

1 **SHARED SERVICES - ASSET MANAGEMENT**

2
3 **1.0 OVERVIEW**

4
5 The Distribution and Transmission businesses are operated using the Asset Management
6 model, which the company adopted in 1998. The model separates the planning, decision-
7 making and approvals associated with customer and asset needs from the engineering
8 design, estimating and asset service functions required to expand and maintain the assets.
9 This separation of functions is a common industry practice in today's utilities and reflects
10 the different skills required for these functions. By applying this model, Hydro One
11 Networks Inc. can make management decisions involving customer and asset
12 requirements on a consistent basis across its entire service territory. The Asset
13 Management model is further discussed in Exhibit A, Tab 4, Schedule 1.

14
15 Asset Management remains focused on ensuring, and being able to demonstrate, that the
16 necessary distribution and transmission assets are planned, acquired, constructed,
17 maintained and operated to deliver the required function and level of performance
18 expected by customers in a sustainable manner. The Asset Management function
19 balances the needs of customers, various economic and operational regulatory bodies, the
20 company's assets and systems, the shareholder and the people of Ontario in delivering on
21 the following accountabilities:

- 22
- 23 • Developing an asset plan for the sustainment, development and operation of the
 - 24 Distribution and Transmission system;
 - 25 • Optimizing the release, bundling and sequencing of the work to ensure the
 - 26 effective delivery of the programs and projects within the plan;
 - 27 • Redirecting projects and programs in response to new or unforeseen factors and
 - 28 drivers;

- 1 • Monitoring, evaluating and reporting upon progress, accomplishments and cost
2 metrics of the various programs and projects;
- 3 • Identifying, assessing and scoping system augmentation, load connections,
4 generation connections, and interconnections with neighbouring systems to
5 address issues related to reliability, customer supply security and changes in the
6 province's generation portfolio;
- 7 • Developing, integrating, and implementing asset strategies and investment plans
8 to support corporate objectives, execute OPA programs (such as conservation and
9 demand management, or the Renewable Energy Standard Offer Program), and
10 fulfill government policy (e.g. *Green Energy and Green Economy Act, 2009*);
- 11 • Pursuing business development opportunities, and productivity improvement
12 initiatives; and
- 13 • Influencing the business and regulatory environment to ensure customer needs
14 and business objectives (safety, regulatory compliance, environmental
15 performance, etc.) are met in an effective and efficient manner.

16

17 Effective delivery of these accountabilities is key to the Company's success in achieving
18 the balance noted above.

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Table 1
Asset Management Function (\$ Millions)

Function/Service	Historic			Bridge	Test		Allocation to Distribution	
	2006	2007	2008	2009	2010	2011	2010	2011
Strategy & Business Development	6.4	5.9	6.3	9.7	11.0	12.5	7.9	9.0
System Investment	22.0	22.7	24.0	37.1	37.1	38.6	18.3	19.1
Work Program Optimization	3.6	3.8	3.4	4.1	4.5	4.9	0.9	1.0
Business Integration	16.5	15.5	15.9	13.4	14.2	16.3	6.7	7.7
Business Transformation	2.7	3.4	2.6	2.4	2.4	2.5	1.3	1.3
Real Estate & Facilities	38.7	37.5	41.9	48.1	57.8	59.9	28.7	29.7
Contract & Business Relations	4.9	5.1	4.9	5.9	6.2	6.3	1.0	1.0
Processes and Policies	*	*	1.3	4.6	4.5	4.6	3.5	3.6
Total Costs	94.8	93.8	100.3	123.6	137.9	145.7	68.3	72.4

4 * Process and Policies function was part of System Investment prior to 2008.

5

6 As shown in Table 1, the 2010 cost of achieving Asset Management work is \$137.9
7 million and the 2011 cost is \$145.7 million, with the portion of the total cost attributable
8 to the Distribution business being \$68.3 million in 2010 and \$72.4 million in 2011. Refer
9 to Exhibit C1, Tab 5, Schedule 1 for further details on the percentages used to allocate
10 costs into Distribution and Transmission components.

