reasonable?

1.3 Are the productivity measures proposed and benchmarking performed by GLPT reasonable and appropriate?

2. Rate Base

2.1 Is the proposed rate base for 2015 and 2016 appropriate?

2.2 Is the working capital allowance for 2015 and 2016 appropriate?

2.3 Is the capital expenditure forecast for 2015 and 2016 appropriate?

2.4 Is the capitalization policy and allocation procedure appropriate?

3. Load Forecast and Revenue Forecast

3.1 Is the load forecast and methodology appropriate?

3.2 Is the impact of CDM appropriately reflected in the load forecast?

3.3 Are Other Revenues forecasts appropriate?

4. Operations, Maintenance & Administration Costs

4.1 Is the overall OM&A forecast in 2015 and 2016 appropriate?

4.2 Are the proposed spending levels for Share Services and other costs in 2015 and 2016 appropriate?

4.3 Is the proposed level of depreciation/amortization expense for 2015 and 2016 appropriate?

4.4 Are the 2015 and 2016 compensation costs and employee levels appropriate?

4.5 Is the 2015 and 2016 forecast of property taxes appropriate?

4.6 Are the requested income tax allowances for the test years 2015 and 2016 reasonable considering that the ownership structure of GLPT has changed since the last application EB-2012-0300?

4.7 Is the 2015 and 2016 forecast of income taxes appropriate?

5. Cost of Capital

5.1 Is the proposed capital structure, rate of return on equity and short term debt rate appropriate?

5.2 Is the proposed long term debt rate appropriate?

6. Deferral/Variance Accounts

6.1 Are the proposed amounts, disposition and continuances of GLPT's existing Deferral and Variance Account appropriate?

6.2 Are the proposed new Deferral and Variance Account appropriate?

7. Cost Allocation

7.1 Is the cost allocation proposed by GLPT appropriate?

8. Rate Design

8.1 Is the proposed charge determinate forecast appropriate?

8.2 Is the proposed calculation of the Uniform Transmission Rates appropriate?

9. Rate Implementation

9.1 Is the rate effective and implementation date appropriate?

APPENDIX 'B'

REVENUE REQUIREMENT WORK FORMS - REVISED TO REFLECT SETTLEMENT AGREEMENT

Revenue Requirement Workform

Version 4.00

Utility Name	
Service Territory	*Great Lakes Power Transmission*
Assigned EB Number	EB-2014-0238
Name and Title	Scott Seabrook, Director of Administration
Phone Number	(705) 759-7624
Email Address	sseabrook@glp.ca

Revenue Requirement Workform

Notes:

(1) Pale green cells represent inputs
(2) Pale green boxes at the bottom of each page are for additional notes
(3) Pale yellow cells represent drop-down lists
(4) ***Please note that this model uses MACROS. Before starting, please ensure that macros have been enabled.***
(5) ***Completed versions of the Revenue Requirement Work Form are required to be filed in working Microsoft Excel***

Revenue Requirement Workform

Data Input (1)

		Initial Application	(2)			(6)		Per Board Decision	
1	**Rate Base**								
	Gross Fixed Assets (average)	$249,916,705		$ -	$ 249,916,705		$ -	$249,916,705	
	Accumulated Depreciation (average)	($31,630,529)	(5)	$ -	($31,630,529)		$ -	($31,630,529)	
	Allowance for Working Capital:								
	Controllable Expenses	$11,021,095		($200,000)	$ 10,821,095		$ -	$10,821,095	
	Cost of Power	$ -		$ -			$ -	$0	
	Working Capital Rate (%)	4.30%	(9)		4.38%	(9)		4.38%	(9)
2	**Utility Income**								
	Operating Revenues:								
	Distribution Revenue at Current Rates	$38,731,100		$0	$38,731,100		$0	$38,731,100	
	Distribution Revenue at Proposed Rates	$39,782,072		($200,000)	$39,582,072		$0	$39,582,072	
	Other Revenue:								
	Specific Service Charges	$ -		$0	$ -		$0	$ -	
	Late Payment Charges	$ -		$0	$ -		$0	$ -	
	Other Distribution Revenue	$ -		$0	$ -		$0	$ -	
	Other Income and Deductions	$89,900		$0	$89,900		$0	$89,900	
	Total Revenue Offsets	$ -	(7)	$0	$ -		$0	$ -	
	Operating Expenses:								
	OM+A Expenses	$11,021,095		($200,000)	$ 10,821,095		$ -	$10,821,095	
	Depreciation/Amortization	$9,701,179		$ -	$ 9,701,179		$ -	$9,701,179	
	Property taxes	$238,241		$ -	$ 238,241		$ -	$238,241	
	Other expenses	$ -		$ -	0		$ -	$0	
3	**Taxes/PILs**								
	Taxable Income:								
	Adjustments required to arrive at taxable income	($2,323,145)	(3)		($2,323,145)			($2,323,145)	
	Utility Income Taxes and Rates:								
	Income taxes (not grossed up)	$1,554,818			$1,554,818			$1,554,818	
	Income taxes (grossed up)	$2,115,398			$2,115,398			$2,115,398	
	Federal tax (%)	15.00%			15.00%			15.00%	
	Provincial tax (%)	11.50%			11.50%			11.50%	
	Income Tax Credits	$ -			$ -			$ -	
4	**Capitalization/Cost of Capital**								
	Capital Structure:								
	Long-term debt Capitalization Ratio (%)	56.0%			56.0%			56.0%	
	Short-term debt Capitalization Ratio (%)	4.0%	(8)		4.0%	(8)		4.0%	(8)
	Common Equity Capitalization Ratio (%)	40.0%			40.0%			40.0%	
	Prefered Shares Capitalization Ratio (%)								
		100.0%			100.0%			100.0%	
	Cost of Capital								
	Long-term debt Cost Rate (%)	6.87%			6.87%			6.87%	
	Short-term debt Cost Rate (%)	2.11%			2.11%			2.11%	
	Common Equity Cost Rate (%)	9.36%			9.36%			9.36%	
	Prefered Shares Cost Rate (%)								

Notes:

General Data inputs are required on Sheets 3. Data from Sheet 3 will automatically complete calculations on sheets 4 through 9 (Rate Base through Revenue Requirement). Sheets 4 through 9 do not require any inputs except for notes that the Applicant may wish to enter to support the results. Pale green cells are available on sheets 4 through 9 to enter both footnotes beside key cells and the related text for the notes at the bottom of each sheet.

(1) All inputs are in dollars ($) except where inputs are individually identified as percentages (%)

(2) Data in column E is for Application as originally filed. For updated revenue requirement as a result of interrogatory responses, technical or settlement conferences, etc., use colimn M and Adjustments in column I

(3) Net of addbacks and deductions to arrive at taxable income.

(4) Average of Gross Fixed Assets at beginning and end of the Test Year

(5) Average of Accumulated Depreciation at the beginning and end of the Test Year. Enter as a negative amount.

(6) Select option from drop-down list by clicking on cell M10. This column allows for the application update reflecting the end of discovery or Argument-in-Chief. Also, the outcome of any Settlement Process can be reflected.

(7) Input total revenue offsets for deriving the base revenue requirement from the service revenue requirement

(8) 4.0% unless an Applicant has proposed or been approved for another amount.

(9) Starting with 2013, default Working Capital Allowance factor is 13% (of Cost of Power plus controllable expenses). Alternatively, WCA factor based on lead-lag study or approved WCA factor for another distributor, with supporting rationale.

Revenue Requirement Workform

Rate Base and Working Capital

Rate Base

Line No.	Particulars		Initial Application				Per Board Decision
1	Gross Fixed Assets (average)	(3)	$249,916,705	$ -	$249,916,705	$ -	$249,916,705
2	Accumulated Depreciation (average)	(3)	($31,630,529)	$ -	($31,630,529)	$ -	($31,630,529)
3	Net Fixed Assets (average)	(3)	$218,286,176	$ -	$218,286,176	$ -	$218,286,176
4	Allowance for Working Capital	(1)	$474,028	($1)	$474,028	$ -	$474,028
5	**Total Rate Base**		$218,760,204	($1)	$218,760,204	$ -	$218,760,204

(1) Allowance for Working Capital - Derivation

Line No.	Particulars		Initial Application				Per Board Decision
6	Controllable Expenses		$11,021,095	($200,000)	$10,821,095	$ -	$10,821,095
7	Cost of Power		$ -	$ -	$ -	$ -	$ -
8	Working Capital Base		$11,021,095	($200,000)	$10,821,095	$ -	$10,821,095
9	Working Capital Rate %	(2)	4.30%	0.08%	4.38%	0.00%	4.38%
10	Working Capital Allowance		$474,028	($1)	$474,028	$ -	$474,028

Notes

(2) Some Applicants may have a unique rate as a result of a lead-lag study. The default rate for 2014 cost of service applications is 13%.

(3) Average of opening and closing balances for the year.

Revenue Requirement Workform

Utility Income

Line No.	Particulars	Initial Application				Per Board Decision
	Operating Revenues:					
1	Distribution Revenue (at Proposed Rates)	$39,782,072	($200,000)	$39,582,072	$ -	$39,582,072
2	Other Revenue (1)	$89,900	$ -	$89,900	$ -	$89,900
3	Total Operating Revenues	$39,871,972	($200,000)	$39,671,972	$ -	$39,671,972
	Operating Expenses:					
4	OM+A Expenses	$11,021,095	($200,000)	$10,821,095	$ -	$10,821,095
5	Depreciation/Amortization	$9,701,179	$ -	$9,701,179	$ -	$9,701,179
6	Property taxes	$238,241	$ -	$238,241	$ -	$238,241
7	Capital taxes	$ -	$ -	$ -	$ -	$ -
8	Other expense	$ -	$ -	$ -	$ -	$ -
9	Subtotal (lines 4 to 8)	$20,960,515	($200,000)	$20,760,515	$ -	$20,760,515
10	Deemed Interest Expense	$8,605,676	($0)	$8,605,676	$ -	$8,605,676
11	Total Expenses (lines 9 to 10)	$29,566,191	($200,000)	$29,366,191	$ -	$29,366,191
12	**Utility income before income taxes**	$10,305,780	($0)	$10,305,780	$ -	$10,305,780
13	Income taxes (grossed-up)	$2,115,398	$ -	$2,115,398	$ -	$2,115,398
14	**Utility net income**	$8,190,382	($0)	$8,190,382	$ -	$8,190,382

Notes

Other Revenues / Revenue Offsets

(1)	Specific Service Charges	$ -	$ -	$ -	$ -	$ -
	Late Payment Charges	$ -	$ -	$ -	$ -	$ -
	Other Distribution Revenue	$ -	$ -	$ -	$ -	$ -
	Other Income and Deductions	$89,900	$ -	$89,900	$ -	$89,900
	Total Revenue Offsets	$89,900	$ -	$89,900	$ -	$89,900

Revenue Requirement Workform

Taxes/PILs

Line No.	Particulars	Application		Per Board Decision
	Determination of Taxable Income			
1	Utility net income before taxes	$8,190,382	$8,190,382	$8,190,382
2	Adjustments required to arrive at taxable utility income	($2,323,145)	($2,323,145)	($2,323,145)
3	Taxable income	$5,867,237	$5,867,237	$5,867,237
	Calculation of Utility income Taxes			
4	Income taxes	$1,554,818	$1,554,818	$1,554,818
6	Total taxes	$1,554,818	$1,554,818	$1,554,818
7	Gross-up of Income Taxes	$560,581	$560,581	$560,581
8	Grossed-up Income Taxes	$2,115,398	$2,115,398	$2,115,398
9	PILs / tax Allowance (Grossed-up Income taxes + Capital taxes)	$2,115,398	$2,115,398	$2,115,398
10	Other tax Credits	$ -	$ -	$ -
	Tax Rates			
11	Federal tax (%)	15.00%	15.00%	15.00%
12	Provincial tax (%)	11.50%	11.50%	11.50%
13	Total tax rate (%)	26.50%	26.50%	26.50%

Notes

Revenue Requirement Workform

Capitalization/Cost of Capital

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		Initial Application			
		(%)	($)	(%)	($)
	Debt				
1	Long-term Debt	56.00%	$122,505,714	6.87%	$8,421,043
2	Short-term Debt	4.00%	$8,750,408	2.11%	$184,634
3	**Total Debt**	60.00%	$131,256,123	6.56%	$8,605,676
	Equity				
4	Common Equity	40.00%	$87,504,082	9.36%	$8,190,382
5	Preferred Shares	0.00%	$ -	0.00%	$ -
6	**Total Equity**	40.00%	$87,504,082	9.36%	$8,190,382
7	**Total**	100.00%	$218,760,204	7.68%	$16,796,058

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		(%)	($)	(%)	($)
	Debt				
1	Long-term Debt	56.00%	$122,505,714	6.87%	$8,421,043
2	Short-term Debt	4.00%	$8,750,408	2.11%	$184,634
3	**Total Debt**	60.00%	$131,256,122	6.56%	$8,605,676
	Equity				
4	Common Equity	40.00%	$87,504,082	9.36%	$8,190,382
5	Preferred Shares	0.00%	$ -	0.00%	$ -
6	**Total Equity**	40.00%	$87,504,082	9.36%	$8,190,382
7	**Total**	100.00%	$218,760,204	7.68%	$16,796,058

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		Per Board Decision			
		(%)	($)	(%)	($)
	Debt				
8	Long-term Debt	56.00%	$122,505,714	6.87%	$8,421,043
9	Short-term Debt	4.00%	$8,750,408	2.11%	$184,634
10	**Total Debt**	60.00%	$131,256,122	6.56%	$8,605,676
	Equity				
11	Common Equity	40.00%	$87,504,082	9.36%	$8,190,382
12	Preferred Shares	0.00%	$ -	0.00%	$ -
13	**Total Equity**	40.00%	$87,504,082	9.36%	$8,190,382
14	**Total**	100.00%	$218,760,204	7.68%	$16,796,058

Notes

(1) Data in column E is for Application as originally filed. For updated revenue requirement as a result of interrogatory responses, technical or settlement conferences, etc., use colimn M and Adjustments in column I

Revenue Requirement Workform

Revenue Deficiency/Sufficiency

Line No.	Particulars	Initial Application: At Current Approved Rates	Initial Application: At Proposed Rates	At Current Approved Rates	At Proposed Rates	Per Board Decision: At Current Approved Rates	Per Board Decision: At Proposed Rates
1	Revenue Deficiency from Below		$1,050,972		$850,972		$850,972
2	Distribution Revenue	$38,731,100	$38,731,100	$38,731,100	$38,731,100	$38,731,100	$38,731,100
3	Other Operating Revenue Offsets - net	$89,900	$89,900	$89,900	$89,900	$89,900	$89,900
4	**Total Revenue**	$38,821,000	$39,871,972	$38,821,000	$39,671,972	$38,821,000	$39,671,972
5	Operating Expenses	$20,960,515	$20,960,515	$20,760,515	$20,760,515	$20,760,515	$20,760,515
6	Deemed Interest Expense	$8,605,676	$8,605,676	$8,605,676	$8,605,676	$8,605,676	$8,605,676
8	**Total Cost and Expenses**	$29,566,191	$29,566,191	$29,366,191	$29,366,191	$29,366,191	$29,366,191
9	**Utility Income Before Income Taxes**	$9,254,809	$10,305,780	$9,454,809	$10,305,780	$9,454,809	$10,305,780
10	Tax Adjustments to Accounting Income per 2013 PILs model	($2,323,145)	($2,323,145)	($2,323,145)	($2,323,145)	($2,323,145)	($2,323,145)
11	**Taxable Income**	$6,931,664	$7,982,635	$7,131,664	$7,982,635	$7,131,664	$7,982,635
12	Income Tax Rate	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%
13	**Income Tax on Taxable Income**	$1,836,891	$2,115,398	$1,889,891	$2,115,398	$1,889,891	$2,115,398
14	**Income Tax Credits**	$ -	$ -	$ -	$ -	$ -	$ -
15	**Utility Net Income**	$7,417,918	$8,190,382	$7,564,918	$8,190,382	$7,564,918	$8,190,382
16	**Utility Rate Base**	$218,760,204	$218,760,204	$218,760,204	$218,760,204	$218,760,204	$218,760,204
17	Deemed Equity Portion of Rate Base	$87,504,082	$87,504,082	$87,504,082	$87,504,082	$87,504,082	$87,504,082
18	Income/(Equity Portion of Rate Base)	8.48%	9.36%	8.65%	9.36%	8.65%	9.36%
19	Target Return - Equity on Rate Base	9.36%	9.36%	9.36%	9.36%	9.36%	9.36%
20	Deficiency/Sufficiency in Return on Equity	-0.88%	0.00%	-0.71%	0.00%	-0.71%	0.00%
21	Indicated Rate of Return	7.32%	7.68%	7.39%	7.68%	7.39%	7.68%
22	Requested Rate of Return on Rate Base	7.68%	7.68%	7.68%	7.68%	7.68%	7.68%
23	Deficiency/Sufficiency in Rate of Return	-0.35%	0.00%	-0.29%	0.00%	-0.29%	0.00%
24	Target Return on Equity	$8,190,382	$8,190,382	$8,190,382	$8,190,382	$8,190,382	$8,190,382
25	Revenue Deficiency/(Sufficiency)	$772,464	$ -	$625,464	$ -	$625,464	$ -
26	**Gross Revenue Deficiency/(Sufficiency)**	$1,050,972 **(1)**		$850,972 **(1)**		$850,972 **(1)**	

Notes:

(1) Revenue Deficiency/Sufficiency divided by (1 - Tax Rate)

Revenue Requirement Workform

Revenue Requirement

Line No.	Particulars	Application				Per Board Decision	
1	OM&A Expenses	$11,021,095		$10,821,095		$10,821,095	
2	Amortization/Depreciation	$9,701,179		$9,701,179		$9,701,179	
3	Property Taxes	$238,241		$238,241		$238,241	
5	Income Taxes (Grossed up)	$2,115,398		$2,115,398		$2,115,398	
6	Other Expenses	$ -		$ -		$ -	
7	Return						
	Deemed Interest Expense	$8,605,676		$8,605,676		$8,605,676	
	Return on Deemed Equity	$8,190,382		$8,190,382		$8,190,382	
8	**Service Revenue Requirement (before Revenues)**	$39,871,972		$39,671,972		$39,671,972	
9	Revenue Offsets	$ -		$ -		$ -	
10	**Base Revenue Requirement (excluding Tranformer Owership Allowance credit adjustment)**	$39,871,972		$39,671,972		$39,671,972	
11	Distribution revenue	$39,782,072		$39,582,072		$39,582,072	
12	Other revenue	$89,900		$89,900		$89,900	
13	**Total revenue**	$39,871,972		$39,671,972		$39,671,972	
14	**Difference (Total Revenue Less Distribution Revenue Requirement before Revenues)**	$ -	**(1)**	$ -	**(1)**	$ -	**(1)**

Notes
(1) Line 11 - Line 8

Revenue Requirement Workform

Version 4.00

Utility Name	
Service Territory	*Great Lakes Power Transmission*
Assigned EB Number	EB-2014-0238
Name and Title	Scott Seabrook, Director of Administration
Phone Number	(705) 759-7624
Email Address	sseabrook@glp.ca

While this model has been provided in Excel format and is required to be filed with the applications, the onus remains on the applicant to ensure the accuracy of the data and the results.

