

Hydro One Limited/ Hydro One Inc.
Submission to the Board of Directors



Date: October 1, 2018

Re: Financial Forecast 2019-22

We are pleased to present the Financial Forecast 2019-22. The forecast considers our recommended approach to the Transmission rate filing and achievement of our target investment grade debt ratings. This has been reviewed with the Audit Committee and the Chair will be providing a briefing recommendation to the Board at today's meeting.

To assist the Board with their review the following documents are provided:

1. Financial Forecast 2019-22 (Audit Committee – September 27, 2018) introduced below as per memo to the Audit Committee
2. Change in Capital Structure – recommendation and contrast to alternative

5. Transmission Application Executive Summary – draft for your information

The forecast considers our recommended approach to the Transmission rate filing and achievement of our target investment grade debt ratings.

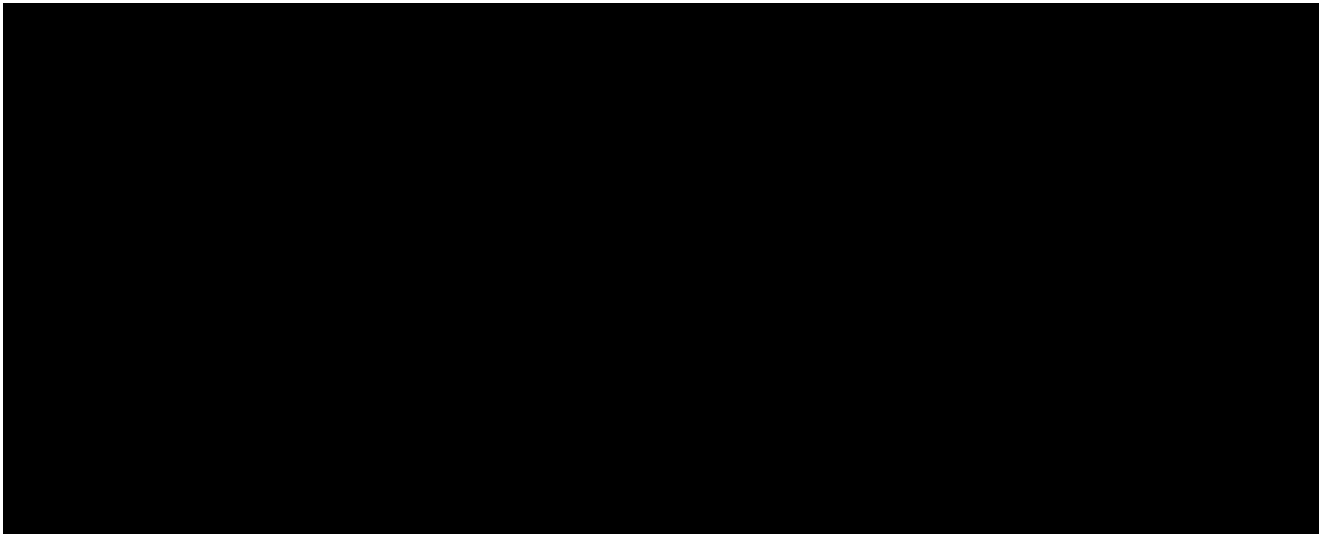
We have considered all comments from the Audit Committee and reflected them in the forecast and/or analysis in the deck provided. We have an updated Transmission recommendation (referred to in this deck as the Recommended Plan) and associated customer bill impacts, which

As you may recall, in assessing our recommendation, we considered a number of factors and objectives, seeking to derive a recommendation that leads to the best long-term outcome for all stakeholders. In our view, the four most important factors to consider and balance are as follows;

1. System level investments needed to advance our safety, reliability, environmental and
2. Customer service objectives
3. Our government relationship and their objective of reducing ratepayer power bills
4. Maintaining investment grade debt ratings
5. Acceptable level of shareholder growth and returns

Note: #1 is in line with the four categories of outcomes outlined in the OEB's Renewed Regulatory framework: customer focus, operational effectiveness, financial performance and public policy responsiveness.

To meet our long-term objectives, management is strongly recommending a two-stage approach to our Transmission rate filing. First, immediately file for an inflation only increase for 2019 combined with lower OM&A and capex spending. This is a relatively straightforward application and we expect to have new rates effective in January 2019. The reductions in OM&A and capex will demonstrate that we are doing our part to keep rates low. **We ask the Audit Committee recommend to the Board this first stage of our approach of our Transmission rate filing.**



I look forward to our discussion.

Yours sincerely,



Chris Lopez
Acting Chief Financial Officer

Financial Forecast 2019-22

Audit Committee

September 27, 2018


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PURPOSE & AGENDA

Purpose

Recommendation to the Board for approval of the 4 year forecast. Inherent in the forecast is the:

1. Transmission application strategy including:
 - 2019: 1-year inflation based application
 - 2020-22: Custom Index Rate application
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Agenda

Review

- Hydro One Transmission impact on customer bills
- Impact of Transmission Application on rates and bills
- Drivers of increase including rate base, load and OM&A
- Financial outcomes

2019 Transmission Application Execution

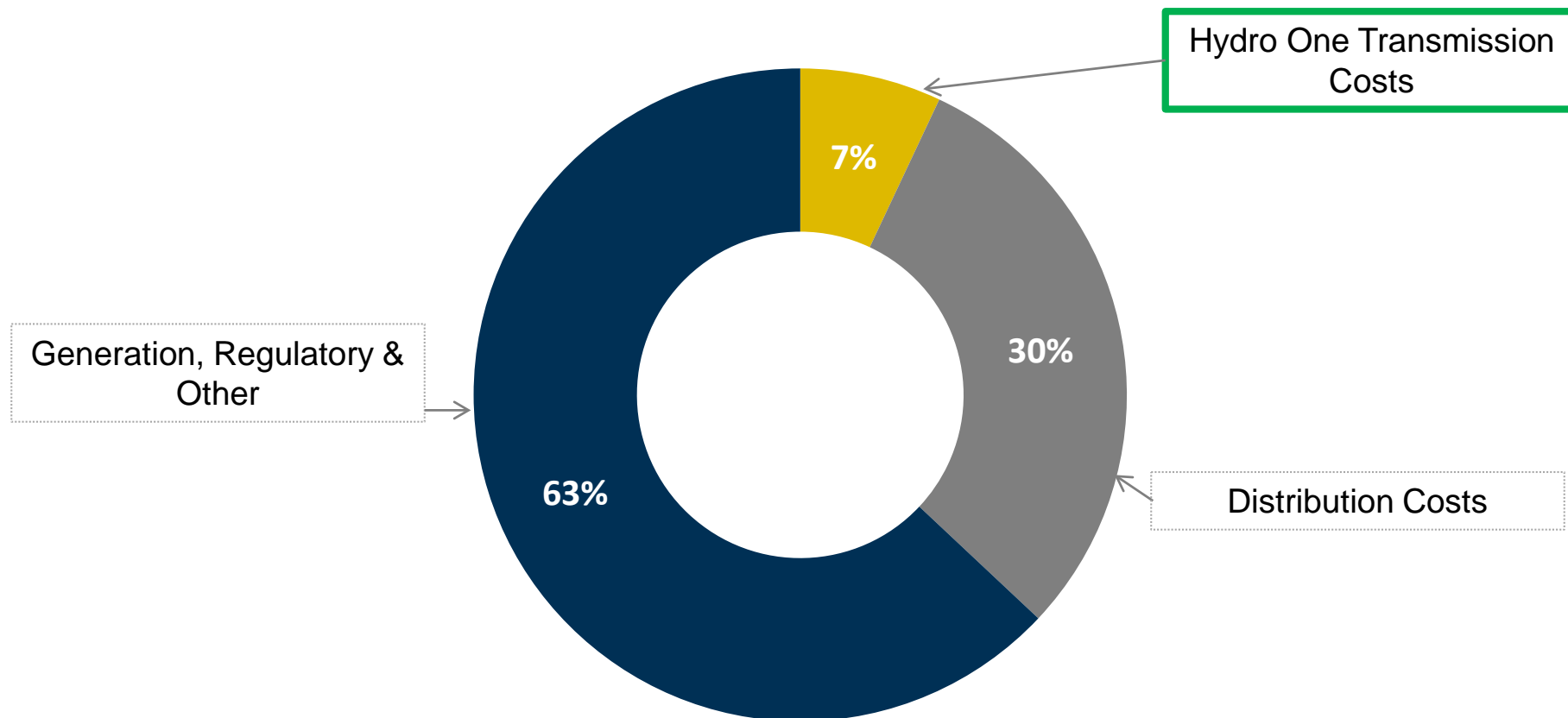
- Timeline for filing
- Application focus points
- OEB relationship and directives for improvement

Summary of Transmission Scenarios & Recommendation

2019-22 Transmission Rates	
Rate Application	Recommended Plan
	File 2019 Inflationary Increase and 2020-22 CIR Application
Key Plan Assumptions	2019: Flat Investment Plan 2020-2022: Base Capital and Mid-point OM&A & Corporate Costs Revised Load Forecast
4-year Capital + OM&A	\$6.2 billion
Capital/OM&A CAGR	6.1%
Rate increase (2019,2020)	2.7%

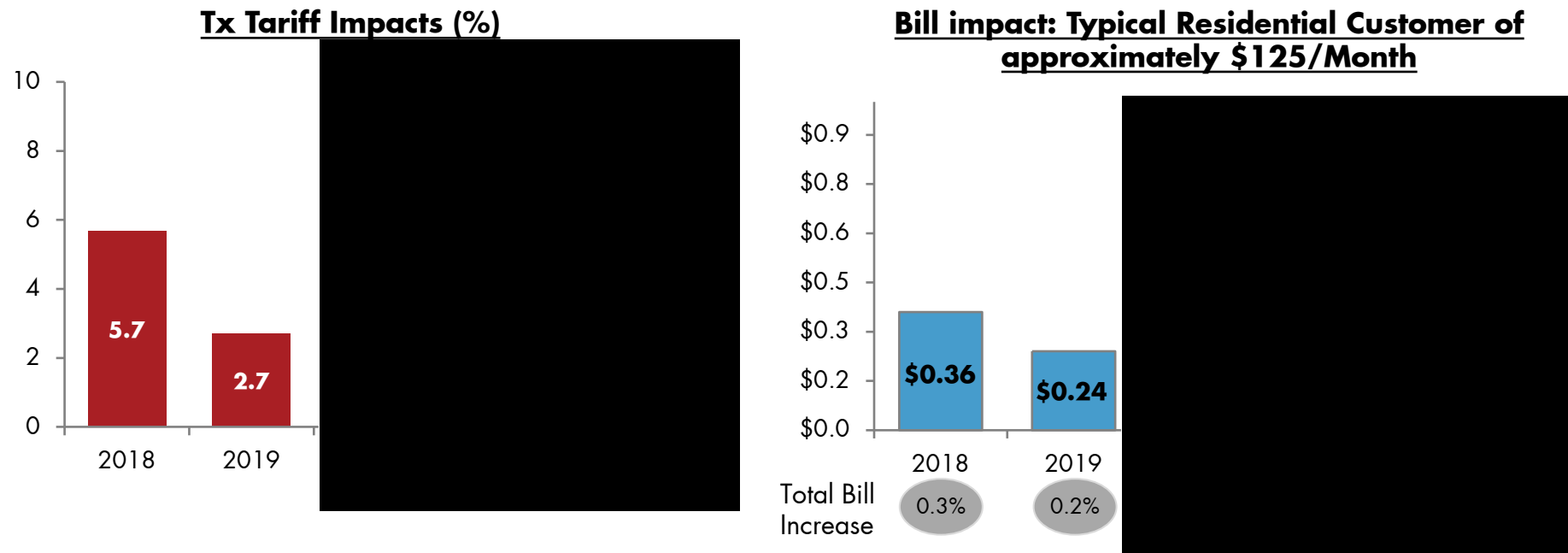
Components of Total Bill – 2019 Tx and Dx Impacts

Average R1 Customer's Bill ~\$125/month



- Generation, Regulatory and Other charges are billed and collected by Hydro One Distribution, but passed on to the IESO
- Percentages will vary depending on a residential customer's consumption

Transmission Application Bill Impacts – 2019 Inflation and 2020-22 Recommended Plan



