Stakeholder Consultation Notes

Custom IR Application for Distribution Rates 2015-2019

Stakeholder Session #3

October 16, 2013
Metropolitan Hotel, Toronto
1:00pm – 4:30pm

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REGULATORY SERVICES

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The presentation materials used in this Session and background materials can be found at this link:

http://www.hydroone.com/RegulatoryAffairs/Pages/DxRates.aspx

Participants

Stakeholders

- Anita Varjacic, Rogers Partners LLP
- Daliana Coban, Toronto Hydro-Electric System Limited (THESL)
- Don H. Rogers, Rogers Partners LLP
- Harold Thiessen, Ontario Energy Board (OEB)
- Jack Gibbons, Environmental Defense
- Jamie Gribbon, Horizon Utilities Corporation
- Jane Scott, Hydro Ottawa Limited (by phone)
- Jay Shepherd, School Energy Coalition (SEC)
- John McGee, Federation of Ontario Cottagers (by phone)
- Judy Kwik, Power Workers' Union (PWU)
- Julie Girvan, Consumers Council of Canada (CCC)
- Kim Dullet, Canadian Manufacturers & Exporters (CME) (by phone)
- Larry Iwamoto, Powerstream Inc.
- Lisa Brickenden, Ontario Energy Board (OEB)
- Mark Garner, Vulnerable Energy Consumers Coalition (VECC)
- Matthew Kirk, Enbridge Gas Distribution Inc.
- Michael Lister, Enbridge Gas Distribution Inc.
- Randy Pugh, Ontario Power Generation (OPG)
- Robert Gordon, Ontario Ministry of Energy
- Roger Higgin, Energy Probe Research Foundation
- Shelley Grice, Association of Major Power Consumers of Ontario (AMPCO)
- Ted Cowan, Ontario Federation of Agriculture (OFA)
- Tom Barrett, Powerstream Inc.
- Vicki Power, Society of Energy Professionals
- Vitalika Quenville, Powerstream Inc.

Hydro One Networks Inc.

- Allan Cowan (Presenter) – Director, Major Applications
- Glenn Scott (Presenter) – Director, Business Planning and Support
- Paul Brown – Director, Distribution Asset Management
- Lyla Garzouzi (Presenter) – Manager, Distribution Development
- Jim Malenfant – Senior Regulatory Advisor
- Lisa Lee – Senior Regulatory Advisor
- Maxine Cooper – Senior Regulatory Advisor
- Ruth Greey – Senior Regulatory Advisor
- Naiyu Zhang – Regulatory Analyst
- Nicole Taylor – Regulatory Analyst

Other Participants

- Bob Betts – Facilitator, OPTIMUS | SBR
- Carrie Anderson – Notetaker, OPTIMUS | SBR
- Nick Mirkovic – Notetaker, OPTIMUS | SBR
- Steve Klein – Vice President and Practice Manager, OPTIMUS | SBR
- Iain Morris (Presenter) – Consultant, Mercer

- Marvin Reyes – Project Lead, Mercer
- Sandy Xu – Analyst, Mercer

1. Welcome by Allan Cowan, Director Major Applications, Hydro One Networks

Allan Cowan, Director – Major Applications, Hydro One Networks Inc. (HONI or Hydro One) welcomed everyone to the third stakeholder consultation session dealing with the distribution custom rate application for test years 2015-2019. Allan indicated the current plan is to file the application in the first quarter of 2014. He stated that OPTIMUS | SBR was present to facilitate the session and take notes and proceeded to introduce Bob Betts, OPTIMUS | SBR, as the facilitator for the session.

2. Introductions and Agenda by Bob Betts, Facilitator, OPTIMUS | SBR

Bob Betts identified this is the third of a series of sessions hosted by Hydro One to discuss the upcoming Custom application to seek feedback and input from the stakeholders.

Bob proceeded to review the agenda for the session. He indicated the session would begin with an update from Allan regarding the status of the application and where it will likely be in time for the next session scheduled for November. Following this, the major focus of the session will be an overview of the planning process and approach that Hydro One will use to prepare the five-year application and a demonstration of one of the tools that is used by Hydro One to ensure the five-year plan is as accurate as possible. The final presentation for the session will be the results of a compensation study as an update to the previous compensation studies, and performed in response to a request by stakeholders to provide an updated compensation study.

Bob continued by providing an overview of emergency procedures. He identified for everyone the session is being recorded for note taking purposes only and indicated the recordings will be destroyed once the notes are accepted. Bob then proceeded to have all attendees introduce themselves, stating their name and the organization they represent. Following the introductions, Bob reviewed the procedures for the meeting highlighting general meeting etiquette and protocols.