Revenue Requirement Workform

Notes:

(1)	Pale green cells represent inputs
(2)	Pale green boxes at the bottom of each page are for additional notes
(3)	Pale yellow cells represent drop-down lists
(4)	***Please note that this model uses MACROS. Before starting, please ensure that macros have been enabled.***
(5)	***Completed versions of the Revenue Requirement Work Form are required to be filed in working Microsoft Excel***

Revenue Requirement Workform

Data Input [1]

#		Initial Application	(2)			(6)		Per Board Decision	
1	**Rate Base**								
	Gross Fixed Assets (average)	$259,531,046		$ -	$ 259,531,046		$ -	$259,531,046	
	Accumulated Depreciation (average)	($41,366,782)	(5)	$ -	($41,366,782)		$ -	($41,366,782)	
	Allowance for Working Capital:								
	Controllable Expenses	$11,331,876		($210,000)	$ 11,121,876		$ -	$11,121,876	
	Cost of Power	$ -		$ -			$ -	$0	
	Working Capital Rate (%)	4.32%	(9)		4.40%	(9)		4.40%	(9)
2	**Utility Income**								
	Operating Revenues:								
	Distribution Revenue at Current Rates	$38,731,100		$0	$38,731,100		$0	$38,731,100	
	Distribution Revenue at Proposed Rates	$40,230,644		($210,000)	$40,020,644		$0	$40,020,644	
	Other Revenue:								
	Specific Service Charges	$ -		$0	$ -		$0	$ -	
	Late Payment Charges	$ -		$0	$ -		$0	$ -	
	Other Distribution Revenue	$ -		$0	$ -		$0	$ -	
	Other Income and Deductions	$89,900		$0	$89,900		$0	$89,900	
	Total Revenue Offsets	$ -	(7)	$0	$ -		$0	$ -	
	Operating Expenses:								
	OM+A Expenses	$11,331,876		($210,000)	$ 11,121,876		$ -	$11,121,876	
	Depreciation/Amortization	$9,771,327		$ -	$ 9,771,327		$ -	$9,771,327	
	Property taxes	$240,424		$ -	$ 240,424		$ -	$240,424	
	Other expenses	$ -		$ -	0		$ -	$0	
3	**Taxes/PILs**								
	Taxable Income:								
	Adjustments required to arrive at taxable income	($2,115,011)	(3)		($2,115,011)			($2,115,011)	
	Utility Income Taxes and Rates:								
	Income taxes (not grossed up)	$1,608,920			$1,608,920			$1,608,920	
	Income taxes (grossed up)	$2,189,007			$2,189,007			$2,189,007	
	Federal tax (%)	15.00%			15.00%			15.00%	
	Provincial tax (%)	11.50%			11.50%			11.50%	
	Income Tax Credits	$ -			$ -			$ -	
4	**Capitalization/Cost of Capital**								
	Capital Structure:								
	Long-term debt Capitalization Ratio (%)	56.0%			56.0%			56.0%	
	Short-term debt Capitalization Ratio (%)	4.0%	(8)		4.0%	(8)		4.0%	(8)
	Common Equity Capitalization Ratio (%)	40.0%			40.0%			40.0%	
	Prefered Shares Capitalization Ratio (%)								
		100.0%			100.0%			100.0%	
	Cost of Capital								
	Long-term debt Cost Rate (%)	6.87%			6.87%			6.87%	
	Short-term debt Cost Rate (%)	2.11%			2.11%			2.11%	
	Common Equity Cost Rate (%)	9.36%			9.36%			9.36%	
	Prefered Shares Cost Rate (%)								

Notes:

General Data inputs are required on Sheets 3. Data from Sheet 3 will automatically complete calculations on sheets 4 through 9 (Rate Base through Revenue Requirement). Sheets 4 through 9 do not require any inputs except for notes that the Applicant may wish to enter to support the results. Pale green cells are available on sheets 4 through 9 to enter both footnotes beside key cells and the related text for the notes at the bottom of each sheet.

(1) All inputs are in dollars ($) except where inputs are individually identified as percentages (%)

(2) Data in column E is for Application as originally filed. For updated revenue requirement as a result of interrogatory responses, technical or settlement conferences, etc., use colimn M and Adjustments in column I

(3) Net of addbacks and deductions to arrive at taxable income.

(4) Average of Gross Fixed Assets at beginning and end of the Test Year

(5) Average of Accumulated Depreciation at the beginning and end of the Test Year. Enter as a negative amount.

(6) Select option from drop-down list by clicking on cell M10. This column allows for the application update reflecting the end of discovery or Argument-in-Chief. Also, the outcome of any Settlement Process can be reflected.

(7) Input total revenue offsets for deriving the base revenue requirement from the service revenue requirement

(8) 4.0% unless an Applicant has proposed or been approved for another amount.

(9) Starting with 2013, default Working Capital Allowance factor is 13% (of Cost of Power plus controllable expenses). Alternatively, WCA factor based on lead-lag study or approved WCA factor for another distributor, with supporting rationale.

Revenue Requirement Workform

Rate Base and Working Capital

Rate Base

Line No.	Particulars		Initial Application				Per Board Decision
1	Gross Fixed Assets (average)	(3)	$259,531,046	$ -	$259,531,046	$ -	$259,531,046
2	Accumulated Depreciation (average)	(3)	($41,366,782)	$ -	($41,366,782)	$ -	($41,366,782)
3	Net Fixed Assets (average)	(3)	$218,164,264	$ -	$218,164,264	$ -	$218,164,264
4	Allowance for Working Capital	(1)	$489,809	($0)	$489,809	$ -	$489,809
5	**Total Rate Base**		$218,654,073	($0)	$218,654,073	$ -	$218,654,073

(1) Allowance for Working Capital - Derivation

6	Controllable Expenses		$11,331,876	($210,000)	$11,121,876	$ -	$11,121,876
7	Cost of Power		$ -	$ -	$ -	$ -	$ -
8	Working Capital Base		$11,331,876	($210,000)	$11,121,876	$ -	$11,121,876
9	Working Capital Rate %	(2)	4.32%	0.08%	4.40%	0.00%	4.40%
10	Working Capital Allowance		$489,809	($0)	$489,809	$ -	$489,809

Notes

(2) Some Applicants may have a unique rate as a result of a lead-lag study. The default rate for 2014 cost of service applications is 13%.

(3) Average of opening and closing balances for the year.

Revenue Requirement Workform

Utility Income

Line No.	Particulars		Initial Application				Per Board Decision
	Operating Revenues:						
1	Distribution Revenue (at Proposed Rates)		$40,230,644	($210,000)	$40,020,644	$ -	$40,020,644
2	Other Revenue	(1)	$89,900	$ -	$89,900	$ -	$89,900
3	Total Operating Revenues		$40,320,544	($210,000)	$40,110,544	$ -	$40,110,544
	Operating Expenses:						
4	OM+A Expenses		$11,331,876	($210,000)	$11,121,876	$ -	$11,121,876
5	Depreciation/Amortization		$9,771,327	$ -	$9,771,327	$ -	$9,771,327
6	Property taxes		$240,424	$ -	$240,424	$ -	$240,424
7	Capital taxes		$ -	$ -	$ -	$ -	$ -
8	Other expense		$ -	$ -	$ -	$ -	$ -
9	Subtotal (lines 4 to 8)		$21,343,627	($210,000)	$21,133,627	$ -	$21,133,627
10	Deemed Interest Expense		$8,601,501	($0)	$8,601,501	$ -	$8,601,501
11	Total Expenses (lines 9 to 10)		$29,945,128	($210,000)	$29,735,128	$ -	$29,735,128
12	**Utility income before income taxes**		$10,375,416	($0)	$10,375,416	$ -	$10,375,416
13	Income taxes (grossed-up)		$2,189,007	$ -	$2,189,007	$ -	$2,189,007
14	**Utility net income**		$8,186,408	($0)	$8,186,408	$ -	$8,186,408

Notes

Other Revenues / Revenue Offsets

Note	Particulars	Initial Application				Per Board Decision
(1)	Specific Service Charges	$ -	$ -	$ -	$ -	$ -
	Late Payment Charges	$ -	$ -	$ -	$ -	$ -
	Other Distribution Revenue	$ -	$ -	$ -	$ -	$ -
	Other Income and Deductions	$89,900	$ -	$89,900	$ -	$89,900
	Total Revenue Offsets	$89,900	$ -	$89,900	$ -	$89,900

Revenue Requirement Workform

Taxes/PILs

Line No.	Particulars	Application		Per Board Decision
	Determination of Taxable Income			
1	Utility net income before taxes	$8,186,408	$8,186,408	$8,186,408
2	Adjustments required to arrive at taxable utility income	($2,115,011)	($2,115,011)	($2,115,011)
3	Taxable income	$6,071,397	$6,071,397	$6,071,397
	Calculation of Utility income Taxes			
4	Income taxes	$1,608,920	$1,608,920	$1,608,920
6	Total taxes	$1,608,920	$1,608,920	$1,608,920
7	Gross-up of Income Taxes	$580,087	$580,087	$580,087
8	Grossed-up Income Taxes	$2,189,007	$2,189,007	$2,189,007
9	PILs / tax Allowance (Grossed-up Income taxes + Capital taxes)	$2,189,007	$2,189,007	$2,189,007
10	Other tax Credits	$ -	$ -	$ -
	Tax Rates			
11	Federal tax (%)	15.00%	15.00%	15.00%
12	Provincial tax (%)	11.50%	11.50%	11.50%
13	Total tax rate (%)	26.50%	26.50%	26.50%

Notes

Revenue Requirement Workform

Capitalization/Cost of Capital

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		Initial Application			
		(%)	($)	(%)	($)
	Debt				
1	Long-term Debt	56.00%	$122,446,281	6.87%	$8,416,957
2	Short-term Debt	4.00%	$8,746,163	2.11%	$184,544
3	**Total Debt**	60.00%	$131,192,444	6.56%	$8,601,501
	Equity				
4	Common Equity	40.00%	$87,461,629	9.36%	$8,186,408
5	Preferred Shares	0.00%	$ -	0.00%	$ -
6	**Total Equity**	40.00%	$87,461,629	9.36%	$8,186,408
7	**Total**	100.00%	$218,654,073	7.68%	$16,787,910

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		(%)	($)	(%)	($)
	Debt				
1	Long-term Debt	56.00%	$122,446,281	6.87%	$8,416,957
2	Short-term Debt	4.00%	$8,746,163	2.11%	$184,544
3	**Total Debt**	60.00%	$131,192,444	6.56%	$8,601,501
	Equity				
4	Common Equity	40.00%	$87,461,629	9.36%	$8,186,408
5	Preferred Shares	0.00%	$ -	0.00%	$ -
6	**Total Equity**	40.00%	$87,461,629	9.36%	$8,186,408
7	**Total**	100.00%	$218,654,073	7.68%	$16,787,910

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		Per Board Decision			
		(%)	($)	(%)	($)
	Debt				
8	Long-term Debt	56.00%	$122,446,281	6.87%	$8,416,957
9	Short-term Debt	4.00%	$8,746,163	2.11%	$184,544
10	**Total Debt**	60.00%	$131,192,444	6.56%	$8,601,501
	Equity				
11	Common Equity	40.00%	$87,461,629	9.36%	$8,186,408
12	Preferred Shares	0.00%	$ -	0.00%	$ -
13	**Total Equity**	40.00%	$87,461,629	9.36%	$8,186,408
14	**Total**	100.00%	$218,654,073	7.68%	$16,787,910

Notes

(1) Data in column E is for Application as originally filed. For updated revenue requirement as a result of interrogatory responses, technical or settlement conferences, etc., use colimn M and Adjustments in column I

Revenue Requirement Workform

Revenue Deficiency/Sufficiency

Line No.	Particulars	Initial Application: At Current Approved Rates	Initial Application: At Proposed Rates	At Current Approved Rates	At Proposed Rates	Per Board Decision: At Current Approved Rates	Per Board Decision: At Proposed Rates
1	Revenue Deficiency from Below		$1,499,544		$1,289,544		$1,289,544
2	Distribution Revenue	$38,731,100	$38,731,100	$38,731,100	$38,731,100	$38,731,100	$38,731,100
3	Other Operating Revenue Offsets - net	$89,900	$89,900	$89,900	$89,900	$89,900	$89,900
4	**Total Revenue**	$38,821,000	$40,320,544	$38,821,000	$40,110,544	$38,821,000	$40,110,544
5	Operating Expenses	$21,343,627	$21,343,627	$21,133,627	$21,133,627	$21,133,627	$21,133,627
6	Deemed Interest Expense	$8,601,501	$8,601,501	$8,601,501	$8,601,501	$8,601,501	$8,601,501
8	**Total Cost and Expenses**	$29,945,128	$29,945,128	$29,735,128	$29,735,128	$29,735,128	$29,735,128
9	**Utility Income Before Income Taxes**	$8,875,872	$10,375,416	$9,085,872	$10,375,416	$9,085,872	$10,375,416
10	Tax Adjustments to Accounting Income per 2013 PILs model	($2,115,011)	($2,115,011)	($2,115,011)	($2,115,011)	($2,115,011)	($2,115,011)
11	**Taxable Income**	$6,760,861	$8,260,405	$6,970,861	$8,260,405	$6,970,861	$8,260,405
12	Income Tax Rate	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%
13	**Income Tax on Taxable Income**	$1,791,628	$2,189,007	$1,847,278	$2,189,007	$1,847,278	$2,189,007
14	**Income Tax Credits**	$ -	$ -	$ -	$ -	$ -	$ -
15	**Utility Net Income**	$7,084,244	$8,186,408	$7,238,594	$8,186,408	$7,238,594	$8,186,408
16	**Utility Rate Base**	$218,654,073	$218,654,073	$218,654,073	$218,654,073	$218,654,073	$218,654,073
17	Deemed Equity Portion of Rate Base	$87,461,629	$87,461,629	$87,461,629	$87,461,629	$87,461,629	$87,461,629
18	Income/(Equity Portion of Rate Base)	8.10%	9.36%	8.28%	9.36%	8.28%	9.36%
19	Target Return - Equity on Rate Base	9.36%	9.36%	9.36%	9.36%	9.36%	9.36%
20	Deficiency/Sufficiency in Return on Equity	-1.26%	0.00%	-1.08%	0.00%	-1.08%	0.00%
21	Indicated Rate of Return	7.17%	7.68%	7.24%	7.68%	7.24%	7.68%
22	Requested Rate of Return on Rate Base	7.68%	7.68%	7.68%	7.68%	7.68%	7.68%
23	Deficiency/Sufficiency in Rate of Return	-0.50%	0.00%	-0.43%	0.00%	-0.43%	0.00%
24	Target Return on Equity	$8,186,408	$8,186,408	$8,186,408	$8,186,408	$8,186,408	$8,186,408
25	Revenue Deficiency/(Sufficiency)	$1,102,165	$ -	$947,815	$ -	$947,815	$ -
26	**Gross Revenue Deficiency/(Sufficiency)**	$1,499,544 **(1)**		$1,289,544 **(1)**		$1,289,544 **(1)**	

Notes:
(1) Revenue Deficiency/Sufficiency divided by (1 - Tax Rate)

Revenue Requirement Workform

Revenue Requirement

Line No.	Particulars	Application				Per Board Decision	
1	OM&A Expenses	$11,331,876		$11,121,876		$11,121,876	
2	Amortization/Depreciation	$9,771,327		$9,771,327		$9,771,327	
3	Property Taxes	$240,424		$240,424		$240,424	
5	Income Taxes (Grossed up)	$2,189,007		$2,189,007		$2,189,007	
6	Other Expenses	$ -		$ -		$ -	
7	Return						
	Deemed Interest Expense	$8,601,501		$8,601,501		$8,601,501	
	Return on Deemed Equity	$8,186,408		$8,186,408		$8,186,408	
8	**Service Revenue Requirement (before Revenues)**	$40,320,544		$40,110,544		$40,110,544	
9	Revenue Offsets	$ -		$ -		$ -	
10	**Base Revenue Requirement (excluding Tranformer Owership Allowance credit adjustment)**	$40,320,544		$40,110,544		$40,110,544	
11	Distribution revenue	$40,230,644		$40,020,644		$40,020,644	
12	Other revenue	$89,900		$89,900		$89,900	
13	**Total revenue**	$40,320,544		$40,110,544		$40,110,544	
14	**Difference (Total Revenue Less Distribution Revenue Requirement before Revenues)**	$ -	**(1)**	$ -	**(1)**	$ -	**(1)**

Notes

(1) Line 11 - Line 8

Financial Statements

GREAT LAKES POWER TRANSMISSION LIMITED PARTNERSHIP
December 31, 2015

Deloitte.