11

12 Asset Management is one of several work delivery lines of businesses and its focus is the
13 work initiation stage of the work delivery chain. As such, its costs are subject to the

1 same upward cost pressures associated with the increased work programs as the other
2 lines of businesses in the work delivery chain.

3

4 The largest influence on the 2010 and 2011 capital and OM&A plan has been the *Green*
5 *Energy and Green Economy Act, 2009* (“GEGEA”) introduced by the Province of
6 Ontario. This major policy initiative was introduced in the Ontario legislature on
7 February 23rd, and passed on May 14th, 2009. Key to the legislation is investment in, and
8 connection to, renewable generation, and fostering a culture of conservation with respect
9 to energy use.

10 Hydro One’s plans to support and implement the initiatives of the GEGEA through our
11 work programs and capital spending, as noted in Exhibit A, Tab 14, Schedule 2. This
12 increased activity has a resultant impact on the Asset Management work program, and its
13 associated costs, in 2010 and 2011.

14

15 During 2010 and 2011 costs have increased in Asset Management mainly due to costs
16 associated with supporting the increasing Distribution and Transmission sustainment,
17 development and operations (“SD&O”) work programs (see Exhibits C1, Tab 2
18 Schedules 2 to 4 for summaries of changes to work programs), including the impacts of
19 the GEGEA. The overall work program growth requires additional work scoping and
20 planning, project management and engineering design, reporting, and the additional use
21 of consultants and contract staff. Legislative initiatives (for example, Green Energy,
22 IPSP, CDM and Smart Meters) and compliance activities (e.g. NERC, NPCC, SEC,
23 OSC, Bill 198 and IFRS) have contributed to increased costs. The Cornerstone initiative
24 has required experienced Asset Management staff to ensure business processes are
25 streamlined to improve business efficiency, and to ensure there will be continuing
26 requirements for staff to support the initiative on an ongoing basis. With our ongoing
27 support to the growing work program across the organization, costs for employee

1 workspace accommodation have increased, as well as facility rent, utilities and
2 construction-related costs. Further, investments are also required to ensure our facilities
3 continue to meet health and safety requirements.

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5 **2.0 STRATEGY AND BUSINESS DEVELOPMENT**

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7 Table 2 provides a summary of the Strategy and Business Development functions.

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10 **Table 2**
11 **Strategy and Business Development Functions (\$ Millions)**

	Historic			Bridge	Test		Allocation to Distribution	
	2006	2007	2008	2009	2010	2011	2010	2011
Total Costs	6.4	5.9	6.3	9.7	11.0	12.5	7.9	9.0

12

13 **2.1 Overview**

14

15 This area consists of the strategy, conservation, business development and asset
16 management costs. Funding for property, boiler and machinery insurance costs
17 amounting to \$3.9 million and \$4.2 million in 2010 and 2011 respectively is also
18 included within the budget.

19

20 In addition to the direct costs above, strategy and conservation manages OPA-funded
21 existing core CDM programs for which expenditures are approximately \$20 million for
22 each of 2010 and 2011. CDM activity is expected to increase significantly in 2010 and
23 2011, due to the requirements of the GEGEA which will assign MW targets to LDCs.
24 Hydro One expects to design additional programs as well as deliver OPA standard
25 programs. Funds for these programs are anticipated to be provided from global

1 adjustment and are not included in Hydro One Distribution's revenue requirement
2 submission for 2010 and 2011.