In concluding his introductory remarks, Bob emphasized the importance of these sessions to Hydro One and their objective to have full, open and active dialogues with stakeholders on all aspects of this application. He also indicated the notes and materials would be available from the Hydro One website (www.HydroOne.com/RegulatoryAffairs). Bob then welcomed Allan Cowan, Hydro One to provide an update on the application.

3. 2015-19 Distribution Application by Allan Cowan, Director Major Applications, Hydro One Networks

Allan Cowan began by stating the information will be familiar to those who have attended the first two stakeholder sessions. The recap provides an overview of how Hydro One envisions the five-year application will look when they file it in early 2014. Allan emphasized this is a five-year Cost of Service application with revenue requirements being determined for each of the five years as part of the application process. The plan is to include adjustments for externally driven changes that may occur. The annual formulaic adjustments are for things like cost of capital changes, tax rate changes, working capital changes due to commodity increases, etc. These are annual formulaic adjustments that are not within Hydro One's control but are the usual type of adjustments that are easy to apply and don't require a hearing.

Allan then explained they would be including allowance in the process for adjustments that are outside the normal course of business. In previous sessions these were referred to as re-openers and off ramps, but these terms were not well received so they will be simply referred to as 'adjustments outside of normal course of business'. These are factors that are external to and outside the control of Hydro One. Examples include government initiatives that require significant expenditures that are not part of the five-year forecast and were not known at the time the five-year business plan was put in place.

Jay Shepherd, School Energy Coalition (SEC), asked about this last group of adjustments wanting to confirm that these were Z-factors type adjustments and if Hydro One had a threshold in mind. Allan acknowledged these can be considered similar to Z-factors and indicated there had been some discussion about this in the last session and whether there should be a materiality threshold. There had been no conclusion so additional comments on this topic would be welcome.

Judy Kwik, Power Workers' Union (PWU), asked if Hydro One would be coming in to apply for annual adjustments to which Allan acknowledged they would for annual formulaic adjustments. The second group of adjustments would only be for something that is very significant and would be applied for in the year they occurred.

Allan continued by highlighting the application would include a rate smoothing element. Having recently come off the IRM process, he stated the IRM does not provide a recovery for capital during the IRM term and in the first year of the next cost of service application there is typically a fairly significant bump up to rates, therefore the smoothing adjustment will smooth the effects of that "bump-up" across the five years to minimize the impact on customer rates. He went on to explain that among the requirements under the Renewed Regulatory Framework is a requirement for annual reporting of metrics, both the scorecard and capital budget spending, which will be outlined in the application. The expectation is there will be further discussion on this at the next session.

Mark Garner, Vulnerable Energy Consumers Coalition (VECC), returned to the matter of rate smoothing and asked why a smoothing mechanism is required for a five-year application with a revenue requirement that presumably has five years of capital requirements planned. Allan stated that coming off the IRM there will be a very large increase in the first year and this will minimize the impact to rate payers.

Julie Girvan, Consumers Council of Canada (CCC), questioned why Hydro One assumes there will be a bump up. Allan responded that this assumption was based upon their application and that the Board will have to approve any requests. There have been three years of large capital expenditures in the rate base that have not been fully recovered, so this will be the main driver of any increase.

The discussion then turned to the Hydro One's incremental capital module (ICM) which Allan stated provided only a partial recovery for 2013. The capital expenditures in 2012-2014 have not been fully recovered and will need to be included in the rate base in 2015. The adjustment being referred to is only for the first year of this plan and Hydro One will look at this in order to determine what can be smoothed to make the effect less impactful to the customers and to avoid fluctuations up or down in the subsequent years. The goal will be to have a result that approaches inflation in terms of impact. Mark concluded what Hydro One is seeking is not an adjustment to this plan but a recovery of capital expenditures from the IRM they just completed as they rebase and the impact of this will be smoothed across the five years of the plan. Allan acknowledged this is the goal.

Jay asked if the intent is to keep the annual increases over the five years approximately equal, to which Allan acknowledged this is the goal. Jay proceeded to ask if they could talk numbers to which Allan indicated Hydro One would not be ready until the planned November 27th stakeholder session since the business plan has not yet been approved by HONI's Board. Any discussion of numbers is purely hypothetical at this time. Jay stated his concern that Hydro One's plan to smooth 10%–15% in year one will require powerful productivity gains in the other years to maintain an annual increase near the rate of inflation. Allan replied there are significant amounts of productivity being built into the business plan and the goal is to get as close to inflation over the five years.

Julie then asked if the smoothing would be applicable if there were some lumpy investments, for instance in year three. Allan acknowledged by saying in any five-year forecast there could be "lumpiness" and if rates were looked at individually for each year the fluctuation could be positive and negative, increasing or decreasing year-over-year, so Hydro One is just trying to make rate increases over the term as predictable as possible for the customer. Julie then queried whether this is just to compensate for year one and Allan stated year one is the primary driver for this, but capital programs in other years could potentially be a factor.

