

HYDRO ONE

2020-2022 Transmission Revenue Requirement Application Overview

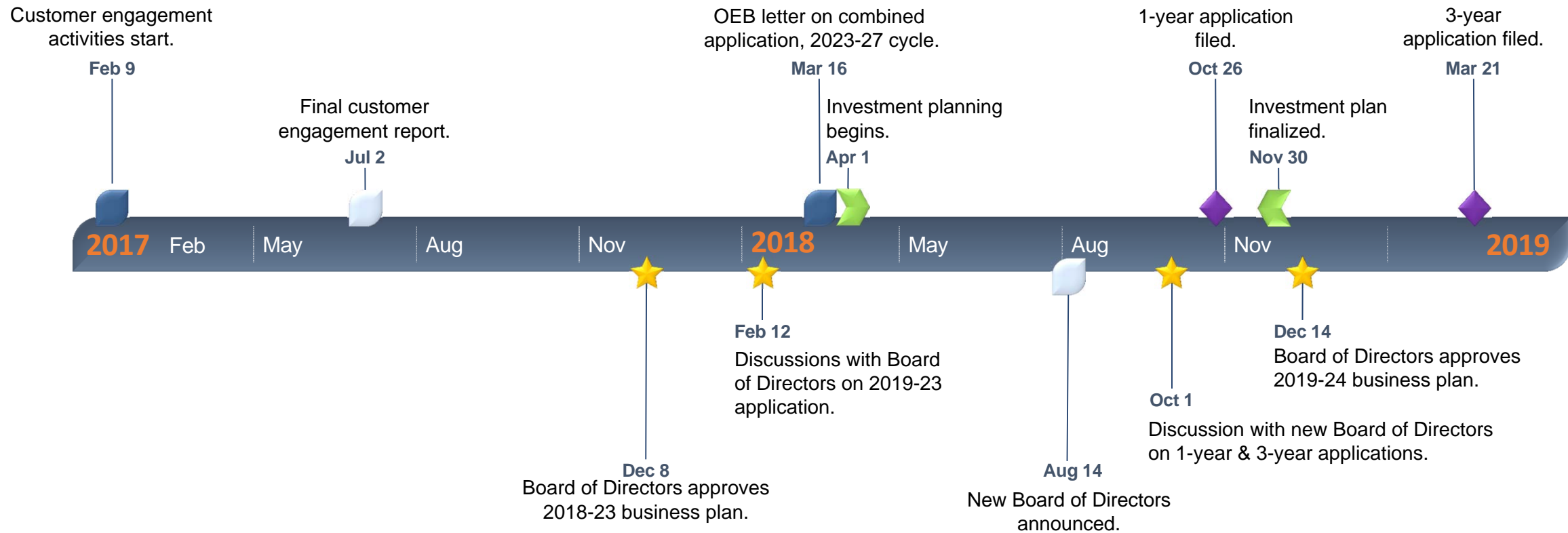
October 21, 2019



Application Overview and Financial Highlights

Joel Jodoin

TIMELINE TO FILING



APPLICATION FRAMEWORK

3 YEAR CUSTOM IR

- 2020 Cost of Service
- Revenue Cap Index (RCI)_{2021, 2022} = INFLATION – (PRODUCTIVITY FACTOR) + CAPITAL FACTOR

PROTECTING CUSTOMERS

- Earning Sharing Mechanism
- Capital In-Service Variance Account

APPLICATION ALIGNED TO KEY PRINCIPLES OF THE RRF



2020 REVENUE REQUIREMENT SUMMARY

Rates Revenue Requirement Reduction of \$31.8 Million Relative to Blue Page Update

\$ Millions	OEB Approved 2019	2020 Blue Page	2020 Updated ¹
OM&A	-	375.8	374.1
Depreciation and Amortization	-	474.6	472.8
Income Taxes	-	48.3	26.1
Return on Capital	-	775.0	768.9
Total Revenue Requirement	1,644.4	1,673.8	1,642.0
External and Other Revenues	(54.5)	(52.6)	(52.6)
Regulatory Accounts Disposition	(37.6)	6.8	6.8
Rates Revenue Requirement	1,552.3	1,628.0	1,596.2

¹ – Accelerated CCA (I-01-OEB-208); 2019 Actual Debt Issuances (I-04-LPMA-019); Pension Valuation (JT-2.31-01); OPEB ISA Update (I-01-OEB-206).

