

IN-SERVICE CAPITAL ADDITIONS

In-service additions represent increases to rate base as a result of capital work being declared in-service and ready for use by Hydro One Distribution’s customers. It is important to note that, in aggregate, the values for in-service additions will differ from capital expenditures in any given year. This difference arises from the fact that work and associated capital expenditures for many projects spans multiple years at the end of which time, the projects are declared “in-service” and the associated accumulations of those capital expenditures are recognized as “in-service additions”. As well, some capital projects can come into service in stages.

Table 1 shows the in-service capital additions for historical year 2008, bridge year 2009 and the planned levels for test years 2010 and 2011. Not unexpectedly, shifting priorities may at times result in differences between in-service additions in the individual program categories. The sustainment work placed in-service in 2008 exceeded the amount approved by the Ontario Energy Board, while the development work was \$16.3 million less than approved.

Table 1
In-Service Capital Additions 2008 – 2011 (\$ M): OEB Approved and Actual/Planned

	2008 - Historic			2009 - Bridge Projected	Test Years	
	OEB Approved	Actual	Variance		2010 Plan	2011 Plan
Sustaining	140.2	154.0	13.8	171.3	175.8	195.5
Development	150.7	134.4	(16.3)	165.6	186.8	230.9
Operations	3.3	0.4	(2.9)	0.0	6.8	9.0
Other	247.6	212.7	(34.9)	108.7	177.9	112.0
Total	541.7	501.6	(40.1)	445.5	547.2	547.4

1 Major spending within the sustainment, development and operation work programs in 2008 was
2 primarily focused in the following areas:

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- 4 • the replacement of end-of-life components;
 - 5 • wood pole replacement projects to ensure local area supply reliability;
 - 6 • troubled calls and storm damages;
 - 7 • new connections and meter upgrades;
 - 8 • system capability reinforcements;
 - 9 • joint use and relocation capital projects;
 - 10 • line improvement capital projects to ensure supply reliability to distribution customers.
- 11

12 Hydro One Distribution's in-service capital additions are projected to be \$547.2 million in 2010
13 and \$547.4 in 2011 for sustainment, development, operations and other capital. The *Green*
14 *Energy and Economy Act, 2009* will have a significant impact on the development capital work
15 program in 2010 and 2011. The impact on this work will include: smart grid; increased
16 investments related to distributed generation connections assets; and increased spending in
17 distribution site infrastructure and support services. Examples of such projects / programs
18 include:

- 19
- 20 • Smart Zone, Owen Sound - a development activity, contributing approximately \$13
21 million of in-service capital additions in 2010, and \$43 million in 2011, aimed at:
22 transforming the distribution system in the Owen Sound area into a Smart Grid;
23 facilitating the Government of Ontario's Green Initiatives; and implementing the Smart
24 Grid solutions in a safe and structured manner across the distribution system.
 - 25
 - 26 • Net capital associated with major investments to facilitate increased system capacity in
27 anticipation of the Government of Ontario Green Energy Act initiatives and Renewable
28 Generation connections - a development activity contributing approximately \$16 million
29 and \$33 million of in-service capital additions in 2010 and 2011 respectively, aimed at:

1 responding to the increased functionality required from the existing system components;
2 ensuring supply adequacy and safety are not compromised; and modifying distribution
3 system facilities to accommodate an increase in renewable generation connections.

4
5 In-Service capital additions also increase when compared to previous years as a result of
6 increases in Transport, Work and Service Equipment, and the overall increases in the distribution
7 work program to address asset replacement and refurbishment needs of our aging infrastructure,
8 including wood pole replacement, and to expand the system for the purposes of load growth.,

9 Examples of such projects / programs include:

- 10
- 11 • New Connections and Upgrades – a development activity, contributing approximately
12 \$109.6 million of in-service capital additions in 2010, and \$108.5 million in 2011, aimed
13 at connecting new customers, upgrading the existing distribution system for the
14 customers, asset removals when services are cancelled and to satisfy the compliance
15 requirements of the Distribution System Code and distribution License.
16
 - 17 • The extension of the Muskoka TS M1 Feeder and Building of the New Rosseau DS – a
18 development activity, contributing approximately \$9 million of in-service capital
19 additions in 2010, aimed at relieving the existing and forecast overloading of 44-12.48
20 kV station and 12.48 kV feeders, and to ensure reliability of supply in the Muskoka
21 Lakes area.