Judy then asked if this is primarily about capital recovery and if Hydro One's application would have captured this. Allan stated Hydro One has a very large capital program and coming off the IRM the capital could not be recovered through that framework.

Roger Higgin, Energy Probe Research Foundation, said this has some features of an IRM (multiyear Cost of Service) and asked if Hydro One considered whether there should be an earnings sharing mechanism (ESM) because in other jurisdictions (e.g., Hydro-Québec) this has recently been done in conjunction with a multiyear Cost of Service. Allan acknowledged this question has been raised in previous stakeholder sessions, but stated the current plan does not include an ESM.

Jay returned to the previous discussion of trying to keep any increases in line with inflation stating a fourth generation IRM would likely provide 60% of inflation, so there shouldn't be a large bump up in the first year or if there is, then you will be exceeding inflation any way. Allan responded by stating the fourth generation IRM doesn't provide the necessary mechanisms for capital recovery. He then concluded by saying it will be more apparent when the numbers are presented.

John McGee, Federation of Ontario Cottagers, asked if previous agreements and issues addressed in the ICM would be maintained since there was no mention of it here. Allan confirmed that anything that was a part of any of the agreements between the parties would be addressed in the application or anything that was triggered in the ICM from 2013 would be included; assets would need to be included in the rate base, close out of tracking accounts and determination of rate riders are all part of the application.

Allan reaffirmed that Hydro One values the input and questions raised in these sessions. He then proceeded with an overview of the study results that would be included in the application whether these be driven by Board directives, or agreements with stakeholders. All of this including any normal studies Hydro One conducts would be included in the application. For example, the Compensation Benchmarking Study which was originally not planned to be updated, but based on a suggestion from Roger Higgin, Energy Probe Research Foundation, the study has been updated and the results will be presented later in the session.

Mark asked if the application is being filed under IFRS and Allan responded it was being filed under US GAAP.

Allan then highlighted as part of the Renewed Regulatory Framework (RRF), there is significant emphasis on customer engagement and stakeholders to demonstrate how customer expectations are being tied into investment plans. As a result, quite a bit of information will be included in the filing highlighting what customers have been telling Hydro One through customer research.

Allan then discussed the overall timeline and process that will be followed. He indicated more information regarding the business planning process will be provided by Glenn Scott, Hydro One, in the next section of this session. According to the timeline presented, the business plan will be presented to Hydro One's Board for approval on November 14th, 2013 and the numbers from the approved plan, will be presented at the next stakeholder session on November 27th, 2013.

Ted Cowan, Ontario Federation of Agriculture (OFA), asked if there is any obligation under the customer research to consult with First Nations. Allan said it depends on the process and certainly for certain facilities there is a requirement to consult, but there is no specific obligation for this process.

Allan concluded his overview of the application status by describing what would be covered in the November 27th stakeholder session which will be a full day session. The plan is to file the application in Q1 of 2014, anticipating that because this is the first five-year custom cost of service application more time may be required for the OEB and stakeholders to review the application in order to get the rates in place for January 1st, 2015.

Jay sought confirmation if the filing date is still February 28th, 2014. Allan confirmed this is the target date Hydro One has set for filing the application but ultimately they would like to get it in sooner if possible.

Bob Betts introduced Glenn Scott, Hydro One, who would be discussing the Business Planning Process.

4. Business Planning Process by Glenn Scott, Director Corporate Planning & Finance, Hydro One Networks and Facilitated Discussion by Bob Betts, Facilitator, OPTIMUS | SBR

Glenn Scott introduced himself and the responsibility of his group to facilitate the development of the business plan by collecting the inputs across the company and putting them into the financial models to generate the plan. He explained Hydro One has a rigorous annual planning process that is a bottom up exercise with top down executive oversight throughout the process. For 2013 the planning process will produce a 2014 budget and 2015-2019 Business Plan, which will provide the foundation for Hydro One's 2015-2019 distribution rate application.

Glenn presented Hydro One's business planning process and identified the key elements of the process. The Investment Plan Prioritization process is led by the Asset Management group and has strategic input from senior management in addition to a number of planning assumptions. One key element of the Investment Prioritization Process is the ability to map the work against the capability of the company to perform the work. This approach ensures the activity to maintain assets is planned and prioritized and becomes a key input to the overall business planning process.

Glenn continued his discussion on the business planning process, explaining that his group is responsible for producing the Corporate Support Costs which is all of the other information from all of the other groups in the company not directly connected to a work program. All of this information is compiled into the plan which is reviewed by the executive committee prior to being presented to the Board for approval on November 14th, 2013. The business plan identifies Hydro One's revenue requirements to maintain the assets and is used to support the application process.