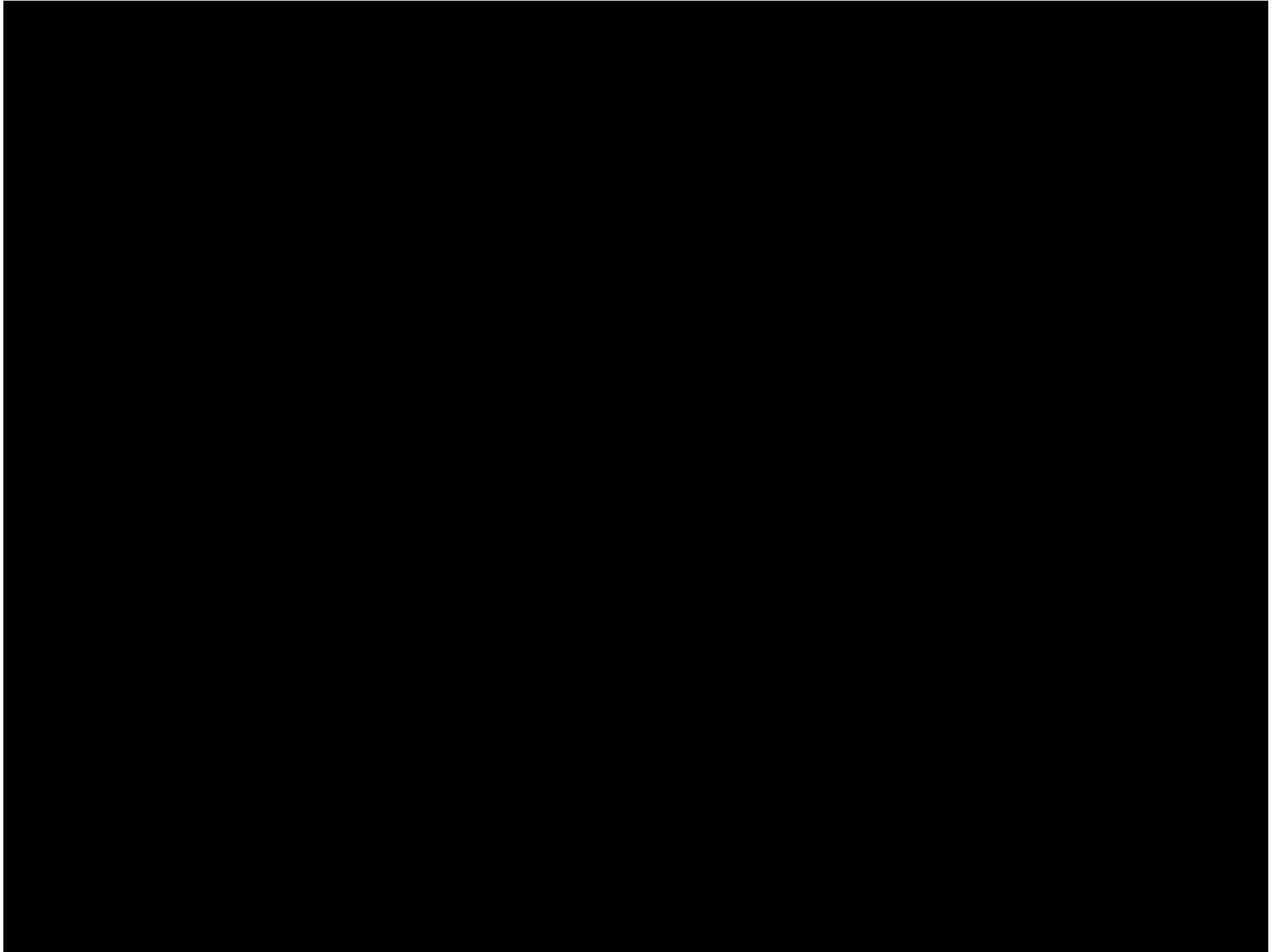
- Transmission rates will increase by 2.7% due to the inflation increase and changes to regulatory account disposition.
[Redacted]
- However, if successful the application will provide approximately \$20 million of additional revenue, plus an additional \$22M of cash flow from disposition of deferral and variance accounts in 2019.

Recommended Plan: Transmission Rate Impacts

The following schedule provides an breakdown of the recommended Transmission path:

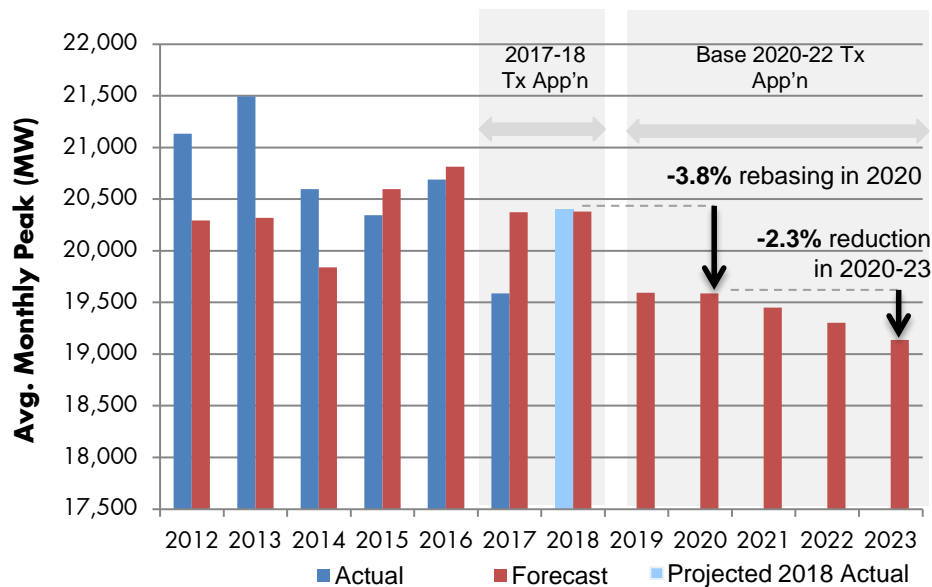
- Inflation filing for 2019

	2019	Tariff Increase	2019	Customer Total Bill Impact ¹	2019	Customer Impact (\$ per Month) ¹
Recommended Filing	2.7%		0.2%		\$0.24	
Components						
Rate Base ²						
Load						
OM&A						
Other ³						

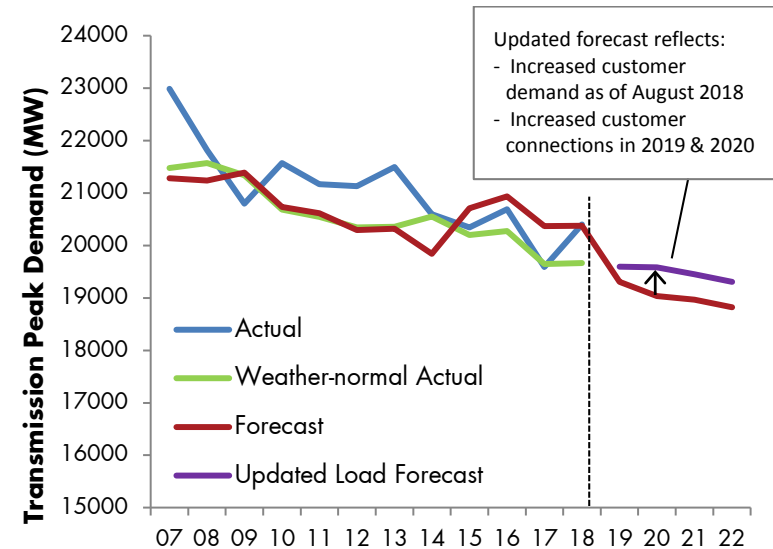


Historical Performance and Base Load Forecast

Historical Performance And Base 2019-2023 Forecast



Ontario Transmission System Peak Demand



Differences in Historical Performance and Future Forecast will be driven by:

- Weather fluctuations, changes in economic (growth), and changes in CDM, in particular expansion for new programs such as Industrial Conservation Initiatives (ICI) program
- The load forecast has been updated with the most recent information, resulting in an estimated decline in load in 2020 of 3.8% compared to the previous forecast of 6.6%. The improvement is primarily from increased economic activity (+1.0%) and new load primarily from new customer connections of large agriculture customers in the Leamington area (+1.8%)

OM&A Spending Analysis

OM&A Spending Analysis								
	2015A	2016A	2017A	2018	2019	2020	2021	2022
Transmission Work Program								
Base Plan (Dec 2017)	\$ 337	\$ 316	\$ 321	\$ 320	\$ 345			
Cost Deferrals	\$ -	\$ -	\$ -	\$ -	\$ (26)			
Sustained Reductions	\$ -	\$ -	\$ -	\$ -	\$ (29)			
Total Transmission Work Program	\$ 337	\$ 316	\$ 321	\$ 320	\$ 290			

Details on
Slide 10Details on
Slide 11Details on
Slide 12

1. Approximately 40% of corporate cost reductions flow into reductions to capital
 2. Other subsidiaries include Hydro One Telecom, Hydro One Remotes, Bruce x Milton, Sault Ste. Marie, and LDCs

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Transmission Work Program OM&A

	Transmission OM&A Spending				
	2015A	2016A	2017A	2018	2019
Transmission Work Program					
Base Plan (Dec 2017)	\$ 337	\$ 316	\$ 321	\$ 320	\$ 345
Cost Deferral	\$ -	\$ -	\$ -	\$ -	\$ (26)
Sustained Reductions	\$ -	\$ -	\$ -	\$ -	\$ (29)
Total Transmission Work Program	\$ 337	\$ 316	\$ 321	\$ 320	\$ 290
Year over Year change		-6.3%	1.6%	-0.5%	-9.2%

Revised Maintenance Cycles

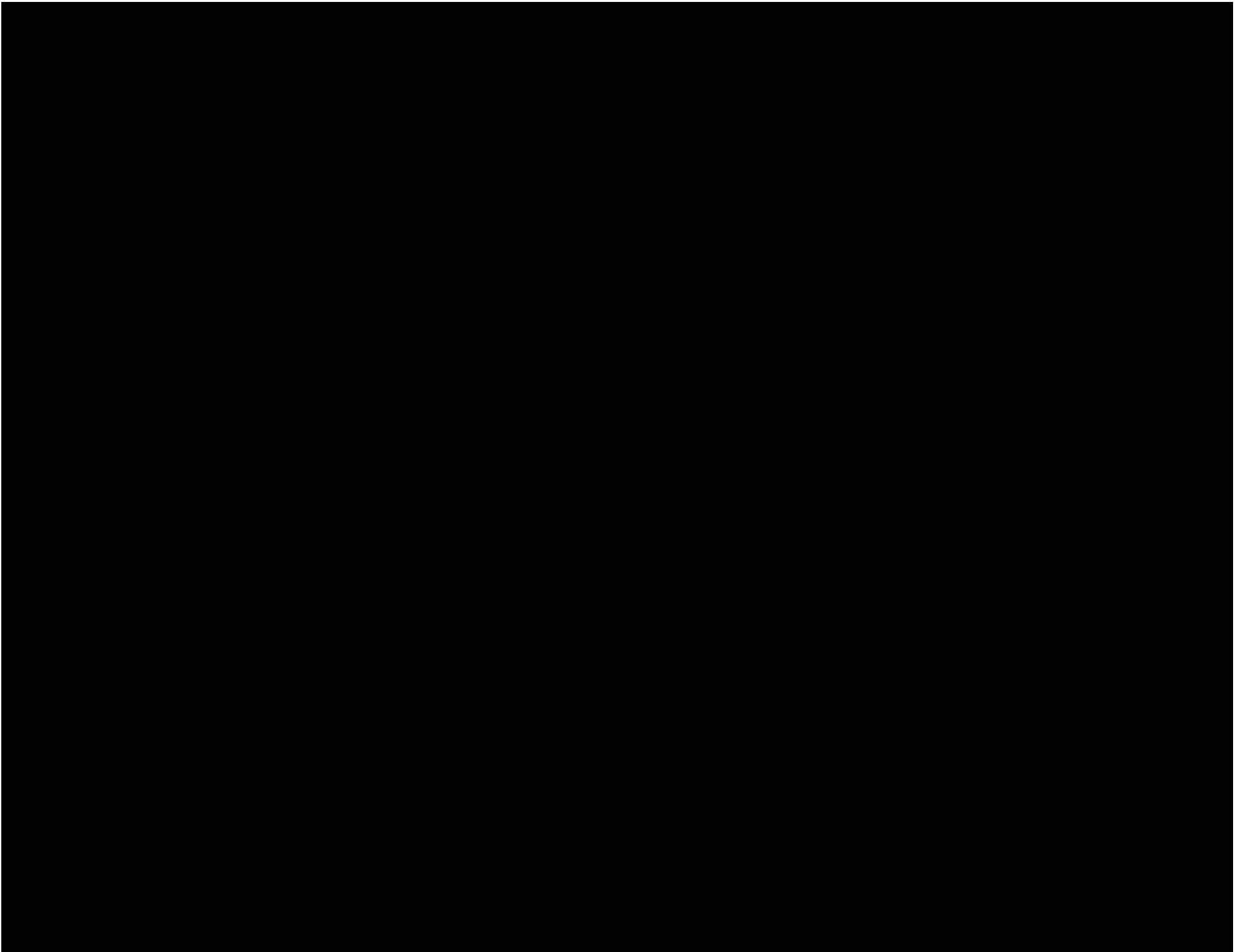
- Extension of maintenance cycles in both stations and line equipment by 1-2 years. (\$26M) ~20%

Reduced Work Program

- Corrective Maintenance and Support (\$8M) ~17%
- Transformer & GIS Breaker Refurbishment (\$6M) ~40%
- IT Infrastructure (Tx Component) (\$3M) ~40%
- Tx RD&D – (\$2M) 50%
- Stations Inspections (\$1M) 100%
- Miscellaneous program reductions & efficiency improvements (\$9M)

Outcomes

- Balance operational risk, cost and value for customers
- Maintain regulatory compliance, example NERC FAC-003 for Vegetation Management
- Address PCBs by Environment Canada deadline of 2025
- Increased lines and stations condition assessments
- Address only highest priority corrective maintenance



Total Corporate Costs: Departmental View

- Corporate Costs identified below represent total gross spending
- The far right column identifies approximately how much of the gross spend is allocated to OM&A
 - The residual balance is allocated to capital expenditures

