BOMA's Compendium for Cross-Examination of Panel 5

1. Excerpt from Exhibit Tab 3, Schedule 1 of Application (pp 1-2).
2. Excerpt from Technical Conference Day 1 Transcript (p 3).
3. Excerpt from Exhibit B1, Tab 1, Schedule 1, DSP Section 1.4, Attachment 1 (pp 4-7).
4. Excerpt from Exhibit B1, Tab 1, Schedule 1, DSP Section 1.5 (pp 8-21).

challenged planners to continue to investigate a plan that would further mitigate cost increases but still reflect responsible stewardship of the assets and no degradation in reliability over the full Term. In particular, managers were challenged to consider how to mitigate the significant rate increase in 2018.

As a result, an adjusted investment portfolio with a forecasted 2018 rate impact of 5.4%, "Plan B – Modified", was developed that would maintain overall forecasted system reliability at current levels, while continuing to offer discrete power quality and reliability improvements for certain segments of the network. Tables 4 and 5 summarize the assumptions that defined Plans A, B, C and B - Modified.

Table 4: SAIDI Projection for Investment Plan Options

SAIDI[1]:	**Avg. 2013-15: 7.3 hours/year**	**Average Number of Hours that a Customer is Interrupted**					
	Assumptions			**Forecasted Impact on SAIDI [2]**			
	Failure Rate/Impact	**Contribution to SAIDI**	**SAIDI Contribution (based on 2013-15)**	**Plan A**	**Plan B**	**Plan C**	**Plan B-M**
Poles	• 345 outages/year • 180 customers/outage • 10 hours/outage	3%	0.2	20%	15%	(15)%	7%
Stations	• 16 failures (outages) /year • 1200 customers/outage • 24 hours/outage	4%	0.2	14%	5%	(4)%	0%
Other Line Components	• 2070 outages/year • 180 customers/outage • 4 hours/outage	23%	1.5	10%	0%	(10)%	(5%)
Vegetation	• 15,530 outages/year	27%	1.8	8%	8%	4%	8%
Estimated Impact to SAIDI				**6%**	**3%**	**(2)%**	**0%**
Forecasted SAIDI (hours)				**6.9**	**7.1**	**7.4**	**7.3**

Exhibit Reference: B1-1-1

1- Excludes force majeure and loss of supply events

2 – These columns reflect the forecasted impact on SAIDI by the end of 2022. Estimated performance improvement is expressed as a positive value; performance deterioration is expressed as a negative value.

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Table 5: SAIFI Projection for Investment Plan Options

SAIFI [1]:	Avg. 2013-15: 2.6 outages/year	Average Number of Times a Customer is Interrupted					
	Assumptions			Forecasted Impact on SAIFI[2]			
	Failure Rate/Impact	Contribution to SAIFI	SAIFI Contribution (based on 2013-15)	Plan A	Plan B	Plan C	Plan B-M
Poles	• 345 outages/year • 180 customers/outage • 10 hours/outage	2%	0.1	20%	15%	(15)%	7%
Stations	• 16 failures (outages) /year • 1200 customers/outage • 24 hours/outage	3%	0.1	14%	5%	(4)%	0%
Other Line Components	• 2070 outages/year • 180 customers/outage • 4 hours/outage	18%	0.5	10%	0%	(10)%	(5%)
Vegetation	• 15,530 outages/year	16%	0.4	8%	8%	4%	8%
Estimated Impact to SAIFI				**4%**	**2%**	**(2)%**	**0%**
Forecasted SAIFI (instances)				**2.5**	**2.6**	**2.6**	**2.6**

Exhibit Reference: B1-1-1

1-Excludes force majeure and loss of supply events

2 – These columns reflect the forecasted impact on SAIFI by the end of 2022. Estimated performance improvement is expressed as a positive value; performance deterioration is expressed as a negative value.