Glenn then provided an overview of the planning inputs. Hydro One's high level strategic objectives have been fixed for a long time and are an absolute input. He emphasized that Operational Risk Factors are another key input, where the goal is to manage and ideally reduce risk related to the company's assets (e.g., condition, performance, etc.). He identified that Cornerstone is the foundation for the source for the asset data. The final source of input to the process is External/Market Influences (e.g., customer feedback, market rules, regulatory changes, etc.). All of these planning inputs help to drive the capital programs and O&M programs.

Glenn identified this is the first time in four years they are going back to do a bottom up approach necessary for Hydro One to get approximately $600M per year of capital into the rate base which was not recovered during the IRM. The expectation is this capital will be recovered in the test years. The other focus in the planning process will be around OM&A because of the impact of $1 spent for OM&A results in $1 of revenue requirement.

Judy Kwik asked for clarification about Hydro One not recovering the $600M. Glenn responded by stating Hydro One has not done a cost of service application in four years and they have spent up to $600M per year in capital that has not been recovered. Ted Cowan asked if this means they are attempting to recover $2.4B ($600M over the four years). Jay Shepherd sought clarification if the amount is net or gross because some of the capital would be subject to depreciation and reductions. Glenn confirmed that approximation to be a gross estimate, not net, but it will be a significant amount as Allan had indicated earlier in the session. Allan confirmed the exact number is not yet known because it is still subject to approval.

Lisa Brickenden, Ontario Energy Board (OEB), indicated the new RRF was focused on "outcome" reporting and wanted to know where this outcome information was included because she did not see them on the previous slides. Allan responded by saying they would be covered in a several places in the evidence, but there will be discussion on any of the programs or investment projects including what are the outcomes of the investment expenditure and how the outcomes tie in with what the customers are saying. It will also be included in the performance metrics and annual reporting, so it will show up in a number of places.

Ted asked if the 60/40 capital structure will be reexamined in light of long term low interest rates. Allan stated the assumption is the split will remain 60/40 until the Board states otherwise, i.e., Hydro One will continue to follow the Board's current guidelines. Unless the OEB initiates a review during the five years that would change the requirement for debt/equity ratio, which is one of the external factors alluded to earlier in the presentation, the formula for the base remains the same and would be captured during an annual adjustment. Glenn stated this business plan will reflect no change to which Ted stated his conclusion that it is a regulatory response rather than a business response. Allan stated Hydro One is governed by what the OEB establishes for costs of capital and debt/equity ratios.

Ted then asked if they are allowed to bring the topic up with the OEB. Allan's response suggested that previous attempts to make recommendations such as these in applications have not been highly successful. Jay assisted by responding to Ted by saying the OEB has indicated that unless there is a change in the business risk they will not discuss changes to the capital structure.

Mark Garner stated what he seldom sees in cost of service applications is information presented showing the approved budgets compared to the actual amounts spent, broken down into groupings such as sustainment, development, customer support, corporate, etc. and he would like to see this shown. Allan confirmed Hydro One would provide the high level OM&A sustainment, development and operations (SDO) for Board approved items and what was spent, and to the extent possible would report details at the category level. In any case, Hydro One will demonstrate how their actual performance compared for the approved amounts in the test years.

Jay asked to circle back to Lisa's question regarding outcomes. He has an idea of what outcomes are but wanted further clarification, specifically what are some of the outcomes they will be specifically targeting and measuring. Allan started by saying this is an area where there will be an opportunity for further discussion at the next stakeholder session in November especially as the numbers become clearer. He indicated these would be high level and provided an example of an expenditure, such as vegetation management where an outcome could be a certain amount of vegetation being cleared for the amount being spent. The goal is to determine how well they performed at the end of five years based on the expectation set at the beginning and the actual outcome at the end of the five years.

Ultimately, Hydro One is seeking input to what the outcomes should be and how they should be measured since there are many options such as safety, ROE, financial output measure, net income, total capital spent to accomplish a specified amount of work, etc.

Jay further asked if there will be some investment programs that are intended to drive operating savings that can be measured, i.e., by spending $X to drive down maintenance costs by Y%. Allan stated there may be some programs of this nature but the challenge is that in many cases it may take more than five years to realize some of the savings of these kinds of capital programs. An example of this may be the CIS system where it takes time to realize the benefits and savings.

Jack Gibbons, Environmental Defense, asked if there would be a line loss reduction target. Allan suggested it will depend on the findings and recommendations of the line loss study, and adjustments would be made accordingly if approved by the Board. Lyla Garzouzi, Manager – Distribution Development at Hydro One, added the study is currently underway.

Ted suggested with line losses currently running around $450M every five years there is an opportunity to invest some money to reduce this total over the next five years. Allan said there is optimism the total could be reduced, but any targets would need to be established.

Glenn continued his presentation by identifying examples of planning assumptions (e.g., economic forecast, asset condition, customer and supply growth projections, etc.), but said details won't be available until the next stakeholder session in November.