	OM&A Spending Analysis				
	2015A	2016A	2017A	2018	2019
Corporate Costs					
Base Plan (Dec 2017)	\$ 282	\$ 285	\$ 291	\$ 279	\$ 303
Cost Reductions	\$ -	\$ -	\$ -	\$ -	\$ (45)
Total Corporate Costs	\$ 282	\$ 285	\$ 291	\$ 279	\$ 258
Departmental View					
Greg - Operations, incl ISD	\$ 132	\$ 135	\$ 133	\$ 118	\$ 109
Chris - Finance	\$ 43	\$ 44	\$ 42	\$ 43	\$ 42
Jason - Customer	\$ 41	\$ 38	\$ 39	\$ 36	\$ 33
Judy - Human Resources	\$ 15	\$ 16	\$ 18	\$ 19	\$ 18
Jamie - Legal & Regulatory	\$ 41	\$ 41	\$ 34	\$ 34	\$ 33
Patrick - Corp. Development	\$ 3	\$ 4	\$ 11	\$ 8	\$ 8
Paul - CEO & Other ¹	\$ 7	\$ 7	\$ 14	\$ 20	\$ 17
	\$ 282	\$ 285	\$ 291	\$ 279	\$ 258

- Plan to reduce 2019 by \$21 million, to \$258 million, primarily through:
 - Reduced consulting, contract and labour expenditures
 - Reduced customer branding expenditures

1. CEO & Other includes Enterprise Project Management Office, Ombudsman, Chair & Board, Corporate Donations

Cost Pressures Impacting Total Spend

We will manage these cost pressures within the existing envelope through our redirection process	Potential Business Impact		
	Low	Medium	High
Aging Infrastructure <ul style="list-style-type: none"> Not keeping up with required asset replacements that are beyond expected service life. This will lead to higher break/fix and equipment failures requiring replacement 		Additional \$10 to \$15M per transformer failure (e.g. Minden/Finch)*	
Severe Weather <ul style="list-style-type: none"> Increased costs to respond to failures and system resiliency 		May Storm: \$20M (Dx), September Tornado: TBD*	
Regulatory Compliance <ul style="list-style-type: none"> NERC, PCB, CIP and Reg 22/04 requirements for compliance over and above current investment plan 		Physical Security (Cip-014): \$3M per site x 20 sites*	
Load Reductions <ul style="list-style-type: none"> CDM / Disruptive technology impacts. Not a direct impact to capex and opex, but affects overall rates for consumers, thereby increasing cost pressure. 		No direct cost impact, but customer impact	
Redirection <ul style="list-style-type: none"> Increased customer needs and preference for reliability, capacity and power quality We will trade-off development and sustainment investments to accommodated unplanned customer or economic development 		Leamington: \$100M+*	
Equipment and Resources <ul style="list-style-type: none"> Uncertainty around equipment costs, commodity prices, exchange rates, and future labour agreements 		Impact: TBD*	

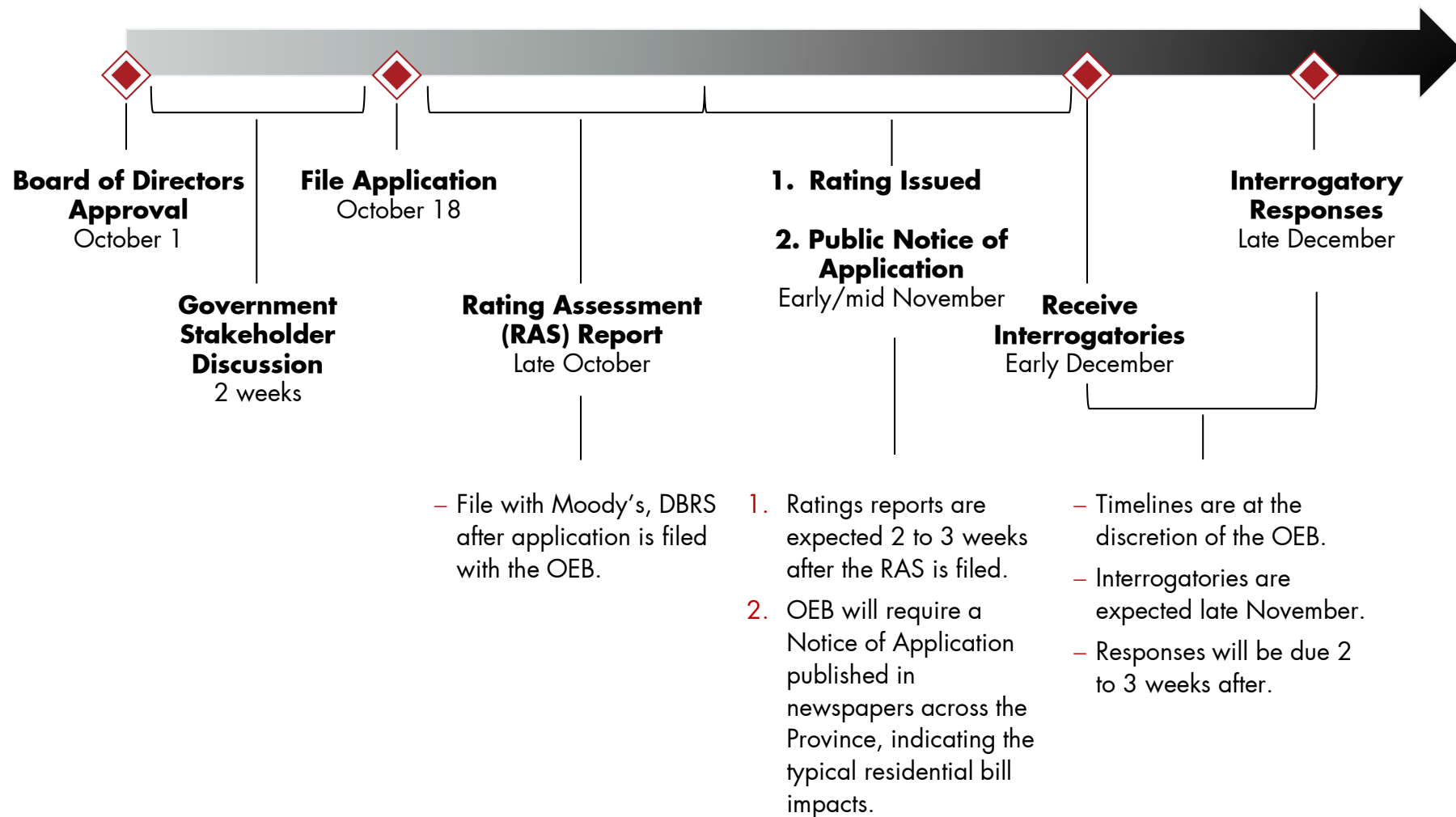
*Cost examples of potential redirection requirements

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2019 Application Filing Timeline



Application Focus Points: 2019 1- year IRM Application

1. Form of Application

- The OEB has established annual updates for electricity distributors and has allowed one-year Incentive Rate Mechanism (IRM) adjustments when deferring a rebasing application by one year. The OEB's filing requirements for transmission revenue requirement applications do not specifically contemplate a one-year IRM. Stakeholders may argue that Hydro One's application is not specifically contemplated under the OEB's filing requirements and should be rejected.

2. IRM Parameters

- An inflation based application needs to incorporate an appropriate level of productivity which partially offsets the inflation increase. In the case of electricity distributors, the specific inflation and productivity parameters are determined by the OEB and are not a subject of contention in hearings.
- Transmitters are expected to propose their own parameters supported by 3rd party benchmarking evidence. Hydro One's proposed Inflation factor is comparable to the OEB's at 1.2% for 2018, based on 2017 data. The initial application will be filed on this basis and updated by the later in the year with a 2019 rate, based on data released in November 2018 by the OEB. This approach is consistent with that used by the OEB with distributors, and is not likely to be contentious.
- Hydro One's benchmarking evidence for Transmission shows very good cost performance and is recommending a productivity factor of zero. This will likely be challenged by intervenors who will argue for additional stretch productivity. The OEB could impose a stretch factor as high as 0.6% which would reduce revenue by approximately \$9M.

3. Bill 2 Impacts

- In July of 2018, the provincial government passed Bill 2 which determined that the OEB cannot approve the recovery of compensation related to executives through electricity rates. To comply, Hydro One will be proposing a reduction of approximately \$2.5 million from its 2019 revenue requirement.
- The OEB's latest transmission decision indicated a number of concerns with compensation, including executive compensation, and made an overall reduction to compensation, without specifying the exact amount related to the executive level. Hydro One expects intervenors will challenge our compensation costs for recovery.

OEB Directives for Future Improvement

In Hydro One's last transmission decision, the OEB made a number of findings and directives related to improvement of Hydro One's processes and applications.

The key directives are related to Hydro One's planning process and work execution and build on the Auditor General's report, which was examined during both our recent transmission and distribution hearings.

In preparation of the next major transmission application, Hydro One has addressed these concerns through:

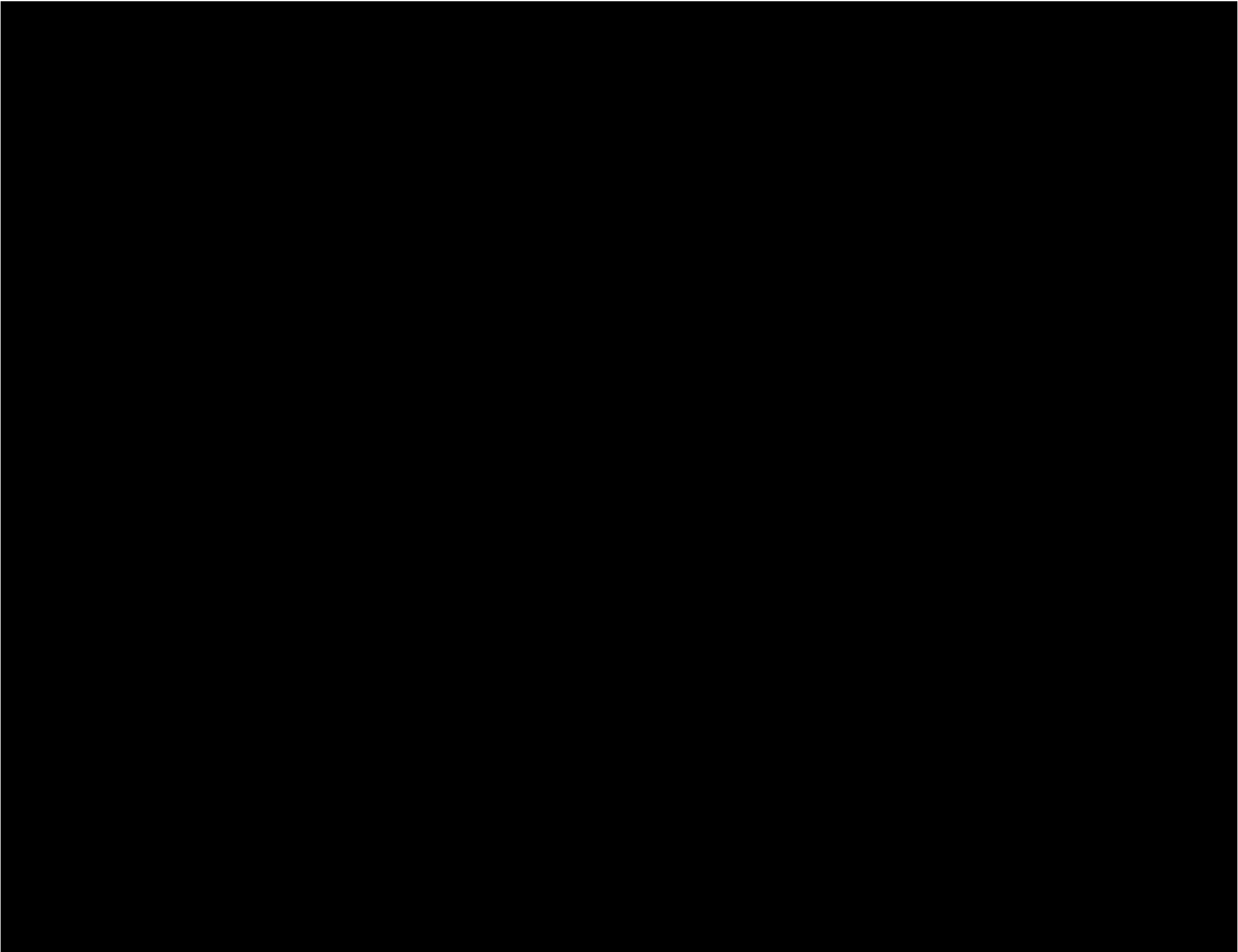
- Implementation of an improved eight-step risk-based investment planning process.
- Third party studies that provide recommendations for improvement to our investment planning and asset condition assessment processes. These studies indicate Hydro One uses processes that are comparable to utility best practices.
- Improved approach to pacing of capital expenditures through enhanced planning and prioritization processes, providing supporting third party studies and through the introduction of a progressive productivity factor to help ensure Hydro One continues to increase productivity.
- Creation of a redirection committee to recommend, and document, the redirection of funds from the approved capital and OM&A plans to emergent investments needs as required. This allows Hydro One to flexibility to manage the capital and OM&A envelopes, and provides supporting documentation for future rate applications.

