

**HYDRO ONE NETWORKS INC.
DISTRIBUTION**

Depreciation & Amortization Expenses
Bridge Year (2007) and Test Year (2008)
Year Ending December 31
(\$ Millions)

Line No.	Particulars	2007		2008	
		Depreciation Rate % (a)	Provision (b)	Depreciation Rate % (c)	Provision (d)
	<u>Depreciation Expenses</u>				
1	Major Fixed Assets	2.41%	132.2	2.62%	160.0
2	Minor Fixed Assets	9.98%	31.8	10.81%	36.9
3	Depreciation on Fixed Assets		<u>164.0</u>		<u>196.9</u>
4	Less Capitalized Depreciation		(10.8)		(12.4)
5	Asset Removal Costs		26.5		22.8
6	Losses/(Gains)		<u>0.0</u>		<u>0.0</u>
7	Total Depreciation Expenses		<u>179.7</u>		<u>207.4</u>
	<u>Amortization Expenses</u>				
8	OPEB		23.6		23.6
9	Environmental Costs		8.4		7.9
10	Other Regulatory Amortization *		43.4		0.0
11	Other Amortization		<u>0.1</u>		<u>0.1</u>
12	Total Amortization Expenses		<u>75.4</u>		<u>31.6</u>
13	Total Depreciation & Amortization Expenses		<u>255.1</u>		<u>238.9</u>

* Amortization of regulatory assets excluded from revenue requirement in test year.

**HYDRO ONE NETWORKS INC.
DISTRIBUTION**

Depreciation & Amortization Expenses
Historical Years (2004, 2005 and 2006)
Year Ending December 31
(\$ Millions)

Line No.	Particulars	2004		2005		2006	
		Depreciation Rate %	Provision	Depreciation Rate %	Provision	Depreciation Rate %	Provision
		(a)	(b)	(a)	(b)	(a)	(b)
	<u>Depreciation Expenses</u>						
1	Major Fixed Assets	2.55%	127.4	2.59%	132.1	2.48%	133.4
2	Minor Fixed Assets	10.31%	24.3	9.10%	23.2	8.49%	25.7
3	Depreciation on Fixed Assets		<u>151.7</u>		<u>155.3</u>		<u>159.1</u>
4	Less Capitalized Depreciation		(8.3)		(8.6)		(9.7)
5	Asset Removal Costs		22.5		24.0		30.4
6	Losses/(Gains) on Asset Disposition		<u>(0.6)</u>		<u>(2.4)</u>		<u>(1.2)</u>
7	Total Depreciation Expenses		<u>165.3</u>		<u>168.3</u>		<u>178.6</u>
	<u>Amortization Expenses</u>						
8	OPEB		23.7		23.7		23.7
9	Environmental Costs		9.5		7.1		11.6
10	Other Regulatory Amortization		17.4		20.0		35.5
11	Other Amortization		0.1		0.1		0.1
12	Total Amortization Expenses		<u>50.7</u>		<u>50.9</u>		<u>70.9</u>
13	Total Depreciation & Amortization Expenses		<u>216.0</u>		<u>219.2</u>		<u>249.5</u>