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Independent Auditor's Report

To the Partners of
Great Lakes Power Transmission Limited Partnership

We have audited the accompanying financial statements of Great Lakes Power Transmission Limited Partnership, which comprise the statement of financial position as at December 31, 2015 and the statement of comprehensive income, statement of changes in partners' equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Great Lakes Power Transmission Limited Partnership as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
April 5, 2016

Great Lakes Power Transmission Limited Partnership

Statement of Financial Position

Expressed in thousands of Canadian dollars

	Note		**December 31, 2015**		December 31, 2014
Assets					
Current Assets					
Cash		**$**	**3,340**	$	5,201
Trade and other receivables			**3,086**		3,422
Due from related parties	*20*		**95**		89
Prepaid expenses and other			**661**		696
			7,182		9,408
Property, plant and equipment, net	*5*		**218,843**		219,941
Intangible assets, net	*6*		**2,886**		2,742
		$	**228,911**	$	232,091
Liabilities					
Current liabilities					
Trade and other payables	*7*	**$**	**1,922**	$	3,223
Due to related parties	*20*		**198**		218
Current portion of Trans senior bonds	*9*		**2,327**		2,180
			4,447		5,621
Pension liability	*8*		**3,457**		7,677
Trans senior bonds	*9*		**110,627**		112,743
			118,531		126,041
Partners' equity			**110,380**		106,050
		$	**228,911**	$	232,091

Great Lakes Power Transmission Limited Partnership

Statement of Changes in Partners' Equity

Expressed in thousands of Canadian dollars

	Capital				
	Great Lakes Power Transmission Holdings LP	Great Lakes Power Transmission Inc.	Accumulated other comprehensive income (loss)	Retained earnings (deficit)	Total partners' equity
Balance at January 1, 2015	**$ 112,405**	**$ 11**	**$ (2,423)**	**$ (3,943)**	**$ 106,050**
Net income	-	-	-	11,449	11,449
Distributions paid	-	-	-	(11,338)	(11,338)
Other comprehensive income	-	-	4,219	-	4,219
Balance at December 31, 2015	**$ 112,405**	**$ 11**	**$ 1,796**	**$ (3,832)**	**$ 110,380**

	Capital				
	Great Lakes Power Transmission Holdings LP	Great Lakes Power Transmission Inc.	Accumulated other comprehensive income (loss)	Retained earnings (deficit)	Total partners' equity
Balance at January 1, 2014	$ 112,405	$ 11	$ (1,298)	$ (768)	$ 110,350
Net income	-	-	-	11,663	11,663
Distributions paid	-	-	-	(14,838)	(14,838)
Other comprehensive loss	-	-	(1,125)	-	(1,125)
Balance at December 31, 2014	$ 112,405	$ 11	$ (2,423)	$ (3,943)	$ 106,050

Great Lakes Power Transmission Limited Partnership

Statement of Comprehensive Income

Expressed in thousands of Canadian dollars

Years ended December 31,	*Note*		**2015**		2014
Revenue		**$**	**39,887**	$	39,805
Operating expenses					
Operating and administration	*12*		**9,473**		9,122
Depreciation and amortization	*15*		**9,645**		9,302
Maintenance	*13*		**1,257**		1,573
Taxes, other than income taxes			**111**		107
			20,486		20,104
Net operating income			**19,401**		19,701
Finance income			**(48)**		(66)
Finance costs	*14*		**7,651**		7,901
Loss on disposal of property, plant & equipment	*5*		**406**		215
Other income			**(57)**		(12)
Income for the period			**11,449**		11,663
Other comprehensive loss					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of pension liability	*8*		**4,219**		(1,125)
Total comprehensive income		**$**	**15,668**	$	10,538

Great Lakes Power Transmission Limited Partnership

Statement of Cash Flows

Expressed in thousands of Canadian dollars

Years ended December 31,	*Note*	**2015**	2014
Operating Activities			
Net income		**$ 11,449**	$ 11,663
Items not affecting cash;			
Depreciation and amortization	*15*	**9,645**	9,302
Finance costs	*14*	**7,651**	7,901
Loss on disposal of property, plant & equipment	*5*	**406**	215
Net change in non-cash working capital and other	*17*	**(957)**	(942)
Operating cash flows before interest		**28,194**	28,139
Cash interest paid		**(7,686)**	(7,823)
		20,508	20,316
Investing activities			
Proceeds on disposition of property, plant and equipment	*5*	**48**	18
Additions to property, plant and equipment and intangible assets		**(8,899)**	(3,845)
		(8,851)	(3,827)
Financing activities			
Principal repayments on Trans senior bonds		**(2,180)**	(2,043)
Distributions paid		**(11,338)**	(14,838)
		(13,518)	(16,881)
Decrease in cash		**(1,861)**	(392)
Cash, beginning balance		**5,201**	5,593
Cash, ending balance		**$ 3,340**	$ 5,201

1. GENERAL INFORMATION

Ontario-based Great Lakes Power Transmission Limited Partnership (the "Partnership") was formed on May 17, 2007 for the purpose of acquiring the assets and liabilities of the transmission division of Great Lakes Power Limited ("GLPL"), a related party due to common ownership. The address of the Partnership's registered office is 2 Sackville Road, Suite B, Sault Ste. Marie, Ontario, Canada, P6B 6J6.

Great Lakes Power Transmission Holdings LP is the Limited Partner and holds a 99.99% interest in the Partnership. Great Lakes Power Transmission Inc., the General Partner, holds a 0.01% limited interest in the Partnership and is responsible for management of the Partnership. Both the General and Limited Partners are wholly owned subsidiaries of Brookfield Infrastructure Partners LP ("BIP"), the ultimate parent company and controlling party of the group.

The Partnership is engaged in the transmission of electricity to the area adjacent to Sault Ste. Marie, Canada and is subject to the regulations of the Ontario Energy Board ("OEB").

2. BASIS OF PRESENTATION

Statement of compliance

These financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Accounting policies are consistently applied to both years presented, unless otherwise stated.

The financial statements were approved and authorized for issue by those charged with governance of the Partnership on April 5, 2016.

Basis of measurement

The financial statements have been prepared on a going concern assumption using the historical cost basis except where otherwise noted. Historical cost is generally based on the fair value of the consideration given in exchange for assets or settlement of liabilities as at the date the transaction occurs.

Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Partnership's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Critical judgments and estimation uncertainties

In the preparation of these financial statements in conformity with IFRS, management makes judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of revenues, expenses, assets and liabilities. Facts and circumstances may change and actual results could differ from those estimates.

Estimates and Judgments

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods

2. BASIS OF PRESENTATION (continued)

affected. Information about critical judgments and estimates in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are included in the following notes:

Impairment

Assets, including property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts. Intangible assets with indefinite useful lives are tested for impairment annually and whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts. The assessment of fair value often requires estimates and assumptions on items such as approved uniform transmission rates, discount rates, rehabilitation and restoration costs, future capital requirements and future operating performance. Changes in such estimates could impact recoverable values of these assets. Estimates are reviewed annually by management.

Judgment is involved in assessing whether there is any indication that an asset or cash generating unit ("CGU") may be impaired. A CGU is the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets. This assessment is made based on the analysis of changes in the market or business environment, and events that have transpired that have impacted the asset or CGU.

Depreciation of property, plant and equipment and intangible assets

Each property, plant and equipment and intangible asset is assessed annually for both its physical life limitations and its economic recoverability. Those assets with a finite life are depreciated on a straight-line basis over a useful life estimated by management. Asset useful lives and residual values are re-evaluated annually. At December 31, 2015 the carrying value of property plant and equipment and intangible assets is $218,843 (2014 - $219,941) and $2,886 (2014 - $2,742) respectively.

Fair value disclosures of Trans senior bonds

The Partnership has estimated the fair value of its Trans senior bonds for disclosure purposes, as they are not separately traded. The fair value is based on future cash flows and the timing of settlement, along with assumptions about the discount rate, credit risk and by incorporating other assumptions made by market participants. At December 31, 2015 the carrying value of Trans senior bonds is $112,954 (2014 - $114,923).

Pension

Significant estimates and assumptions are made in determining pension and employee future benefits as there are numerous factors that will affect the pension obligation. The actuarial determination of the accrued benefit obligation for pensions and post-employment benefits uses the projected unit credit method prorated on service which incorporates management's best estimate of future salary levels, other cost escalation, mortality rates, retirement ages of employees and other actuarial factors. In addition, actuarial determinations used in estimating obligations relating to the defined benefit plans incorporate assumptions using management's best estimates of factors including plan performance, salary escalation, retirement dates of employees

2. BASIS OF PRESENTATION (continued)

and drug cost escalation rates. At December 31, 2015 the carrying value of pension liabilities is $3,457 (2014 - $7,677).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Partnership has consistently applied the following accounting policies to both periods presented in these financial statements:

Financial instruments

The Partnership recognizes all financial instruments at fair value upon initial recognition and subsequently classifies them into one of the following categories: Financial assets and financial liabilities at fair value through profit or loss, held-to-maturity, loans and receivables, available-for-sale and other liabilities. As at December 31, 2015, the Partnership only holds the following financial instruments: Trade and other payables, Trans Senior Bonds (which are classified as other financial liabilities) and trade and other receivables (which are classified as loans and receivables).

The Partnership initially recognizes other financial liabilities and loans and receivables on the trade date. The Partnership derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expired.

Other financial liabilities including borrowings are initially measured at fair value net of transaction costs, and subsequently measured at amortized cost using the effective interest method. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Property, plant and equipment

Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. The cost of major inspections or overhauls is capitalized and costs relating to the replacement of a major part of property, plant and equipment are recognized in the carrying amount of the asset to which that part relates, if it is probable that the inspection, overhaul or replacement part will generate future economic benefits and its cost can be measured reliably. The carrying amount of previous inspections and overhauls, or the part being replaced is derecognized and any gain or loss is recognized against income. The cost of the day-to-day servicing of property, plant and equipment is recognized in operating and administration or maintenance expense as incurred.

Costs included in the carrying amount of property, plant and equipment include expenditures that are directly attributable to the acquisition or construction of the asset. The cost of self-constructed assets includes: materials, services, direct labour and directly attributable overheads.

Borrowing costs associated with major projects are capitalized during the construction period, if those projects meet the definition of a qualifying asset, meaning those projects that are under construction for a substantial period of time. Capitalization of borrowing costs is suspended during

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

extended periods in which construction development is interrupted. Assets under construction are recorded as work-in-progress until they become available for use.

When property, plant and equipment is disposed of or retired, the related cost, accumulated depreciation and any accumulated impairment losses are eliminated. Any resulting gains or losses are reflected against income in the period the asset is disposed of or retired.

Depreciation

The cost, net of estimated residual values, of an asset classified as property, plant and equipment is amortized over the estimated useful life of the asset using a straight-line method. Land is not depreciated.

The estimated useful lives of property, plant and equipment are as follows:

	Method	Rate
Transmission assets	Straight-line	5 to 60 years
Equipment and other assets	Straight-line	5 to 30 years

The estimated useful lives, residual values and method of depreciation are based on depreciation studies and are reviewed annually for reasonableness.

Construction work-in-progress assets are not depreciated until the assets become available for their intended use.

Impairment

At each reporting date, the Partnership reviews the carrying amount of its non-financial assets to determine whether there is any indication of impairment. Impairment assessments are conducted at the CGU level. If any such indication exists, the recoverable amount of the CGU is estimated.

The recoverable amount of the CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized against income if the carrying amount of a CGU exceeds its recoverable amount.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. If such indications exist, the Partnership estimates the recoverable amount of that CGU. A reversal of an impairment loss is recognized up to the lesser of the recoverable amount or the carrying amount that would have been determined (net of depreciation charges) had no impairment loss been recognized on the CGU.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Acquired intangible assets having finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets are capitalized if: (i) It is probable that the asset acquired or developed will generate future economic benefits, (ii) the intangible asset is identifiable, and (iii) the Partnership exerts control over the economic benefit to be derived from the asset. The costs incurred to establish technological feasibility or to maintain existing levels of performance are recognized in operating or maintenance expense as incurred.

The carrying costs of intangible assets include expenditures that are directly attributable to the acquisition or development of the asset. The cost of self-developed assets includes materials, services, direct labour and directly attributable overheads. Borrowing costs associated with major projects (qualifying assets) are capitalized during the development period. Qualifying assets are those projects that are under development for a substantial period of time. Assets under development are recorded as in progress until they become available for use.

Subsequent expenditures are capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized against income as incurred.

Amortization is based on the cost of the asset less its residual value and is calculated using the straight-line method over the estimated useful life of the asset from the date the asset is available for use, and is generally recognized against income. The useful lives of intangible assets range from 5 to 15 years. Land rights with indefinite lives are not amortized.

The estimated useful lives, residual values and method of amortization are reviewed annually for reasonableness.

Intangible assets with an indefinite life are tested for impairment on an annual basis.

Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided by the employee. A liability is recognized for the amount expected to be paid if the Partnership has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided by the employee. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Defined benefit plans

The Partnership's net obligation in respect to defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Partnership, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Partnership determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized against income.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately against income. The Partnership recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs. The gain or loss on curtailment or settlement comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation, and any relating actuarial gains or losses and past service costs that had not been previously been recognized.

Other long-term employee benefits

The Partnership's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognized against income in the period in which they arise.

Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognized by the Partnership when a sales arrangement exists, delivery of goods or services has occurred, the amount of revenue and costs incurred or to be incurred in respect of the transaction can be measured reliably and it is probable that future economic benefits will flow to the Partnership.

The Partnership recognizes revenue on an accrual basis, when electricity is wheeled, at the regulated rate established by the OEB.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Partnership at exchange rates at the dates of the transactions.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or development of a qualifying asset are added to the cost of that asset, until it is available for use. Qualifying assets are those that take a substantial period of time to get ready for their intended use. The Partnership capitalizes borrowing costs by applying its cost of debt. All other borrowing costs are recognized in finance expense in the period in which they are incurred.

Changes in accounting policies

In 2015, there have been no new or amended accounting pronouncements that have had a material impact on the Partnership's financial statements.

4. FUTURE CHANGES IN ACCOUNTING POLICIES

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after December 31, 2015 and have not been applied in preparing these financial statements. Those which may be relevant to the Partnership are set out below. The Partnership does not plan to early adopt any of these standards.

Depreciation

On May 12, 2014, the IASB issued amendments to IAS 16, Property, Plant and Equipment ("IAS 16"), and IAS 38, Intangible Assets ("IAS 38"). In issuing the amendments, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of a tangible asset is not appropriate because revenue generated by an activity that includes the use of a tangible asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption for an intangible asset, however, can be rebutted in certain limited circumstances. The standard is to be applied prospectively for reporting periods beginning on or after January 1, 2016 with early application permitted. The adoption of these amendments is not expected to have an impact on the Partnership's financial statements.

Revenue

On May 28, 2014 the IASB issued IFRS 15, Revenue from Contracts with Customers ("IFRS 15"). This standard outlines a single comprehensive model with prescriptive guidance for entities to use in accounting for revenue arising from contracts with its customers. IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current standard. This standard replaces IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The effective date is for reporting periods beginning on or after January 1, 2018 with early application permitted. The Partnership has not yet determined the effect of adoption of IFRS 15 on its financial statements.

4. FUTURE CHANGES IN ACCOUNTING POLICIES (continued)

Financial instruments

On July 24, 2014 the IASB issued IFRS 9, Financial Instruments ("IFRS 9") as a complete standard. This standard replaces the guidance in IAS 39 Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities. IFRS 9 utilizes a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Final amendments released on July 24, 2014 also introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. The IASB has tentatively decided to require an entity to apply IFRS 9 for annual periods beginning on or after January 1, 2018. The Partnership has not yet determined the effect of adoption of IFRS 9 on its financial statements.

Presentation of Financial Statements

On December 18, 2014 the IASB amended IAS 1, Presentation of Financial Statements ("IAS 1"). The amendments to existing IAS 1 requirements relate to materiality; order of the notes; subtotals; accounting policies; and disaggregation. The amendments are effective for annual periods beginning on or after January 1, 2016. The adoption of these amendments is not expected to have a significant impact on the Partnership's financial statements.

Employee Benefits

IAS 19, Employee Benefits ("IAS 19") was amended on July 30, 2014. These amendments clarify the application of the requirements of IAS 19 on determination of the discount rate to a regional market consisting of multiple countries sharing the same currency. These amendments are effective for annual periods beginning on or after January 1, 2016. The adoption of these amendments is not expected to have an impact on the Partnership's financial statements.

Leases

IFRS 16, Leases ("IFRS 16") was issued by the IASB on January 13, 2016, and will replace IAS 17, Leases. IFRS 16 will bring most leases onto the balance sheet for lessees under a single model, eliminating the distinction between operating and financing leases. Lessor accounting remains largely unchanged. The new standard is effective for annual periods beginning on or after January 1, 2019. The Partnership has not yet determined the effect of adoption of IFRS 16 on its financial statements.

Joint Arrangements

IFRS 11, Joint Arrangements ("IFRS 11") was amended by the IASB on May 6, 2014. The amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments are effective for annual periods beginning on or after January 1, 2016. The adoption of these amendments is not expected to have an impact on the Partnership's financial statements.

(expressed in thousands of Canadian dollars)

5. PROPERTY, PLANT AND EQUIPMENT, NET

	Land	Equipment and other assets	Transmission assets	Work-in-progress	Total
Cost					
Balance, December 31, 2013	$ 236	$ 9,460	$ 230,145	$ 1,941	$ 241,782
Additions	-	-	-	4,044	4,044
Transfers	-	540	3,726	(4,266)	-
Disposals	-	(6)	(322)	(102)	(430)
Balance, December 31, 2014	$ 236	$ 9,994	$ 233,549	$ 1,617	$ 245,396
Additions	-	-	-	8,597	8,597
Transfers	-	808	7,352	(8,160)	-
Disposals	-	(163)	(1,935)	-	(2,098)
Balance, December 31, 2015	$ 236	$ 10,639	$ 238,966	$ 2,054	$ 251,895
Accumulated Depreciation					
Balance, December 31, 2013	$ -	$ 1,414	$ 15,283	$ -	$ 16,697
Additions (Depreciation)	-	920	7,933	-	8,853
Disposals	-	(6)	(89)	-	(95)
Balance, December 31, 2014	$ -	$ 2,328	$ 23,127	$ -	$ 25,455
Additions (Depreciation)	-	952	8,289	-	9,241
Disposals	-	(161)	(1,483)	-	(1,644)
Balance, December 31, 2015	$ -	$ 3,119	$ 29,933	$ -	$ 33,052
Carrying amounts					
Balance, December 31, 2014	$ 236	$ 7,666	$ 210,422	$ 1,617	$ 219,941
Balance, December 31, 2015	$ 236	$ 7,520	$ 209,033	$ 2,054	$ 218,843

During the year, the Partnership disposed of assets with a total net book value of $454 (2014 - $233) for net proceeds of $48 (2014 - $18). A resultant loss on disposal of property, plant and equipment of $406 (2014 - $215) was recorded to the statement of comprehensive income.

