

CORPORATE ORGANIZATION CHARTS

1.0 INTRODUCTION

Hydro One Networks Inc. (“Hydro One Networks”) is the electricity transmission and distribution successor to the original Hydro-Electric Power Commission of Ontario, which became Ontario Hydro in 1974.

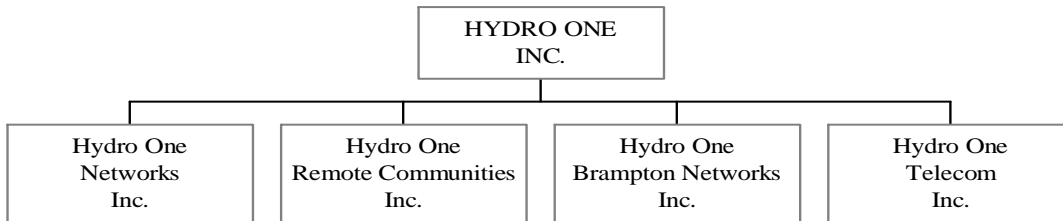
This schedule describes the current organization of Hydro One’s electricity distribution business, beginning with an overview of the parent company (Hydro One Inc.), a discussion of the primary utility subsidiary - Hydro One Networks, the distribution business and a brief summary of affiliates and related parties.

2.0 A BRIEF OVERVIEW OF HYDRO ONE INC.

Following the enactment of the *Electricity Act, 1998* and the anticipated restructuring of the former Ontario Hydro, Hydro One Inc. was incorporated under Ontario’s *Business Corporations Act* on December 1, 1998 as Ontario Hydro Services Company Inc. and commenced carrying on business on May 1, 1999. On May 1, 2000, the company’s name was changed to Hydro One Inc. In accordance with Section 48.1 of the *Electricity Act, 1998*, as amended, Hydro One Inc. is a holding company operating through its subsidiaries. Its principal subsidiary, Hydro One Networks is the largest electricity transmitter and distributor to customers within Ontario.

Figure 1 below shows Hydro One Inc.’s principal subsidiaries, each of which is wholly-owned and incorporated under the laws of Ontario. The business functions of Hydro One Networks and of the remaining active subsidiaries are discussed in Sections 3.0 and 5.0 of this Exhibit, respectively.

Figure 1
Hydro One Inc.



3.0 HYDRO ONE NETWORKS INC.

Hydro One Networks is the primary subsidiary of Hydro One Inc. Its principal mandate is established by Section 48 (1) of the *Electricity Act, 1998*, which states:

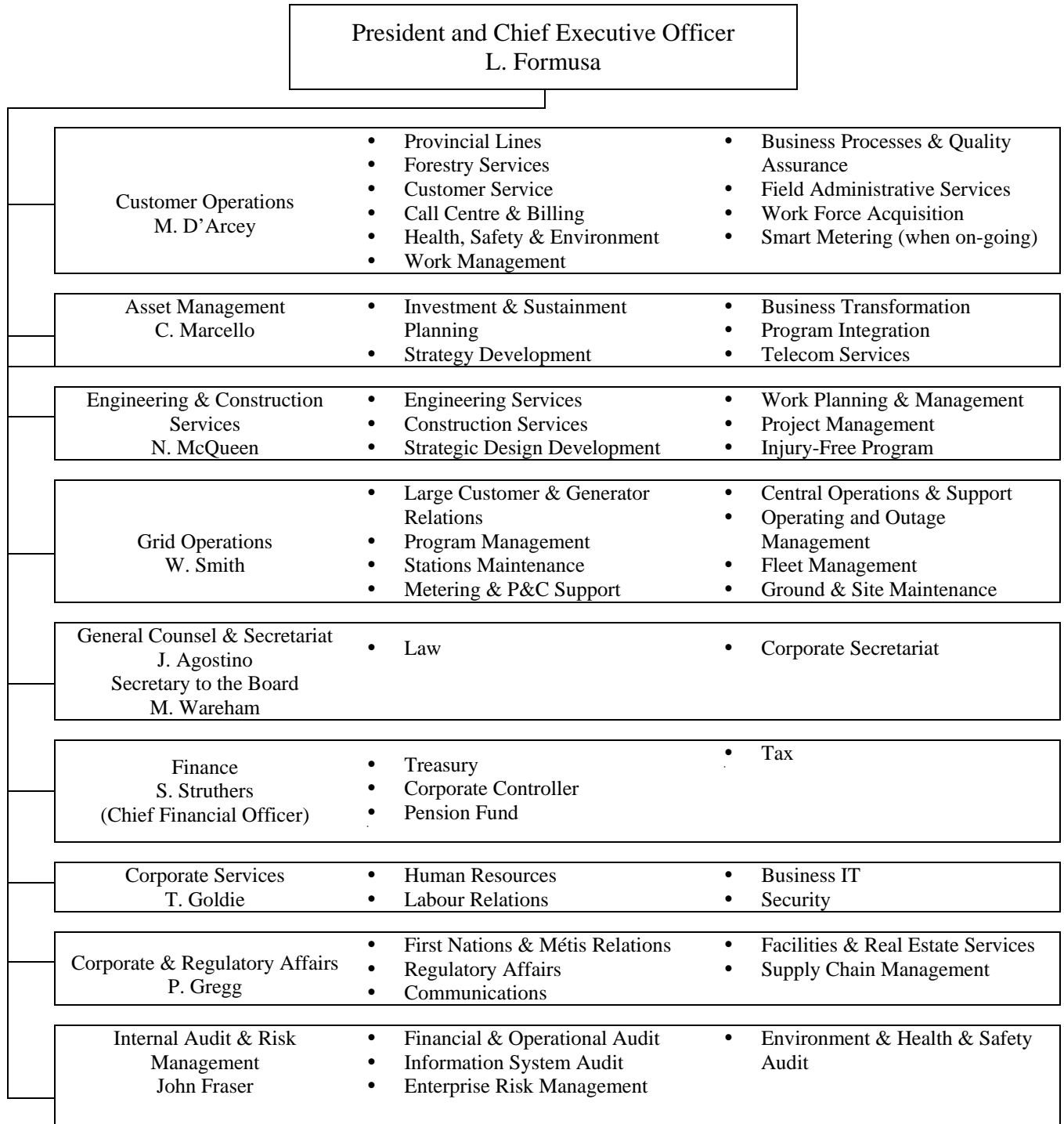
“The objects of Hydro One Inc. include, in addition to any other objects, owning and operating transmission systems and distribution systems through one or more subsidiaries.”

Accordingly, Hydro One Networks, as a subsidiary of Hydro One Inc., is permitted to carry on business related to the ownership, operation and management of both electricity transmission and distribution systems and facilities, under a separate Board-approved licence for each business.

Hydro One Network’s business is carried out by four operating divisions (Customer Operations, Asset Management, Engineering and Construction Services and Grid Operations). There are also five service groups (Law, Finance, Corporate Services, Audit and Corporate and Regulatory Affairs). An organization chart indicating these divisions and the main functions of each is provided in Figure 2.

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2
3

Figure 2
Hydro One Networks Inc. Organization



1 **4.0 HYDRO ONE’S DISTRIBUTION BUSINESS**

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3 As stated earlier, Hydro One Inc., through Hydro One Networks, is mandated and licensed to
4 provide both the transmission and distribution of electricity to customers in Ontario. Operating
5 both businesses from the one company has enabled Hydro One Networks to take advantage of a
6 multi-skilled work force. Efficiencies have been realized through the sharing of certain facilities
7 and equipment, where possible.

8
9 Although staff, equipment and facilities may be shared, the definition of work specific to the
10 Distribution Business is undertaken annually and appropriate systems, processes and models
11 provide for the isolation of costs related to this work. High level descriptions of the work to be
12 performed by Networks in 2010 and 2011 in relation to Hydro One’s Distribution Business or on
13 distribution assets can be found in the Summary of OM&A Expenses and Summary of Capital
14 Expenditures Exhibits (Exhibit C1, Tab 2, Schedule 1 and Exhibit D1, Tab 3, Schedule 1,
15 respectively), followed by their companion exhibits for Sustainment, Development, Operations
16 and Shared Services. Details of costs are captured in the historic and test year exhibits for
17 OM&A and Capital (C and D families of exhibits, respectively).