Plan B - Modified included the following adjustments compared to original Plan B:

- A deferral of some 2018 capital spending on wood pole replacements, station refurbishments, component replacements, system capability reinforcement, information technology and facilities and real estate to minimize rate impacts and offset the effects of a reduced load forecast, accepting short-term, small-scale reliability impacts where appropriate;
- The acceleration of productivity initiatives to reduce unit and operational costs and associated rate impacts, which are described in Section 1.5 of the DSP and summarized in Table 6 of this Exhibit;
- To sustain reliability, continued investment in certain System Renewal projects and programs based on asset condition and poor performance; and
- The establishment of OM&A and capital programs to investigate power quality issues, install power quality meters and surge arresters, and improve grounding where needed.

These initiatives reduced the total Term projected capital expenditures by $51 million or approximately 7.5% when compared to original Plan B.

Witness: Oded Hubert

distribution rate application or update it, if there happens to be an incremental cost to debt associated with Avista, that that wouldn't be passed on to the regulator ratepayers.

MR. BRETT: All right. So you would have some mechanism where you would hive that off and not allow the new debt issued by HONI to increase in price as a result of anything that happened as a result of the acquisition of Avista. That's what you're telling me?

MR. D'ANDREA: Correct.

MR. BRETT: And just as an aside -- and I believe this is BOMA 159-2. I'm not sure you need to turn this up, but this is a copy of your prospectus, the financing -- the prospectus for the financing of the Avista acquisition. And the question I wanted to confirm with you is that the securities issued for the Avista acquisition are securities of Hydro One Limited.

MR. CHHELAVDA: That is correct.

MR. BRETT: As distinct from Hydro One Inc.

MR. CHHELAVDA: Correct.

MR. BRETT: And it is Hydro One Inc. -- this is a further question of clarification. Hydro One Inc. is the -- essentially the holder of the debt of Hydro One Networks? In other words, the debt is actually the debt of Hydro One Inc., even though the cash flow to support the debt comes from Hydro One Networks; correct?

MR. CHHELAVDA: Correct.

MR. BRETT: Now, if you could look just briefly at the

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Productivity Reporting Governance Document

February 17th, 2017

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Contents

Productivity Reporting at Hydro One

Hydro One's goal is to be a best-in-class customer-centric commercial utility with a culture of continuous improvement and excellence in execution. Successful execution and performance measurement are critical to achieving this goal and will allow Hydro One to deliver incremental Value to customers in the coming years.

Hydro One will track and document the collective effort of all organizations to improve the Value provided to customers for program spending. The reporting of these efforts will drive increased accountability for management to achieve Productivity gains and will provide a transparent view for the regulator and our customers that Hydro One has adopted a culture of continuous improvement.

Definitions

Value

Value for the purposes of Productivity reporting can be defined as the service level provided to customers relative to the cost they pay through electricity rates. Customers assign different levels of importance to the services provided by Hydro One but it is clear through customer engagement that customers place the most Value in having a low cost electricity distributor without sacrificing performance in maintaining a safe, reliable electricity system. Creating Value for customer's means improving the service level provided while lowering the relative cost to provide those services.

Productivity

Productivity gains are the result of improved planning or execution of work that increases Value to the customer. This Value can be measured through output/input metrics which often are based on the cost per unit of output in a given work program. These metrics are measured over time to show the increasing Value to customers for program spending. Savings from new technologies and process innovations will naturally impact these metrics as they reduce costs to the customer while providing consistent or improved service levels. Productivity is quantifiable and can be measured through dollars or other numerical units.

Savings

There are many initiatives in place or under development that specifically target cost reductions in work programs and corporate support services. These Savings are tracked and reported to gauge the success of the initiatives and to find new ways to build upon their success. However, ultimately Productivity will be measured using metrics that demonstrate increasing Value to the customer rather than total Savings achieved.

Avoided Cost

Through Hydro One's business planning process, future cost increases can be identified in time to develop a strategy to mitigate or eliminate the increase. Avoided Costs are by their nature difficult to quantify as the conditions that would have caused the cost increase were prevented from occurring. These avoided costs will not be included in Savings tracking or Productivity reporting, but do impact the Value being generated for customers.