(expressed in thousands of Canadian dollars)

6. INTANGIBLE ASSETS, NET

	Land rights	Computer software	Work-in-progress	Total
Cost				
Balance, December 31, 2013	$ 1,102	$ 2,839	$ 271	$ 4,212
Additions	-	-	139	139
Transfers	-	46	(46)	-
Disposals	-	-	(110)	(110)
Balance, December 31, 2014	1,102	2,885	254	4,241
Additions	-	-	623	623
Transfers	124	459	(583)	-
Disposals	-	(3)	(75)	(78)
Balance, December 31, 2015	$ 1,226	$ 3,341	$ 219	$ 4,786
Accumulated Depreciation				
Balance, December 31, 2013	$ -	$ 1,050	$ -	$ 1,050
Additions (Amortization)	-	449	-	449
Disposals		-	-	-
Balance, December 31, 2014	-	1,499	-	1,499
Additions (Amortization)	-	404	-	404
Disposals	-	(3)	-	(3)
Balance, December 31, 2015	$ -	$ 1,900	$ -	$ 1,900
Carrying amounts				
Balance, December 31, 2014	$ 1,102	$ 1,386	$ 254	$ 2,742
Balance, December 31, 2015	$ 1,226	$ 1,441	$ 219	$ 2,886

During the year, the Partnership wrote off $75 (2014 - $110) in work-in-progress assets, which was recorded to the statement of comprehensive income under operating and administration expense.

The Partnership owns land rights and other land easements that are needed as part of the normal business operations. Land rights have been obtained through contractual rights where the transferor has transferred land rights and land easements to specific parcels of land. The Partnership has identified land rights as intangible assets with an indefinite useful life since contractual rights give access to specific land parcels in perpetuity. The Partnership accounts for land rights at cost less cumulative impairment losses, if any. At December 31, 2015 the carrying amounts of land rights is $1,226 (2014 - $1,102).

The Partnership has not identified events or changes in circumstances that indicate that the land rights' carrying amounts exceed their recoverable amounts. The Partnership has tested land rights for impairment in accordance with annual impairment tests.

(expressed in thousands of Canadian dollars)

6. INTANGIBLE ASSETS, NET (continued)

The Partnership has identified the recoverable amount of land rights to be their fair values less cost of disposal. In arriving at the fair value less cost of disposal, the Partnership has used a recent sale proposal which it believes is indicative of the fair value less cost of disposal of the land rights owned. The Partnership has determined that as at December 31, 2015 the fair value less cost of disposal is greater than the carrying amount and hence no impairment loss has been recorded.

The Partnership uses fair value less cost of disposal to determine the recoverable amount as it believes that this will generally result in a value greater than or equal to the value in use. For the purpose of the intangible impairment test, the Partnership used a non-binding sale agreement. The inputs used in the fair value measurement constitute Level 2 inputs under the fair value hierarchy. Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (for example, interest rate and yield curves observable at commonly quoted intervals, forward pricing curves used to value currency and commodity contracts), or inputs that are derived principally from or corroborated by observable market data or other means.

7. TRADE AND OTHER PAYABLES

	Dec 31, 2015	Dec 31, 2014
Trade payables and accruals	$ 404	$ 955
Payroll liabilities	426	527
Accrued interest	311	322
Connection deposits	593	1,076
Other payables	188	343
	$ 1,922	$ 3,223

The Partnership retains connection deposits for power generating entities as reimbursement to the Partnership for costs to be incurred in connecting those power generating entities to the Partnership's power transmission property assets. Any unused connection deposit balance will be refunded to the appropriate power generating entity.

8. PENSION AND EMPLOYEE FUTURE BENEFITS

The Partnership is part of a registered defined benefit, final pay pension plan and other post-employment benefit plan (the "Plans").

The other post-employment benefit plan includes benefits such as health and dental care, and life insurance. The obligation under these plans is determined periodically through the preparation of actuarial valuations. The Partnership contributions for the benefit plans for 2015 was $1,142 (2014 - $1,193).

The Partnership also participates in a defined contribution pension plan provided to certain employees. The Partnership contributes based on the level of employee contributions for this plan. In 2015, the total employer expense for the Partnership's defined contribution pension plan was $138 (2014 - $140). The minimum employer's contribution for 2016 is estimated to be $82.

The Partnership's pension plan information is provided in the following tables:

(expressed in thousands of Canadian dollars)

8. PENSION AND EMPLOYEE FUTURE BENEFITS (continued)

	December 31, 2015			December 31, 2014		
	Defined Benefit Pension Plan	Non-Pension Benefit Plans	Total	Defined Benefit Pension Plan	Non-Pension Benefit Plans	Total
Change in the present value of the accrued benefit obligation						
Balance, beginning of year	22,645	6,869	29,514	20,415	5,708	26,123
Current service cost	415	259	674	376	195	571
Past service cost	-	-	-	-	(315)	(315)
Interest expense	888	278	1,166	989	269	1,258
Benefit payments from plan	(922)	(95)	(1,017)	(892)	(142)	(1,034)
Employee contributions	115	-	115	117	-	117
Increases (decreases) due to other significant events	-	-	-	(25)	-	(25)
Remeasurements:						
Effect of changes in demographic assumptions	-	(1,775)	(1,775)	200	102	302
Effect of changes in financial assumptions	(499)	(11)	(510)	1,966	1,052	3,018
Effect of experience adjustments	22	(648)	(626)	(501)	-	(501)
Balance, end of year	**22,664**	**4,877**	**27,541**	**22,645**	**6,869**	**29,514**
Change in fair value of the plan assets						
Fair value, beginning of year	21,837	-	21,837	19,070	-	19,070
Return on plan assets	1,213	-	1,213	1,763	-	1,763
Contributions:						
Employer	1,047	95	1,142	1,051	142	1,193
Employee	115	-	115	117	-	117
Benefit payments from plan	(922)	(95)	(1,017)	(892)	(142)	(1,034)
Administrative expenses paid from plan assets	(81)	-	(81)	(208)	-	(208)
Interest income	875	-	875	956	-	956
Decreases due to other significant events	-	-	-	(20)	-	(20)
Fair value, end of year	**24,084**	**-**	**24,084**	**21,837**	**-**	**21,837**
Net Defined Benefit Liability						
Accrued benefit obligation	(22,664)	(4,877)	(27,541)	(22,645)	(6,869)	(29,514)
Fair value of plan assets	24,084	-	24,084	21,837	-	21,837
Net Defined Benefit Liability	1,420	(4,877)	(3,457)	(808)	(6,869)	(7,677)
Total expense recognized in profit and loss						
Current service cost	415	259	674	376	195	571
Past service cost	-	-	-	-	(315)	(315)
Net interest expense	13	278	291	32	266	298
Administrative expenses and taxes	175	-	175	140	-	140
Total expense recognized in profit and loss	**603**	**537**	**1,140**	**548**	**146**	**694**
Actuarial losses/(gains) recognized in statement of comprehensive income						
Effect of changes in demographic assumptions	-	(1,775)	(1,775)	200	102	302
Effect of changes in financial assumptions	(499)	(11)	(510)	1,966	1,052	3,018
Effect of experience adjustments	22	(648)	(626)	(501)	-	(501)
Return on plan assets	(1,308)	-	(1,308)	(1,694)	-	(1,694)
Total actuarial losses/(gains) recognized in statement of comprehensive income	**(1,785)**	**(2,434)**	**(4,219)**	**(29)**	**1,154**	**1,125**

Effects of changes in assumptions

	Revalued pension obligation	Revalued pension obligation	Total
Discount Rate			
Increase by 100 basis points	18,875	832	19,707
Decrease by 100 basis points	25,443	968	26,411
Inflation Rate			
Increase by 100 basis points	23,778	895	24,673
Decrease by 100 basis points	19,840	895	20,735

Significant Actuarial Assumptions	Defined Benefit Pension Plan	Non-Pension Benefit Plans	Defined Benefit Pension Plan	Non-Pension Benefit Plans
	December 31, 2015		December 31, 2014	
Weighted-Average actuarial assumptions used:				
Discount rate	4.15%	4.20%	4.00%	4.10%
Rate of compensation increases	3.00%	3.00%	3.00%	3.00%
Inflation Rate	2.00%	2.00%	2.00%	2.00%

Plan Assets by asset class allocation (%)	**31-Dec-15**	**31-Dec-14**
Fixed Income	37%	33%
Equities	63%	67%
Other	0%	0%
Total	100%	100%

(expressed in thousands of Canadian dollars)

9. TRANS SENIOR BONDS

The Trans Senior Bonds (the "Bonds") have a principal amount of $120,000 and are secured by a charge on the Partnership's transmission real property assets, both present and future. On behalf of the Partnership, a company related through common control, BIP, continues to maintain a letter of credit in the amount of $3,960 to cover six months of interest payments on the Bonds.

The fair market value of the Bonds as at December 31, 2015 is $143,002 based on current market prices for debt with similar terms (2014 - $144,112). Amortization of deferred financing fees for the year related to the Partnership's Bonds are included in finance costs and totaled $211 (2014 - $203).

The Bonds bear interest at the rate of 6.6% per annum. Semi-annual payments of interest only were due and payable on June and December 16 each year up until and including June 16, 2013. Equal blended semi-annual payments of principal and interest on the Bonds commenced on December 16, 2013 and will continue until and including June 16, 2023. The Bonds will not be fully amortized by their maturity date. The remaining principal balance of the Bonds will be fully due on June 16, 2023.

	Dec 31, 2015	Dec 31, 2014
Trans senior bonds	$ 114,803	$ 116,984
Less: unamortized deferred financing fees	(1,849)	(2,061)
Less: current portion	(2,327)	(2,180)
	$ 110,627	$ 112,743

As at December 31, 2015, principal repayments due in each of the next five years were as follows:

	2016	2017	2018	2019	2020
Principal repayments	$ 2,327	$ 2,483	$ 2,649	$ 2,827	$ 3,017

During the year, the Partnership identified a number of projects which were considered to be qualifying assets for purposes of capitalizing borrowing costs. For the year ended December 31, 2015, the Partnership capitalized borrowing costs of $235 (2014 - $125). The capitalization rate on funds borrowed amounted to 6.6% (2014 - 6.6%).

10. PARTNERSHIP UNITS

The Partnership is authorized to issue an unlimited number of Class A and Class B partnership units, of which 20,285,007 Class A units and 2 Class B units were issued and outstanding as at December 31, 2015. 20,285,007 Class A units and 2 Class B units were issued and outstanding as at December 31, 2014.

(expressed in thousands of Canadian dollars)

11. COMMITMENTS AND CONTINGENCIES

Letters of credit

On behalf of the Partnership, BIP continues to maintain a letter of credit totaling $3,960 to cover six months of interest payments on the Bonds. No amount has been drawn against this letter of credit.

Commitments

As at December 31, 2015 future minimum lease payments for operating leases entered into by the Partnership, as lessee, were as follows:

	2016	2017-2020	Thereafter
Minimum lease payments	$336	$1,009	$nil

Contingencies

The Partnership may, from time to time, be involved in legal proceedings, claims and litigation that arises in the ordinary course of business which the Partnership believes would not reasonably be expected to have a material adverse effect on the financial condition of the Partnership.

There are no specified decommissioning costs relating to the Partnership's assets. The Partnership has a comprehensive repair and capital expenditure program to ensure that its transmission lines are maintained to industry standards. Replacement of the assets occurs in accordance with a long term capital plan and would involve typical costs of removal as part of that process. In the circumstance where a portion of a line or other assets were removed completely, there may be some contractual obligations under private or crown easements or other land rights which require the transmission owner to reinstate the land to a certain standard, typically the shape it was prior to the construction of the transmission assets. As well, certain environmental, land use and/or utility legislation, regulations and policy may apply in which the Partnership would have to comply with remediation requirements set by the government. The requirements will typically depend on the specific property characteristics and what criteria the government determines to be appropriate to meet safety and environmental concerns. These asset lives are indeterminate given their nature. As the individual assets or components reach the end of their useful lives, they are retired and replaced. Historically, certain asset components have been replaced a number of times, thus creating a perpetual asset with an indeterminate life. As such, the retirement date for these lines cannot be reasonably estimated and therefore, the fair value of the associated liability cannot be determined at this time. As a result, no liability has been accrued in these financial statements.

12. OPERATING AND ADMINISTRATION EXPENSES

	2015	2014
Compensation expenses	$ 6,025	$ 5,989
Contract expenses	1,635	1,780
Materials	771	801
Other	1,042	552
	$ 9,473	$ 9,122

(expressed in thousands of Canadian dollars)

13. MAINTENANCE EXPENSES

	2015	2014
Compensation expenses	$ 328	$ 393
Contract expenses	463	545
Materials	107	146
Other	359	489
	$ 1,257	$ 1,573

14. FINANCE COSTS

	2015	2014
Interest expense on Trans senior bonds	$ 7,675	$ 7,823
Amortization of deferred financing fees on Trans senior bonds	211	203
Less: capitalized interest	(235)	(125)
	$ 7,651	$ 7,901

15. DEPRECIATION AND AMORTIZATION

	2015	2014
Depreciation on property, plant and equipment	$ 9,241	$ 8,853
Amortization of intangible assets	404	449
	$ 9,645	$ 9,302

16. INCOME TAXES

The Partnership does not record income tax expenses as it is not subject to income taxation as a result of its formation as a limited partnership.

17. STATEMENT OF CASH FLOWS

Net change in non-cash working capital related to operations

	2015	2014
Trade and other receivables	$ 336	$ 54
Prepaid expenses and other	35	(326)
Due from related parties	(6)	(53)
Trade and other payables	(1,301)	250
Due to related parties	(20)	(367)
Pension liability	(1)	(500)
	$ (957)	$ (942)

(expressed in thousands of Canadian dollars)

18. CAPITAL RISK MANAGEMENT

The Partnership's primary capital management objective is to ensure the sustainability of its capital to support continuing operations, meet its financial obligations, allow for growth opportunities and provide stable distributions to its partners. The Partnership manages its capital to maintain an investment grade credit rating while prudently making use of leverage in order to provide its ultimate parent with enhanced returns. In addition, the Partnership manages its capital to ensure access to incremental borrowings needed to fund new growth initiatives.

The Partnership manages its capital structure in accordance with changes in economic conditions. Generally, capital expenditures are funded with external borrowings. In order to adjust the capital structure, the Partnership may elect to adjust the distribution amount paid to its partners, increase or reduce the equity participation in new and existing operations, adjust the level of capital spending or issue new partnership units.

The Partnership manages its capital in order to maintain a debt to capitalization ratio below 75%. As at December 31, 2015, the ratio was 52% (2014 – 52%). The table below presents the detail of the Partnership's capitalization and the calculation of the ratio:

	Dec 31, 2015	Dec 31, 2014
Trans senior bonds	$ 114,803	$ 116,984
	114,803	116,984
Partners' equity	110,380	106,050
Total capitalization	$ 225,183	$ 223,034
Debt to capitalization	51%	52%

There has been no change in the Partnership's approach to managing capital in the year.

(expressed in thousands of Canadian dollars)

19. FINANCIAL INSTRUMENTS

Fair value measurement

The Partnership defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Partnership classifies its financial assets and liabilities as outlined below:

		Dec 31, 2015		Dec 31, 2014	
	Class	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets					
Cash	LAR	$ 3,340	$ 3,340	$ 5,201	$ 5,201
Trade and other receivables	LAR	3,086	3,086	3,422	3,422
Financial liabilities					
Trade and other payables	OL	1,922	1,922	3,223	3,223
Trans senior bonds	OL	112,954	143,002	114,923	144,112

Classification details:
FVTPL – fair value through profit or loss
LAR – loans and receivables
OL – other liabilities

The statements of financial position carrying amounts for cash, trade and other receivables, trade and other payables, and due to and from related parties approximate fair value due to their short-term nature. Due to the use of subjective judgments and uncertainties in the determination of fair values, these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

Fair value hierarchy

The following provides a description of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

(a) Level 1 fair value measurements are those derived from quoted market prices (unadjusted) in active markets for identical assets or liabilities;
(b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
(c) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

No financial instruments have been ranked level 2 or 3, except for the Bonds which are ranked as level 2.

19. FINANCIAL INSTRUMENTS (continued)

There were no transfers between Level 1, 2 and 3 during the reporting periods. The fair values of financial assets and liabilities carried at amortized cost are approximated by their carrying values, except for the Bonds whose fair market value is presented in note 9.

Financial risk management

The Partnership has exposure to the following risks from its use of financial instruments: market risk, credit risk and liquidity risk.

The Partnership's management has overall responsibility for the establishment and oversight of the Partnership's risk management framework. Risk management policies are established to identify and analyze the risks faced by the Partnership, to set appropriate risk limits and controls and to monitor risks and ensure adherence to these limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Partnership's activities. The Partnership, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations. The objectives, policies and processes for managing risk were consistent with those in the prior year.

Market Risk

Market risk is the risk that changes in market prices (interest rates) will affect the Partnership's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Partnership's Bonds are subject to a fixed interest rate of 6.6% per annum, payable semi-annually on June 16 and December 16. As a result of having fixed rate debt, fluctuations in market interest rates are not expected to materially affect the Partnership's cash flows.