3

4 **2.2 Strategy, Conservation and Business Development Activities**

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6 The Strategy and Conservation function activities include:

7

- 8 • developing the long term corporate vision;
- 9 • leading and supporting the development and integration of strategies that respond
10 to corporate directions, and to changes in the industry environment or government
11 policy (for example, the Conservation and Demand Management initiative);
- 12 • supporting opportunities to optimize leveraging of Hydro One Networks Inc.'s
13 assets (such as leveraging the communications network being put in place for
14 smart meters for in-home displays and potentially for load control);
- 15 • developing strategies and implementation plans for business improvement
16 initiatives (for example, internal energy efficiency);
- 17 • developing strategies that support corporate goals related to the distribution and
18 transmission functions;
- 19 • assisting with improving industry efficiencies within the utility sector;
- 20 • overseeing the operation of the Customer Advisory Board;
- 21 • developing innovative conservation and demand management programs that meet
22 the needs of Hydro One Networks' unique customer base;
- 23 • initiating and managing the delivery of conservation and demand management
24 customer programs funded by external agencies (such as the OPA or the Ministry
25 of Energy and Infrastructure).

26

27 Business Development is responsible for the following activities:

28

- 1 • leading the planning and implementation of the Corporation’s smart meter
 2 program;
- 3 • planning and implementing business improvement initiatives (for example, smart
 4 networks);
- 5 • planning and implementing utility industry efficiency initiatives (for example,
 6 utility rationalization);
- 7 • supporting the development of opportunities to optimize leveraging of Hydro One
 8 Networks’ assets (for example, secondary land use, utility rationalization, and
 9 utility boundary adjustments);
- 10 • coordinating field activities, regulatory-driven activities (e.g. elimination of long-
 11 term load transfers) and programming of the distribution business; and
- 12 • providing advice and guidance on distribution rates and conditions of service.

13
 14 **3.0 SYSTEM INVESTMENT**

15
 16 The following Table 3 provides a summary of System Investment costs:

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 18 **Table 3**
 19 **System Investment Function (\$ Millions)**
 20

	Historic			Bridge	Test		Allocation to Distribution	
	2006	2007	2008	2009	2010	2011	2010	2011
Total Costs	22.0	22.7	24.0	37.1	37.1	38.6	18.3	19.1

21
 22 **3.1 Overview**
 23

24 System Investment develops and scopes distribution and transmission plans to address
 25 equipment performance, system reliability, compliance obligations, customer requests,
 26 OPA and government initiatives.

1 In 2009, 2010 and 2011 System Investment has experienced upward pressure on costs,
2 due to the following:

3

4 • A significantly increased work program resulting from the initiatives of the
5 GEGEA;

6 • The higher levels of maintenance, refurbishment and replacement of assets
7 required to maintain the condition and reliability of assets, as well as implement
8 improvements;

9 • Additional development of the Technical Interconnection Requirements for
10 distributed generation and consultation with generators concerning the application
11 of these requirements;

12 • Additional preparation of engineering protection and control
13 specifications required to accommodate generators on a distribution system that
14 was primarily design for load customers;

15 • Additional studies to determine the impacts of reverse flow on power equipment,
16 as new local generation may exceed the load on a feeder which will result in
17 power flows in the opposite direction to that designed;

18 • Development of P&C standards for distribution stations and controllable
19 elements. This level of complexity is new for the distribution system;

20 • An increase in the number of requests for generation applications, requiring
21 connection impact assessments;

22 • The need to develop new standards related to configurations or connections to the
23 distribution and transmission networks;

- 1 • The need to develop, scope and obtain approvals for distribution plans in response
2 to Government policy decisions related to the province's generation mix, in
3 consultation with the OPA, and in support of the IPSP;
- 4 • The greater number and complexity of Section 92 and Environmental Approvals
5 required for new facilities or expenditures;
- 6 • The need to ensure the processes are in place to comply with new industry
7 standards and codes; and
- 8 • The higher levels of maintenance, refurbishment or replacement required for the
9 aging asset base.