Table 8 – Distribution OEB Scorecard

			Historical Results						Target	
RRF Outcomes		Measure	2011	2012	2013	2014	2015	2016	2017	2018
Customer Focus	Customer Satisfaction	Customer Satisfaction - Perception Survey %	77%	78%	80%	67%	70%	66%	72%	74%
		Handling of Unplanned Outages Satisfaction %	81%	79%	78%	75%	76%	75%	76%	77%
		Call Centre Customer Satisfaction %	85%	84%	82%	81%	85%	86%	86%	87%
		My Account Customer Satisfaction %	81%	84%	64%	75%	78%	79%	81%	83%
Operational Effectiveness	Cost Control	Pole Replacement - Gross Cost Per Unit in $	8,541	8,441	7,824	8,928	8,392	8,350	8,640	8,733
		Vegetation Management - Gross Cyclical Cost per km $			New Program				9,441	9,382
		Station Refurbishments - Gross Cost per MVA in $*	386,000	-	318,000	348,000	500,000	557,000	461,000	454,000
		OM&A dollars per customer	456	451	498	551	453	455	449	455
		OM&A dollars per km of line	4,723	4,676	5,109	5,654	4,719	4,773	4,700	4,758
	System Reliability	Number of Line Equipment Caused Interruptions	7,681	7,316	7,266	8,311	8,164	7,674	8,200	8,200
		Number of Vegetation Caused Interruptions	6,113	6,953	5,791	6,540	6,944	7,439	6,900	6,500
		Number of Substation Caused Interruptions	159	144	129	158	141	103	145	145
		SAIDI - Rural - duration in hours	8.2	8.2	8.1	8.6	9.1	9.1	9.1	9.0
		SAIFI - Rural - frequency of outages	3.3	3.3	3.0	3.4	3.4	3.1	3.4	3.4
		SAIDI - Urban - duration in hours	2.7	3.2	2.2	2.8	2.8	2.4	2.8	2.8
		SAIFI - Urban - frequency of outages	1.6	1.7	1.6	2.3	1.4	1.6	1.7	1.7
		Large Customer Interruption Frequency (LDA's) - frequency of outages		New Measure	135	197	228	136	143	143

*There were no station refurbishment units matching the criteria completed in 2012

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1.5.1 PRODUCTIVITY SAVINGS IN THE PLAN

The key to providing customers with value is creating a business plan that aligns customer preferences, responsible stewardship of the system and rate impacts. Developing initiatives and approaches that make the Company more productive and more efficient define Hydro One's plan. The savings driven by these initiatives have been included in detailed OM&A and Capital plans. A summarised forecast of productivity savings for 2018-2022 is outlined in Table 17.

Table 17 – Detailed Productivity Savings Forecast

$Millions	2018	2019	2020	2021	2022
Move to Mobile	10.3	10.5	10.7	10.7	10.7
Procurement	14.2	15.3	19.1	20.2	20.8
Telematics	1.0	1.0	2.4	2.8	3.1
Total Capital	**25.5**	**26.8**	**32.2**	**33.7**	**34.5**
Move to Mobile	2.7	2.8	2.9	2.9	2.9
Operations	20.0	23.1	24.1	25.4	28.0
Procurement	2.2	2.1	2.5	2.7	2.8
Customer Service	1.8	2.6	3.2	4.1	4.8
Telematics	0.8	0.8	1.4	1.3	2.2
Information Technology	7.3	9.3	9.3	9.3	9.3
Total OMA	**34.8**	**40.7**	**43.4**	**45.8**	**50.0**

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$Millions	2018	2019	2020	2021	2022
Procurement	1.8	1.8	1.8	1.8	1.8
Administrative	1.4	1.5	1.5	1.5	1.5
Total Corporate Common	**3.2**	**3.3**	**3.3**	**3.3**	**3.3**
Total Savings	**63.5**	**70.8**	**78.9**	**82.8**	**87.8**

1.5.1.1 MOVE TO MOBILE

When Hydro One crews are working in the field, they could be anywhere inside a 640,000 sq. km area. Equipping these crews with technological resources that will help them perform work more effectively and find solutions faster will lead to savings. The goal of the Move to Mobile ("M2M") project is to improve operational efficiency in the field by using technology. The project is designed to apply industry best practices to Provincial Lines major business processes in the areas of Customer, Maintenance and Project work in addition to integrating mobile technology with the Company's existing suite of work management tools. An upgrade to the existing PCAD Scheduling Tool and associated process improvements will result in a 5% increase in field productivity and a reduction of eight clerical/administrative positions managed through attrition. The elimination of the current paper-based processes will result in an additional 21 clerical/administrative positions, also managed through attrition.