18
19 Hydro One utilizes a centralized shared services model to deliver its common services. This
20 serves as the most economic approach. Accordingly, common services are provided to the
21 Transmission and Distribution businesses of Hydro One Networks and to other Hydro One
22 subsidiaries on a centralized basis.

23
24 The costs of these services and assets are assigned to business units on the basis of cost
25 causation. These costs and assets are directly assigned where it is possible to do so. All other
26 costs are allocated based on cost drivers, direct benefits or other methods as appropriate. Exhibit
27 C1, Tab 5 describes these allocation methods, as well as the derivation of the overhead
28 capitalization rate, which determines the assignment of overhead costs to capital expenditures.

1
2 Hydro One Distribution commissioned R. J. Rudden Associates to conduct studies to recommend
3 appropriate allocation methods for the assignment of these costs (“Rudden study”). The Rudden
4 study was presented for examination during the Company’s 2006 Distribution Rates proceeding,
5 RP-2005-0020/EB-2005-0378 and was accepted by the Board as an appropriate methodology for
6 allocating costs among the subsidiaries. Updates by R. J. Rudden Associates to the cost
7 allocation report, specific to the Distribution and Transmission businesses, were accepted by the
8 Board during the EB-2007-0681 Distribution Rate Proceeding as well as the EB-2006-0501 and
9 EB-2008-0272 Transmission Rate Proceedings. The Rudden methodology has been used to
10 derive the 2010 and 2011 common cost allocation to the Distribution business as discussed in
11 Exhibit C1, Tab 5, Schedule 1. In 2009, R. J Rudden Associates reviewed and confirmed that
12 Hydro One applied the OEB-accepted methodology to its Business Plan 2010-2014 data for its
13 2010/2011 Distribution Rate Filing, and the results reflect a cost based distribution of costs of
14 providing the CCFS.

15

16 **5.0 AFFILIATES AND RELATED PARTIES**

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18 **5.1 Other Subsidiaries of Hydro One Inc.**

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20 As noted in section 2.0 of this Exhibit, Hydro One Inc. holds three other active subsidiaries -
21 Hydro One Remote Communities Inc., Hydro One Brampton Networks Inc. and Hydro One
22 Telecom Inc. The business function of each is provided below:

23

- 24 a) Hydro One Remote Communities Inc. carries on all business relating to ownership,
25 operation, maintenance and construction of generating and distribution assets used in the
26 supply of electricity to remote communities throughout northern Ontario that are not
27 connected to the transmission grid.

- 1 b) Hydro One Brampton Networks Inc. carries on all business relating to the ownership,
2 operation and management of electricity distribution systems and facilities in Brampton,
3 Ontario.
- 4 c) Hydro One Telecom Inc. carries on all business relating to leasing dark fibre and providing
5 lit capacity to other telecommunications carriers, large corporations, government, health care
6 and education institutions.

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8 **5.2 Related Parties**

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10 The Ontario Electricity Financial Corporation (the “OEFC”), the Independent Electricity System
11 Operator (the “IESO”), the Ontario Power Authority (the “OPA”) and Ontario Power Generation
12 Inc. (“OPG”) are related parties of Hydro One Inc., due to their ownership by the Province.
13 Each is described below:

- 14
- 15 a) The OEFC was established with the passage of the *Electricity Act, 1998*. Its primary
16 responsibility is the management and retirement of Ontario Hydro’s outstanding debt and
17 other obligations.
- 18 b) The IESO is the centralized independent electricity system operator responsible for
19 maintaining the security and reliability of electricity supply in Ontario and for directing the
20 operations of the IESO-controlled grid. The Board approves the licence, business plan and
21 fees of the IESO.
- 22 c) The OPA is mandated to ensure the adequacy and efficiency of electricity supply in the
23 Province through planning of electricity supply and demand.
- 24 d) OPG’s principal business is the generation and sale of electricity to customers in Ontario and
25 in inter-connected markets. OPG is licensed by the Ontario Energy Board.