2020 RATE IMPACT

Lower **revised** rate impacts in 2020

Required Rate Increase

Rates Revenue Requirement Increase of

4.9% → 2.8%

Rate Impact of Forecast Load Reduction

3.8%

Which Combines for an Average Transmission Rate Increase of

8.7% → 6.6% in 2020

3-Year Average Transmission Rate Increase of

6.9% → 6.2%¹

Total Bill Impacts

Average Transmission-Connected Customers:

0.6% → 0.5%

Average Distribution-Connected Customers:

0.5% → 0.4%

Hydro One Medium Density (R1) Residential Customer (750 kWh/month):

0.6% → 0.5%
\$0.79 → \$0.60

Hydro One General Service (GSe) Customer (2,000 kWh/month):

0.5% → 0.4%
\$1.86 → \$1.43

¹ – 3-Year Average Transmission Rate Increase excluding load is 4.5%

PRODUCTIVITY

Two types of productivity initiatives in the application:

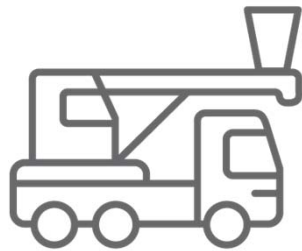
Defined Productivity Initiatives and Undefined Progressive Productivity Initiatives

\$ Millions	2020	2021	2022	2023	2024	Total
Capital Defined Productivity ¹	65	74	73	70	70	353
OM&A Defined Productivity	22	25	23	23	22	114
Progressive Undefined Productivity	11	27	49	68	81	237
Total Savings	98	126	145	161	173	704

1 – Includes Capital Progressive Defined Initiatives

\$370 million
3-Year Test Period

PERFORMANCE MANAGEMENT



PRODUCTIVITY

- Procurement
- Contract Renegotiations
- Access Roads
- Progressive Productivity



BENCHMARKING

- Stations (Transformers, Breakers)
- Lines (Conductors, Insulators)
- Investment Planning Process
- Compensation



SCORECARDS

- Transmission Scorecard
- Team Scorecard
- Operational Scorecards
- Productivity Initiatives Reporting

SCORECARDS

Scorecard	Description	RRF Objectives Represented by Metrics			
		Customer Focus	Operational Effectiveness	Policy Responsiveness	Financial Performance
Transmission Scorecard	<ul style="list-style-type: none"> OEB mandated 	✓	✓	✓	✓
Team Scorecard	<ul style="list-style-type: none"> Tied to compensation Incentives results 	✓	✓		✓
Operational Scorecards	<ul style="list-style-type: none"> Monitor ongoing performance 	✓	✓		✓
Productivity Initiatives Reporting	<ul style="list-style-type: none"> Monitor productivity 	✓	✓		✓

Customer Engagement & the Investment Plan

Bruno Jesus

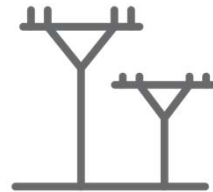
TRANSMISSION CUSTOMER BASE

Hydro One's transmission customers are well informed, understand our business and its challenges, and together help power Ontario's economy.



LARGE INDUSTRIAL
CUSTOMERS

Large manufacturing
and processing
facilities



LOCAL DISTRIBUTION
COMPANIES

Toronto Hydro, London
Hydro, etc.



GENERATORS

OPG, Bruce Power,
Brookfield, etc.