Other significant benefits that are realised by linking the Company's scheduling to real-time data that can be accessed by field crews via mobile devices will include improved Customer Service through timely and accurate meter setup, improved data accuracy and additional supervisory time in the field, which is critical to improving both safety and productivity. Implementation will be completed on a staged approach with completion

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scheduled for April 2017. Following successful implementation of this program to Provincial Lines, expansion to Forestry Services will be considered.

1.5.1.2 OPERATIONS

Hydro One forecasts productivity savings of over $120 million in Operations over the course of the 2018-2022 planning period. These savings demonstrate Hydro One's commitment to identifying and implementing efficiencies and minimizing expense before passing on costs to customers. Many of these savings have been realized by initiatives that leverage new technologies and processes, and in some cases drive a significant change to the way that Hydro One completes work. Cable Locates and Forestry are two significant sources of Operations savings.

Cable Locates

Hydro One forecasts $39.6 million in savings over the 2018-2022 planning period as a result of changes to execution of cable locates work. Beginning in September 2015, a pilot area was selected to source underground distribution locates through external service providers. The scope was expanded across the province over the following six months so that the majority of locates, excluding emergencies and some remote areas of the province, are outsourced. Savings are now being realized due to a competitive price and a multi-utility discount from these locate service providers that also perform the same service for other infrastructure owners.

To achieve the savings, Hydro One joined the Locate Alliance Consortium (LAC) to facilitate the transition to outsourced locates. LAC utilizes a One Call One Locate model in which multiple utilities use the same Locate Service Provider and share in the costs. This allows a decrease in the cost of an individual locate for each facility owner

depending on the number of LAC members included on the locate request. Since Hydro One's territory is shared with a number of other LAC members this method has been successful in reducing the cost per locate.

A further initiative to lower locate costs is through reducing locate volumes through the implementation of Alternate Locate Agreements ("ALA") between Hydro One and excavators. An ALA outlines specific terms and conditions determined by the utility and agreed to by the excavator that allow the excavator to dig without receiving a traditional marked field locate. Improved GIS mapping in conjunction with planned system upgrades at Ontario One Call in late 2017 will result in further savings by avoiding locate requests where Hydro One does not have infrastructure within, or in close proximity to, the excavation area.

The overall savings forecast from changes to the Cable Locates work is provided in the Table 18.

Table 18 – Cable Locates Savings Forecast

$Millions	2018	2019	2020	2021	2022
OM&A Savings	7.6	7.8	7.9	8.1	8.2

Forestry

Hydro One forecasts $69 million in savings over the 2018-2022 planning period as a result of savings in vegetation management related work on the Distribution system. The Forestry Services department ("Forestry") is continuously looking to reduce costs and increase productivity. The following initiatives have been included in the business plan:

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Inclement Weather Initiative: Forestry utilizes a significant amount of temporary staff to complete its annual work program. Changes to work practices and management of shifts have allowed for increased flexibility of staff levels during inclement weather. The cost savings expected as a result of this change have been included in the business plan.

Brush Control Optimization: Historically, brush control has been achieved through multiple approaches of manual cutting and herbicide application in the same location. A review of the program has concluded that costs can be reduced through operational changes without compromising the results of the program. These changes include a reduction of multiple treatment methods and instead utilize a one-touch approach wherever possible. Herbicides are now applied to standing brush to reduce follow-up cutting and processing. In locations where herbicide or mechanical brush cutting cannot take place, the brush will be trimmed at a reasonable height. This results in less aggressive re-growth and costs considerably less than trimming at ground level as previously done.