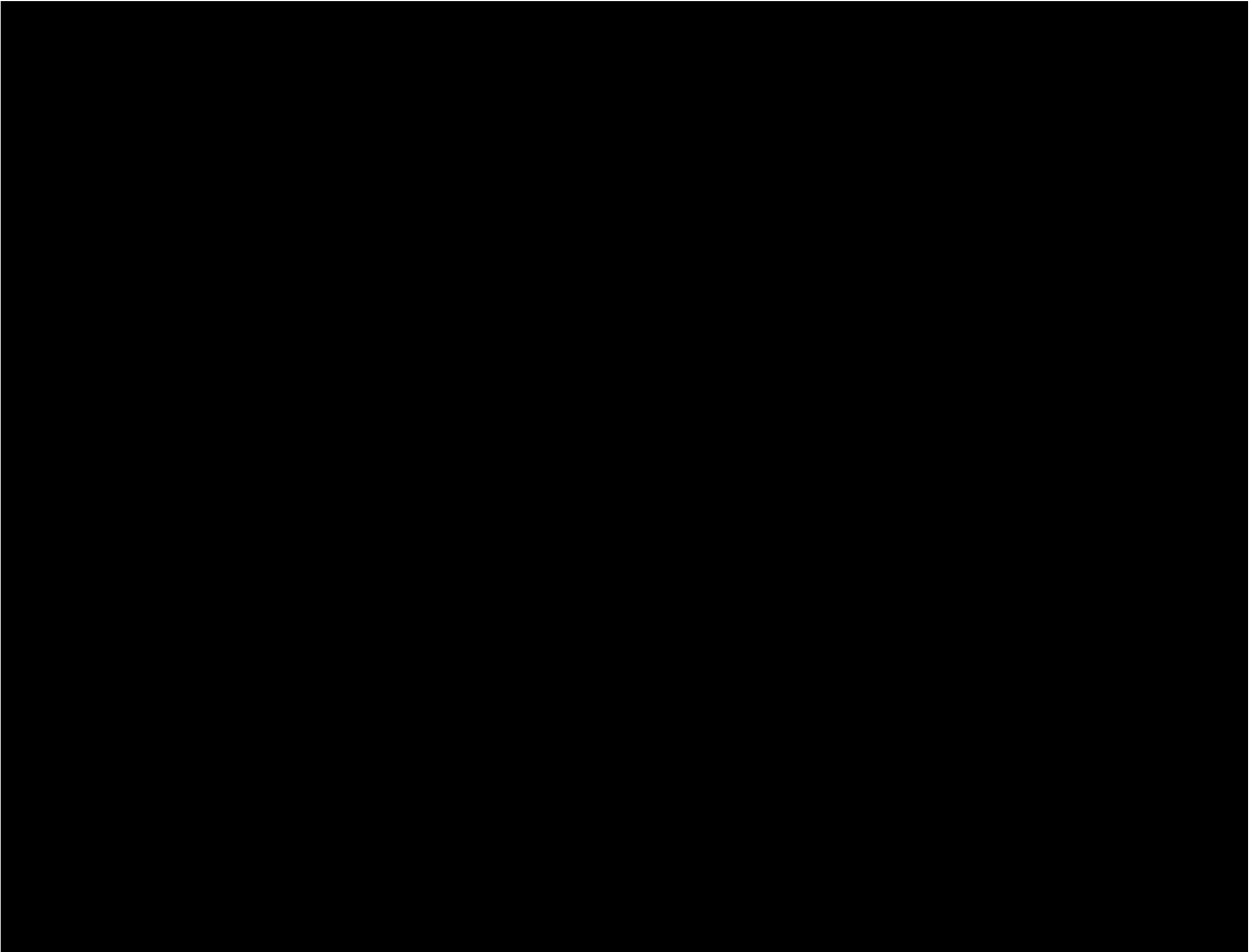
A more detailed report on the key directives from the OEB to Hydro One in the last transmission decision has been provided as Appendix 2 to this presentation.