Shelley Grice, Association of Major Power Consumers of Ontario (AMPCO), asked if the economic forecast prepared for November will likely change before February. Allan indicated this is highly unlikely given they are filing in the first quarter. He did indicate given they are filing early in the new year, Hydro One won't have 2013 actuals so they will be required to prepare a blue page update probably in the May timeframe to show the 2013 actuals results. If at that time, there is a change in one of the economic assumptions they will probably roll that through as well.

Glenn explained in previous years Hydro One produced a one-year budget and a two-year outlook (based on a five-year business plan) that would align to a two-year cost of service whether it's DX (distribution) or TX (transmission). The difference for this year and this application is Hydro One is preparing a one-year budget and a five-year business plan to support the five-year custom cost of service application. Creating the five-year plan requires greater rigor to think about the future and how to manage the assets. He further explained they now have better data they can leverage from Cornerstone to perform asset analytics in a more consistent manner.

Jay then asked how this five-year business plan is different from other five-year plans indicating the first year of a plan is typically solid, the second year less solid and the rest of the plan indicates where they are going for the remaining years. He also asked if this plan is for a total of six years. Glenn acknowledged this is for six years (one bridge year plus five-year plan) and indicated the five-year plan is not that different except in the past it was really a two-year outlook in the cost of service whereas this year it really is a five-year plan and commitment. Allan added there is more rigor in years three, four and five than in the past making them more equal to years one and two.

Jay continued to ask what methods are being used to get the rigor they have not had in the past. Allan indicated part of the answer to this question will be discussed in the next presentation by Lyla Garzouzi, Hydro One. Glenn reaffirmed that there are new tools like asset analytics and asset investment prioritization.

Julie asked why Hydro One felt they were in a better position now to forecast out six years acknowledging they indicated they had better data and previous years was a two-year outlook and the other years are more high level. Allan responded by stating the key thing is the access and availability of data available through Cornerstone. There have been multiple phases to revamp tools and significant effort to gather and populate data. There is also better information from the field work to determine what the actual assets are and their condition so the planners have a much better feel for the state or nature of the assets to prioritize what needs to be replaced when. This level of information was not available previously and Hydro One relied on asset condition studies for previous filings.

Roger Higgin asked about how M&A ("mergers & acquisitions") activity would be handled through the five-year cost of service term period. Allan indicated that any M&A activity will be treated totally separate from this application and its resulting plan. Roger suggested under the regulatory model there are ways to deal with M&A without going through an off-ramp and hopefully Hydro One would consider some of those options. Allan stated Hydro One is not envisioning M&A activity as an off-ramp, but rather treat it separately to take advantage of the five-year synergy opportunities offered by the OEB.

Jay followed with a question addressing the fact the six-year forecast they are committing to focuses on capital but didn't hear if they had better information for operating cost or future trends. Allan responded that it is also OM&A – i.e., these tools are applied for both capital and OM&A – and when they are doing the budget and the assessments, it is balancing capital and OM&A. Jay stated he didn't understand what better data they had on future OM&A that they didn't have before. Allan explained to the extent that you have better information available about what your assets are like and the risks related to them, you can make better repair or maintenance decisions that directly affect OM&A economics.

Lyla added the main difference is that previously Hydro One did not have a complete asset inventory for distribution, but since the last filing they have been doing yearly patrols to complete the asset inventory so they have more complete information, condition, demographics, etc. Having this information will inform the planner and help the planner make the decision regarding trade-offs between OM&A and capital.

Glenn continued the presentation stating how Hydro One reflected the OEB's enhanced application requirements by first listening to customers. Glenn highlighted some of the main customers' priorities. Customers want Hydro One to maintain or reduce their total bill, meet commitments and timelines for planned outages, ensure accurate and timely ETR for unplanned outages, maintain reliability for residential customers and address power quality for large customers. More details will be included in the application. Second, Hydro One acknowledges that productivity improvements must be built in to the plan and will be built around the Customer Information System (CIS) and outsourcing renewal. Thirdly, the "Outcome" monitoring which was discussed earlier in the session will be in the form of annual reporting.

Jay followed with a question seeking to confirm if Hydro One now had a finalized business case for the CIS with the numbers and if it is an operational business case. Allan confirmed it is part of the evidence that will be provided and it will indicate what was going to be spent, what was actually spent, the anticipated savings and provide an update to what will actually be achieved. Jay further questioned if the business case is ready now to which Allan responded it is still a work in progress.

Glenn continued the presentation by providing additional explanation for the investment planning process. Hydro One's asset prioritization identifies the best timing and level of investment to minimize risk, maximize savings and to meet the corporate values and targets. This is done by applying some pre-determined constraints and using data analytics to prioritize investments. Pre-determined constraints are provided to establish funding levels to work with. The investment planning process allows a strategic balance to be struck between capital (replacement/refurbishment) and OM&A (maintenance) for sustainment investments.