Customer Notification Optimization: Forestry is using various means to reduce the costs of notifying customers on upcoming work. This includes utilizing automated technology and BASC staff to make preliminary notification phone calls and having technicians collect field data on feeders scheduled for vegetation management within a three-year period. This approach would cover 60-70% of work plan requirements and would be more efficient, freeing technician time to notify customers where exceptions are necessary on the feeder. Forestry is also considering other measures to reduce expense including leveraging GIS and SAP data for feeder length calculation, reducing tree counting to determine density by using various sampling techniques, reducing marking of trees slated for removals and, when considering large removals, determining if trimming would suffice to minimize time without compromising safety and reliability.

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Muskoka / Parry Sound Initiative: The Muskoka/Parry Sound region is a high priority region in terms of vegetation management, especially in light of frequent storm activity. Work volume in this area requires resources to be temporarily relocated from various areas across the province. Hydro One has created a broader project-based approach, integrating Forestry and Lines projects in planning and execution. This approach allows for the achievement of synergies in crew mobilization, project oversight and work reporting. This approach is expected to continue throughout the Application period.

Forestry Switching and Grounding: Currently, Forestry Regional Maintainers are required to wait for qualified Lines staff to switch and ground lines before commencing work activities. However, by employing a number of qualified foresters, who are trained to open switches and apply grounds in certain voltage and line configuration situations, forestry work can proceed without delays. This will result in more efficient utilization of Lines and Forestry resources as well as improved storm restoration times.

Labour Optimization: Forestry is working to optimize the number of high-skilled regular work staff to the level required to complete core work programs. Temporary workers will be utilized to perform the additional work in the applicable areas, allowing for additional flexibility in Hydro One's labour expense. In addition, Forestry is working to outsource low skilled brush control work at reduced expense to Hydro One. Both of these initiatives are expected to develop throughout the Application period (2018-2022).

Table 19 – Forestry Savings Forecast

$Millions	2018	2019	2020	2021	2022
OM&A Savings	10.0	12.9	13.8	14.9	17.4

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Additional operational savings of approximately $2.4 million per year are included in the plan, primarily from two programs related to trouble calls and meter reading. The planned reduction in trouble call expense is the result of the deployment of Fault Current Indicators, which allow for faster identification of the location of outages, which aides in reducing in restoration time and expense. Planned reductions in meter reading expenses are the result of the Flexible Bill Window program, which was created to extend the billing window in order to obtain actual meter reads and reduce estimated bills. As part of that program, Hydro One's SAP system can update manual meter read schedules for unanticipated electronic meter reads, thereby eliminating the manual meter read expense. In addition, meter reading routes are adjusted on a real time basis to ensure that routes are optimized for driving distance, demand and resource constraints in order to reduce drive time.

1.5.1.3 PROCUREMENT

Subsequent to the Company's IPO, Hydro One's Supply Chain division has made several changes to its sourcing processes to increase productivity and reduce expenses, as described in Exhibit C1, Tab 3, Schedule 1. Hydro One forecasts more than $100 million in embedded savings over the 2018-2022 planning period as a result of procurement enhancements. The following enhancements are under development:

- **Bundling/Volume Discounts** – Renewed view of sourcing categorization by grouping materials/services supplied by like-suppliers to maximize savings and volume discount opportunities, and addressing multiple sub-categories at once. Bundling multiple contracts with a single supplier, and negotiate volume discounts across multiple categories and contracts.
- **Feedback Rounds** – Maximize competitive pressure through multiple feedback rounds on rates, with an opportunity for vendors to improve their proposals.
- **'Lean' RFPs** – Emphasize leaner, "bidder-friendly" scope and value in RFP formats with fewer onerous requirements and redundancies.

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- **Standardization of Specifications** – Standardize requirements to allow direct, like-for-like comparisons across bidders. Move towards industry-standard specifications where reasonable, rather than Hydro One specifications, to reduce unnecessary costs.
- **Streamlined Evaluation** – Compress timelines and streamline evaluation process to meet business needs and accelerate the realization of negotiated savings.
- **Cost Transparency** – Increase knowledge of bidders' prices and composition to improve Hydro One's ability to challenge and negotiate competitive pricing.
- **Transition Pricing** – Where contracts are being renegotiated with incumbent vendors, implement new negotiated rates before the renegotiated contract execution.