11 **3.2 System Investment Activities**

12
13 System Investments activities include:

- 14
- 15 • Identifying, scoping and obtaining approval for projects and programs related to
16 new and existing distribution and transmission assets. Such investments must
17 meet defined needs in an economic and cost-efficient fashion, and be consistent
18 with corporate objectives, regulatory requirements and government policy;
- 19 • Obtaining necessary approvals or endorsement of investment plans;
- 20 • Redirecting and re-prioritizing projects and programs in response to unforeseen
21 events and work execution opportunities;
- 22 • Performing technical studies to assess the viability of proposed connections,
23 alternatives or investment plans;
- 24 • Investigating power system disturbances;
- 25 • Conducting asset condition assessments;
- 26 • Monitoring and managing equipment and network performance;
- 27 • Establishing performance standards that establish the foundation for detailed
28 engineering designs;

- 1 • Responding to customer requests for new or expanded connections or customer
- 2 concerns regarding connection security or power quality;
- 3 • Advising external agencies and customers of the distribution and transmission
- 4 impacts of their plans;
- 5 • Consulting with affected stakeholders regarding new distribution and transmission
- 6 facilities;
- 7 • Participating in the development of North American or regional reliability
- 8 standards;
- 9 • Supporting regulatory filings; and
- 10 • Specifying technical requirements and work for new technologies, animal
- 11 abatement, transformer refurbishment (core heating) and remote monitoring.

12
 13 **4.0 Work Program Optimization**

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 15 The following Table 4 provides a summary of Work Program Optimization costs:

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 17 **Table 4**
 18 **Work Program Optimization Function (\$ Millions)**
 19

	Historic			Bridge	Test		Allocation to Distribution	
	2006	2007	2008	2009	2010	2011	2010	2011
Total Costs	3.6	3.8	3.4	4.1	4.5	4.9	0.9	1.0

20
 21 **4.1 Overview**
 22

23 Work Program Optimization focuses on execution planning, integrating and bundling of
 24 awarded distribution and transmission work across Hydro One Networks. As shown in
 25 Table 4, the 2010 cost for this activity is \$4.5 million with \$0.9 million allocated to
 26 Distribution, and the 2011 cost is \$4.9 million with \$1.0 million allocated to Distribution.

1 Work Program Optimization has experienced year over year increases of \$0.4 million in
2 both 2010 and 2011 due to: the significant increased work program resulting from the
3 GEGEA; and the increased work activities that are a direct consequence of an increasing
4 distribution work program on the activities of the function. Specific examples include the
5 significant increases in Distributed Generation connections. In addition to the direct
6 connection work, there is a corresponding increase in work associated with making our
7 Distribution Stations ready to accommodate more Distributed Generation connections.

8 9 **4.2 Work Program Optimization Activities**

10
11 Activities of the function can be split into three major categories:

- 12
13 • Work Execution Planning, Bundling & Integration - Work closely with functions
14 across the organization to bundle and schedule work in ways that minimize
15 outages, resources, schedule and costs.
- 16 • Knowledge Management – Design, implement and support a knowledge
17 management system for all major capital and engineering documentation. The
18 system includes standard document templates and a structured workflow for
19 document creation. Provide a storage and management system to enable
20 searching and retrieval of historic documents to enable knowledge transfer to new
21 staff.
- 22 • Scheduling System Administration - Provide administration of the corporate
23 planning and scheduling system (“P3E”) including the management of any
24 required upgrades, training and operating requirements and the development of
25 planning standards and templates.

26

1 **5.0 BUSINESS INTEGRATION**

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3 The following Table 5 provides a summary of Business Integration costs:

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Table 5
Business Integration Function (\$ Millions)

	Historic			Bridge	Test		Allocation to Distribution	
	2006	2007	2008	2009	2010	2011	2010	2011
Total Costs	16.5	15.5	15.9	13.4	14.2	16.3	6.7	7.7

8

9 **5.1 Overview**

10

11 The Business Integration function integrates planning, budgeting, releasing, monitoring,
12 reporting, and control of the growing capital and OM&A work programs and related
13 processes for the major lines of business of Hydro One Networks, including Asset
14 Management, Engineering and Construction Services (“E&CS”), Grid Operations and
15 Customer Operations. As shown in Table 5, the 2010 cost for this activity is \$14.2
16 million, with \$6.7 million allocated to Distribution, and the 2011 cost is \$16.3 million,
17 with \$7.7 million allocated to Distribution. Business Integration has experienced a year
18 over year increase of 6% in 2010 and 15% in 2011. This increase is due to Business
19 Integrations overall support for the growing work program including the initiatives of the
20 GEGEA.

