

1 the latter of which includes Customer Care capital expenditures and expenditures for
 2 fleet, service equipment, real estate, information technology and telecom. Table 1
 3 provides a summary of Hydro One Distribution's capital expenditures for the historical,
 4 bridge and test years.

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Table 1
Summary of Net Distribution Capital Expenditures (\$ Million)
Including Capitalized Overheads and AFUDC

Description	Historic			Bridge	Test	
	2006	2007	2008	2009	2010	2011
Sustaining	172.2	146.9	170.7	176.5	185.8	202.5
Development	146.8	154.2	153.2	167.9	205.7	252.4
Operations	2.1	2.0	0.9	2.4	8.1	11.2
Shared Services & Other Capital	57.4	96.8	110.6	103.5	164.8	110.8
TOTAL	378.5	399.9	435.3	450.5	564.4	576.9

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11 Total net capital expenditures for 2010 are increasing by \$113.9 million or 25.3% over
 12 the projected 2009 bridge year expenditures and remain essentially flat in 2011. Total net
 13 capital expenditures in 2011 increase by \$12.5 million or 2.2% over 2010.

14

15 Contributing to the increase in net capital expenditures over the test years is a growth in
 16 Sustaining Capital to address concern with the deteriorating condition of wood poles and
 17 submarine cables, as well as to respond to changing PCB regulations. Development
 18 Capital expenditures in 2010 and 2011 are increasing largely in response to the GEGEA.
 19 The GEGEA is driving a large number of investments necessary to accommodate the
 20 expected increase in the number of renewable generators connecting to the distribution
 21 system, as well as driving a focus on investments to transition the current distribution
 22 system into a smart grid. The increased focus on distributed generation and smart grid is
 23 also contributing to a growth in Operations Capital investments.

1 Shared Services & Other Capital expenditures increase in 2010 largely due to Transport
2 and Work Equipment (“T&WE”) increases, driven by the core work program increases
3 discussed in the previous paragraph. This is partially offset by the completion of
4 Cornerstone Phase 2 in 2009. The drop in 2011 Shared Services & Other Capital is
5 attributable to T&WE purchases dropping to historical levels.

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7 Investment Summary Documents (“ISDs”) in support of capital projects or programs in
8 excess of \$1 million are filed at Exhibit D2, Tab 2, Schedule 3.

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10 **2.0 SUSTAINING**

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12 The Sustaining capital expenditures include the costs for investments required to ensure
13 that existing distribution system facilities function as originally designed. Hydro One
14 Distribution manages its distribution sustaining program within three program categories,
15 namely stations, lines, and meters, telecom and control. Details of the expenditures under
16 this program are filed at Exhibit D1, Tab 3, Schedule 2.

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18 **3.0 DEVELOPMENT**

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20 The Development capital expenditures consist of the investments required to serve new
21 load and generation customers and meet the needs of existing customers. Development
22 capital includes programs for load customer connections, system capacity reinforcements,
23 distribution generation connection and smart grid development. Details of the
24 expenditures under this program are filed at Exhibit D1, Tab 3, Schedule 3.

1 **4.0 OPERATIONS**

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3 The Operations capital program represents investments in infrastructure required to
4 sustain the Distribution Operations function, which is operated from Hydro One's Ontario
5 Grid Control Centre. Details of the expenditures under this program are filed at Exhibit
6 D1, Tab 3, Schedule 4.

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8 **5.0 SHARED SERVICES & OTHER CAPITAL**

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10 Shared Services & Other Capital consists of the sustainment and enhancement of existing
11 equipment and infrastructure, including computer-related hardware and software and
12 transport and work equipment ("T&WE") as well as projects initiated to improve
13 business support functions. The capital requirements for the Cornerstone Project and
14 Customer Care are also incorporated in Shared Services & Other Capital. Details of the
15 expenditures under this program are filed at Exhibit D1, Tab 3, Schedule 5 to Schedule 9.