Table 20 lists spending categories and the forecast procurement savings that have been embedded in the business plan over the 2018-2022 planning period.

Table 20 – Distribution Procurement Productivity – Category Overview

Category	Embedded Savings 2018-2022	Potential Approach/Levers
IT Software & Hardware	$13 M	• Renegotiate IT software contract(s) • Conduct broad RFP with telecoms and networks carrier services spend to leverage scale
Professional Services	$44 M	• Conduct RFP's to establish competitive rate cards and preferred suppliers(s) through multiple feedback rounds • Lock-in prices with preferred suppliers including volume discount agreements
Materials & Equipment	$23 M	• Conduct broad RFP's to consolidate spend with preferred suppliers with provincial capacity using multiple feedback rounds, thus increasing volume discount potential • Conduct RFP's to lock-in equipment rental rates while bundling other services as part of the RFP process
Back Office	$4 M	• Evaluate market alternatives and renegotiate office supplies

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Category	Embedded Savings 2018-2022	Potential Approach/Levers
Telecom	$5 M	• Consolidate bulk of spend with fewer preferred suppliers to lower cost
Fleet	$22 M	• Renegotiate Fleet Management contract, including a broad RFP with multiple feedback rounds

1.5.1.4 CUSTOMER SERVICE

As Hydro One strives to become a customer-centric commercial entity focussed on improving customer satisfaction, the Company's business plan includes a number of initiatives that forecast Customer Service savings over $16 million.

Hydro One's new eBilling solution, launched in December 2016 via Hydro One's self-service website, is expected to increase ebilling penetration. Over 500,000 customers are expected to sign up for e-billing by 2022, reducing the volume of paper bills and associated expenses, including postage.

1.5.1.5 TELEMATICS

Telematics integrates telecommunications, including global positioning systems (GPS) and informatics systems that provide location of vehicles, and live vehicle operation and performance data. The Telematics project was successfully rolled out to all fleet vehicles and equipment at the end of 2016 and provides analytics that will allow Hydro One to realize productivity efficiencies for the 2018-2022 investment planning period. In 2017, Fleet Services will leverage the telematics vehicle data to define the baseline metrics with respect to equipment utilization, non-productive idling and reduction in speeding. The data gathered will enable Fleet Services to reallocate resources to other areas to prevent

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the need to purchase additional resources and reduce spending without compromising service quality to operating divisions. By using 2017 as the baseline year, targets for the specific metrics will be established for the 2018-2022 investment planning period. Please refer to Exhibit C1, Tab 3, Schedule 1, Attachment 2 for additional Telematics project information.

1.5.1.6 INFORMATION TECHNOLOGY

The following OM&A initiatives are designed to reduce costs without impacting the services provided.

Backup and Storage Optimization

Based on an assessment of industry best practices and project and application support requirements, Hydro One has identified opportunities to change its practices regarding frequency of full and incremental backups. This improvement has resulted in savings of disk space and staff time. For no material change in risk profile, this change resulted in a decrease of Hydro One's monthly storage requirement.

Environment Optimization and Decommissioning Initiatives

Hydro One has consolidated IT environments and, in some cases, decommissioned them. This has resulted in a reduction in monthly service fees paid to its third-party service provider. Also, after an assessment of IT infrastructure components and databases, Hydro One began decommissioning servers and databases that had low utilization. To date, 138 servers and 38 databases have been decommissioned, with plans to decommission an additional 67 servers and three databases by early 2017. This has reduced Hydro One's monthly server and database fees. An ongoing review process has

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Hydro One's approach has been shaped by: (i) a thorough investigation of opportunities to reduce its costs and increase efficiencies; (ii) ensuring investments support specific customer feedback on needs and preferences; and (iii) reducing or deferring investment levels to align customer rate impacts and potential impacts on reliability.

Hydro One cares about all of its customers. It is very concerned about the effect of electricity costs on its most vulnerable customers. In some cases, bills for a low-density customer, even after the upcoming provincial rebates and existing support programs, can represent 18% of household net income. Studies presented to the OEB in the past have drawn the affordability line at 4-6% of household net income. About 71,000 Hydro One customers exceed the Statistics Canada Low-Income Cut-offs, with 3,500 of those experiencing electricity costs greater than 10% of net income. Hydro One's customer service representatives manage these customer impacts with as much empathy as possible and encourage these customers to fully avail themselves of existing support programs. Hydro One is also participating in OEB initiatives and studies, such as the First Nations rate recommendations, and is sharing and communicating specific support programs and ways to reduce consumption within First Nations communities.