21

22 Business Integration is playing a significant role in the increased activities resulting from
23 the initiatives of the GEGEA, and the overall increase in the distribution and transmission
24 OM&A and capital work programs.

25

1 Costs have also been incurred in 2010 and 2011 in supporting the implementation and
2 roll-out of the Cornerstone SAP project.

3 4 **5.2 Business Integration Activities**

5
6 Business Integration Activities include:

- 7
- 8 • Developing multi-year Hydro One Network Business Plans;
 - 9 • Developing and leading the OM&A and capital Investment Planning process;
 - 10 • Supporting regulatory processes, for Distribution and Transmission filings, within
11 Asset Management;
 - 12 • Performing business analytics and conducting special studies in such areas as
13 productivity and cost savings management;
 - 14 • Developing work program costing rates;
 - 15 • Managing integrated processes for releasing and monitoring program results
16 through common systems;
 - 17 • Reporting and analyzing work program costs and results, and managing necessary
18 program redirection;
 - 19 • Reporting and analyzing Distribution and Transmission system and component
20 reliability;
 - 21 • Developing and managing financial, customer, and asset information tools and
22 reports;
 - 23 • Managing corporate asset information and systems (e.g. Power System Database)
24 used in key corporate processes;
 - 25 • Managing corporate and line of business performance measurement and reporting
26 processes;
 - 27 • Performing detailed performance benchmarking and productivity studies in
28 support of corporate objectives and regulatory filings;

1 **6.2 Business Transformation Activities**

2
3 Corporate Projects / Business Transformation Activities include:

- 4
- 5 • participating in the definition and scoping of cross-functional priority projects, or
 - 6 directly managing and mobilizing resources for large projects;
 - 7 • managing cross-corporate initiatives to ensure an integrated approach to data,
 - 8 systems, and processes as well as contributing to change management within
 - 9 Hydro One; and
 - 10 • managing Hydro One's integrated approach to Emergency Preparedness and
 - 11 Business continuity, including liaison with other industry organizations and
 - 12 various levels of governments;
- 13

14 Business Transformation's current priority is planning the replacement of a corporate
15 core IT systems. The first phase, which went live on June 2, 2008, replaced the existing
16 purchasing, inventory, work management, labour time entry, and Accounts Payable
17 modules. The second phase of Cornerstone will replace the Financial, Human Resources
18 and Pay systems (see Exhibit D1, Tab 3, Schedule 7).

19

1 **7.0 REAL ESTATE & FACILITIES**

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3 Table 7 provides a summary of Real Estate & Facilities costs:

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Table 7
Real Estate & Facilities Function (\$ Millions)

	Historic			Bridge	Test		Allocation to Distribution	
	2006	2007	2008	2009	2010	2011	2010	2011
Total Costs	38.7	37.5	41.9	48.1	57.8	59.9	28.7	29.7

8

9 **7.1 Overview**

10

11 The total cost for the Facilities and Real Estate function in 2010 is \$57.8 million, with
12 \$28.7 million allocated to Distribution. The 2011 cost is \$59.9 million, with \$29.7 million
13 of that allocated to Distribution. The year over year increases in costs is \$9.6 million in
14 2010 and \$2.1 million in 2011. These increases primarily reflect new space -
15 accommodation requirements driven by the increasing work programs across the
16 company.

17

18 **7.2 Real Estate Services (“RES”)**

19

20 RES manages Hydro One’s land rights portfolio across the Province. This involves
21 ensuring that rights across over 200,000 acres of owned corridor, easement and “statutory
22 right” properties are maintained, and that new rights are acquired as necessary to ensure
23 the safe and reliable operation of the transmission system. In addition, Real Estate
24 oversees the management of Hydro One’s rights associated with distribution and
25 transmission lands, stations and other property.