Jay sought clarification that Hydro One's planning process is a bottom up process to which Glenn concurred and then asked if the pre-determined constraints are top down and set limits to what can be spent. Glenn confirmed this indicating the Board and Senior Management are sensitive to the strategic requirements and want to try to keep the numbers in line with inflation, so it establishes a limit to work with to see what kind of risk that creates. Inflation is just one of the possible constraints.

Julie asked how the interplay between distribution and transmission works in terms of priorities given that Hydro One is really one big company. She elaborated by asking how does prioritization work in a scenario where transmission may require a lot of money and a lot of staff with respect to what may be in the plan for distribution. Allan initially responded by stating the planning process is done concurrently for both transmission and distribution and it is really one plan that is approved by the Board who looks at it from the point of view of a total bill impact on transmission and distribution. They aren't treated separately in terms of the business planning process at Hydro One. Lyla added they are looking at investment in terms of the risk being mitigated and this is used to prioritize the investment in terms of activity for both distribution and transmission.

Jay wanted to confirm both transmission and distribution will be approved at the same time at the November 14th Board of Directors meeting to which Allan reiterated it is a Hydro One plan that will be presented to the Board for approval and encompasses both transmission and distribution. Glenn then emphasized the goal is to manage to an acceptable level of risk while meeting the strategic goals of the company. He presented a graphic to demonstrate the concept illustrating the funding levels maintained in the asset prioritization tool where 'Vulnerable' is the minimum amount to spend to keep the assets safe and 'Asset Optimal' is a full lifecycle optimal spend to have the least risk of hitting Hydro One's strategic goals. Essentially, the more money Hydro One spends, the lower the risk to meeting its strategic goals.

Ted asked if Hydro One has a mechanism for testing to see if risk reduction is the same, for example, spending on personnel as is it is for spending on a better grade of copper as opposed to new vehicles and so on. Lyla responded by saying the process looks at all of the scenarios. For instance if you're purchasing land, or doing an IT project – every investment follows the same methodology. Ted further queried if they are able to compare the marginal expenditure of these different investments. Lyla replied yes because every investment has a risk profile and a dollar amount attached to it. Allan confirmed everything is monetized.

Jay asked if Hydro One is using a probabilistic risk analysis for each project and that it's not an externally driven risk analysis. He wanted to know if it's still individual judgment about what the risk levels are and how they relate to the expenditure. He emphasized it's not a black box as engineers and finance people still figure out what the right answer is. Lyla agreed and Allan added the process still relies on the judgment of the individuals in a formalized manner. Ted suggested that maybe there is no marginal cost of risk but Jay thought there is since it's still based on the engineer's judgment as opposed to relying entirely on some external formula.

For Glenn's final slide, he discussed the business plan finalization and approval process. Senior Management reviews results, including the impact on customer rates, and approves the final investment plan and corporate support costs and then the consolidated business plan will be reviewed and approved by Hydro One Board of Directors on November 14th, 2013.

Jay asked if Senior Management will approve the plan before it goes to the Board of Directors meeting on November 14th. Glenn confirmed this and highlighted that the numbers are still moving as we speak.

Julie asked about the shareholders to which Glenn responded the Board of Directors represents the shareholder.

Ted asked about potential issues of customer migration, specifically large agricultural enterprises moving off the grid in favour of self-generation, and how Hydro One is considering this in the business model. He indicated that farms are 10% of Hydro One's customers and 30% of their gross volume, so he was wondering what Hydro One's plan is. For all intents and purposes, they are still customers but they are not purchasing electricity. He wanted to know how the bill impact will be shared within that class as large users shift away. A discussion ensued as to the nature of their relationship to Hydro One – i.e., general service customers that occasionally use a little electricity but mostly rely on the power from their generators.

Allan indicated that Stan But, Manager Economics & Load Forecast, Hydro One, takes this into consideration when he is preparing the load forecast taking into account new customer additions, use by customers on the system, etc. Ultimately it looks beyond individual outcomes to forecast change (increase or reduction in volume). Unfortunately, a reduction in volume has an impact of pushing up the rates even more. He also indicated this has been discussed before and how it affects the rate re-classification.

Jay suggested the main driver in the uncompetitive nature of grid power is not the distribution charge, but it is commodity charges and gross adjustments. He then proceeded to ask if Hydro One has a strategy for continuing or expanding migration away from grid power – i.e., a strategy to address the threat and not necessarily to attempt to prevent it. Allan acknowledged that Hydro One has a customer group that deals directly with the customers, and these types of concerns do get brought forward to Senior Management. He acknowledged it is a concern since distribution is about 30% of the bill. Glenn cited the example of service area amendments that affect customers on the borders as a similar situation they have to deal with.