Credit Risk

Credit risk is the risk of financial loss to the Partnership if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Partnership's receivables from counterparties. The carrying amount of financial assets represents the maximum credit exposure.

The Partnership actively manages its exposure to credit risk by assessing the ability of counterparties to fulfill their obligations under the related contracts prior to entering into such contracts, and continually monitors these exposures.

The majority of trade receivable transactions entered by the Partnership are with the Independent Electricity System Operator ("IESO"). The IESO operates the provincial transmission system, and is a reliable counterparty. The quality of the Partnership's counterparties mitigates the Partnership's exposure to credit risk.

(expressed in thousands of Canadian dollars)

19. FINANCIAL INSTRUMENTS (continued)

The Partnership's maximum exposure to credit risk as at December 31 is as follows:

	Dec 31, 2015	Dec 31, 2014
Trade and other receivables	$ 3,086	$ 3,422

The Partnership is also exposed to credit risk on cash. Credit risk is mitigated by ensuring the majority of the financial assets are placed with a major Canadian financial institution with strong investment-grade ratings by a primary ratings agency. The credit risk of cash has been assessed as low.

Liquidity Risk

Liquidity risk is the risk that the Partnership will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Partnership manages liquidity risk by forecasting cash flows required by operations and anticipating investing and financing activities to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Partnership's reputation.

The table below analyzes the Partnership's financial liabilities into relevant maturity groupings based on the remaining period at the date of the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

		Contractual Maturities				
	Carrying Amount	Less Than 1 Year	1-2 Years	3-5 Years	More Than 5 Years	Total
Trade and other payables	$ 1,922	$ 1,922	$ -	$ -	$ -	$ 1,922
Trans senior bonds	112,954	9,866	9,866	29,598	117,709	167,039
	$114,876	$11,788	$9,866	$29,598	$117,709	$168,961

At year end, the Partnership's relatively stable operating cash flows provide sufficient liquidity to fund these contractual obligations.

20. RELATED PARTY TRANSACTIONS AND BALANCES

Through the normal course of business, the Partnership enters into transactions with parties that meet the definition of a related party. Throughout the year ended December 31, 2015 the Partnership entered into the following transactions with entities considered to be related:

(a) In the normal course of operations, Riskcorp Inc., an insurance broker related through common control, entered into transactions with the Partnership to provide insurance. The total cost allocated to the Partnership in 2015 was $323 (2014 - $373) and no amount remains outstanding at year end.

(b) The Partnership has provided services to and received services from entities under common control in the normal course of operations. The balances payable and receivable for these services are non-interest bearing and unsecured. The balances payable to and receivable from related parties will come due during the following year.

Office Complex

The office complex in which the Partnership conducts its operations is owned by GLPL, and leased by the Partnership. Lease payments are made to GLPL on a monthly basis, with the annual lease cost for 2015 equal to $340 (2014 - $334).

Communication Equipment

The Partnership uses a fiber optic network that is owned by GLPL and is licensed by the Partnership. License fee payments are made to GLPL on a quarterly basis, with the annual lease cost for 2015 equal to $166 (2014 – $166).

The Partnership owns Radio Systems Assets and issues licenses for the use of these assets to GLPL. License fee payments are received from GLPL on a quarterly basis, with the annual lease payments for 2015 equal to $41 (2014 - $37).

Pole Rental

The Partnership owns transmission poles and receives license fee payments in accordance with a Licensed Attachment Agreement between the Partnership and GLPL. This agreement allows GLPL to affix and maintain its apparatus and equipment to the transmission poles owned by the Partnership. Payments are received by the Partnership annually. Total payments received by the Partnership in 2015 are equal to $33 (2014 - $33).

Road Maintenance

The Partnership shares a remote roadway in the northern portion of its service territory with GLPL. The roadway is used for access to various generating stations and transmission stations. The road maintenance costs are shared between the Partnership and GLPL, with GLPL incurring the initial cost and passing a predetermined portion on to the Partnership. Payments for this road maintenance are made to GLPL as the costs are incurred by GLPL, with the total portion borne by the Partnership in 2015 being equal to $135 (2014 - $136).

(expressed in thousands of Canadian dollars)

20. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Corporate Costs

In accordance with the Services Agreement between Brookfield Infrastructure Holdings (Canada) Inc. and the Partnership in effect January 1, 2012 until January 1, 2017, the Partnership records a corporate cost allocation for services received. The Partnership may request such services as but not limited to information technology management, human resource administration, and financial administration. The total corporate cost allocation recorded as an expense in 2015 was $412 (2014 - $400).

(c) As a result, the following balances are receivable (payable) as at:

	Dec 31, 2015	Dec 31, 2014
Due from related parties		
Services provided to entities under common control	$ 95	$ 89
Due to related parties		
Services received from entities under common control	$ 198	$ 218

(d) Transactions with key management personnel

A summary of key management and director compensation for the year ended December 31 is as follows:

	2015	2014
Salaries, management bonus and fees	$ 916	$ 881
Other benefits	124	129
Director fees	15	15
	$ 1,055	$ 1,025

21. SUBSEQUENT EVENT

On January 29th, 2016, Hydro One Inc. entered into a purchase agreement to acquire all of the issued and outstanding voting securities of the Partnership.

The transaction is conditional upon the satisfaction of customary closing conditions, including receipt of *Competition Act (Canada)* approval and approval of the OEB.

Financial Statements

Hydro One Sault Ste. Marie Limited Partnership
December 31, 2016

KPMG LLP
111 Elgin Street, Suite 200
Sault Ste. Marie ON P6A 6L6
Canada
Telephone (705) 949-5811
Fax (705) 949-0911

INDEPENDENT AUDITORS' REPORT

To the Partners of Hydro One Sault Ste. Marie Limited Partnership
(formerly known as Great Lakes Power Transmission Limited Partnership)

We have audited the accompanying financial statements of Hydro One Sault Ste. Marie Limited Partnership (formerly known as Great Lakes Power Transmission Limited Partnership), which comprise the statement of financial position as at December 31, 2016, the statements of comprehensive income, statement of changes in partners' equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Hydro One Sault Ste. Marie Limited Partnership as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter

The financial statements of Hydro One Sault Ste. Marie Limited Partnership as at and for the year ended December 31, 2015 were audited by another auditor who expressed an unmodified opinion on those statements on April 5, 2016.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

April 20, 2017
Sault Ste. Marie, Canada

Hydro One Sault Ste. Marie Limited Partnership

Statement of Financial Position

Expressed in thousands of Canadian dollars

	Note		**December 31, 2016**		December 31, 2015
Assets					
Current Assets					
Cash		**$**	**1,682**	$	3,340
Trade and other receivables			**35**		3,086
Due from related parties	*20*		**3,283**		95
Prepaid expenses and other			**623**		661
			5,623		7,182
Property, plant and equipment, net	*5*		**217,303**		218,843
Intangible assets, net	*6*		**3,708**		2,886
		$	**226,634**	$	228,911
Liabilities					
Current Liabilities					
Trade and other payables	*7*	**$**	**1,689**	$	1,922
Due to related parties	*20*		**70**		198
Current portion of Trans senior bonds	*9*		**2,483**		2,327
			4,242		4,447
Pension liability	*8*		**4,450**		3,457
Trans senior bonds	*9*		**108,364**		110,627
			117,056		118,531
Partners' equity			**109,578**		110,380
		$	**226,634**	$	228,911

Hydro One Sault Ste. Marie Limited Partnership

Statement of Changes in Partners' Equity

Expressed in thousands of Canadian dollars

	Capital				
	Hydro One Sault Ste. Marie Holdings LP	Hydro One Sault Ste. Marie Inc.	Accumulated other comprehensive income (loss)	Retained earnings (deficit)	Total partners' equity
Balance at January 1, 2016	**$ 112,405**	**$ 11**	**$ 1,796**	**$ (3,832)**	**$ 110,380**
Net income	-	-	-	11,684	11,684
Distributions paid	-	-	-	(11,073)	(11,073)
Other comprehensive loss	-	-	(1,413)	-	(1,413)
Balance at December 31, 2016	**$ 112,405**	**$ 11**	**$ 383**	**$ (3,221)**	**$ 109,578**

	Capital				
	Hydro One Sault Ste. Marie Holdings LP	Hydro One Sault Ste. Marie Inc.	Accumulated other comprehensive income (loss)	Retained earnings (deficit)	Total partners' equity
Balance at January 1, 2015	$ 112,405	$ 11	$ (2,423)	$ (3,943)	106,050
Net income	-	-	-	11,449	11,449
Distributions paid	-	-	-	(11,338)	(11,338)
Other comprehensive income	-	-	4,219	-	4,219
Balance at December 31, 2015	$ 112,405	$ 11	$ 1,796	$ (3,832)	$ 110,380

Hydro One Sault Ste. Marie Limited Partnership

Statement of Comprehensive Income

Expressed in thousands of Canadian dollars

Years ended December 31,	*Note*		**2016**		2015
Revenue		**$**	**40,204**	$	39,887
Operating expenses					
Operating and administration	*12*		**9,473**		9,473
Depreciation and amortization	*15*		**9,296**		9,645
Maintenance	*13*		**1,616**		1,257
Taxes, other than income taxes			**117**		111
			20,502		20,486
Net operating income			**19,702**		19,401
Finance income			**(46)**		(48)
Finance costs	*14*		**7,528**		7,651
Loss on disposal of property, plant & equipment			**600**		406
Other income			**(64)**		(57)
Income for the period			**11,684**		11,449
Other comprehensive (loss) income					
Items that will not be reclassified subsequently to profit or loss:					
Gain (loss) on remeasurement of pension liability			**(1,413)**		4,219
Total comprehensive income		**$**	**10,271**	$	15,668

Hydro One Sault Ste. Marie Limited Partnership

Statement of Cash Flows

Expressed in thousands of Canadian dollars

Years ended December 31,	*Note*		**2016**		2015
Operating Activities					
Net income		**$**	**11,684**	$	11,449
Items not affecting cash;					
Depreciation and amortization	*15*		**9,296**		9,645
Finance costs	*14*		**7,528**		7,651
Loss on disposal of property, plant & equipment			**600**		406
Net change in non-cash working capital and other	*17*		**(874)**		(957)
Operating cash flows before interest			**28,234**		28,194
Cash interest paid			**(7,539)**		(7,686)
			20,695		20,508
Investing activities					
Proceeds on disposition of property, plant and equipment			**6**		48
Additions to property, plant and equipment and intangible assets			**(8,959)**		(8,899)
			(8,953)		(8,851)
Financing activities					
Principal repayments on Trans senior bonds			**(2,327)**		(2,180)
Distributions paid			**(11,073)**		(11,338)
			(13,400)		(13,518)
Decrease in cash			**(1,658)**		(1,861)
Cash, beginning balance			**3,340**		5,201
Cash, ending balance		**$**	**1,682**	$	3,340

1. GENERAL INFORMATION

Hydro One Sault Ste. Marie Limited Partnership, formerly Great Lakes Power Transmission Limited Partnership (the "Partnership") was formed on May 17, 2007 for the purpose of acquiring the assets and liabilities of the transmission division of Great Lakes Power Limited ("GLPL"), previously a related party due to common ownership. On October 31, 2016, Hydro One Inc. ("HOI") completed the share purchase of the Great Lakes Power Transmission entities following approval by the Ontario Energy Board ("OEB") on October 13, 2016. As part of the transaction, Great Lakes Power Transmission LP legally changed their name to Hydro One Sault Ste. Marie LP on January 16, 2017. The address of the Partnership's registered office is 2 Sackville Road, Suite B, Sault Ste. Marie, Ontario, Canada, P6B 6J6.

Hydro One Sault Ste. Marie Holdings LP is the Limited Partner and holds a 99.99% interest in the Partnership. Hydro One Sault Ste. Marie Inc., the General Partner, holds a 0.01% limited interest in the Partnership and is responsible for management of the Partnership. Both the General and Limited Partners are wholly owned subsidiaries of HOI, the ultimate parent company and controlling party of the group.

The Partnership is engaged in the transmission of electricity to the area adjacent to Sault Ste. Marie, Canada and is subject to the regulations of the OEB.

2. BASIS OF PRESENTATION

Statement of compliance

These financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Accounting policies are consistently applied to both years presented, unless otherwise stated.

The financial statements were approved and authorized for issue by those charged with governance of the Partnership on April 20, 2017.

Basis of measurement

The financial statements have been prepared on a going concern assumption using the historical cost basis except where otherwise noted. Historical cost is generally based on the fair value of the consideration given in exchange for assets or settlement of liabilities as at the date the transaction occurs.

Critical judgments and estimation uncertainties

In the preparation of these financial statements in conformity with IFRS, management makes judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of revenues, expenses, assets and liabilities. Facts and circumstances may change and actual results could differ from those estimates.

Estimates and Judgments

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about critical judgments and estimates in applying accounting policies that have

2. BASIS OF PRESENTATION (continued)

the most significant effect on the amounts recognized in the financial statements are included in the following notes:

Impairment

Assets, including property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts. Intangible assets with indefinite useful lives are tested for impairment annually and whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts. The assessment of fair value often requires estimates and assumptions on items such as approved uniform transmission rates, discount rates, rehabilitation and restoration costs, future capital requirements and future operating performance. Changes in such estimates could impact recoverable values of these assets. Estimates are reviewed annually by management.

Judgment is involved in assessing whether there is any indication that an asset or cash generating unit ("CGU") may be impaired. A CGU is the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets. This assessment is made based on the analysis of changes in the market or business environment, and events that have transpired that have impacted the asset or CGU.

Depreciation of property, plant and equipment and intangible assets

Each property, plant and equipment and intangible asset is assessed annually for both its physical life limitations and its economic recoverability. Those assets with a finite life are depreciated on a straight-line basis over a useful life estimated by management. Asset useful lives and residual values are re-evaluated annually. At December 31, 2016 the carrying value of property plant and equipment and intangible assets is $217,303 (2015 - $218,843) and $3,708 (2015 - $2,886) respectively.

Fair value disclosures of Trans senior bonds

The Partnership has estimated the fair value of its Trans senior bonds for disclosure purposes, as they are not separately traded. The fair value is based on future cash flows and the timing of settlement, along with assumptions about the discount rate, credit risk and by incorporating other assumptions made by market participants. At December 31, 2016 the carrying value of Trans senior bonds is $110,847 (2015 - $112,954).

Pension

Significant estimates and assumptions are made in determining pension and employee future benefits as there are numerous factors that will affect the pension obligation. The actuarial determination of the accrued benefit obligation for pensions and post-employment benefits uses the projected unit credit method prorated on service which incorporates management's best estimate of future salary levels, other cost escalation, mortality rates, retirement ages of employees and other actuarial factors. In addition, actuarial determinations used in estimating obligations relating to the defined benefit plans incorporate assumptions using management's best estimates of factors including plan performance, salary escalation, retirement dates of employees

2. BASIS OF PRESENTATION (continued)

and drug cost escalation rates. At December 31, 2016 the carrying value of pension liabilities is $4,450 (2015 - $3,457).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Partnership has consistently applied the following accounting policies to both periods presented in these financial statements:

Financial instruments

The Partnership recognizes all financial instruments at fair value upon initial recognition and subsequently classifies them into one of the following categories: Financial assets and financial liabilities at fair value through profit or loss, held-to-maturity, loans and receivables, available-for-sale and other liabilities. As at December 31, 2016, the Partnership only holds the following financial instruments: Trade and other payables, Trans Senior Bonds (which are classified as other financial liabilities) and trade and other receivables (which are classified as loans and receivables).

The Partnership initially recognizes other financial liabilities and loans and receivables on the trade date. The Partnership derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expired.

Other financial liabilities including borrowings are initially measured at fair value net of transaction costs, and subsequently measured at amortized cost using the effective interest method. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Property, plant and equipment

Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. The cost of major inspections or overhauls is capitalized and costs relating to the replacement of a major part of property, plant and equipment are recognized in the carrying amount of the asset to which that part relates, if it is probable that the inspection, overhaul or replacement part will generate future economic benefits and its cost can be measured reliably. The carrying amount of previous inspections and overhauls, or the part being replaced is derecognized and any gain or loss is recognized against income. The cost of the day-to-day servicing of property, plant and equipment is recognized in operating and administration or maintenance expense as incurred.

Costs included in the carrying amount of property, plant and equipment include expenditures that are directly attributable to the acquisition or construction of the asset. The cost of self-constructed assets includes: materials, services, direct labour and directly attributable overheads.

Borrowing costs associated with major projects are capitalized during the construction period, if those projects meet the definition of a qualifying asset, meaning those projects that are under construction for a substantial period of time. Capitalization of borrowing costs is suspended during

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

extended periods in which construction development is interrupted. Assets under construction are recorded as work-in-progress until they become available for use.

When property, plant and equipment is disposed of or retired, the related cost, accumulated depreciation and any accumulated impairment losses are eliminated. Any resulting gains or losses are reflected against income in the period the asset is disposed of or retired.

Depreciation

The cost, net of estimated residual values, of an asset classified as property, plant and equipment is amortized over the estimated useful life of the asset using a straight-line method. Land is not depreciated.

The estimated useful lives of property, plant and equipment are as follows:

	Method	Rate
Transmission assets	Straight-line	5 to 60 years
Equipment and other assets	Straight-line	5 to 30 years

The estimated useful lives, residual values and method of depreciation are based on depreciation studies and are reviewed annually for reasonableness.

Construction work-in-progress assets are not depreciated until the assets become available for their intended use.

Impairment

At each reporting date, the Partnership reviews the carrying amount of its non-financial assets to determine whether there is any indication of impairment. Impairment assessments are conducted at the CGU level. If any such indication exists, the recoverable amount of the CGU is estimated.

The recoverable amount of the CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized against income if the carrying amount of a CGU exceeds its recoverable amount.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. If such indications exist, the Partnership estimates the recoverable amount of that CGU. A reversal of an impairment loss is recognized up to the lesser of the recoverable amount or the carrying amount that would have been determined (net of depreciation charges) had no impairment loss been recognized on the CGU.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Acquired intangible assets having finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets are capitalized if: (i) It is probable that the asset acquired or developed will generate future economic benefits, (ii) the intangible asset is identifiable, and (iii) the Partnership exerts control over the economic benefit to be derived from the asset. The costs incurred to establish technological feasibility or to maintain existing levels of performance are recognized in operating or maintenance expense as incurred.