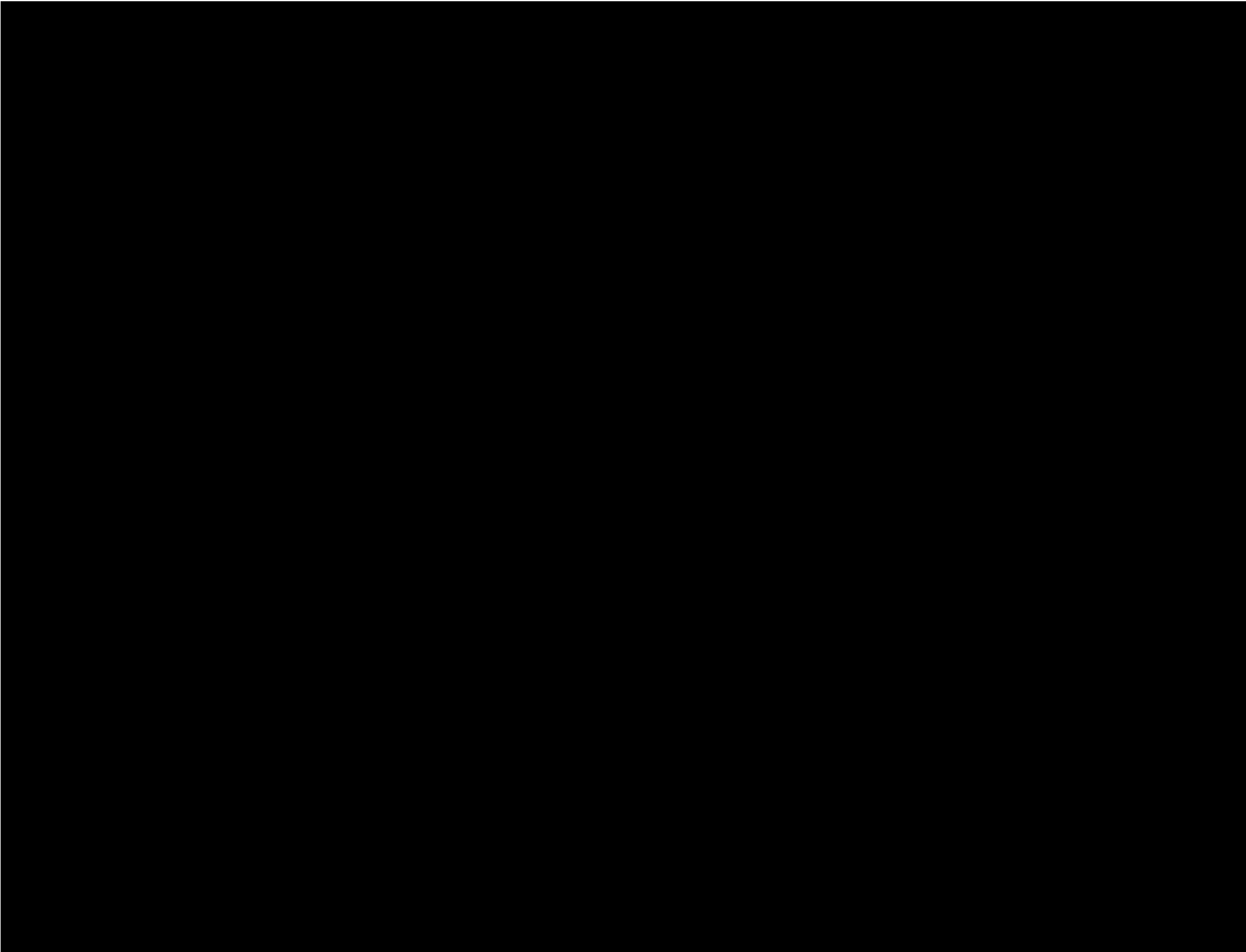


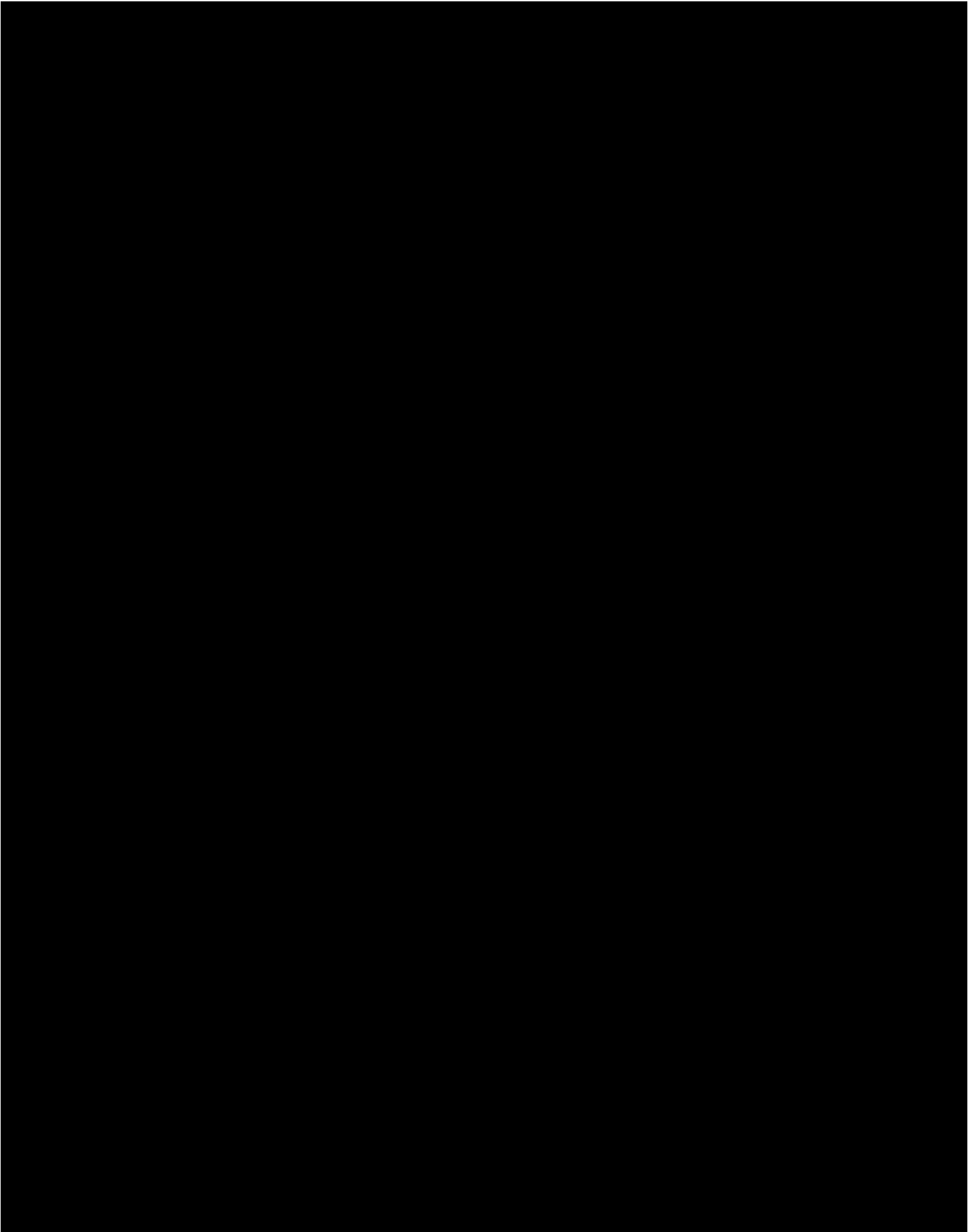
Appendices

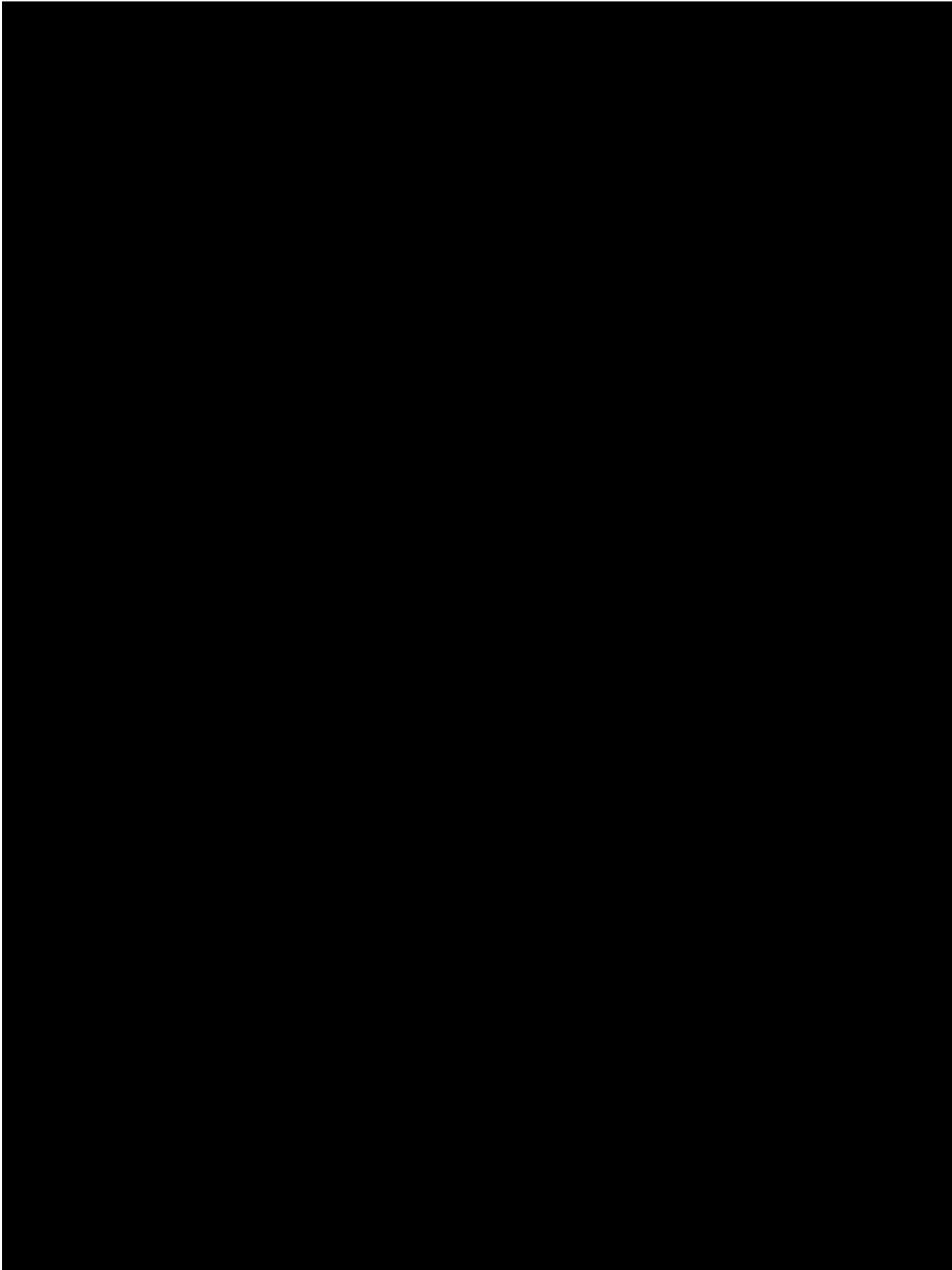
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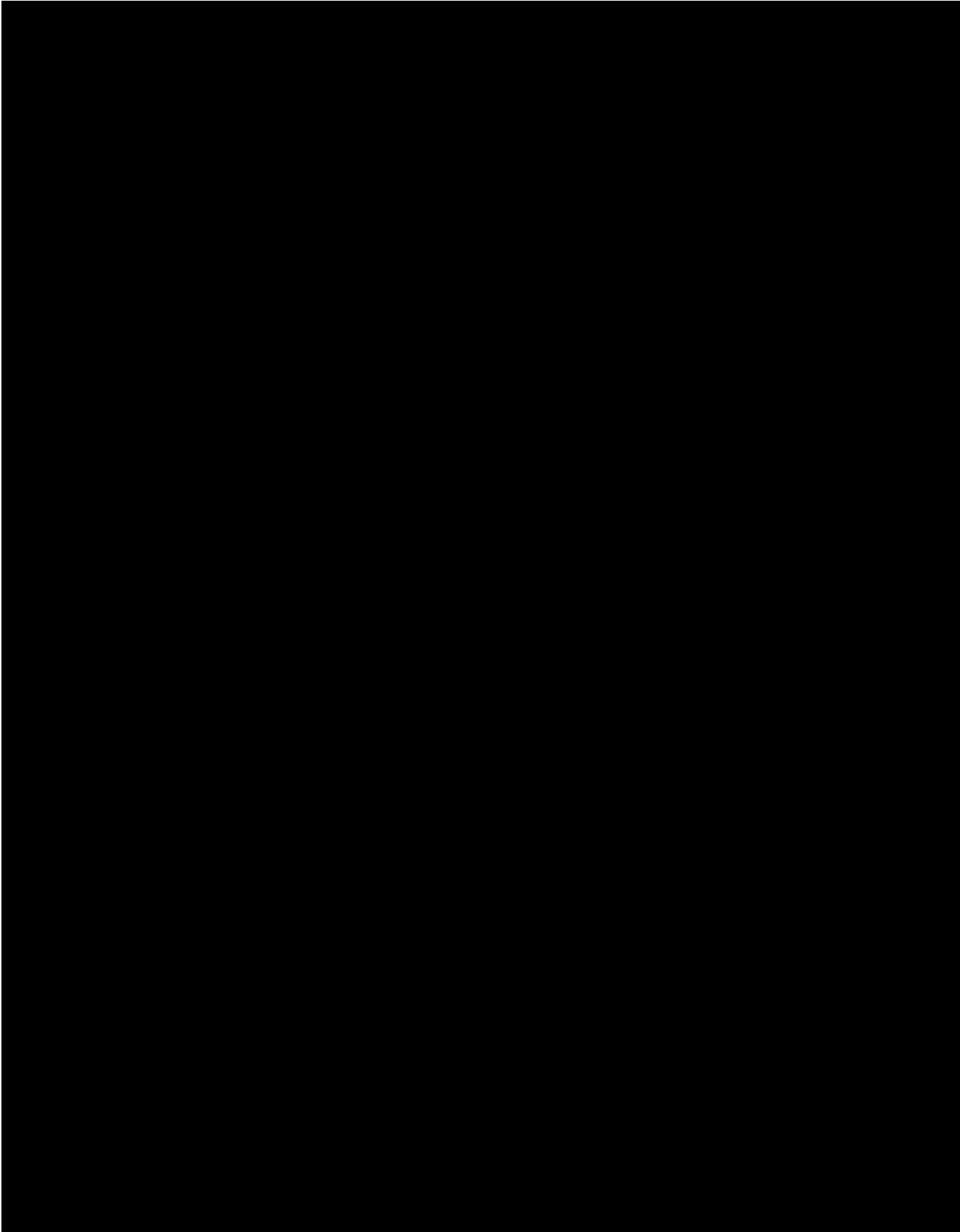