Bob asked if there were any other questions or comments before starting the break.

5. Asset Investment Planning & Asset Analytics Demonstration by Lyla Garzouzi, Manager Distribution Development, Hydro One Networks and Facilitated Discussion by Bob Betts, Facilitator, OPTIMUS | SBR

Lyla Garzouzi provided an overview of the Asset Analytics tool that had been referenced through earlier portions of the session and how it fits in the general planning process. She said she would provide a demonstration of the tool via three videos. While Glenn Scott had presented a horizontal view of the planning process, the demonstration would focus on one part of the planning process providing insight into how the tool supports the prioritization of assets in a vertical view. She presented a schematic showing the electricity utility of the future and the important role asset analytics will play from a mobile worker standpoint to asset management.

Lyla described asset analytics as a suite of tools to 1) make corporate data accessible, 2) analyze based on consistent risk factors, and, 3) visualize analysis and assets. She highlighted the fact that all of the distribution asset information has been collected and centralized in SAP and the information is accessible to the planners and individuals requiring the information to develop plans using a consistent methodology to mitigate risk. A key benefit of the tool is that one can visualize the assets and see what else is around the assets under review.

Lyla provided an overview of the key benefits of asset analytics which are 1) the ability to make more effective investment decisions and invest in the highest impact highest criticality areas, 2) rationalize work programs, and, 3) universally accessible visualizations of asset priority and status. She then described how the overall rating or asset risk is determined by assessing a number of risk factors such as demographics, conditions, performance, criticality, utilization and economics. She highlighted that several systems have been brought together with all the asset data being stored in SAP. Linkages have been established to other systems such as outage management or CIS for a better appreciation of how the impact of the asset affects customers for instance. Lyla then provided an overview of how the risk factors are effectively displayed in the system with lower risk indicated by blue and higher risk being indicated by red. The scale is 0 – 100 with lowest risk equal to 0 and highest risk equal to 100.

Lyla then proceeded to the first of three video demonstrations. The tool launches with a visual using Google Earth and provides the ability to navigate to the various asset classes listed on the left side of the screen. There are a number of ways to view information – asset type, groupings, risk factor, etc. The first demonstration highlights a feeder line. The level of detail changes as you zoom in and colours change based on the layer being selected – e.g., demographic, condition, criticality, etc. The tool provides the ability to search using Google functionality and the example provided was the community of Dorset and the path of the feeder in that area.

She highlighted a segment of the line which was identified as red (most critical or highest risk) being the most impactful if interrupted and requiring investment. In the example provided, risk mitigation could indicate that the cycle for vegetation management may need to be kept to a shorter cycle in order to reduce the cost of servicing and the risk of interruption. In this example, the investment to maintain is higher given the length of the line (185KM) and the number of customers impacted in the past. Again in this example, keeping the segment on a shorter cycle would likely have the most impact and value versus servicing the entire line.

The tool provides the ability to drill down into asset specific information such as barcode, risk score per risk factor, etc., and provides the ability to navigate to additional information related to the asset. She then illustrated demographic information for a pole that is 45 years of age. The information was populated into the system from a patrol that captured asset specific information. Julie Girvan sought confirmation that Hydro One was saying that every pole was in the asset inventory as a result of the patrols. Lyla confirmed this was started in 2005 and was completed over the following years and is kept up on a six-year cycle.

A follow up question was in regards to the type of information captured about pole to which Lyla stated they capture height, class, manufacturer, condition, date stamp, surface damage, rocks, woodpecker damage, etc. The system allows them to capture how assets are linked to each other and provides the ability to use Google Street View to see the actual assets. This is useful for individuals in head office to see the assets in question and consider field issues. The tool also provides the ability to export information into Excel for more detailed analysis.

The second video was a demonstration focusing on distribution stations. The view selected determines what information will be displayed. In the example provided, Asset View was selected and it provided information pertaining to fuses, closers, transformers, etc. and how they are ranked. For the illustration, 115Kv transformers are selected and it produces the list of transformers which can be sorted accordingly. The greatest value for investment is to identify the assets with the worst composite score, i.e., red throughout. An example provided was the Deep River Distribution Station using Google Street view to see the actual station.

Judy Kwik asked if the system gets information from the outage management system. Lyla confirmed that it does get information from the outage management system but the information is not in real time. If there is an outage, a record is created and linked to the asset information in the system.

Jay Shepherd wanted clarification regarding how the risk factors are determined stating it appears there is an algorithm built in that pre-calculates it rather than reliance on the engineer's judgment. Lyla stated it depends on the situation. Asset investment planning, that Glenn had spoken about, requires judgment while condition score is determined based on several weighted metrics that calculate the score and associated colour. The information is used to inform investment decisions about poles for example, i.e., which assets, how many, etc. need to be replaced and then the information is entered into the investment planning tool. The specific metrics, best practices, and algorithms used in the ACA (Asset Condition Assessment) are used to create the risk view that informs the investment planning.