The carrying costs of intangible assets include expenditures that are directly attributable to the acquisition or development of the asset. The cost of self-developed assets includes materials, services, direct labour and directly attributable overheads. Borrowing costs associated with major projects (qualifying assets) are capitalized during the development period. Qualifying assets are those projects that are under development for a substantial period of time. Assets under development are recorded as in progress until they become available for use.

Subsequent expenditures are capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized against income as incurred.

Amortization is based on the cost of the asset less its residual value and is calculated using the straight-line method over the estimated useful life of the asset from the date the asset is available for use, and is generally recognized against income. The useful lives of intangible assets range from 5 to 15 years. Land rights with indefinite lives are not amortized.

The estimated useful lives, residual values and method of amortization are reviewed annually for reasonableness.

Intangible assets with an indefinite life are tested for impairment on an annual basis.

Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided by the employee. A liability is recognized for the amount expected to be paid if the Partnership has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided by the employee. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Defined benefit plans

The Partnership's net obligation in respect to defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Partnership, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Partnership determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized against income.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately against income. The Partnership recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs. The gain or loss on curtailment or settlement comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation, and any relating actuarial gains or losses and past service costs that had not been previously been recognized.

Other long-term employee benefits

The Partnership's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognized against income in the period in which they arise.

Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognized by the Partnership when a sales arrangement exists, delivery of goods or services has occurred, the amount of revenue and costs incurred or to be incurred in respect of the transaction can be measured reliably and it is probable that future economic benefits will flow to the Partnership.

The Partnership recognizes revenue on an accrual basis, when electricity is wheeled, at the regulated rate established by the OEB.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Partnership at exchange rates at the dates of the transactions.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or development of a qualifying asset are added to the cost of that asset, until it is available for use. Qualifying assets are those that take a substantial period of time to get ready for their intended use. The Partnership capitalizes borrowing costs by applying its cost of debt. All other borrowing costs are recognized in finance expense in the period in which they are incurred.

Changes in accounting policies

In 2016, there have been no new or amended accounting pronouncements that have had a material impact on the Partnership's financial statements.

4. FUTURE CHANGES IN ACCOUNTING POLICIES

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after December 31, 2016 and have not been applied in preparing these financial statements. Those which may be relevant to the Partnership are set out below. The Partnership does not plan to early adopt any of these standards.

Revenue

On May 28, 2014 the IASB issued IFRS 15, Revenue from Contracts with Customers ("IFRS 15"). This standard outlines a single comprehensive model with prescriptive guidance for entities to use in accounting for revenue arising from contracts with its customers. IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current standard. This standard replaces IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The effective date is for reporting periods beginning on or after January 1, 2018 with early application permitted. The Partnership has not yet determined the effect of adoption of IFRS 15 on its financial statements.

Financial instruments

On July 24, 2014 the IASB issued IFRS 9, Financial Instruments ("IFRS 9") as a complete standard. This standard replaces the guidance in IAS 39 Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities. IFRS 9 utilizes a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Final amendments released on July 24, 2014 also introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. The IASB has tentatively decided to require an

4. FUTURE CHANGES IN ACCOUNTING POLICIES (continued)

entity to apply IFRS 9 for annual periods beginning on or after January 1, 2018. The Partnership has not yet determined the effect of adoption of IFRS 9 on its financial statements.

Leases

IFRS 16, Leases ("IFRS 16") was issued by the IASB on January 13, 2016, and will replace IAS 17, Leases. IFRS 16 will bring most leases onto the balance sheet for lessees under a single model, eliminating the distinction between operating and financing leases. Lessor accounting remains largely unchanged. The new standard is effective for annual periods beginning on or after January 1, 2019. The Partnership has not yet determined the effect of adoption of IFRS 16 on its financial statements.

Financial Statement Disclosure

On January 7, 2016 the IASB issued Disclosure Initiative (Amendments to IAS 7). The amendments apply prospectively for annual periods beginning on or after January 1, 2017, earlier application is permitted. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. One way to meet this new disclosure requirement is to provide a reconciliation between the opening and closing balances for liabilities from financing activities. The Partnership intends to adopt the amendments to IAS 7 in its financial statements for the annual period beginning on January 1, 2017. The Partnership does not expect the amendments to have a material impact on the financial statements.

(expressed in thousands of Canadian dollars)

5. PROPERTY, PLANT AND EQUIPMENT, NET

	Land	Equipment and other assets	Transmission assets	Work-in-progress	Total
Cost					
Balance, December 31, 2014	$ 236	$ 9,994	$ 233,549	$ 1,617	$ 245,396
Additions	-	-	-	8,597	8,597
Transfers	-	808	7,352	(8,160)	-
Disposals	-	(163)	(1,935)	-	(2,098)
Balance, December 31, 2015	$ 236	$ 10,639	$ 238,966	$ 2,054	$ 251,895
Additions	-	-	-	8,329	8,329
Transfers	-	1,046	7,170	(8,216)	-
Disposals	-	(42)	(765)	(268)	(1,075)
Balance, December 31, 2016	$ 236	$ 11,643	$ 245,371	$ 1,899	$ 259,149
Accumulated Depreciation					
Balance, December 31, 2014	$ -	$ 2,328	$ 23,127	$ -	$ 25,455
Additions (Depreciation)	-	952	8,289	-	9,241
Disposals	-	(161)	(1,483)	-	(1,644)
Balance, December 31, 2015	$ -	$ 3,119	$ 29,933	$ -	$ 33,052
Additions (Depreciation)	-	917	8,078	-	8,995
Disposals	-	(42)	(159)	-	(201)
Balance, December 31, 2016	$ -	$ 3,994	$ 37,852	$ -	$ 41,846
Carrying amounts					
Balance, December 31, 2015	$ 236	$ 7,520	$ 209,033	$ 2,054	$ 218,843
Balance, December 31, 2016	$ 236	$ 7,649	$ 207,519	$ 1,899	$ 217,303

During the year, the Partnership disposed of assets with a total net book value of $606 (2015 - $454) for net proceeds of $6 (2015 - $48). A resultant loss on disposal of property, plant and equipment of $600 (2015 - $406) was recorded to the statement of comprehensive income. The Partnership also wrote off $268 (2015 - $nil) in work-in-progress assets, which was recorded to the statement of comprehensive income under operating and administration expense.

(expressed in thousands of Canadian dollars)

6. INTANGIBLE ASSETS, NET

	Land rights	Computer software	Work-in-progress	Total
Cost				
Balance, December 31, 2014	$ 1,102	$ 2,885	$ 254	$ 4,241
Additions	-	-	623	623
Transfers	124	459	(583)	-
Disposals	-	(3)	(75)	(78)
Balance, December 31, 2015	1,226	3,341	219	4,786
Additions	-	-	1,123	1,123
Transfers	970	372	(1,342)	-
Disposals	-	-	-	-
Balance, December 31, 2016	$ 2,196	$ 3,713	-	$ 5,909
Accumulated Depreciation				
Balance, December 31, 2014	$ -	$ 1,499	$ -	$ 1,499
Additions (Amortization)	-	404	-	404
Disposals	-	(3)	-	(3)
Balance, December 31, 2015	-	1,900	-	1,900
Additions (Amortization)	5	296	-	301
Disposals	-	-	-	-
Balance, December 31, 2016	$ 5	$ 2,196	$ -	$ 2,201
Carrying amounts				
Balance, December 31, 2015	$ 1,226	$ 1,441	$ 219	$ 2,886
Balance, December 31, 2016	$ 2,191	$ 1,517	$ -	$ 3,708

During the year, the Partnership did not write off any work-in-progress assets (2015 - $75).

The Partnership owns land rights and other land easements that are needed as part of the normal business operations. Land rights have been obtained through contractual rights where the transferor has transferred land rights and land easements to specific parcels of land. The Partnership has identified these land rights as intangible assets with having either indefinite useful lives (in instances where contractual rights give access to specific land parcels in perpetuity) or where land rights are over a finite period, amortize over the term of the agreement they have with the land owner. The Partnership accounts for land rights at cost less depreciation and cumulative impairment losses, if any. At December 31, 2016 the carrying amounts of land rights is $2,191 (2015 - $1,226).

The Partnership has not identified events or changes in circumstances that indicate that the land rights' carrying amounts exceed their recoverable amounts. The Partnership has tested land rights for impairment in accordance with annual impairment tests.

(expressed in thousands of Canadian dollars)

6. INTANGIBLE ASSETS, NET (continued)

The Partnership has identified the recoverable amount of land rights to be their fair values less cost of disposal. In arriving at the fair value less cost of disposal, the Partnership has used a recent purchase transaction which it believes is indicative of the fair value less cost of disposal of the land rights owned. The Partnership has determined that as at December 31, 2016 the fair value less cost of disposal is greater than the carrying amount and hence no impairment loss has been recorded.

The Partnership uses fair value less cost of disposal to determine the recoverable amount as it believes that this will generally result in a value greater than or equal to the value in use. For the purpose of the intangible impairment test, the Partnership used a recent purchase agreement. The inputs used in the fair value measurement constitute Level 2 inputs under the fair value hierarchy. Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (for example, interest rate and yield curves observable at commonly quoted intervals, forward pricing curves used to value currency and commodity contracts), or inputs that are derived principally from or corroborated by observable market data or other means.

7. TRADE AND OTHER PAYABLES

	2016	2015
Trade payables and accruals	$ 667	$ 404
Payroll liabilities	433	426
Accrued interest	305	311
Connection deposits	69	593
Other payables	215	188
	$ 1,689	$ 1,922

The Partnership retains connection deposits for power generating entities as reimbursement to the Partnership for costs to be incurred in connecting those power generating entities to the Partnership's power transmission property assets. Any unused connection deposit balance will be refunded to the appropriate power generating entity.

8. PENSION AND EMPLOYEE FUTURE BENEFITS

The Partnership is part of a registered defined benefit, final pay pension plan and other post-employment benefit plan (the "Plans").

The other post-employment benefit plan includes benefits such as health and dental care, and life insurance. The obligation under these plans is determined periodically through the preparation of actuarial valuations. The Partnership contributions for the benefit plans for 2016 was $1,116 (2015 - $1,142).

The Partnership also participates in a defined contribution pension plan provided to certain employees. The Partnership contributes based on the level of employee contributions for this plan. In 2016, the total employer expense for the Partnership's defined contribution pension plan was $147 (2015 - $138). The minimum employer's contribution for 2017 is estimated to be $137.

The Partnership's pension plan information is provided in the following tables:

HYDRO ONE SAULT STE. MARIE LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2016 and 2015
(expressed in thousands of Canadian dollars)

8. PENSION AND EMPLOYEE FUTURE BENEFITS (continued)

	December 31, 2016			December 31, 2015		
	Defined Benefit Pension Plan	Non-Pension Benefit Plans	Total	Defined Benefit Pension Plan	Non-Pension Benefit Plans	Total
Change in the present value of the accrued benefit obligation						
Balance, beginning of year	22,664	4,877	27,541	22,645	6,869	29,514
Current service cost	417	134	551	415	259	674
Interest expense	921	202	1,123	888	278	1,166
Benefit payments from plan	(985)	(125)	(1,110)	(922)	(95)	(1,017)
Employee contributions	116	-	116	115	-	115
Increases (decreases) due to other significant events	(325)	-	(325)	-	-	-
Remeasurements:						
Effect of changes in demographic assumptions	309	113	422	-	(1,775)	(1,775)
Effect of changes in financial assumptions	713	191	904	(499)	(11)	(510)
Effect of experience adjustments	27	-	27	22	(648)	(626)
Balance, end of year	**23,857**	**5,392**	**29,249**	**22,664**	**4,877**	**27,541**
Change in fair value of the plan assets						
Fair value, beginning of year	24,084	-	24,084	21,837	-	21,837
Return on plan assets	(97)	-	(97)	1,213	-	1,213
Contributions:						
Employer	991	125	1,116	1,047	95	1,142
Employee	116	-	116	115	-	115
Benefit payments from plan	(985)	(125)	(1,110)	(922)	(95)	(1,017)
Administrative expenses paid from plan assets	(124)	-	(124)	(81)	-	(81)
Interest income	1,001	-	1,001	875	-	875
Decreases due to other significant events	(187)	-	(187)	-	-	-
Fair value, end of year	**24,799**	**-**	**24,799**	**24,084**	**-**	**24,084**
Net Defined Benefit Liability						
Accrued benefit obligation	(23,857)	(5,392)	(29,249)	(22,664)	(4,877)	(27,541)
Fair value of plan assets	24,799	-	24,799	24,084	-	24,084
Net Defined Benefit Liability	942	(5,392)	(4,450)	1,420	(4,877)	(3,457)
Total expense recognized in profit and loss						
Current service cost	417	134	551	415	259	674
Net interest expense	(80)	202	122	13	278	291
Administrative expenses and taxes	160	-	160	175	-	175
Total expense recognized in profit and loss	**497**	**336**	**833**	**603**	**537**	**1,140**
Actuarial losses/(gains) recognized in statement of comprehensive income						
Effect of changes in demographic assumptions	309	113	422	-	(1,775)	(1,775)
Effect of changes in financial assumptions	713	191	904	(499)	(11)	(510)
Effect of experience adjustments	27	-	27	22	(648)	(626)
Return on plan assets	60	-	60	(1,308)	-	(1,308)
Total actuarial losses/(gains) recognized in statement of comprehensive income	**1,109**	**304**	**1,413**	**(1,785)**	**(2,434)**	**(4,219)**

Effects of changes in assumptions

	Revalued pension obligation	Revalued pension obligation	Total
Discount Rate			
Increase by 100 basis points	19,813	852	20,665
Decrease by 100 basis points	26,922	989	27,911
Inflation Rate			
Increase by 100 basis points	25,240	916	26,156
Decrease by 100 basis points	20,739	916	21,655

Significant Actuarial Assumptions	Defined Benefit Pension Plan	Non-Pension Benefit Plans	Defined Benefit Pension Plan	Non-Pension Benefit Plans
	December 31, 2016		December 31, 2015	
Weighted-Average actuarial assumptions used:				
Discount rate	3.90%	4.00%	4.15%	4.20%
Rate of compensation increases	3.00%	3.00%	3.00%	3.00%
Inflation Rate	2.00%	n/a	2.00%	n/a

Plan Assets by asset class allocation (%)	31-Dec-16	31-Dec-15
Fixed Income	34%	37%
Equities	66%	63%
Other	0%	0%
Total	100%	100%

(expressed in thousands of Canadian dollars)

9. TRANS SENIOR BONDS

The Trans Senior Bonds (the "Bonds") having an original principal amount of $120,000 and are secured by a charge on the Partnership's transmission real property assets, both present and future. On behalf of the Partnership, HOI maintains a letter of credit in the amount of $3,960 to cover six months of interest payments on the Bonds.

The fair market value of the Bonds as at December 31, 2016 is $140,821 based on current market prices for debt with similar terms (2015 - $143,002). Amortization of deferred financing fees for the year related to the Partnership's Bonds are included in finance costs and totaled $220 (2015 - $211).

The Bonds bear interest at the rate of 6.6% per annum. Semi-annual payments of interest only were due and payable on June and December 16 each year up until and including June 16, 2023. Equal blended semi-annual payments of principal and interest on the Bonds commenced on December 16, 2013 and will continue until and including June 16, 2023. The Bonds will not be fully amortized by their maturity date. The remaining principal balance of the Bonds will be fully due on June 16, 2023.

	2016	2015
Trans senior bonds	$ 112,477	$ 114,803
Less: unamortized deferred financing fees	(1,630)	(1,849)
Less: current portion	(2,483)	(2,327)
	$ 108,364	$ 110,627

As at December 31, 2016, principal repayments due in each of the next five years were as follows:

	2017	2018	2019	2020	2021
Principal repayments	$ 2,483	$ 2,649	$ 2,827	$ 3,017	$ 3,219

During the year, the Partnership identified a number of projects which were considered to be qualifying assets for purposes of capitalizing borrowing costs. For the year ended December 31, 2016, the Partnership capitalized borrowing costs of $225 (2015 - $235). The capitalization rate on funds borrowed amounted to 6.6% (2015 - 6.6%).

10. PARTNERSHIP UNITS

The Partnership is authorized to issue an unlimited number of Class A and Class B partnership units, of which 20,285,007 Class A units and 2 Class B units were issued and outstanding as at December 31, 2016. 20,285,007 Class A units and 2 Class B units were issued and outstanding as at December 31, 2015.

(expressed in thousands of Canadian dollars)

11. COMMITMENTS AND CONTINGENCIES

Letters of credit

On behalf of the Partnership, HOI maintains a letter of credit totaling $3,960 to cover six months of interest payments on the Bonds. No amount has been drawn against this letter of credit.

Commitments

As at December 31, 2016 future minimum lease payments for operating leases entered into by the Partnership, as lessee, were as follows:

	2017	2018-2021	Thereafter
Minimum lease payments	$343	$686	$nil

Contingencies

The Partnership may, from time to time, be involved in legal proceedings, claims and litigation that arises in the ordinary course of business which the Partnership believes would not reasonably be expected to have a material adverse effect on the financial condition of the Partnership.

There are no specified decommissioning costs relating to the Partnership's assets. The Partnership has a comprehensive repair and capital expenditure program to ensure that its transmission lines are maintained to industry standards. Replacement of the assets occurs in accordance with a long term capital plan and would involve typical costs of removal as part of that process. In the circumstance where a portion of a line or other assets were removed completely, there may be some contractual obligations under private or crown easements or other land rights which require the transmission owner to reinstate the land to a certain standard, typically the shape it was prior to the construction of the transmission assets. As well, certain environmental, land use and/or utility legislation, regulations and policy may apply in which the Partnership would have to comply with remediation requirements set by the government. The requirements will typically depend on the specific property characteristics and what criteria the government determines to be appropriate to meet safety and environmental concerns. These asset lives are indeterminate given their nature. As the individual assets or components reach the end of their useful lives, they are retired and replaced. Historically, certain asset components have been replaced a number of times, thus creating a perpetual asset with an indeterminate life. As such, the retirement date for these lines cannot be reasonably estimated and therefore, the fair value of the associated liability cannot be determined at this time. As a result, no liability has been accrued in these financial statements.