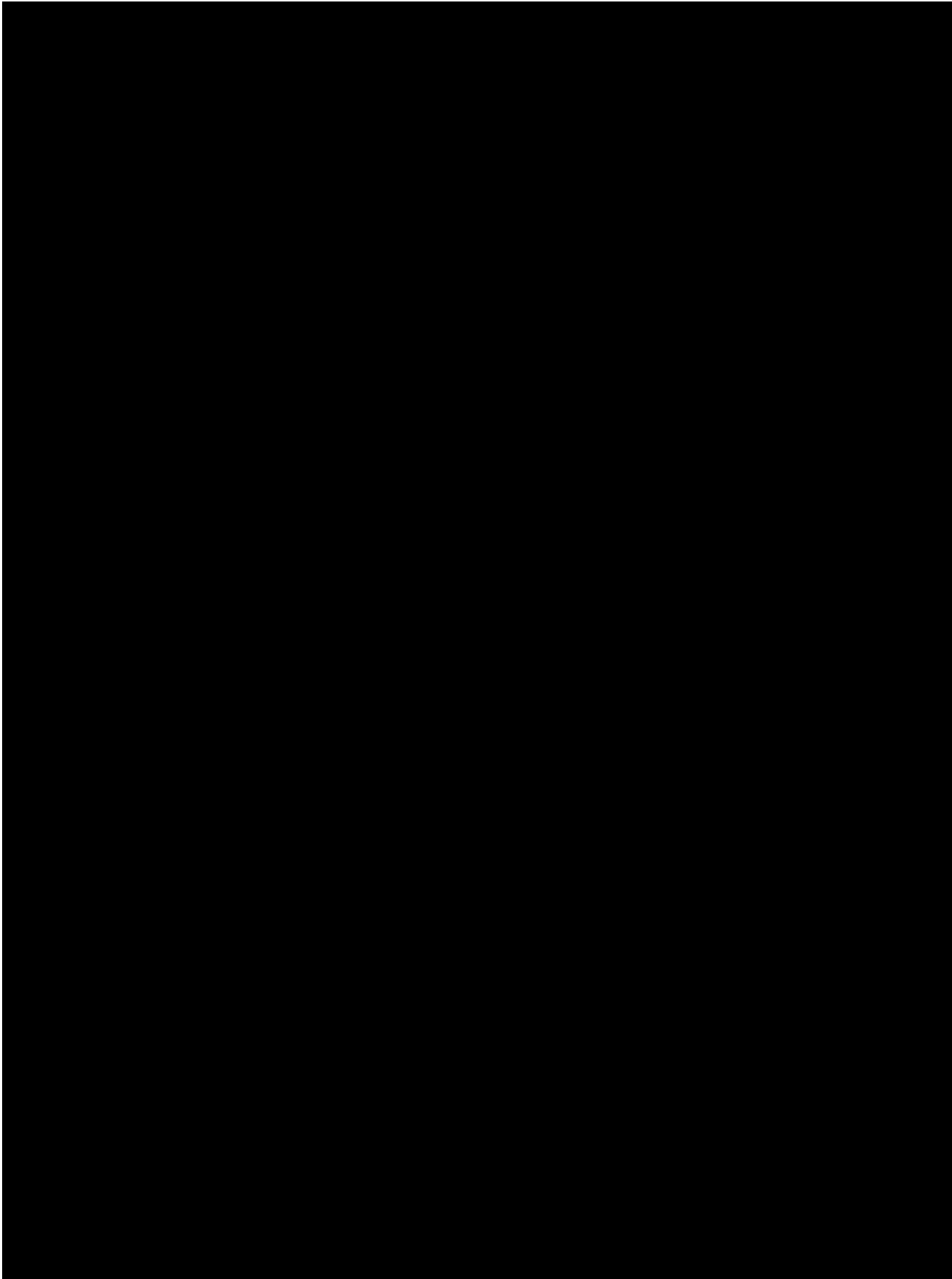


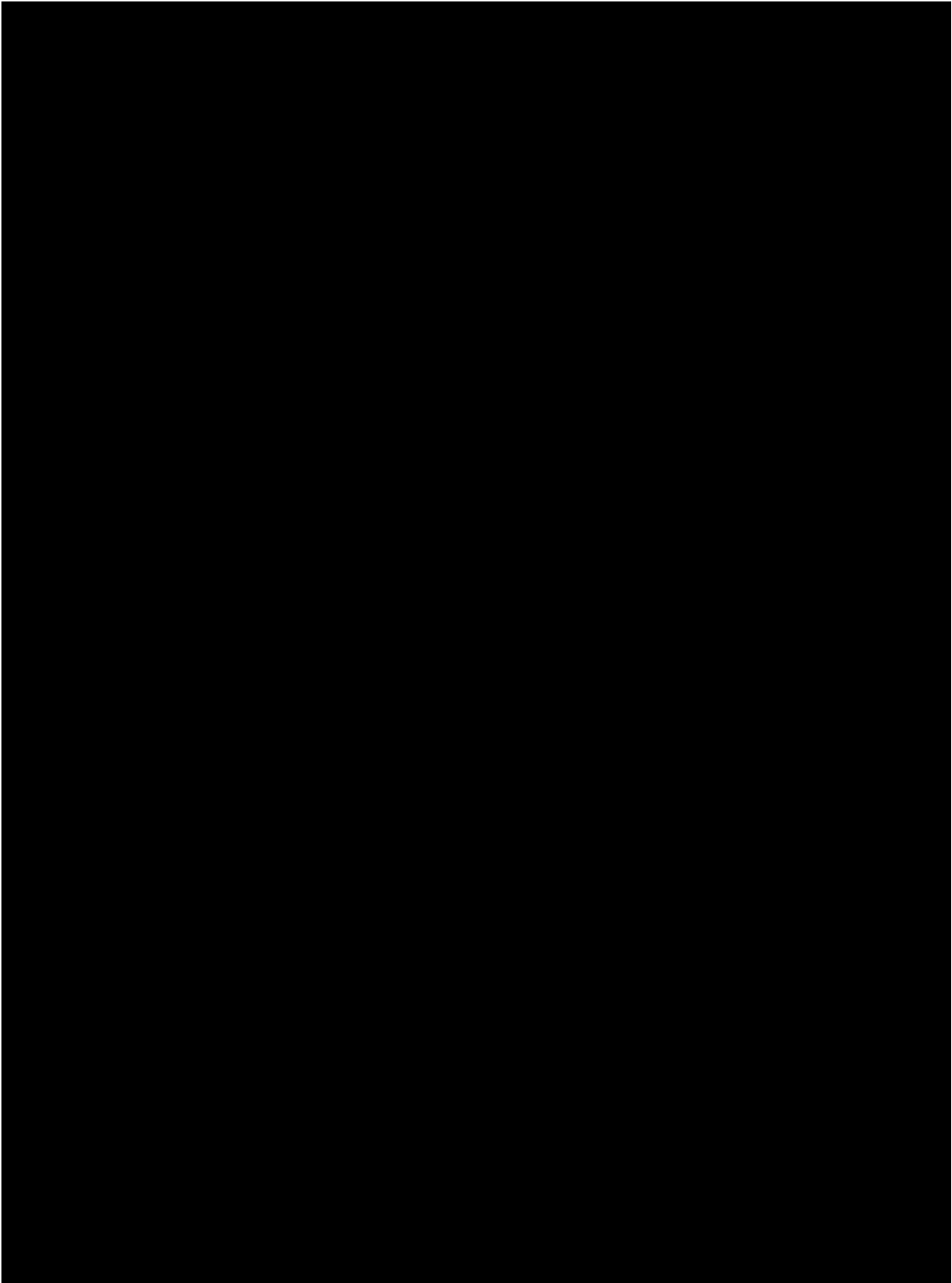


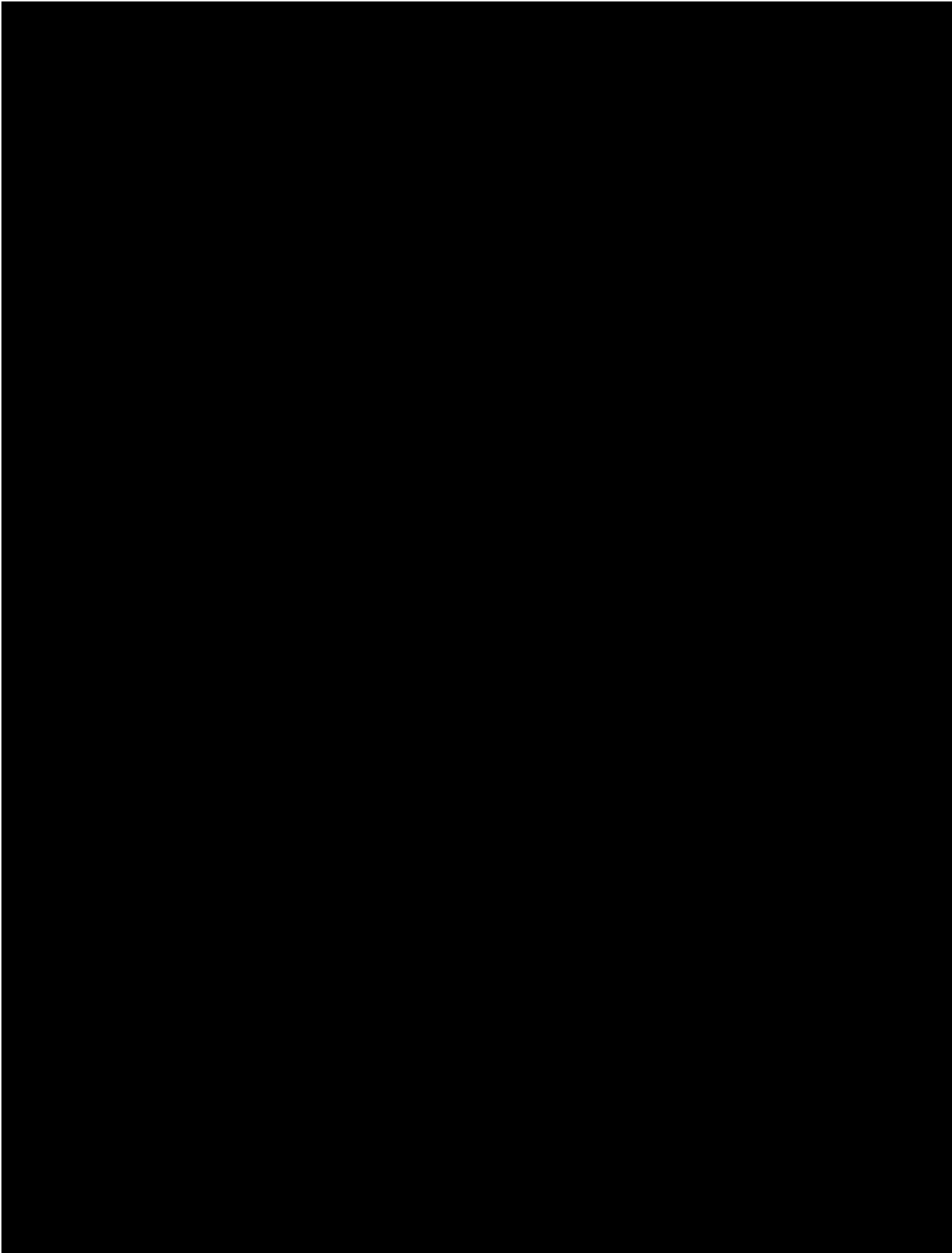


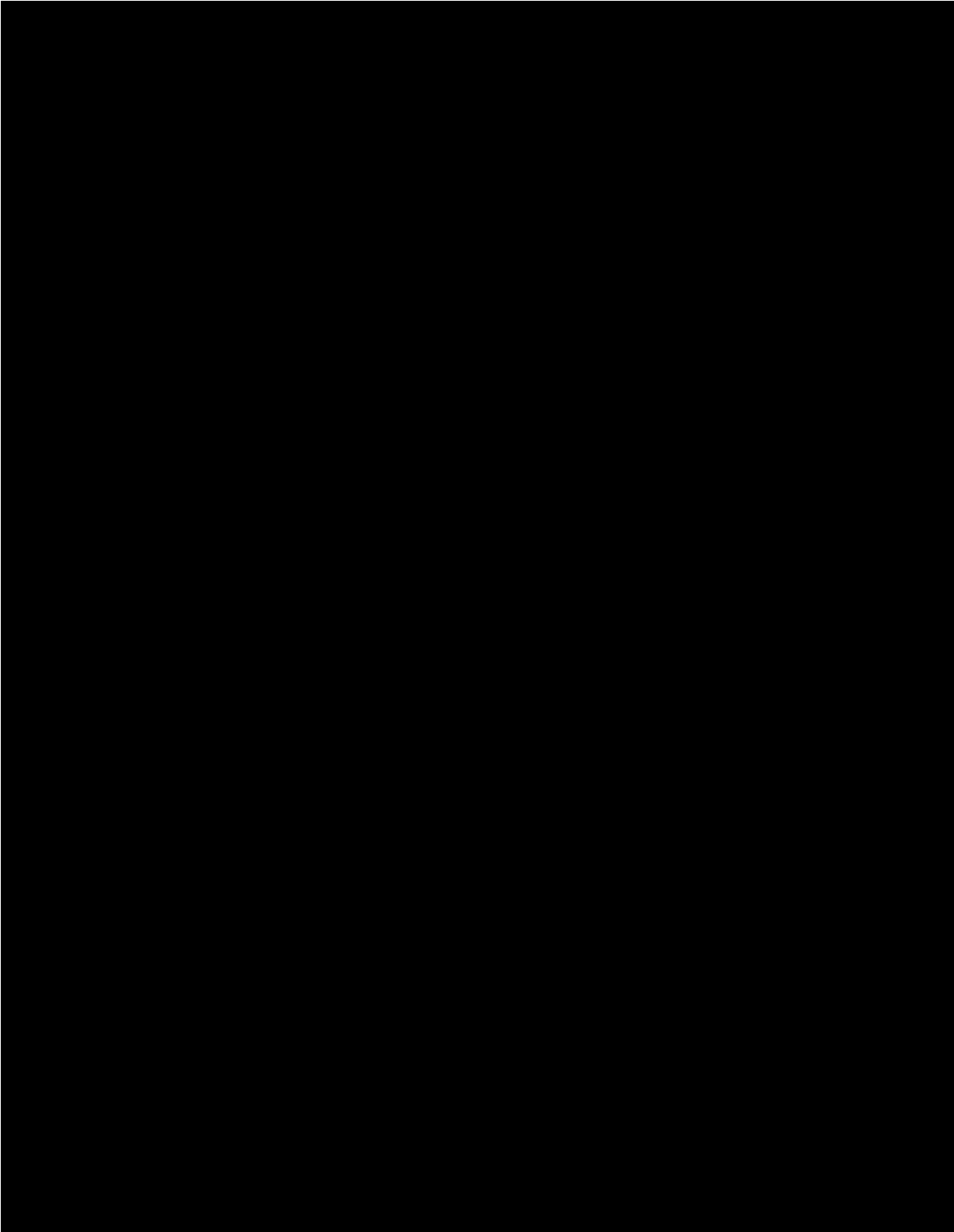


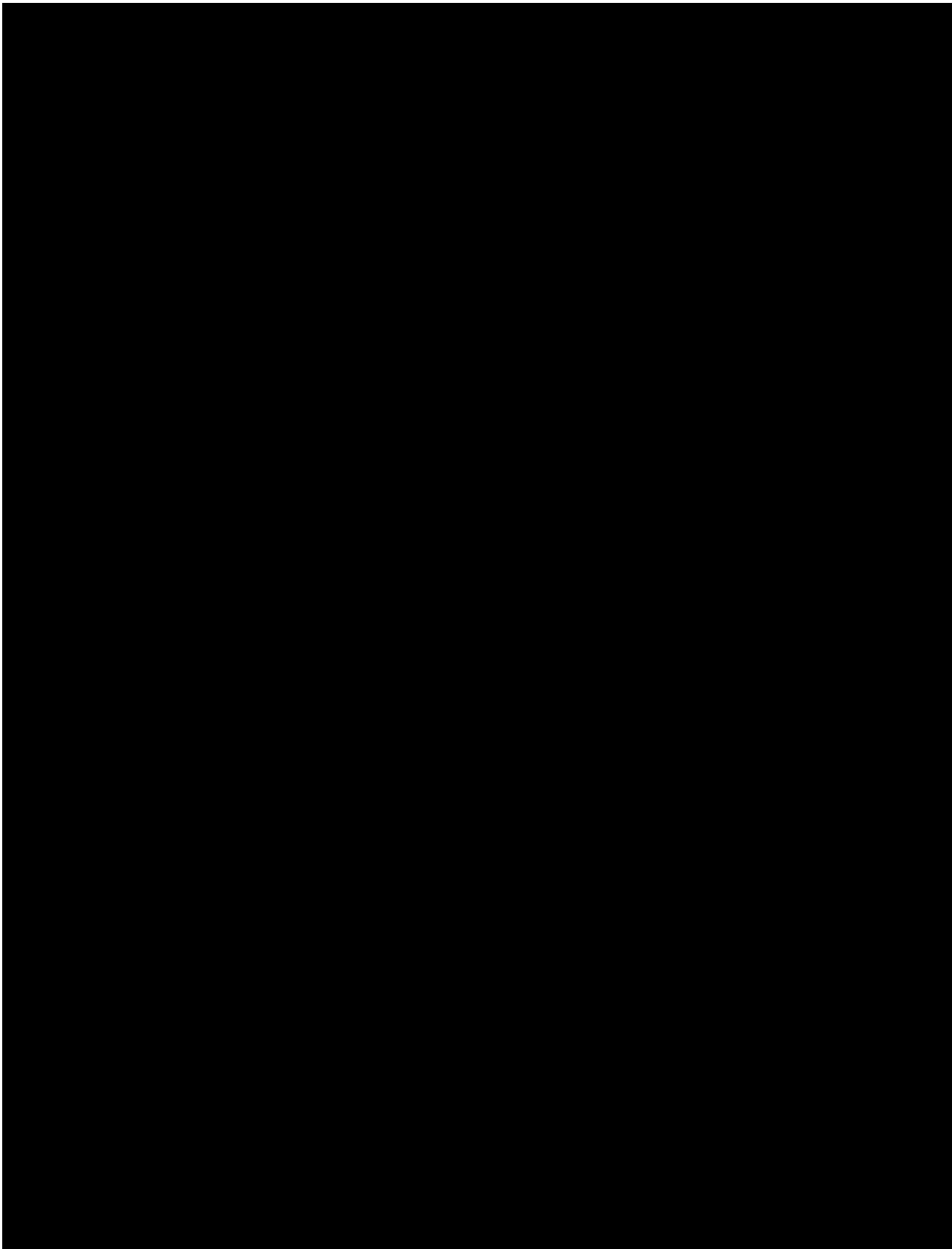


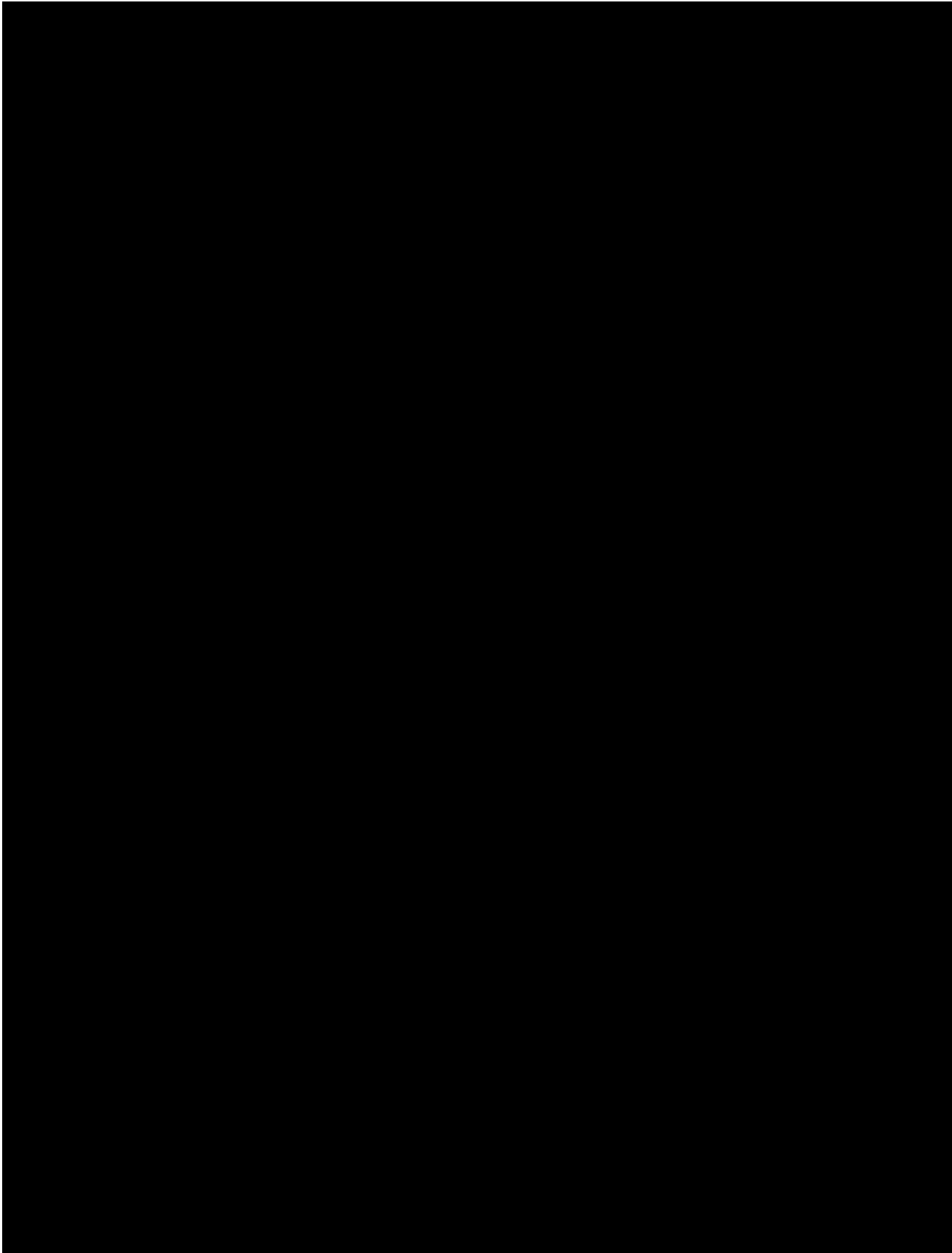


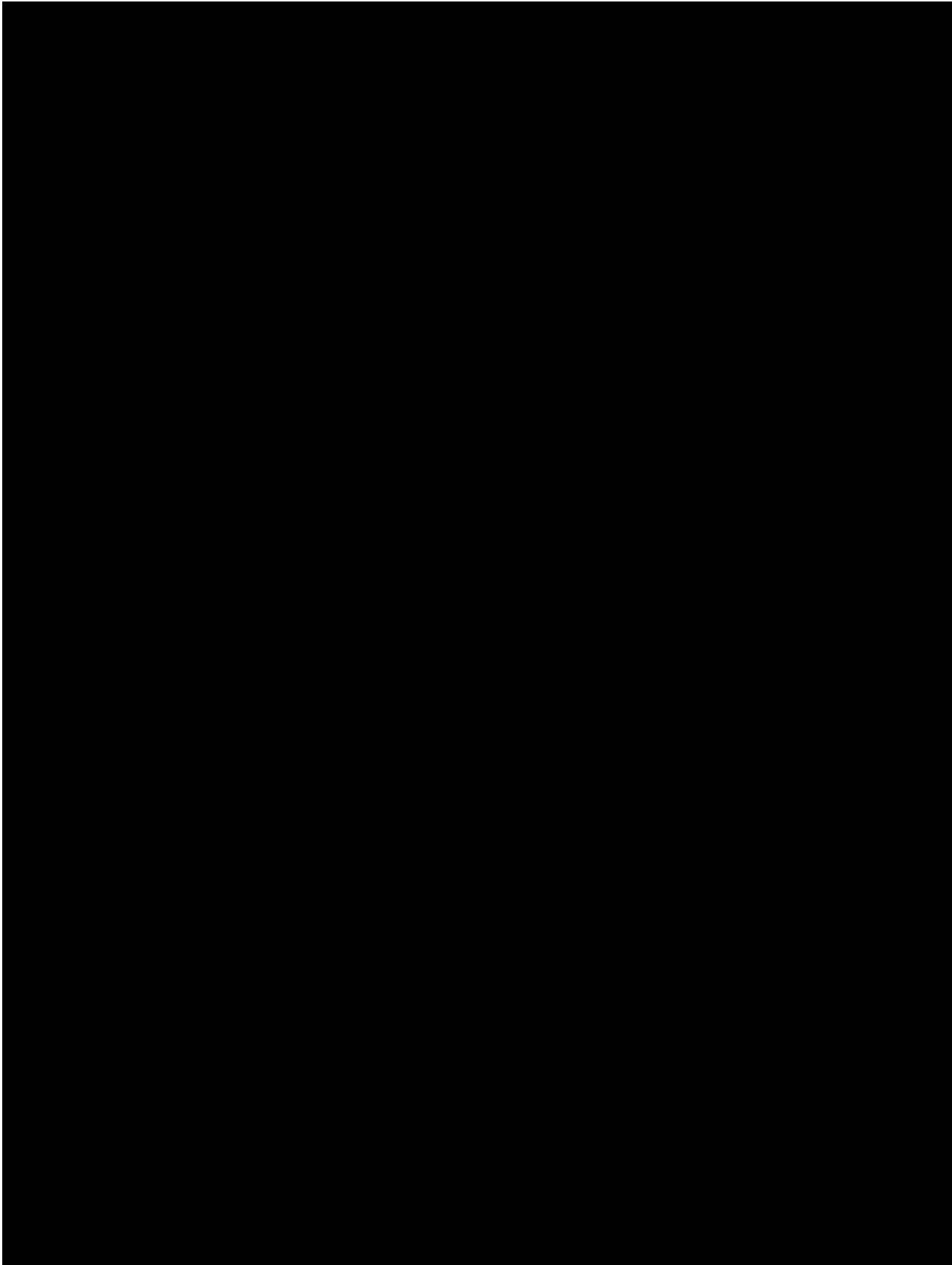


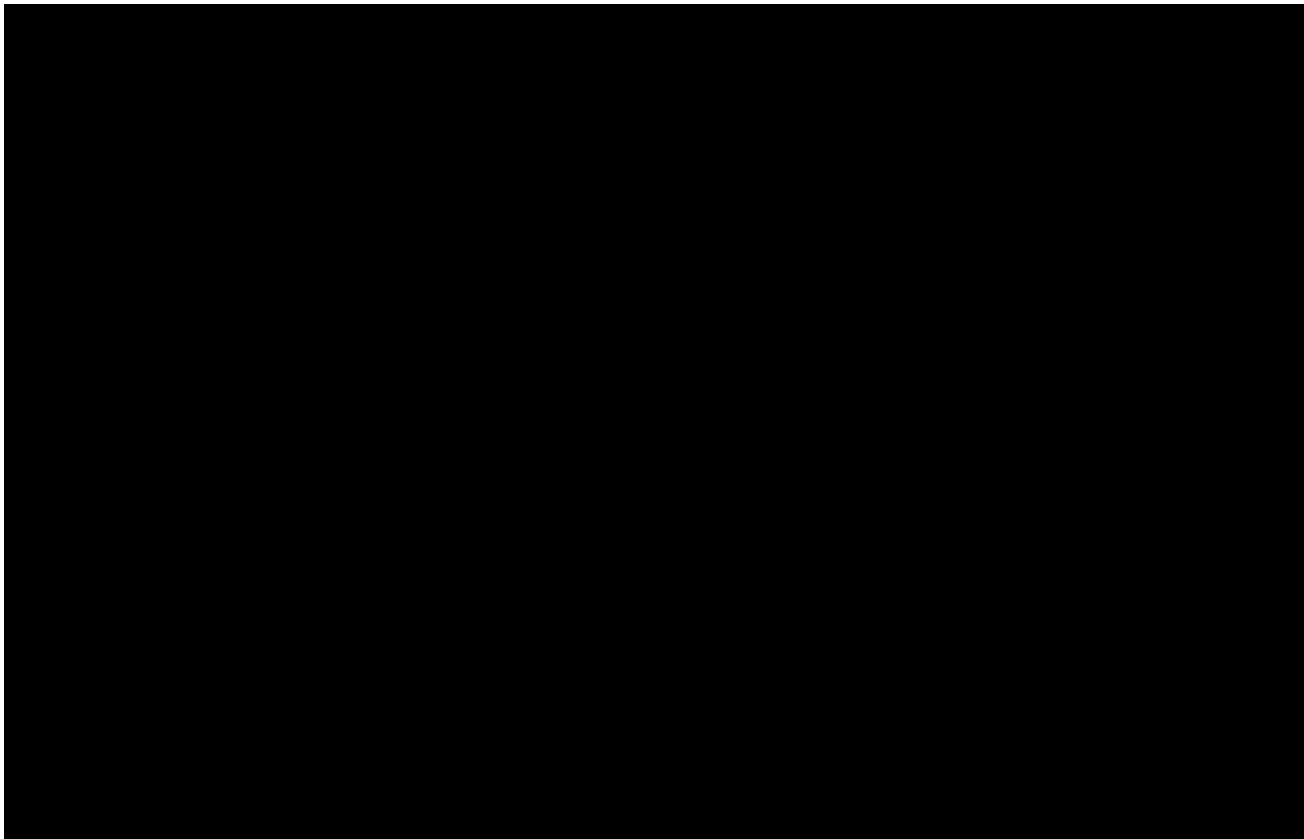


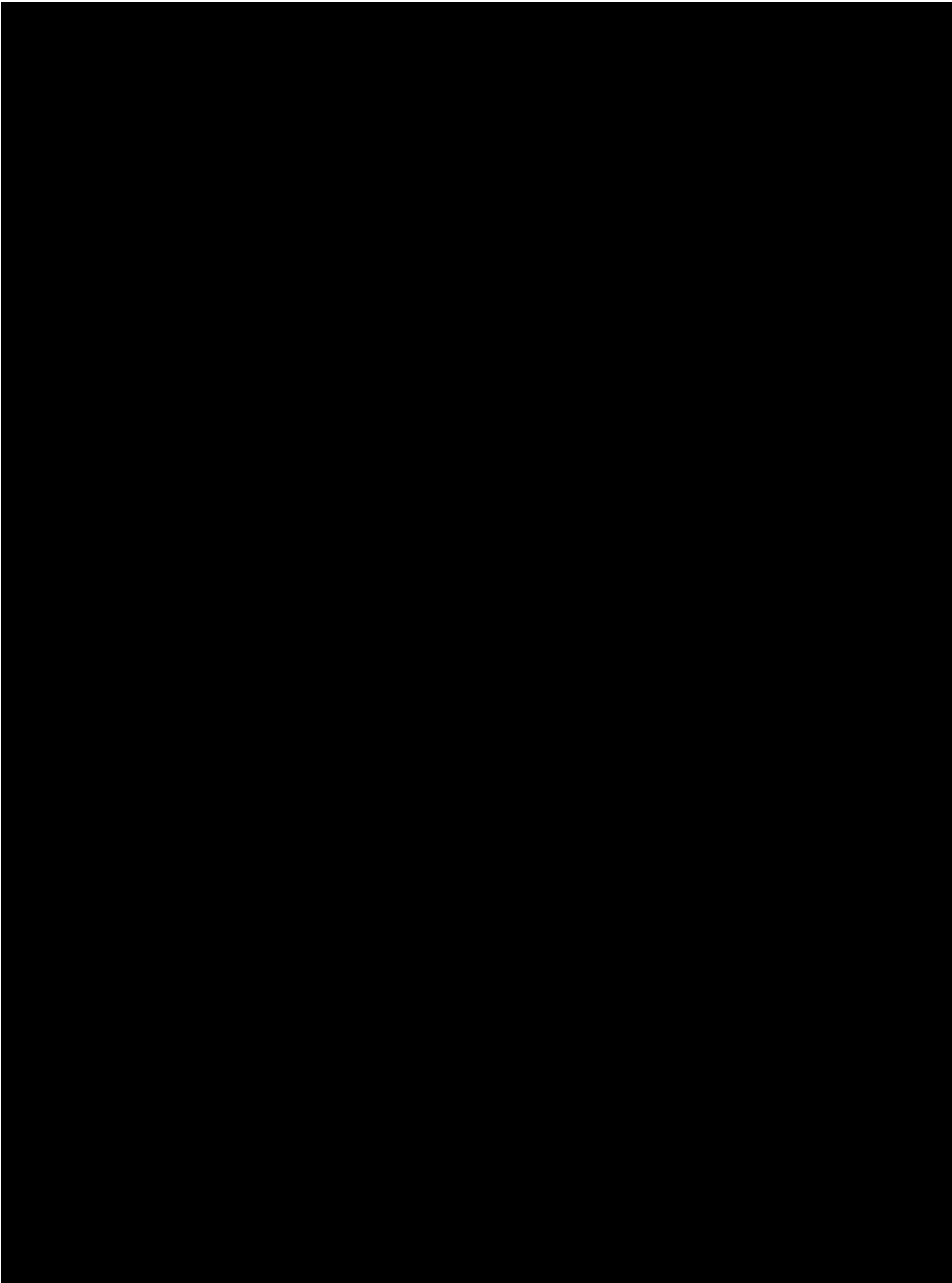












Hydro One Limited/ Hydro One Inc.
Submission to the Board of Directors



Date: October 1, 2018

Re: Transmission Application Executive Summary

Please find attached a draft version of the Executive Summary to the proposed 2019 Transmission rate application. This draft is submitted for information purposes.

Yours sincerely,

A handwritten signature in cursive script that reads "Frank D'Andrea".

Frank D'Andrea
Chief Risk Officer & VP Regulatory Affairs

Filed: 2018-09-14
EB-2018-0130
Exhibit A
Tab 2
Schedule 1
Page 1 of 10

EXECUTIVE SUMMARY

This Exhibit describes the scope and key aspects of Hydro One's application ("the Application"), including its proposed Revenue Cap Index ("RCI") approach to setting the 2019 transmission revenue requirement, effective January 1, 2019.

On March 16, 2018, the Ontario Energy Board ("OEB") issued correspondence wherein the OEB advised Hydro One that it believed it was appropriate to consider rates for Hydro One's distribution and transmission businesses in a single application. To facilitate that outcome, the OEB communicated that it expected Hydro One to file a transmission revenue requirement application for a 4-year test period (2019-2022) in order to align the applications and test periods for future combined applications. At the time, Hydro One was expected to file a Custom IR application with a 5-year test period. On April 4, Hydro One filed a letter with the OEB indicating that it was considering the potential impact of the OEB's new expectations on its upcoming application.

However, as a result of the organizational changes which occurred in July and August, including the appointment of a new Board of Directors, Hydro One is evaluating its transmission business plan, and is proposing to set 2019 revenue requirement with a one-year mechanistic adjustment to its 2018 revenue requirement, while it does so. Subsequent to the Application, Hydro One intends to file a 3-year Custom IR application with a 2020-2022 test period. This will approach will align with the OEB's expectation that Hydro One will file a single application for distribution rates and transmission revenue requirement for the period 2023 to 2027.

