

SUMMARY OF SHARED SERVICES CAPITAL

Capital expenditures under the Shared Services program support the Sustainment, Development, and Operations work programs of Hydro One Networks Inc. As such they consist of assets that are largely shared by both the Transmission and Distribution businesses. Shared assets include information technology installations such as applications software and computer equipment, buildings, office equipment, transportation and work equipment (“T&WE”), tools, and service equipment.

The following table provides an overview of the various cost categories for the period 2006 through 2011, highlighting the total capital spending for Shared Services.

Table 1
Total Shared Services & Other Capital 2006-2011 (\$ Millions)

Description	Historic			Bridge	Test	
	2006	2007	2008	2009	2010	2011
Information Technology	34.3	31.6	19.1	24.1	39.0	34.5
Cornerstone Initiative	0	63.6	107.1	94.5	13.5	0.9
Facilities & Real Estate	3.6	9.6	7.1	22.1	63.4	63.2
Transport & Work Equipment	41.2	41.1	52.0	39.7	133.4	74.1
Service Equipment	3.9	7.9	11.7	12.1	12.0	8.8
Conservation and Demand Management	1.8	2.3	0.0	0.0	0.0	0.0
Other (including Distribution Line Loss)	7.2	12.7	11.1	18.4	0.0	0.0
Total	92.0	168.8	208.2	210.8	261.3	181.4

Table 2, below, is a summary of the Distribution portion of the Shared Services Capital over the Historic, Bridge and Test years.

Table 2
Shared Services & Other Capital Allocated to Distribution 2006-2011 (\$ Millions)

Description	Historic			Bridge	Test	
	2006	2007	2008	2009	2010	2011
Information Technology	19.3	12.9	10.0	13.9	20.0	17.5
Cornerstone	0	33.8	48.1	42.8	7.6	3.2
Facilities & Real Estate	2.1	6.4	3.6	9.9	29.0	28.8
Transport & Work Equipment	31.3	31.2	39.5	30.2	101.4	56.3
Service Equipment	2.2	4.5	6.7	6.9	6.8	5.0
Conservation and Demand Management	2.9	7.9	0.0	0.0	0.0	0.0
Other	(0.5)	0.1	2.7	(0.1)	0.0	0.0
Total	57.4	96.8	110.6	103.5	164.8	110.8

Exhibit C1, Tab 5, Schedule 3 outlines the appropriate cost allocation drivers that have been utilized to derive the Distribution allocation of this capital

The increase in Information Technology capital for 2010 and 2011 is driven by the Information Technology strategy that includes the replacement of several of the current large information systems as they reach their 'end of life'. Exhibit D1, Tab 3, Schedule 6 details the capital requirements for Information Technology.

The Cornerstone initiative is a major business transformation initiative that deals with end of life replacement issues and also provides a platform for further effectiveness and efficiency gains at Hydro One. (see Exhibit A, Tab 16, Schedule 1 for further details). The costs for 2007 through to 2009 relate to the initiation and then completion of Phases 1 and then 2 of the Cornerstone initiative. Once Cornerstone's SAP platform is fully deployed, it is followed by the gradual completion of Cornerstone Phase 3 in the latter years. Exhibit D1, Tab 3, Schedule 7 details the capital requirements for the Cornerstone initiative.

1 Shared Services capital is primarily driven by the need to support a larger work program.
2 This in turn requires increased Facilities & Real Estate as space for a larger workforce is
3 required. In 2010 and 2011 the Facilities & Real Estate capital increases to accommodate
4 the need to acquire new head office space, and anticipated associated tenant
5 improvements. Exhibit D1, Tab 3, Schedule 8 details the capital requirements for
6 Facilities and Real Estate.

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8 Additional Transportation & Work Equipment (“T&WE”) are also needed to support
9 growth in work programs. T&WE costs show an increase for 2010 and 2011 primarily
10 due to the significant increase in workload due to the new connections required for the
11 *Green Energy and Green Economy Act, 2009*, and the transition to a 7-year maintenance
12 cycle for Vegetation Management. Moreover, as the end of life is reached for fleet
13 vehicles, such as line trucks, utility vehicles and helicopters, replacement is required.
14 Exhibit D1, Tab 3, Schedule 9 details the capital requirements for T&WE.

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16 Service Equipment year-over-year changes are largely the result of end-of-life
17 replacement of specific items of large mobile equipment, spending related to corporate
18 Health and Safety initiatives, and general cost increases associated with purchases of new
19 and replacement equipment. Exhibit D1, Tab 3, Schedule 9 details the capital
20 requirements for Service Equipment.

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22 The Conservation and Demand Management capital as of 2008 has been funded through
23 the Ontario Power Authority, which is reflected in the nil costs for 2008 onwards.

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25 Other capital normally consists of accruals and adjustments, including adjustments for
26 over/under recovery for burdened rates are attributable to capital, but had not been
27 applied to a specific program.

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