26

1 Key work activities include:

2

- 3 • managing the acquisition of new real estate rights; (This includes Bruce to Milton
4 Project other Transmission Reinforcement Projects and GEGEA Major
5 Transmission Development Projects);
- 6 • managing the Provincial secondary land use program on behalf of the Province
7 e.g. leasing transmission corridor lands to external parties;
- 8 • managing easement, other rights agreements on public/private sector, railway and
9 other lands;
- 10 • managing First Nations settlements and First Nations liaison activities;
- 11 • managing about 500,000 unregistered, low-voltage, real estate rights agreements;
- 12 • providing specialized real estate service activities including managing property
13 tax payments to municipalities, appealing property tax assessments, and providing
14 employee relocation services;
- 15 • maintenance of Geographic Information System (“GIS”) – property record
16 database.

17

18 More specific support is provided on a selected project basis. This includes provision of
19 land ownership information, damage claim settlement, road access and other rights
20 acquisitions.

21

22 Specialized real estate services are provided as necessary. This includes assessment
23 appeals, payment of property taxes on distribution lands/buildings, and employee
24 relocation services as appropriate.

25

1 **7.3 Facilities**

2

3 The Facilities Organization is responsible to ensure program delivery in terms of service
4 levels, planned capital improvements and providing for Company accommodation needs.

5 The planned cost increases in 2010 and 2011 mainly reflects the expanded facilities work
6 program that primarily reflects the organization's anticipated need for work space
7 accommodation. The company's workload, including the recent initiatives of the GEGEA
8 continue to drive the need for additional work spaces to accommodate increased staff
9 levels in both the administrative office and field service centre locations.

10

11 The Facilities function manages all of the building and site facilities across the Company.
12 This includes leasing costs and contract management for Head Office. In addition, it
13 includes costs for administrative and service centres, transmission site facilities and
14 infrastructure and other work locations (for example, the London Call Centre and the
15 Ontario Grid Control Centre).

16

17 The Facilities Program focuses on providing employee workspace at sites across the
18 province including head office, administrative and service centres, the OGCC, and other
19 work locations such as the London Call Centre, and Network Services field centre
20 facilities.

21

22 Providing adequate workspace, storage and garage facilities for employees and trades is
23 critical to the effective undertaking of organizational work programs. Equally important
24 is ensuring that new or existing employee workspaces are consistently maintained to a
25 standard that meets current work requirements and complies with all corporate,
26 legislative and other related health, safety and environmental standards.

1 This Program includes:

2

- 3 • providing accommodation strategies and acquiring new employee / trades
4 workspace in line with operational requirements is also undertaken.
- 5 • managing 47 contract lease agreements for workspace rented from other parties,
6 including renewals and contractual obligations undertaken regarding payment of
7 rent, operating expenses and taxes;
- 8 • coordination the activities related to the ongoing management, operation,
9 maintenance and inspection of 90 administrative and service centre locations and
10 the Ontario Grid Control Centre;
- 11 • providing support services for Head Office space, such as office supplies and
12 equipment, coordination of office moves, records management and tenant
13 services.

14

15 The Facilities work program is extensively driven by fixed-cost contractual obligations,
16 corporate staff levels, and the company's operational requirements as well as by the
17 current regulatory environment (including health and safety and corporate standards) and
18 corporate staff levels.

19

20 Fixed cost contractual obligations arise primarily through relationships with external
21 landlords. For example, rent, operating and tax costs are specified in formal lease
22 agreements and opportunities to significantly amend these set costs typically do not
23 materialize until the agreement expires. Other fixed costs are represented by negotiated
24 contracts with internal and external service providers for base level facility maintenance
25 (for example, administrative/service centre building maintenance, janitorial and snow
26 removal, minor repairs, building component inspections) and similar activities. These
27 contracts focus on maintaining facilities in a condition that meets current employee work
28 requirements and corporate/legislative requirements.

1
2 Fixed facility cost components (for example, utilities, property taxes, operational costs)
3 are expected to increase. The funding in test years 2010 and 2011 takes the expected
4 increases into consideration.