12. OPERATING AND ADMINISTRATION EXPENSES

	2016	2015
Compensation expenses	$ 5,276	$ 6,025
Contract expenses	2,238	1,635
Materials	295	771
Other	1,664	1,042
	$ 9,473	$ 9,473

(expressed in thousands of Canadian dollars)

13. MAINTENANCE EXPENSES

	2016	2015
Compensation expenses	$ 544	$ 328
Contract expenses	616	463
Materials	99	107
Other	357	359
	$ 1,616	$ 1,257

14. FINANCE COSTS

	2016	2015
Interest expense on Trans senior bonds	$ 7,533	$ 7,675
Amortization of deferred financing fees on Trans senior bonds	220	211
Less: capitalized interest	(225)	(235)
	$ 7,528	$ 7,651

15. DEPRECIATION AND AMORTIZATION

	2016	2015
Depreciation on property, plant and equipment	$ 8,995	$ 9,241
Amortization of intangible assets	301	404
	$ 9,296	$ 9,645

16. INCOME TAXES

The Partnership does not record income tax expenses as it is not subject to income taxation as a result of its formation as a limited partnership.

17. STATEMENT OF CASH FLOWS

Net change in non-cash working capital related to operations

	2016	2015
Trade and other receivables	$ 3,051	$ 336
Prepaid expenses and other	38	35
Due from related parties	(3,188)	(6)
Trade and other payables	(227)	(1,301)
Due to related parties	(128)	(20)
Pension liability	(420)	(1)
	$ (874)	$ (957)

(expressed in thousands of Canadian dollars)

18. CAPITAL RISK MANAGEMENT

The Partnership's primary capital management objective is to ensure the sustainability of its capital to support continuing operations, meet its financial obligations, allow for growth opportunities and provide stable distributions to its partners. The Partnership manages its capital to maintain an investment grade credit rating while prudently making use of leverage in order to provide its ultimate parent with enhanced returns. In addition, the Partnership manages its capital to ensure access to incremental borrowings needed to fund new growth initiatives.

The Partnership manages its capital structure in accordance with changes in economic conditions. Generally, capital expenditures are funded with external borrowings. In order to adjust the capital structure, the Partnership may elect to adjust the distribution amount paid to its partners, increase or reduce the equity participation in new and existing operations, adjust the level of capital spending or issue new partnership units.

The Partnership manages its capital in order to maintain a debt to capitalization ratio below 75%. As at December 31, 2016, the ratio was 51% (2015 – 51%). The table below presents the detail of the Partnership's capitalization and the calculation of the ratio:

	2016	2015
Trans senior bonds	$ 112,477	$ 114,803
	112,477	114,803
Partners' equity	109,578	110,380
Total capitalization	$ 222,055	$ 225,183
Debt to capitalization	51%	51%

There has been no change in the Partnership's approach to managing capital in the year.

(expressed in thousands of Canadian dollars)

19. FINANCIAL INSTRUMENTS

Fair value measurement

The Partnership defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Partnership classifies its financial assets and liabilities as outlined below:

		2016		2015	
	Class	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets					
Cash	LAR	$ 1,682	$ 1,682	$ 3,340	$ 3,340
Trade and other receivables	LAR	35	35	3,086	3,086
Financial liabilities					
Trade and other payables	OL	1,689	1,689	1,922	1,922
Trans senior bonds	OL	110,847	140,821	112,954	143,002

Classification details:
FVTPL – fair value through profit or loss
LAR – loans and receivables
OL – other liabilities

The statements of financial position carrying amounts for cash, trade and other receivables, trade and other payables, and due to and from related parties approximate fair value due to their short-term nature. Due to the use of subjective judgments and uncertainties in the determination of fair values, these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

Fair value hierarchy

The following provides a description of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

(a) Level 1 fair value measurements are those derived from quoted market prices (unadjusted) in active markets for identical assets or liabilities;
(b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
(c) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

No financial instruments have been ranked level 2 or 3, except for the Bonds which are ranked as level 2.

19. FINANCIAL INSTRUMENTS (continued)

There were no transfers between Level 1, 2 and 3 during the reporting periods. The fair values of financial assets and liabilities carried at amortized cost are approximated by their carrying values, except for the Bonds whose fair market value is presented in note 9.

Financial risk management

The Partnership has exposure to the following risks from its use of financial instruments: market risk, credit risk and liquidity risk.

The Partnership's management has overall responsibility for the establishment and oversight of the Partnership's risk management framework. Risk management policies are established to identify and analyze the risks faced by the Partnership, to set appropriate risk limits and controls and to monitor risks and ensure adherence to these limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Partnership's activities. The Partnership, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations. The objectives, policies and processes for managing risk were consistent with those in the prior year.

Market Risk

Market risk is the risk that changes in market prices (interest rates) will affect the Partnership's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Partnership's Bonds are subject to a fixed interest rate of 6.6% per annum, payable semi-annually on June 16 and December 16. As a result of having fixed rate debt, fluctuations in market interest rates are not expected to materially affect the Partnership's cash flows.

Credit Risk

Credit risk is the risk of financial loss to the Partnership if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Partnership's receivables from counterparties. The carrying amount of financial assets represents the maximum credit exposure.

The Partnership actively manages its exposure to credit risk by assessing the ability of counterparties to fulfill their obligations under the related contracts prior to entering into such contracts, and continually monitors these exposures.

The majority of trade receivable transactions entered by the Partnership are with the Independent Electricity System Operator ("IESO"). The IESO operates the provincial transmission system, and is a reliable counterparty. The quality of the Partnership's counterparties mitigates the Partnership's exposure to credit risk.

(expressed in thousands of Canadian dollars)

19. FINANCIAL INSTRUMENTS (continued)

The Partnership's maximum exposure to credit risk as at December 31 is as follows:

	2016	2015
Trade and other receivables	$ 35	$ 3,086

The Partnership is also exposed to credit risk on cash. Credit risk is mitigated by ensuring the majority of the financial assets are placed with a major Canadian financial institution with strong investment-grade ratings by a primary ratings agency. The credit risk of cash has been assessed as low.

Liquidity Risk

Liquidity risk is the risk that the Partnership will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Partnership manages liquidity risk by forecasting cash flows required by operations and anticipating investing and financing activities to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Partnership's reputation.

The table below analyzes the Partnership's financial liabilities into relevant maturity groupings based on the remaining period at the date of the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

		Contractual Maturities				
	Carrying Amount	Less Than 1 Year	1-2 Years	3-5 Years	More Than 5 Years	Total
Trade and other payables	$ 1,689	$ 1,689	$ -	$ -	$ -	$ 1,689
Trans senior bonds	110,847	9,866	9,866	29,598	107,843	157,173
	$112,536	$11,555	$9,866	$29,598	$107,843	$158,862

At year end, the Partnership's relatively stable operating cash flows provide sufficient liquidity to fund these contractual obligations.

20. RELATED PARTY TRANSACTIONS AND BALANCES

Through the normal course of business, the Partnership enters into transactions with parties that meet the definition of a related party. During the first ten months of the year ended December 31, 2016, the Partnership was owned by Brookfield Infrastructure Partners LP ("BIP") and entered into the following transactions with entities considered to be related:

(a) In the normal course of operations, Riskcorp Inc., an insurance broker related through common control, entered into transactions with the Partnership to provide insurance. The total cost allocated to the Partnership during the first ten months of 2016 was $200 (twelve months of 2015 - $323).

(b) The Partnership has provided services to and received services from entities under common control in the normal course of operations. The balances payable and receivable for these services are non-interest bearing and unsecured.

Office Complex

The office complex in which the Partnership conducts its operations is owned by Great Lakes Power Limited ("GLPL"), and leased by the Partnership. Lease payments are made to GLPL on a monthly basis, with the lease cost for the first ten months of 2016 equaling $286 (twelve months of 2015 - $340).

Communication Equipment

The Partnership uses a fiber optic network that is owned by GLPL and is licensed by the Partnership. License fee payments are made to GLPL on a quarterly basis, with the lease cost for the first ten months of 2016 equaling $139 (twelve months of 2015 – $166).

The Partnership owns Radio Systems Assets and issues licenses for the use of these assets to GLPL. License fee payments are received from GLPL on a quarterly basis, with the lease payments for the first ten months of 2016 equaling $38 (twelve months of 2015 - $41).

Pole Rental

The Partnership owns transmission poles and receives license fee payments in accordance with a Licensed Attachment Agreement between the Partnership and GLPL. This agreement allows GLPL to affix and maintain its apparatus and equipment to the transmission poles owned by the Partnership. Payments are received by the Partnership annually. Total payments received by the Partnership during the first ten months of 2016 are equal to $27 (twelve months of 2015 - $33).

Road Maintenance

The Partnership shares a remote roadway in the northern portion of its service territory with GLPL. The roadway is used for access to various generating stations and transmission stations. The road maintenance costs are shared between the Partnership and GLPL, with GLPL incurring the initial cost and passing a predetermined portion on to the Partnership. Payments for this road maintenance are made to GLPL as the costs are incurred by GLPL, with the total portion borne by the Partnership in the first ten months of 2016 being equal to $119 (twelve months of 2015 - $135).

(expressed in thousands of Canadian dollars)

20. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Corporate Costs

In accordance with the Services Agreement between Brookfield Infrastructure Holdings (Canada) Inc. and the Partnership in effect January 1, 2012 until January 1, 2017, the Partnership records a corporate cost allocation for services received. The Partnership may request such services as but not limited to information technology management, human resource administration, and financial administration. The total corporate cost allocation recorded as an expense during the first ten months in 2016 was $349 (twelve months of 2015 - $412).

During the last two months of the year ended December 31, 2016, the Partnership was owned by HOI and entered into the following transactions with entities considered to be related:

(a) The Partnership has provided received services from entities under common control in the normal course of operations. The balances payable and receivable for these services are non-interest bearing and unsecured.

Revenue

The IESO is a related party because they are controlled or significantly influenced by the Province, which is a majority shareholder of Hydro One Limited. Total revenue recorded during the last two months in 2016 was $6,325 (2015 - $ Nil).

Corporate Costs

In accordance with a Services Agreement between Hydro One Networks Inc. and the Partnership in effect until December 31, 2018, the Partnership records a corporate cost allocation for services received. The Partnership may request such services as but not limited to information technology management, human resource administration, and financial administration. The total corporate cost allocation recorded as an expense during the last two months in 2016 was $70 (2015 – $ Nil).

(b) As a result, the following balances are receivable & payable as at:

	2016	2015
Due from related parties		
Services provided to entities under common control	$ 3,283	$ 95
Due to related parties		
Services received from entities under common control	$ 70	$ 198

(expressed in thousands of Canadian dollars)

20. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Transactions with key management personnel

A summary of key management and director compensation for the year ended December 31, 2016 and 2015 are as follows:

	2016	2015
Salaries, management bonus and fees	$ 814	$ 916
Other benefits	110	124
Director fees	15	15
	$ 939	$ 1,055

Exhibit 8, Tab 5, Schedule 1

Response to AMPCO Interrogatories

Response to Association of Major Power Consumers in Ontario ("AMPCO") Interrogatories
Hydro One Sault Ste. Marie LP ("Hydro One SSM")
Application for 2017 Transmission Rates
EB-2016-0356

1-AMPCO-1

Ref: Ex 1 T1 S1 Page 2

Preamble: H1SSM is requesting an accounting order to establish a sub-account within deferral account 1574 to record revenue deficiencies incurred from January 1, 2017 until H1SSM's proposed 2017 rates are implemented.

Question:

a) Please provide the revenue deficiency resulting from a 6-month delay in implementing rates.

Response:

The revenue deficiency resulting from a 6-month delay in implementing rates would be approximately $470,000. Hydro One SSM believes a delay in implementing the rate by 6 months would not be appropriate given the absence of a transmission consolidation policy, and the fact that Hydro One SSM's rates application was made expediently once clear direction was provided in the OEB Decision and Order EB-2016-0050.

Please refer to the response to 1-VECC-2 for additional information.

1-AMPCO-2

Ref: Ex 1 T1 S2 Page 4

Preamble: GLPT has historically developed annual key performance indicators (KPIs) for business performance measurement.

Question:

a) Please provide a complete list of GLPT's historical KPIs.

b) Please provide GLPT's historical targets and actuals for each KPI for the years 2011 to 2016.

c) Based on the results in part (b), please explain any significant trends in the data.

d) Please provide targets for each KPI for 2017 and 2018.

Response:

a) Hydro One SSM has provided below a complete list of historical corporate KPI for the years 2011-2016

	2011	2012	2013	2014	2015	2016
Excellence in Health, Safety, Security and Environment						
Deliver zero high risk safety and environment incidents.	x	x	x	x	x	x
Meet established targets related to leading indicators for health and safety			x	x	x	x
Completion of HSS&E Strategic Plans					x	x
Continued Value Creation						
File Rate application for the appropriate test years	x	x		x		x
Deliver actual OM&A costs in line with the OEB approved OM&A.	x	x	x	x	x	x
Execute OEB approved Capital program within scope, schedule and budget.	x	x	x	x	x	x
Establish funding relationship that allows GLPT to replace equity invested by BIP and bring GLPT's debt to equity structure in line with the OEB deemed structure.		x	x			
Risk Management						
Maintain reliability standards within Ontario Customer Delivery Point Performance Standards norms (above Hydro One average) for all four load blocks (0-15MW, 15-40MW, 40-80MW, >80MW).	x	x	x	x	x	x
Deliver zero regulatory compliance and operational high risk incidents.	x	x	x	x	x	x
Complete Asset Management plan					x	
Initiate and Complete Compliance Program					x	
Complete Compliance Program						x
Investment in our People						
Implement program to develop leadership team at GLPT				x		
Complete orientation manual for newly hired or promoted managers				x		
Secure mandate and complete negotiation of Collective Agreement					x	
Establish individual development plan structure for key staff					x	
Completion of the individual development plans (IDP) were dropped in 2016 to focus on integration activities						x
Continuous Improvement Initiatives						
Implement all documents into the new paper records classification system.	x					
Revisit 2017 planned capex to ensure it is appropriately aligned with GLPT's capital strategy of aligning funding with capital expenditures while maintaining reliability			x			
Develop Land Management strategy					x	

b) Please refer to **Appendix 1-AMPCO-2(b)** for Hydro One SSM's historical targets and actuals for each KPI.

c) Hydro One SSM has identified an improving trend in its reliability performance. This improvement was driven in large part by improved reliability at the Third Line TS, where Hydro One SSM invested significantly in 2010-2012 to upgrade the 115 kV section of the station to improve overall reliability. In addition, Hydro One SSM continues to focus its capital program on projects and programs that aid in the timely restoration of forced outages. For example, Hydro One SSM has undertaken protection upgrade projects in more remote areas such as Anjigami TS and Watson TS which has helped reduce response time and reduce overall outage durations.

d) Please refer to the response for 1-AMPCO-3.

1-AMPCO-3

Ref: Ex 1 T1 S2 Page 4

Question:

a) Please provide GLPT's goals and objectives for 2017 and 2018.

Response:

Hydro One SSM sets its goals and objectives and completes the KPI-setting process in Q4 of each year for the upcoming year as part of the planning process. Therefore, KPIs for 2018 have not been established, however for most key objectives they are not anticipated to vary significantly. The 2017 goals and objectives are listed below:

Excellence in HSS&E

a) Zero High Risk HSS&E Incidents (Target – 0 with contact)

b) Completion of HSS&E Strategic Plans (Target – Achieve 85-90% of Plan)

c) Leading/proactive initiatives – Job Plan QA's and Work Observations (Target - Complete 90-95% of plan objectives in the year)

Continued Value Creation

a) Develop, implement and initiate the execution of the transition plan (Target - Develop high level plan by Q3)

b) Execute approved Capital Program (Target - Spend 92% to 95% or 101% to 102% of envelope basis and Spend 94% to 106% of individual projects)

c) Deliver OM&A costs in line with budgeted OM&A (Target – Costs do not exceed OEB approved by more than $100,000)

Risk Management

a) Maintain reliability standards within Ontario Customer Delivery Point Performance Standards norms (Target – For frequency and duration of outages, Hydro One SSM to meet minimum standard)

b) Execution of vegetation, lines and stations preventative maintenance programs (Target - 100% accomplishment of the work programs on budget)

c) Zero High Risk regulatory compliance and operational incidents (Target – 0 high risk incidents)

2-AMPCO-4

Ref: Ex 1 T1 S2 Page 4

Preamble: GLPT does not expect any significant operational integration steps or savings to occur during 2017 or 2018 and submits under this premise the annual adjustment is appropriate.

Question:

a) On what basis has GLPT determined that no significant savings are expected in 2017 or 2018?

b) Does GLPT anticipate any operating or capital savings in 2017 and 2018 not related to operational integration steps? If yes, please describe and quantify.

Response:

a) Hydro One SSM intention is to work with HONI in 2017 and 2018 to determine best practices and start to implement any planned changes to the Hydro One SSM operations in 2019, as such no significant operational changes or savings were expected in 2017 or 2018.

b) Hydro One SSM anticipates some operating cost savings in 2017 and 2018 which are not related to operational integration steps. The following are two specific areas where savings are expected and quantifiable:

   i. Approximately $150,000 in one-time costs were forecast to be incurred in 2016 related to the development of a regulatory compliance program, specifically for addressing changes in NERC reliability standards. These costs will not be incurred in 2017 and 2018, and

   ii. Hydro One SSM's OEB fees decreased by approximately $50,000 per year beginning in 2016, and it is anticipated these cost savings will continue in 2017 and 2018,

   While there are specific areas where Hydro One SSM anticipates cost savings, there are other cost drivers that will arise in 2017 and 2018 that did not exist; for example, Hydro One SSM is anticipating cost increases related to personnel and SCADA warranty costs, among others which are expected to offset any one-time cost savings anticipated.

