



**Table 1**  
**Summary of Distribution OM&A Budget (\$ Million)**

Description	Historic (Actual)			Bridge	Test
	2004	2005	2006	2007	2008
Sustaining	207.9	222.0	255.6	278.8	280.0
Development	5.5	4.8	4.2	8.0	9.1
Operations	16.3	11.2	14.9	12.6	13.4
Customer Care	103.0	96.3	103.7	97.1	103.8
Shared Services and Other OM&A	9.3	23.3	21.2	91.9	66.9
Taxes Other Than Income Tax	4.0	4.6	4.5	4.2	4.5
<b>TOTAL</b>	<b>346.0</b>	<b>362.1</b>	<b>404.1</b>	<b>492.6</b>	<b>477.7</b>

Total OM&A expenditures have increased by 38% or \$132 million over the 2004 to 2008 period. Contributing to the increase over this period is escalation of about 24% in OM&A costs, as noted on page 2 of Exhibit A, Tab 14, Schedule 2, as well as an additional \$37 million in pension related costs.

In particular, expenditures have grown by \$74 million from 2006 to 2008 driven primarily by increases in Sustainment expenditures to ensure the safe and reliable operation of the distribution system, including increased vegetation management costs, increased maintenance costs associated with aging assets, and an increase in costs associated with smart meters. Also contributing to the total increase in OM&A expenditures is an increasing shared services workload associated with supporting increased core work programs as well as required compliance and regulatory activities; higher than planned overheads capitalized credit in 2006, which, consistent with the Rudden overhead capitalization rate methodology, is subsequently trued up as outlined in Exhibit C1, Tab 5, Schedule 2; and, recognition of pension costs (which were deferred during the 2004 to April 2006 period).

1 Detailed descriptions of the work activities in each area of Distribution OM&A expense  
2 and the reasons for the changes in costs over the 2004 – 2008 period are discussed in the  
3 schedules that make up Exhibit C1, Tab 2.

## 4 5 **2.0 SUSTAINING**

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7 The Sustaining OM&A budget represents investments required to maintain existing  
8 distribution lines and stations facilities so that they will continue to function as originally  
9 designed to support a typically rural based system. The proposed investments are  
10 intended to ensure that the overall reliability of the system is improved, that customer  
11 commitments are achieved, and that all legislative, regulatory, environmental and safety  
12 requirements are met. Details of the expenditures under this program are provided at  
13 Exhibit C1, Tab 2, Schedule 2.

## 14 15 **3.0 DEVELOPMENT**

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17 The Development OM&A program, through system data collection, system studies and  
18 generation connection studies, enables the analyses needed for economical operation,  
19 development and expansion of the distribution system to meet existing and anticipated  
20 load and generation demands, while maintaining delivery system reliability. This  
21 program also ensures appropriate standards are maintained as required to meet  
22 construction, legal and regulatory requirements, as well as funding Research &  
23 Development that will enhance the long- and short-term effectiveness of the distribution  
24 system. Details of the expenditures under this program are described in detail at Exhibit  
25 C1, Tab 2, Schedule 3.

1     **4.0     OPERATIONS**

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3     The Operations OM&A program represents the annual expenditures required for the  
4     Central Distribution Operations function, operated out of Hydro One's Ontario Grid  
5     Control Centre. The Distribution Operations function is concerned with the real time  
6     operations of the Hydro One Distribution system, including the dispatch of field crews to  
7     distribution system problems received by the Customer Call Centre. Details of the  
8     expenditures under this program are filed at Exhibit C1, Tab 2, Schedule 4.

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10    **5.0     CUSTOMER CARE**

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12    The Customer Care OM&A work program represents the set of work activities that are  
13    required to provide services to customers connected to the Hydro One Distribution  
14    system, and to meet the service levels stipulated in the Electricity Distribution Rate  
15    Handbook. The work program includes service to customers receiving electricity under  
16    Standard Supply Service and to customers under retailer contracts. Details of the  
17    expenditures under this program are filed at Exhibit C1, Tab 2, Schedule 5.

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19    **6.0     SHARED SERVICES AND OTHER OM&A**

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21    The Shared Services and other OM&A program includes the provision of Common  
22    Corporate Functions and Services and Asset Management programs to support the  
23    Distribution business, as well as the maintenance of existing infrastructure, including  
24    business systems, facilities, and information technology. The Common Corporate  
25    functions and services include the provision of financial, human resource, legal,  
26    information technology and strategic planning services. Asset Management programs  
27    include developing Distribution asset strategies, policies and standards; identifying,  
28    planning and prioritizing specific OM&A and Capital work on the distribution network;

1 facility services; and monitoring the execution of the annual work program. Other  
2 OM&A programs include the credits for overheads capitalized and the cost of goods sold  
3 in support of external revenues. Details of the expenditures under this program are filed  
4 at Exhibit C1, Tab 2, Schedule 6.

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6 **7.0 TAXES OTHER THAN INCOME TAXES**

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8 This program consists of property and proxy taxes, and indemnity payments to the  
9 Province. Details of the expenditures under this program are filed at Exhibit C1, Tab 2,  
10 Schedule 7.

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