5
6 **8.0 CONTRACTS & BUSINESS RELATIONS**

7
8 Table 8 provides a summary of Contracts & Business Relations costs:

9
10 **Table 8**
11 **Contracts & Business Relations Function (\$ Millions)**
12

	Historic			Bridge	Test		Allocation to Distribution	
	2006	2007	2008	2009	2010	2011	2010	2011
Total Costs	4.9	5.1	4.9	5.9	6.2	6.3	1.0	1.0

13
14 **8.1 Overview**

15
16 Improving the level of service that the Company provides to customers is a key objective
17 of Hydro One. While it is the role of each employee to ensure they work towards
18 improving customer satisfaction, Contracts and Business Relations focuses its efforts on
19 managing the relationship with the large distribution and transmission customer segment.
20 This includes Local Distribution Companies (“LDCs”), Hydro One Transmission-
21 connected industrial customers and transmission-connected generators.

22
23 Core work programs include contract management, program implementation, customer
24 communications, operational and business support, distributed generation connection
25 project coordination and customer connection project coordination. Planned long-term
26 initiatives include improving customer communications through enhanced Web self

1 service, skills training and new database functionality to increase customer knowledge,
2 and improving commitment tracking and reporting.

3 4 **8.2 Contract & Business Relations Activities**

5
6 Contracts & Business Relations activities include:

- 7
- 8 • Coordinating new and modified connection requests, including distributed
9 generation requests;
 - 10 • Managing transmission connection agreements;
 - 11 • Managing the Wholesale Meter Exit program and the Transitional Meter Service
12 Provider (“MSP”) fee program;
 - 13 • Managing the Station Access program;
 - 14 • Implementing and administering a new tracking process for customer contracts;
 - 15 • Enhancing customer account management and commitment tracking systems to
16 improve customer service and sharing of customer information within Hydro One;
 - 17 • Meeting with each customer annually to identify any issues and follow up on
18 satisfaction surveys;
 - 19 • Managing Hydro One’s large customer web services, including annual
20 enhancements to improve customer experience with web access;
 - 21 • Continuing to manage customer programs and communications.
- 22

23 The 2010 and 2011 spending for Contracts and Customer Business Relations are \$6.2
24 million and \$6.3 million respectively. The slight increases of \$0.3 million and \$0.1
25 million in 2010 and 2011 respectively, is as a result of the expanded business
26 responsibilities to support the growing capital and OM&A work program and the
27 proportionate increase in staffing complement.

28

1 **9.0 PROCESSES AND POLICIES**

2 Table 9 provides a summary of Asset Management Processes and Policies costs:

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Table 9
Asset Management Processes and Policies Function (\$ Millions)

	Historic			Bridge	Test		Allocation to Distribution	
	2006	2007	2008	2009	2010	2011	2010	2011
Total Costs	*	*	1.3	4.6	4.5	4.6	3.5	3.6

7 *Previously performed as part of System Investment function

8

9 **9.1 Overview**

10

11 The Asset Management Processes, Policies and Standards function is responsible for
 12 developing the long-term (10-year) outlook, developing and improving policies and
 13 processes (which includes, support of the Cornerstone initiative); coordinating
 14 regulatory-related processes within Asset Management, supporting improvements to
 15 market rules and codes.

16

17 The costs increases in 2009, 2010 and 2011 are directly impacted by the growing work
 18 program and the initiatives of the Green Energy Act.

19

20 **9.2 Asset Management Processes, Policies and Standards Activities**

21

- 22 • Asset Management Processes, Policies and Standards activities include: Developing
- 23 long-term (10-year) outlooks;
- 24 • Coordinating Asset Management’s participation in Distribution and Transmission rate
- 25 hearings;
- 26 • Identifying and promoting improvements to market rules and codes, to ensure that
- 27 they are pragmatic and effective in meeting the needs of customers;

- 1 • Acting as a key interface with the Cornerstone initiative, to ensure that asset
- 2 management processes incorporated into the project represent best practices; and
- 3 developing related Asset Management and compliance-based policies and standards.