3-AMPCO-5

Ref: Ex 3 T1 S2 Page 4

Preamble: GLPT indicates a number of KPIs tracked and measured by GLPT are consistent with the metrics that GLPT has introduced in its proposed scorecard.

Question:

a) Please provide the specific KPIs that correspond to a metric on the scorecard at Ex 3 T 1 S2 Appendix A.

Response:

The specific KPIs that correspond to the metric on the scorecard are as follows:

Performance Outcomes	Performance Categories	Improvement initiatives	GLPT Business Drivers	Specific KPI
Customer Focus Services are provided in a manner that responds to identified customer preferences.	Service Quality		Continued Value Creation	- Execution of vegetation, lines and stations preventative maintenance programs, and - Execute approved Capital Program
	Customer Satisfaction	Improvements in documenting and formally requesting feedback from customers on the outage process and overall % of satisfaction		- Maintain reliability standards within Ontario Customer Delivery Point Performance Standards norms, and - Zero High Risk regulatory compliance and operational incidents
Operational Effectiveness Continuous improvement in productivity and cost performance is achieved; and utilities deliver on system reliability and quality objectives.	Safety	Improvements in tracking of additional health and safety statistics for more granular reporting	HSSE, Continued Value Creation & Risk Management	- Zero High Risk HSS&E Incidents, - Completion of HSS&E Strategic Plans, - Leading/proactive initiatives – Job Plan QA's and Work Observations, and - Zero High Risk regulatory compliance and operational incidents
	System Reliability	Development of a process and collecting operational data utilizing the SCADA system with respect to equipment and system unavailability		- Maintain reliability standards within Ontario Customer Delivery Point Performance Standards norms
	Asset Management	Continuous improvement in the development of tangible goals and objectives in growing asset management capabilities		- Develop, implement and initiate the execution of the transition plan
	Cost Control			- Deliver OM&A costs in line with budgeted OM&A, - Execute approved Capital Program (In service additions), and - Develop, implement and initiate the execution of the transition plan
Public Policy Responsiveness Transmitters deliver on obligations mandated by government (e.g. in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	Connection of Renewable Generation		Risk Management	- Zero High Risk regulatory compliance and operational incidents
	Market Regulatory Compliance	Required collection of results from self assessment of the GLPT internal Compliance program and audit findings to illustrate achieved performance (i.e., number and type of violations)		- Zero High Risk regulatory compliance and operational incidents
	Regional Infrastructure	Ongoing strategic objectives to ensure that the regional planning process continues as required		None for 2017
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios		Continued Value Creation	- Develop, implement and initiate the execution of the transition plan, - Execute approved Capital Program (In service additions), and - Deliver OM&A costs in line with budgeted OM&A

Please refer to the response to 1-AMPCO-3 for additional information.

3-AMPCO-6

Ref: Ex 3 T1 S2 Appendix A

<u>Question:</u>

a) Please provide the number of delivery points for the years 2011 to 2016.

<u>Response:</u>

The number of delivery points for the years 2011 to 2016 is as follows:

2011 – 21
2012 – 21
2013 – 19
2014 – 19
2015 – 18
2016 – 18

4-AMPCO-7

Ref: Ex 4 T1 S4 Page 1

<u>Question:</u>

a) Did 1QC collect and/or analyze capital data from GLPT and the peer group? If yes, please provide the analysis.

<u>Response:</u>

a) No, IQC did no analysis of capital data from Hydro One SSM/GLPT or the peer group.

4-AMPCO-8

Ref: Ex 4 T1 S4 Appendix A

<u>Question:</u>

a) Please complete the following Table with GLPT data

	2013	2014	2015	2016	2017	2018
Transmission Lines & Substations O&M $						
A&G $						
Gross Asset $						
Circuit Km						
Customer						

<u>Response:</u>

a) See table – cost values in $ millions

Category	2013	2014	2015	2016	2017	2018
Transmission Lines & Substations O&M	$6,304	$6,401	$6,497	$7,167	$7,347	$7,427
A&G	$3,914	$3,903	$3,928	$3,955	$3,848	$3,905
Gross Asset	$330,364	$334,346	$340,990	$350,417	$363,561	$382,969
Circuit (km)	557	557	557	557	557	557
Customers	44,000	44,000	44,000	44,000	44,000	44,000

4-AMPCO-9

Ref: Ex 4 T1 S4 Appendix A Page 8

a) Please add the demographics of GLPT to the table at Appendix B.

Response:

a) Please see updated table below.

ID	Characteristics	Geographic Locations	Voltages/KM	Terrain	Number of Customers	Industrial Customers	% Ind'l
4	Combined D&T	Southeast US	<69kV:0; 69kV:344; 100kV Class:2185; 200kV Class:0; 300kV Class: 1216; 400kV & Above Class:0	Flat, dense trees	2,299,248	1,921	0.084%
5	Combined D&T	MidAtlantic US	<69kV:0; 69kV:0; 100kV Class:854; 200kV Class:332; 300kV Class:0; 400kV & Above Class:218	Flat, dense trees	1,351,891	5,990	0.443%
6	Combined D&T	MidAtlantic US	100kV Class:307km; 200kV Class:251km; 300kV Class: 881; 400kV & Above Class:302	Flat, dense trees	1,590,478	3,112	0.196%
7	Combined D&T	Southwest US	<69kV:0; 69kV:2788.45; 100kV Class:6903.77; 200kV Class:0; 300kV Class: 6448.58; 400kV & Above Class:0	Flat, few trees	3,310,530	6,471	0.195%
10	Combined D&T	MidWest US	<69kV:0; 69kV:69.2; 100kV Class:1497.5; 200kV Class:0; 300kV Class: 478.1; 400kV & Above Class:0	Flat, some trees	903,776	4,636	0.513%
21	Combined D&T	MidAtlantic US	69kV:194km; 100kV Class:619; 200kV Class:950km; 300kV Class: 43; 400kV & Above Class:654km	Flat, dense trees	2,256,964	9,219	0.408%
23	Combined D&T	MidWest US	<69kV:1634.85; 69kV:1098.84; 100kV Class:2022.04; 200kV Class:336.19; 300kV Class: 1148.55; 400kV & Above Class:0	Flat, some trees	695,972	5,128	0.737%
28	Combined D&T	Southwest US	<69kV:474.46; 69kV:0; 100kV Class:408.41; 200kV Class:0; 300kV Class: 966.88; 400kV & Above Class:95.17	Flat, few trees	414,748	631	0.152%
30	Combined D&T	Northwest US	<69kV:0; 69kV:344; 100kV Class:2185; 200kV Class:0; 300kV Class: 1216; 400kV & Above Class:0	Flat, dense trees	1,099,696	3,710	0.337%
31	Combined D&T	MidWest US	<69kV:203km; 100kV Class:2755km; 200kV Class:506km; 400kV Class & Above:90	Flat, dense trees	3,842,198	1,956	0.051%
32	Combined D&T	Northwest US	100kV Class:808km; 200kV Class:900km; 300kV Class:612; 400kV Class & Above:353km	Flat, dense trees	840,993	265	0.032%
GLPT/ Hydro One SSM	Transmission	Northern Ontario/South-Central Canada	230kV Class: 319km; 115kV Class: 232km; 44kV Class: 10km	Canadian shield: rugged terrain, dense trees/ vegetation	44,000	4	0.009%

4-AMPCO-10

Ref: OEB Filing Requirements For Electricity Transmission Applications Chapter 2, February 11, 2016, Page 5

Preamble: Under basic components of Revenue Cap index applications related to Benchmarking, the Filing Requirements indicate that both internal benchmarking (against own cost performance over time to demonstrate continuous improvement) and external benchmarking (against other transmitters), including rationale for selected comparators, is required.

Question:

a) Please discuss which costs GLPT tracks/measures to benchmark its own internal cost performance over time. Please provide the data for the years 2013 to 2016.

b) Please provide GLPT's Total Costs and Gross Assets for the years 2013 to 2016.

Response:

a) Hydro One SSM tracks/measures its own internal cost performance in a number of ways. At the highest level, total OM&A is tracked against prior year and OEB-approved OM&A. As part of the budget-setting process, Hydro One SSM reviews its proposed OM&A levels in comparison to historical levels to ensure the company-wide costs are reasonable.

Hydro One SSM's performance against this benchmark has been positive for the previous five years, where actual OM&A has not exceeded the OEB-Approved OM&A by more than $100,000 in any year, consistent with the KPI measure.

At a more granular level, Hydro One SSM monitors costs and cost drivers at a departmental level to ensure appropriate use of resources. Hydro One SSM's finance team prepares a monthly OM&A summary which highlights variances against prior year and against budget. This information is shared with the business partners who are responsible for the departmental budgets to ensure full awareness of cost trending and cost performance.

In addition, Hydro One SSM monitors and reports on other cost drivers which are controllable by management. For example, on a monthly basis an overtime report is prepared to ensure effective management of labour costs by department. Overtime statistics are measured against historical performance, adjusted for expected deviations (i.e., major projects requiring work during non-regular hours).

b) Please refer to response to 4-AMPCO-8 for total costs and gross assets for those years.

	Target	2011
Excellence in Health, Safety, Security and Environment		
Deliver zero high risk safety and environment incidents.	0 with contact	0 with contact
Continued Value Creation		
File Rate application for the appropriate test years	File and respond to IRs on a timely basis while materially meeting objectives as filed. Achieve effective date of Jan 1.	Objective met
Deliver actual OM&A costs in line with the OEB approved OM&A.	Costs do not exceed OEB approved by more than $100k	Objective met
Execute OEB approved Capital program within scope, schedule and budget.	Spend 92% to 95% or 101% to 102% of envelope basis **and** Spend 94% to 106% of individual projects	Met target for both envelope and individual targets
Risk Management		
Maintain reliability standards within Ontario Customer Delivery Point Performance Standards norms (above Hydro One average) for all four load blocks (0-15MW, 15-40MW, 40-80MW, >80MW).	For frequency and duration of outages, Hydro One SSM to meet minimum standard	KPI achieved for frequency not duration as calculated on a 3 year average and significant outage in 2011.
Deliver zero regulatory compliance and operational high risk incidents.	Zero high risk incidents	2
Continuous Improvement Initiatives		
Implement all documents into the new paper records classification system.	Implement document management system ensuring files appropriately classified and retained	Per internal review system was verified and 33 files were not appropriately filed, however all files adhered to retention requirements

	Target	2012
Excellence in Health, Safety, Security and Environment		
Deliver zero high risk safety and environment incidents.	0 with contact	0 with contact
Continued Value Creation		
File Rate application for the appropriate test years	File and respond to IRs on a timely basis while materially meeting objectives as filed. Achieve effective date of Jan 1.	Objective met
Deliver actual OM&A costs in line with the OEB approved OM&A.	Costs do not exceed OEB approved by more than $100k	Objective met
Execute OEB approved Capital program within scope, schedule and budget.	Spend 92% to 95% or 101% to 102% of envelope basis **and** Spend 94% to 106% of individual projects	Did not meet envelope target as spend was higher than of budget, met individual target
Establish funding relationship that allows GLPT to replace equity invested by BIP and bring GLPT's debt to equity structure in line with the OEB deemed structure.	Achieve new financing to bring debt to equity in line with OEB deemed debt to equity structure.	Not achieved
Risk Management		
Maintain reliability standards within Ontario Customer Delivery Point Performance Standards norms (above Hydro One average) for all four load blocks (0-15MW, 15-40MW, 40-80MW, >80MW).	For frequency and duration of outages, Hydro One SSM to meet minimum standard	KPI achieved for frequency not duration as calculated on a 3 year average.
Deliver zero regulatory compliance and operational high risk incidents.	Zero high risk incidents	1

	Target	2013
Excellence in Health, Safety, Security and Environment		
Deliver zero high risk safety and environment incidents.	0 with contact	0 with contact
Meet established targets related to leading indicators for health and safety	Achieve 90-95% of target	Objective met
Continued Value Creation		
Deliver actual OM&A costs in line with the OEB approved OM&A.	Costs do not exceed OEB approved by more than $100k	Objective met
Execute OEB approved Capital program within scope, schedule and budget.	Spend 92% to 95% or 101% to 102% of envelope basis **and** Spend 94% to 106% of individual projects	Did not meet envelope target as spend was higher than of budget, met individual target
Establish funding relationship that allows GLPT to replace equity invested by BIP and bring GLPT's debt to equity structure in line with the OEB deemed structure.	Achieve new financing to bring debt to equity in line with OEB deemed debt to equity structure.	Not achieved
Risk Management		
Maintain reliability standards within Ontario Customer Delivery Point Performance Standards norms (above Hydro One average) for all four load blocks (0-15MW, 15-40MW, 40-80MW, >80MW).	For frequency and duration of outages, Hydro One SSM to meet minimum standard	KPI achieved for frequency not duration as calculated on a 3 year average.
Deliver zero regulatory compliance and operational high risk incidents.	Zero high risk incidents	0
Continuous Improvement Initiatives		
Revisit 2017 planned capex to ensure it is appropriately aligned with GLPT's capital strategy of aligning funding with capital expenditures while maintaining reliability	2017 Capex Plan completed and reviewed with VP & GM by Jan 11, 2013	2017 Capex Plan completed and reviewed with VP & GM by Jan 4, 2013

	Target	2014
Excellence in Health, Safety, Security and Environment		
Deliver zero high risk safety and environment incidents.	0 with contact	0 with contact
Meet established targets related to leading indicators for health and safety	Achieve 90-95% of target	Objective met
Continued Value Creation		
File Rate application for the appropriate test years	File and respond to IRs on a timely basis while materially meeting objectives as filed. Achieve effective date of Jan 1.	Objective met
Deliver actual OM&A costs in line with the OEB approved OM&A.	Costs do not exceed OEB approved by more than $100k	Objective met
Execute OEB approved Capital program within scope, schedule and budget.	Spend 92% to 95% or 101% to 102% of envelope basis **and** Spend 94% to 106% of individual projects	Met target for both envelope and individual targets
Risk Management		
Maintain reliability standards within Ontario Customer Delivery Point Performance Standards norms (above Hydro One average) for all four load blocks (0-15MW, 15-40MW, 40-80MW, >80MW).	For frequency and duration of outages, Hydro One SSM to meet minimum standard	KPI achieved for frequency and duration.
Deliver zero regulatory compliance and operational high risk incidents.	Zero high risk incidents	0
Investment in our People		
Implement program to develop leadership team at GLPT	Training initiated by Q4-2014	Training initiated by Q2-2014
Complete orientation manual for newly hired or promoted managers	Orientation program developed by September 30, 2014	Orientation program developed by September 30, 2014

	Target	2015
Excellence in Health, Safety, Security and Environment		
Deliver zero high risk safety and environment incidents.	0 with contact	0 with contact
Meet established targets related to leading indicators for health and safety	Achieve 90-95% of target	Objective not met
Completion of HSS&E Strategic Plans	Complete 85-90% of plan objectives in the year	Objective met with 98% completed
Continued Value Creation		
Deliver actual OM&A costs in line with the OEB approved OM&A.	Costs do not exceed OEB approved by more than $100k	Objective met
Execute OEB approved Capital program within scope, schedule and budget.	Spend 92% to 95% or 101% to 102% of envelope basis **and** Spend 94% to 106% of individual projects	Met target for both envelope and individual targets
Risk Management		
Maintain reliability standards within Ontario Customer Delivery Point Performance Standards norms (above Hydro One average) for all four load blocks (0-15MW, 15-40MW, 40-80MW, >80MW).	For frequency and duration of outages, Hydro One SSM to meet minimum standard	KPI achieved for frequency and duration.
Deliver zero regulatory compliance and operational high risk incidents.	Zero high risk incidents	0
Complete Asset Management plan	Asset Management Plan completed by Nov 30, 2015	Asset Management Plan Completed after Dec 31, 2015
Initiate and Complete Compliance Program	Compliance Program completed by Nov 30, 2015	Program completed in 2016
Investment in our People		
Secure mandate and complete negotiation of Collective Agreement	Agreement signed by Dec 31, 2015 with costs in line	Objective Met
Establish individual development plan structure for key staff	Individual Development Plans in place by July 31, 2015	Objective not achieved by year end
Continuous Improvement Initiatives		
Develop Land Management strategy	Land management strategy completed by Nov 30, 2015	Land Management Strategy was in place by Sept 30, 2015.

	Target	2016
Excellence in Health, Safety, Security and Environment		
Deliver zero high risk safety and environment incidents.	0 with contact	0 with contact
Meet established targets related to leading indicators for health and safety	Achieve 90-95% of target	Objective not met
Completion of HSS&E Strategic Plans	Complete 85-90% of plan objectives in the year	Objective met with 95% completed
Continued Value Creation		
File Rate application for the appropriate test years	File and respond to IRs on a timely basis while materially meeting objectives as filed. Achieve effective date of Jan 1.	Objective met - Subjective analysis give Cost-of-Service application was pulled and IRM application was completed
Deliver actual OM&A costs in line with the OEB approved OM&A.	Costs do not exceed OEB approved by more than $100k	Objective met
Execute OEB approved Capital program within scope, schedule and budget.	Spend 92% to 95% or 101% to 102% of envelope basis **and** Spend 94% to 106% of individual projects	Met target for envelope but did not for individual targets
Risk Management		
Maintain reliability standards within Ontario Customer Delivery Point Performance Standards norms (above Hydro One average) for all four load blocks (0-15MW, 15-40MW, 40-80MW, >80MW).	For frequency and duration of outages, Hydro One SSM to meet minimum standard	KPI achieved for frequency and duration.
Deliver zero regulatory compliance and operational high risk incidents.	Zero high risk incidents	0
Complete Compliance Program	Compliant with all NERC standards by July 1, 2016 with TFE	Compliant with all NERC standards by July 1, 2016 with TFE
Investment in our People		
Completion of the individual development plans (IDP) were dropped in 2016 to focus on integration activities	Individual Development Plans in place by November 2016	Objective not achieved by year end