The Application is intended to be mechanistic in nature. Hydro One is not proposing to address all of the directives from the OEB's decision in the 2017-2018 transmission rate

Witness: Frank D'Andrea

Filed: 2018-09-14
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Exhibit A
Tab 2
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proceeding (EB-2016-0160) in the Application as they are beyond the scope of the approvals sought. Instead, Hydro One proposes to address those orders in its 2020-2022 Custom IR application.

In the Application, Hydro One is requesting the OEB's approval for:

- The proposed RCI mechanism to be used for the determination of Hydro One's 2019 revenue requirement, to be effective January 1, 2019.
- The disposition of regulatory accounts with total net credit balances of \$37.6 million effective January 1, 2019, to be refunded over a one-year period (Exhibit A, Tab 6, Schedule 1).
- An update to the Accounting Order approved by the OEB in EB-2017-0338 allowing for the account to continue to apply until the effective date of Hydro One's next rebased revenue requirement.

The Application will result an average impact on transmission rates of 2.7% and a total bill impact of 0.2% for a typical Residential (R1) customer consuming 750 kW per month and a 0.1% a typical energy-billed General Service (GS < 50 kW) customer consuming 2,000 kWh per month.

1.1 BILL 2, URGENT PRIORITIES ACT

On July 25, 2018, Bill 2, Urgent Priorities Act ("Bill 2") received Royal Assent. Among other things, Bill 2 amended the Ontario Energy Board Act, 1998 requiring that "in approving just and reasonable rates for Hydro One Limited or any of its subsidiaries, the Board shall not include any amount in respect of compensation paid to the Chief Executive Officer and executives."

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Exhibit A
Tab 2
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As outlined in Exhibit A, Tab 5, Schedule 1, Hydro One has determined that its OEB-approved 2018 revenue requirement included \$2.5 million in compensation related to executives, as defined by Bill 2. Hydro One notes that the OEB has established procedural steps for the consideration of the impact of Bill 2 in Hydro One's current 2018-2022 Custom IR distribution rate application (EB-2017-0049).¹ Hydro One proposes to adopt the OEB's direction from the EB-2017-0049 proceeding, as applicable to the circumstances of the Application, in the final Rate Order for this proceeding to ensure consistency between its transmission and distribution businesses.

1.2 REVENUE CAP INDEX

Hydro One's application is based on a Revenue Cap Incentive Rate-Setting ("IR") approach in which revenue for the 2019 test year is equal to the revenue in year 2018 inflated by the Revenue Cap Index ("RCI") set out below. Hydro One is proposing to use the RCI to inflate its 2018 OEB-approved revenue requirement, adjusted for the impacts of Bill 2 as described above.

The RCI is expressed as:

$$RCI = I - X$$

Where:

- "I" is the Inflation Factor, based on a custom weighted two-factor input price index.

¹ Additional procedural steps were established in Procedural Order No. 9 of the EB-2017-0049 proceeding, issued on September 26, 2018.

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Exhibit A
Tab 2
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- “X” is the Productivity Factor that is equal to the sum of Hydro One’s Custom Industry Total Factor Productivity measure and Hydro One’s Custom Productivity Stretch Factor.

In order to inform its RCI, Hydro One engaged Power System Engineering (“PSE”) to:

- Perform an econometric Total Cost Benchmarking study for the purposes of developing a stretch factor recommendation;
- Determine the Total Factor Productivity (“TFP”) trend for the electricity transmission industry for developing an X-Factor recommendation;
- Determine Hydro One’s TFP trend for the purposes of assessing how Hydro One’s performance compares to the historical performance of the transmission industry; and
- Determine the appropriate Labour and Non-Labour split for use in the industry-specific inflation factor.

Hydro One is proposing an Inflation Factor (“I”) based on the weighted sum of:

- 86% of the annual percentage change in Canada’s GDP-IPI (FDD) as reported by Statistics Canada; and
- 14% of the annual percentage change in the Average Weekly Earnings for workers in Ontario, as reported by Statistics Canada.

The proposed weighting of 14% labour and 86% non-labour is derived from the analysis conducted by PSE in its study. Based on most recent OEB-reported results, the Inflation Factor would be 1.2%. Hydro One’s proposed Productivity Factor of 0% reflects the recommendations of the PSE report and is the sum of the Custom Industry Total Factor Productivity measure of 0% and a Custom Productivity Stretch Factor of 0%. Combined

Witness: Frank D'Andrea

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Exhibit A
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1 these factors result in an RCI of 1.2% for 2019 which will be finalized at the time of the
2 final rate order. The full PSE study is provided as Attachment 1 to Exhibit A, Tab 4,
3 Schedule 1.

4
5
6 **1.3 DEFERRAL AND VARIANCE ACCOUNTS**

7
8 Hydro One requests disposition of a \$37.6 million credit balance in the regulatory
9 accounts detailed in Table 1. Hydro One is requesting disposition of the actual audited
10 Regulatory Account values as at December 31, 2017, plus forecast interest accrued in
11 2018, on the principal balances as at December 31, 2017 less any amounts approved for
12 disposition in 2018 by the OEB in the Prior Proceeding for rate years 2017 and 2018.
13 Hydro One proposes to dispose of this balance as an offset to its revenue requirement
14 over a one-year period, effective January 1, 2019.

Witness: Frank D'Andrea

Filed: 2018-09-14
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 Exhibit A
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1 **Table 1: Transmission Regulatory Accounts Requested for Disposition (\$ Millions)**

Description	Forecast Balance as at Dec 31, 2018
Excess Export Service Revenue	(6.5)
External Secondary Land Use Revenue	(16.0)
External Station Maintenance, E&CS and Other External Revenue	(2.1)
Tax Rate Changes	0.4
Rights Payments	1.6
Pension Cost Differential	(13.0)
Long-Term Transmission Future Corridor Acquisition and Development	0.0
LDC CDM Variance Account	(0.8)
External Revenue – Partnership Transmission Projects Account	(0.0)
OEB Cost Differential Account	(1.3)
Total Regulatory Accounts Seeking Disposition	(37.6)

2
 3 Exhibit Reference: A-6-1.
 4

5 In the EB-2017-0338 proceeding, the OEB approved an Accounting Order for an account
 6 to capture the financial impacts associated with a change to USGAAP accounting
 7 standards from the issuance of Accounting Standards Update (ASU) 2017-07, which
 8 related to the accounting for pension and other post-employment benefits (OPEB). As
 9 originally worded, the Accounting Order was approved to track the impact of the ASU
 10 2017-07 until the time of Hydro One's next revenue requirement application. At the time
 11 of the decision, Hydro One was expected to be filing a 4-year Custom IR rebasing
 12 application for 2019-2022. Hydro One is requesting approval for a modification to the
 13 Accounting Order approved in EB-2017-0338 that will allow the account to continue to
 14 track the impact of the ASU 2017-07 change until the time of Hydro One's next rebasing
 15 application.

Witness: Frank D'Andrea

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 EB-2018-0130
 Exhibit A
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1.4 RATE DESIGN

Hydro One is proposing to inflate its 2018 OEB-approved total revenue requirement, as adjusted for the impacts of Bill 2, by the RCI. The revenue that is required to be collected through transmission rates (i.e. the rates revenue requirement) is based on this total revenue requirement, offset by other revenues as described in Exhibit A, Tab 7, Schedule 1.

The transmission charge determinants used to calculate the 2019 proposed UTRs are same as those approved in EB-2016-0160 for 2018 and Hydro One is proposing to use the OEB-approved 2018 split of rates revenue requirement by rate pool to allocate the 2019 rates revenue requirement among the three transmission rate pools.

Table 2 provides the forecast UTRs for 2019.

Table 2: Forecast 2019 UTRs

	Uniform Transmission Rates (\$/kW-Month)		
	Network	Line Connection	Transformation Connection
2019	\$3.69	\$0.97	\$2.39

1.5 BILL IMPACTS

Table 3 shows the average 2019 bill impacts of the proposed changes in transmission rates revenue requirement for distribution connected and transmission connected customers. Further details regarding the calculation are provided in Exhibit A, Tab 7, Schedule 1.

Witness: Frank D'Andrea

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 Exhibit A
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**Table 3: Average Bill Impacts on Transmission and
 Distribution-connected Customers**

Description	2018	2019
Rates Revenue Requirement (\$M)	\$1,510.7	\$1,551.1
Net Impact on Average Transmission Rates		2.7%
Transmission as a % of Tx-connected customer's Total Bill		7.4%
Estimated Average Bill impact for a Tx-Connected Customer		0.2%
Transmission as a % of Dx-connected customer's Total Bill		6.2%
Estimated Average Bill impact for a Dx-Connected Customer		0.2%

The 2.7% increase in average transmission rates is driven by (i) the proposed RCI adjustment to Hydro One's revenue requirement and (ii) by a reduction in the quantum of the total credit offsets to Hydro One's revenue requirement resulting from factors such as the disposition of deferral and variance accounts and the expiration of the \$10.5 million credit for foregone revenue that resulted from the implementation of the OEB's decision in the EB-2016-0160 proceeding. Hydro One's proposal to dispose of a \$37.6 million credit balance as of December 31, 2017 in its deferral and variance accounts serves to mitigate this impact.

The total bill impact for a typical Hydro One medium density residential (R1) customer consuming 400 kWh, 750 kWh and 1,800 kWh per month is determined based on the forecast increase in the customer's Retail Transmission Service Rates ("RTSR") as detailed in Table 6.

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Table 6: Typical Medium Density (R1) Residential Customer Bill Impacts

	Typical R1 Residential Customer		
	400 kWh	750 kWh	1800 kWh
Total Bill as of May 1, 2018 ¹	\$85.11	\$124.21	\$241.51
RTSR included in 2017 R1 Customer's Bill (based on 2016 UTR)	\$4.78	\$8.96	\$21.50
<i>Estimated 2017 Monthly RTSR²</i>	\$4.74	\$8.89	\$21.33
2017 change in Monthly Bill	(\$0.04)	(\$0.07)	(\$0.16)
<i>2017 change as a % of total bill</i>	<i>0.0%</i>	<i>-0.1%</i>	<i>-0.1%</i>
<i>Estimated 2018 Monthly RTSR³</i>	\$4.97	\$9.32	\$22.36
2018 change in Monthly Bill	\$0.23	\$0.43	\$1.02
<i>2018 change as a % of total bill</i>	<i>0.3%</i>	<i>0.3%</i>	<i>0.4%</i>
<i>Estimated 2019 Monthly RTSR⁴</i>	\$5.09	\$9.55	\$22.92
2019 change in Monthly Bill	\$0.13	\$0.23	\$0.56
<i>2019 change as a % of total bill</i>	<i>0.1%</i>	<i>0.2%</i>	<i>0.2%</i>

¹Total bill including HST, based on time-of-use commodity pricing effective May 1, 2018 and 2017 distribution rates approved per Distribution Rate Order EB-2016-0081 (includes impacts of all components of the Fair Hydro Plan).

²2017 Montly RTSR is an estimated value that incorporates the impacts of changes in UTR in 2017.

³2018 Montly RTSR is an estimated value that incorporates the impacts of changes in UTR in 2018.

⁴The impact on RTSR is assumed to be the net impact on average Transmission rates, as per Table 5, adjusted for Hydro One's revenue disbursement allocator per approved 2018 UTRs.

The total bill impact for a typical Hydro One General Service Energy less than 50 kW ("GSe < 50 kW") customer consuming 1,000 kWh, 2,000 kWh and 15,000 kWh per month is determined based on the forecast increase in the customer's RTSR as detailed in Table 7.

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**Table 7: Typical General Service Energy less than 50 kW
 (GSe < 50 kW) Customer Bill Impacts**

	GSe Customer Monthly Bill		
	1,000 kWh	2,000 kWh	15,000 kWh
Total Bill as of Jan 1, 2017 ¹	\$202.87	\$374.85	\$2,610.57
RTSR included in 2017 R1 Customer's Bill (based on 2016 UTR)	\$10.63	\$21.26	\$159.47
<i>Estimated 2017 Monthly RTSR²</i>	\$10.55	\$21.10	\$158.25
2017 increase in Monthly Bill	(\$0.08)	(\$0.16)	(\$1.21)
<i>2017 increase as a % of total bill</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>
<i>Estimated 2018 Monthly RTSR³</i>	\$11.06	\$22.11	\$165.85
2018 increase in Monthly Bill	\$0.51	\$1.01	\$7.60
<i>2018 increase as a % of total bill</i>	<i>0.2%</i>	<i>0.3%</i>	<i>0.3%</i>
<i>Estimated 2019 Monthly RTSR⁴</i>	\$11.34	\$22.67	\$170.04
2019 increase in Monthly Bill	\$0.28	\$0.56	\$4.18
<i>2019 increase as a % of total bill</i>	<i>0.1%</i>	<i>0.1%</i>	<i>0.2%</i>

¹Total bill including HST, based on time-of-use commodity pricing effective May 1, 2018 and 2017 distribution rates approved per Distribution Rate Order EB-2016-0081.

²2017 Monthly RTSR is an estimated value that incorporates the impacts of changes in UTR in 2017.

³2018 Monthly RTSR is an estimated value that incorporates the impacts of changes in UTR in 2018.

⁴The impact on RTSR is assumed to be the net impact on average Transmission rates, as per Table 5, adjusted for Hydro One's revenue disbursement allocator per approved 2018 UTRs.

Witness: Frank D'Andrea