ONGOING ENGAGEMENT

Hydro One engages with its customers throughout the year:



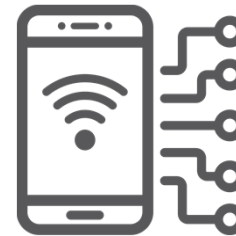
DIRECT ENGAGEMENT

- Key Account Managers
- Surveys



FOCUSED PLANNING MEETINGS

- Stakeholder Sessions
- Regional Planning



OVERSIGHT COMMITTEES & WORKING GROUPS

- 5 Committees¹
- 2 Working Groups²



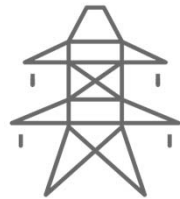
FIRST NATIONS

- Provincial Sessions
- Regional meetings
- Meetings with individual communities

CUSTOMER PRIORITIES



SAFETY



RELIABILITY



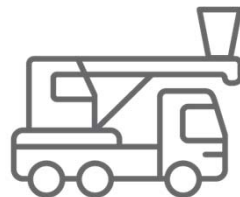
OUTAGE
RESTORATION



POWER
QUALITY



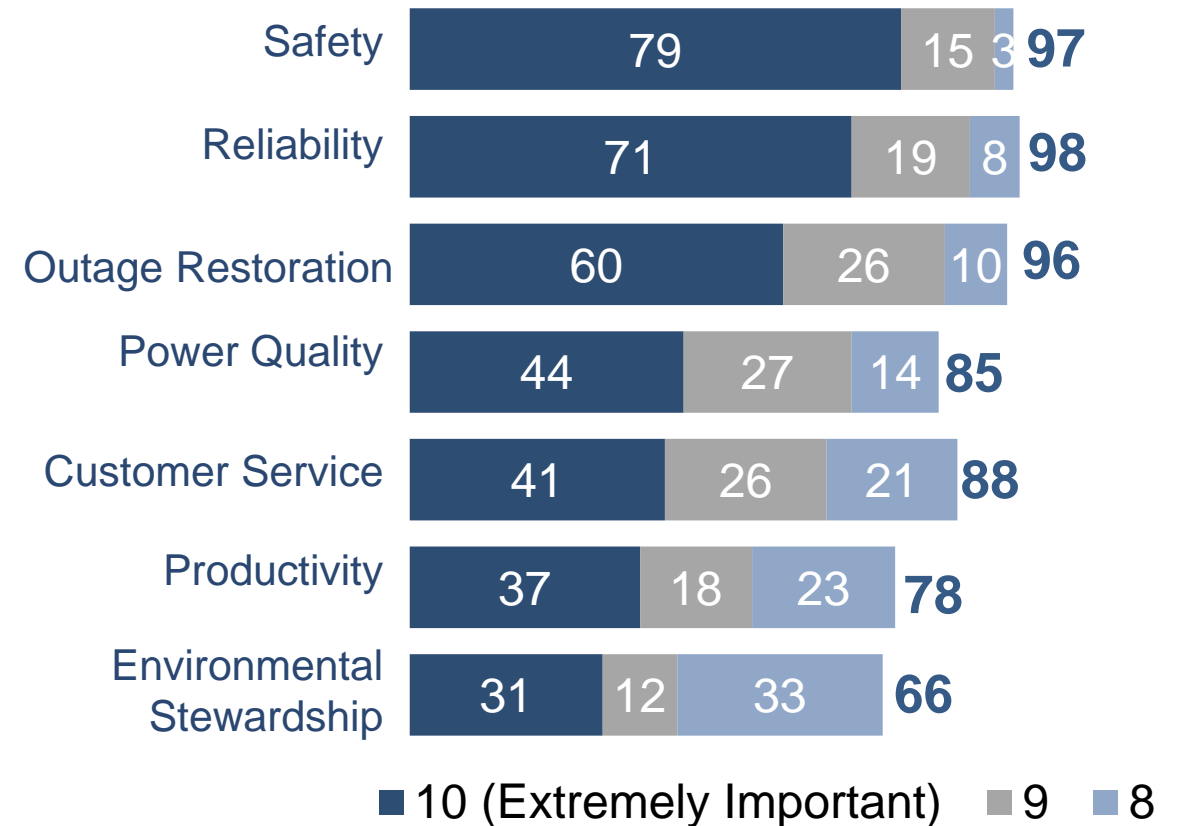
CUSTOMER
SERVICE



PRODUCTIVITY

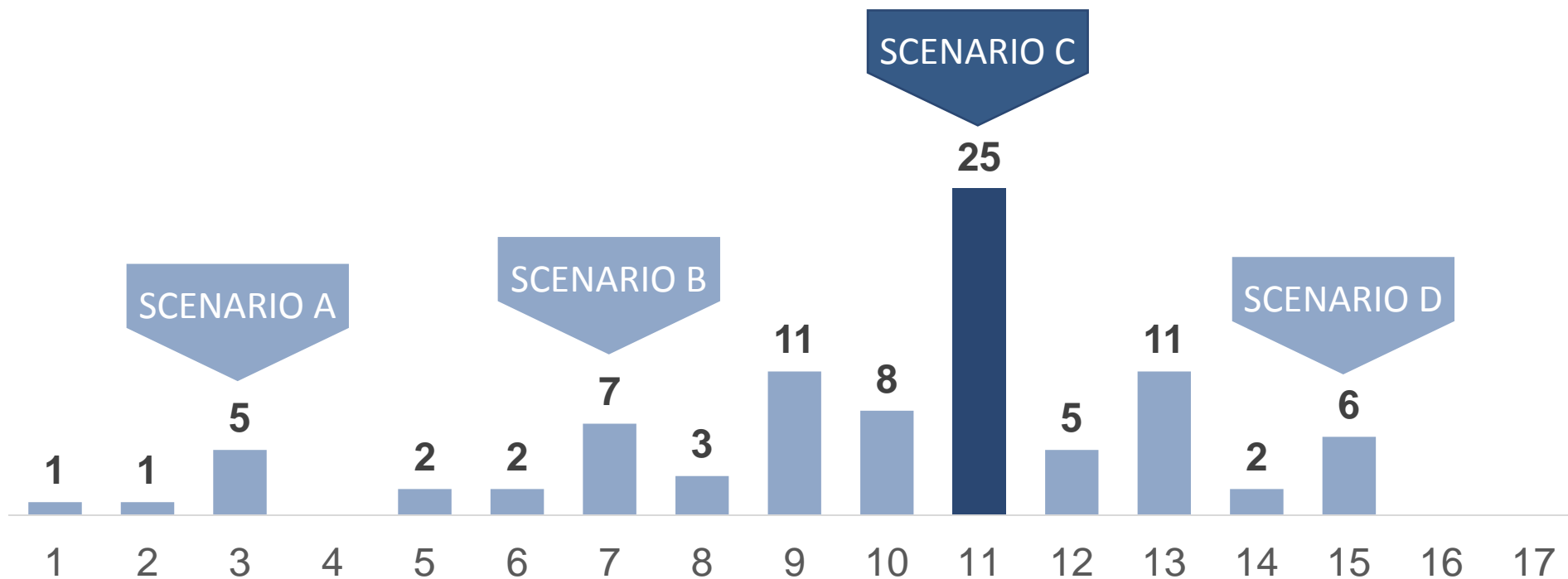


ENVIRONMENTAL
STEWARDSHIP



INVESTMENT SCENARIOS

Customers Preferred Scenario C – Maintained Investment



Lower increases now.
Higher future increases.
Lower reliability.



Higher increases now.
Lower future increases.
Higher reliability.

OUR PLAN ALIGNS WITH SCENARIO C

	Scenario C	Proposed Plan	Aligned?
5-year Capital Investment	\$6.6B	\$6.6B	✓
Long-term reliability	Improve	Improve	✓
Impact on future rates	Level rate increases	Level rate increases	✓
Average rate increase (without load)	5.1%	4.5% ¹	✓

1 – Customers were given rate impacts without load and were asked to bear in mind that rates can also be impacted by changes in load forecast and electricity prices. With load, the average transmission rate increase of the Proposed Plan is 6.2%. When the OEB updates the ROE, the average rate increase will likely decrease.

IMPROVED INVESTMENT PLANNING PROCESS

Reflects industry best-practices, affirmed by benchmarking studies, and an ongoing commitment to continuous improvement.