Initially, Hydro One prepared an asset investment plan, known as Plan A, which focused on maintaining or improving reliability for customers, and responded to specific feedback received from a wide variety of customers. It included significant efficiency improvements and focused on reducing backlog of deteriorated assets over the five-year period. Plan A resulted in a 7.1%[1] Hydro One rate increase in 2018 (average of 3.8% over the five years), and forecasted improvement of approximately 6% in SAIDI and 4%

[1] The rate impacts and reliability projections included in Section 1.1 are equal to the numbers used during the business plan review period ending November 2016 described in this section. Current rate impacts using revised data have subsequently been calculated and a complete list of the rate impacts are included in Exhibit H, Tab 4, Schedule 1.

Witness: Darlene Bradley

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in SAIFI[2] related to the company's most significant areas of reliability risk over the five-year period. Plan A was supported by detailed analysis, iteration and assessment of investment candidates and asset sustainment plans, and reductions of certain candidate investments.

Hydro One then prepared a detailed plan using lower levels of investment than in the Plan A recommendation. Based on these inputs and feedback from executive management, an alternative investment "Plan B" was produced that reduces the rate impact in 2018 by 1%, to 6.2% (average of 3.5% over the five years), and also delivers a reliability improvement (approximately 3% SAIDI, 2% SAIFI).

The Plan A and Plan B alternatives were further discussed with the Executive Leadership Team and, subsequently, the Board of Directors. These discussions explored further options to mitigate rate effects and, in particular, options to reduce the effect on customer rates in 2018 while maintaining responsible system investments, acceptable reliability and other outcomes.

Hydro One also considered what would be required to achieve the lowest 2018 rate increase without material disruption to its operations. Presented as the "Plan C" scenario, Hydro One's conclusion was that this option as a whole was not viable due to the estimated degradation of approximately 2% in both SAIDI and SAIFI that would result from such a reduced level of sustainment capital investment and reductions in work programs and the associated increased backlog of assets in poor condition.

[2] Detailed, updated SAIDI and SAIFI projections by component are included in Section 2.4.

Witness: Darlene Bradley

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However, Hydro One also considered an option known as "Plan B – Modified." This option reduces the immediate impact on rates in 2018 to 5.4% while holding reliability performance constant over the planning period. The remainder of the DSP details the process followed to arrive at Hydro One's final investment plan, Plan B – Modified.

Section 1 of the DSP provides information on critical inputs into the formation of Hydro One's investment plan, specifically, customer engagement results, regional plans, internal productivity analyses and external benchmarking analyses.

Section 2 discusses the Investment and Asset strategies followed by Hydro One with respect to its asset base. The planning and optimization processes undertaken to determine the appropriate portfolio of investments and a detailed description of the system and its components are included here.

Section 3 describes the specifics about the selected investments including a set of Investment Summary Documents ("ISD") describing all investments over $1 million.

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1.1.1 (5.2.1 A) KEY ELEMENTS OF THE DSP

Alignment of Business Objectives

The Business Objectives for Hydro One's Distribution System Plan reflect its assessment of customer needs and preferences. Other drivers of investment planning include public and worker safety, productivity and efficiency improvements, compliance with regulations, codes and rules and environmental sustainability.

Hydro One has appropriately prioritized and paced the elements of its proposed plan to align customers' needs regarding service levels with rate impacts and system reliability. Complete details on Hydro One's customer engagement activities are in Section 1.3.

Hydro One's DSP is the result of applying its planning process to produce an investment plan that meets Hydro One's Business Objectives. These Objectives align with the OEB's Renewed Regulatory Framework Performance Outcomes. The Business Objectives and processes are explained in detail in Section 2.1. The alignment of Hydro One Business Objectives and RRF Outcomes is listed in the table below for convenience.