Key improvements to the planning process:

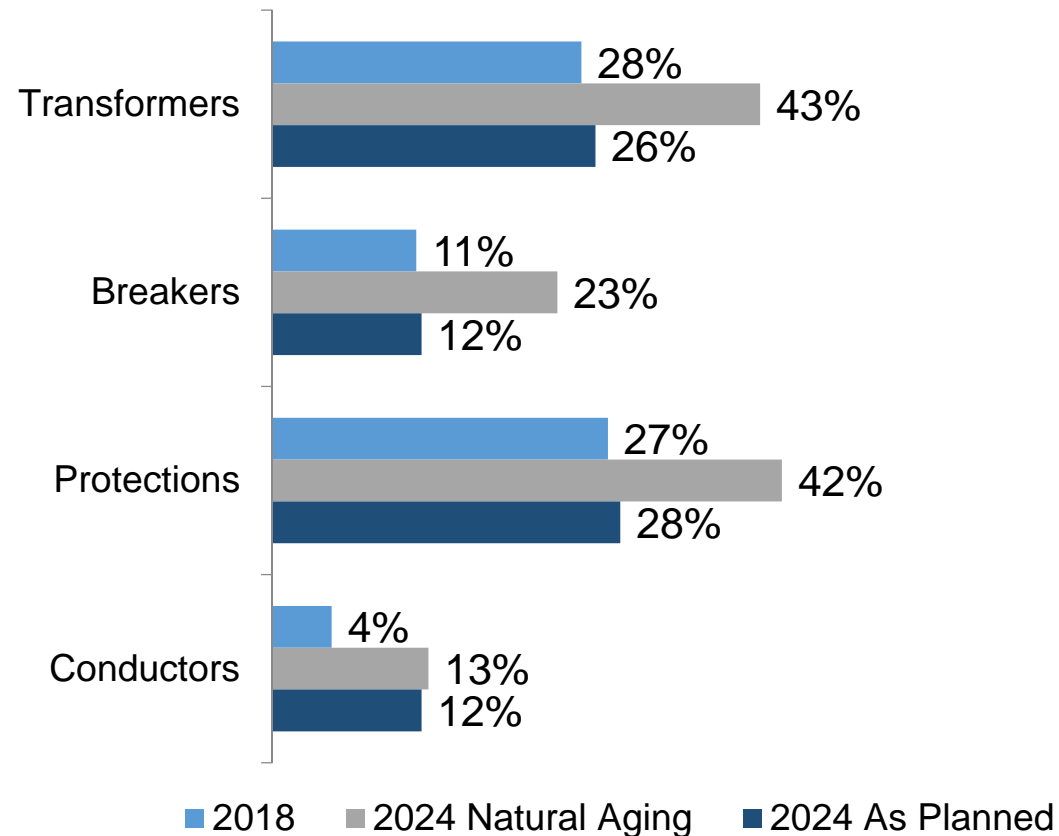
Revised Risk Assessment Framework

Clear Risk Definitions

Challenge Sessions

ASSET DEMOGRAPHICS

Hydro One is making targeted investments driven by asset condition

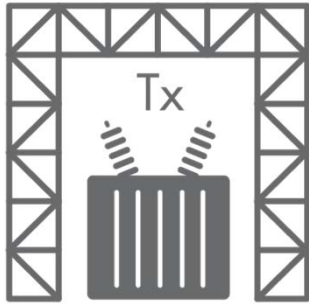


Asset Type	Assets at High or Very High Risk (%)	
	EB-2016-0160 2017-2018	EB-2019-0082 2020-2022
Transformers	15%	17%
Circuit Breakers	11%	9%
Protection Systems	27%	27%
Conductors	9%	13%

Executing the Investment Plan

Andrew Spencer

CAPITAL PLAN



SYSTEM RENEWAL

- Stations and Lines
- Address Safety, Reliability, Environment & Customer Needs
- Condition Driven



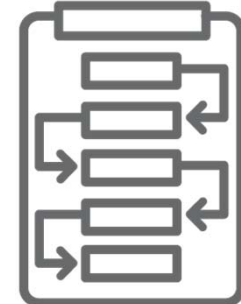
SYSTEM SERVICE

- Regional Planning
- Bulk Planning
- Long-term Energy Plan
- Connecting Customers



SYSTEM ACCESS

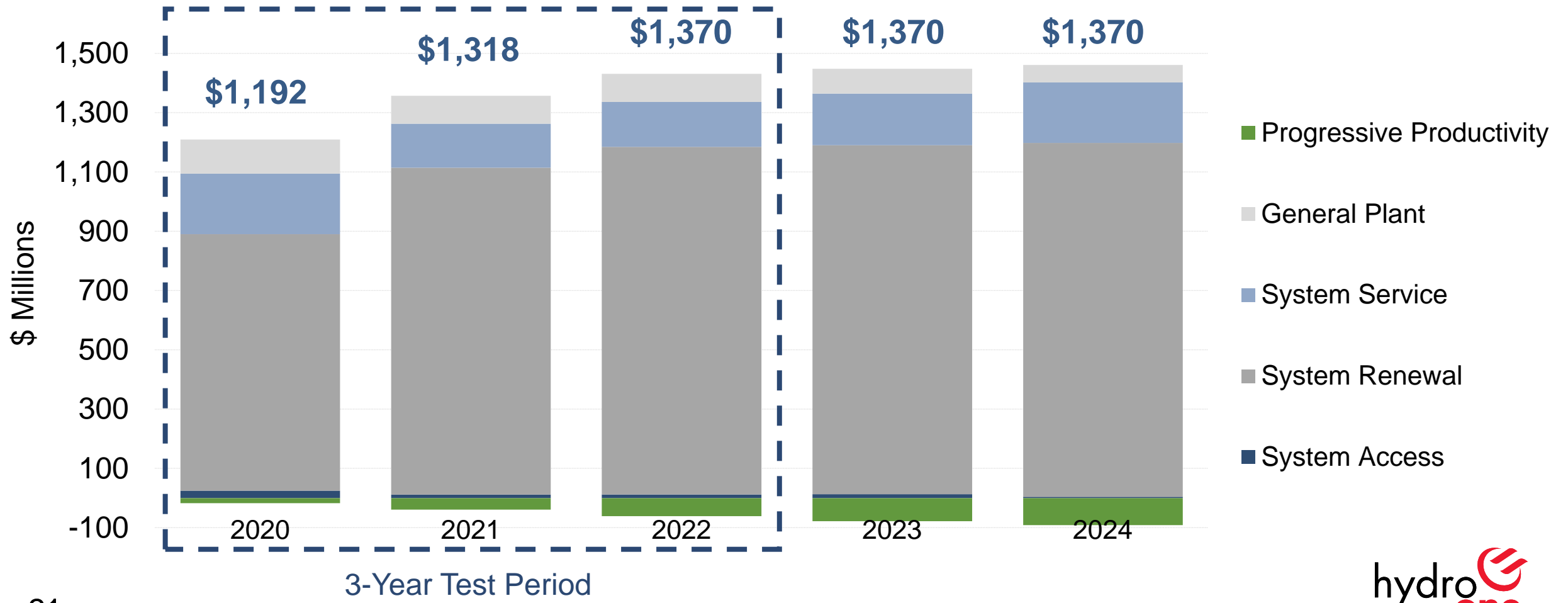
- Connecting Customers



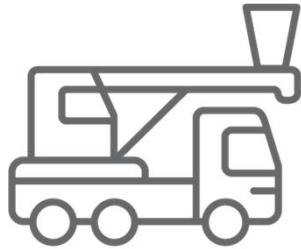
GENERAL PLANT

- Real Estate Facilities
- Transportation & Work Equipment
- Information Technology

5-YEAR CAPITAL PLAN



OM&A PLAN



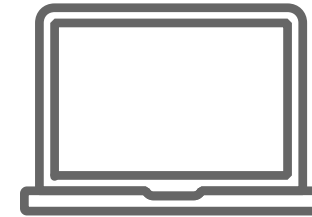
SUSTAINMENT

- Preventive Maintenance
- Corrective Maintenance
- Regulatory Compliance



OPERATIONS & DEVELOPMENT

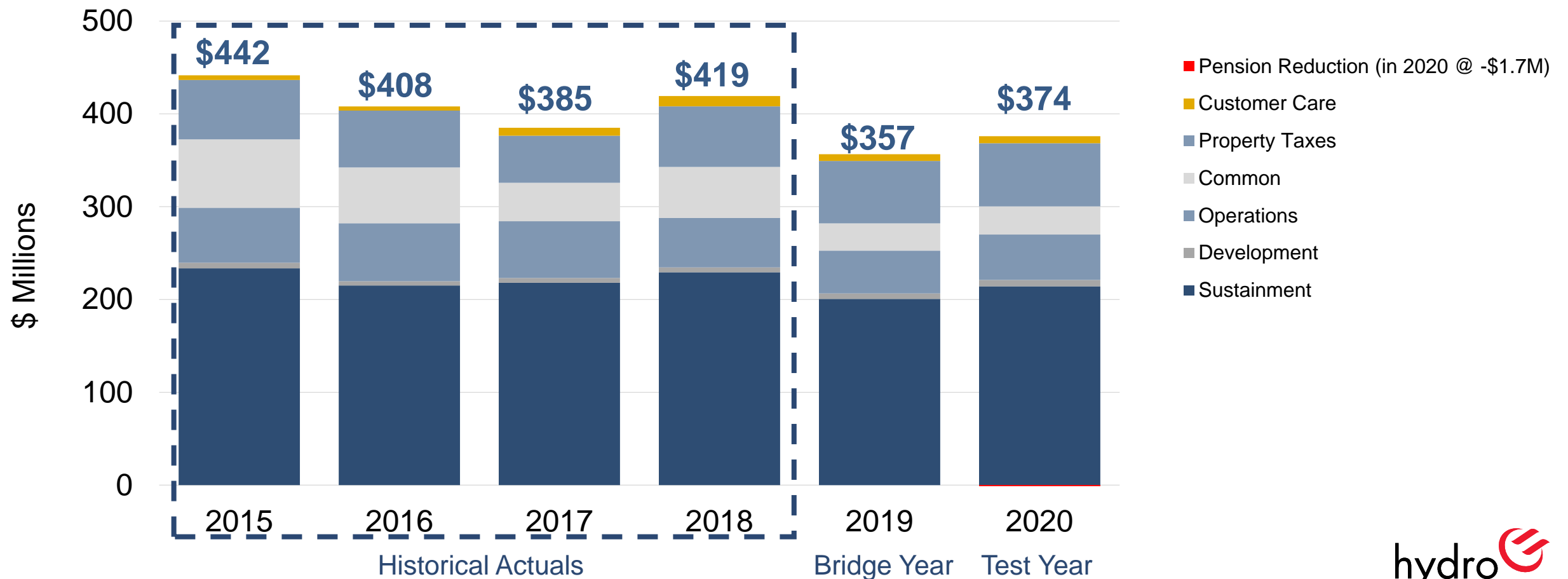
- Operating the Transmission System
- Developing Standards



ADMINISTRATION

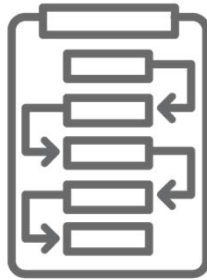
- Customer Care
- Planning, Information Technology, Finance
- Property Taxes

OPERATIONS, MAINTENANCE & ADMINISTRATION EXPENSES



IMPROVED EXECUTION PROCESS

Hydro One has made improvements to its work execution framework



Capital Delivery
Model &
Stage Gates



Reporting &
Governance



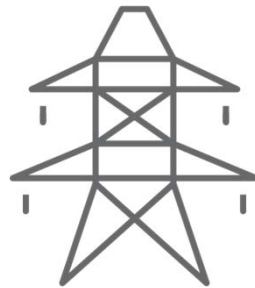
Resource
Planning

PROVEN ABILITY TO EXECUTE

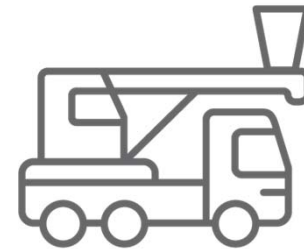
Proven ability to achieve results close to target at a portfolio level



WITHIN OEB-
APPROVED PLAN



EXECUTING LARGE
CAPITAL WORK
PLANS



EMBEDDED
PRODUCTIVITY

CLOSING REMARKS

The plan achieves an appropriate balance between:

- Meeting compliance obligations
- Prudent stewardship over transmission assets
- Responsible management of asset health and safety risks
- Responding to customer needs & preferences
- Achieving sustainable financial performance, lowering operating costs, and embedding productivity into the plan