Jay then asked if this information has changed what Hydro One allows to run to failure and if it has changed its protocols as a result. Lyla acknowledged that it might as they run a lot to failure.

Mark Garner followed with a question regarding a box called 'Economics' in the tool. Lyla replied that it indicates how much has been spent on the asset since 2008. For assets that are run to failure it is a unit price that identifies how much will be spent to replace the unit. If an asset is replaced, the amount would be reset for the new asset value.

Jack asked a question about reference to damage to poles by woodpeckers. Lyla confirmed woodpecker damage is an element and is a concern especially in certain geographic areas such as Manitoulin Island. It is a metric that is collected because it can affect the structural integrity and life of the pole, so Hydro One can know if the pole is safe for a line worker to climb.

Jay then asked if the work scheduling is integrated with all of the incoming data and system prioritization. Lyla acknowledged it is not yet integrated, but with time it may be and this would be beneficial for line workers in the field. While on site additional information could be captured or work performed to address other issues that may exist. Jay clarified his initial question wanting to know for instance if vegetation management is scheduled differently based on information available in the system. Lyla confirmed this information is being used for the programs especially ones like vegetation management where historically they would clear the whole line on a six-year cycle but can now focus on specific segments and manage them more appropriately – e.g., shorter cycles. She implied there are a number of factors that need to be considered when scheduling the work.

Roger wanted to know how the asset information is validated, since in the past Hydro One relied on asset condition reports from groups such as Kinectrics that provided structure, assumptions, etc. Lyla confirmed a very similar method is applied but the previous asset condition reports did not address criticality or performance which relies on other information such as outages. She continued to say they are investigating other channels to see how it is being done elsewhere, but it has been difficult to find comparators for their Asset Analytics tool since there are few instances where all this information has been brought together in a single system. This is not a 'black box', Hydro One understands how the weightings are applied and how the risks are determined. Roger asked if it would be possible to use a Kinectrics report to validate the information in the asset analytics system, to which Lyla agreed this approach is possible but only for the condition of the asset.

Ted queried the rational of running assets to failure likening it to a planned unplanned outage and questioned if this was better than having an actual planned outage. He then questioned whether the primary metric involved here is reducing the cost of unplanned outages and if this strategy is better than alternatives. He was concerned that he hadn't seen anything to show that Hydro One would treat low risk things as seriously in proportion to their risk, as it is going to treat the high risk things, since they are all certainties. Lyla responded by stating a trend can be established based on failures and this information can be analyzed to determine the appropriate response, for instance, rating the vintage of equipment higher. Ted then highlighted the fact low risk items in a well planned system are going to be vastly more common than high risk items to which Lyla agreed.

Ted raised three points for potential metrics, first suggesting that plans need to better address low risk items because everyone is typically focused on high risk items. Second, determine if the plans reduce unplanned outages and finally, ask 'how effective are the plans for unplanned items'. He concluded by saying there should be evidence in support of these three metrics.

Mark wanted to know what impact this program has had on capital programs since it was implemented. The rational is as information was populated and tracked, issues would become known and need to be addressed which may result in an increase in capital budget to address the issues. Lyla stated the complete view of the system with asset master file information wasn't available until more recently – i.e., 2010/11. She then explained the availability of data increases the confidence in the information, whereas in the past they would have to apply judgment based on information provided in a report.

Mark then wanted to know if more information would be available in the application or if an intervenor were to request more data for the specific economics of existing assets that Hydro One could provide it. Lyla responded by first reinforcing that this view is primarily for sustainment and does not include investment for development assessment – e.g., green field won't exist in the system so there won't be any investment or risk associated to it. The primary use of the tool is maintenance of your existing plant and it's looking at OM&A in your existing system. Different tools would be used to model or simulate development. Mark suggested by separating the categories for capital budget in the filing, it would allow the intervenors to ask different questions for the different categories.

Jay followed this line of questioning wanting to know if Hydro One has implemented any strategies to make sure capital budgets don't start increasing rapidly because of information that is now available. Lyla indicated criticality is probably the element that is offsetting it. Hydro One is able to decide where to invest the effort since there are tradeoffs occurring which help manage the spike. She acknowledged there are top down limits based on finances and resource availability but the tool for planners is more bottom up based on the information that is available.

Lyla then responded to a question from Judy by referring to a replace versus refurbish chart on screen. The information provided allows the planners to decide whether it is better to invest in refurbishing the asset or to replace the asset. Charts such as this for each asset class help determine the best investment decision.

Roger asked if Hydro One had a model similar to the Feeder Investment Model (FIM) used at Toronto Hydro. Lyla stated she was not familiar with it and asked if it is a trend on reliability or if it is condition based. Roger stated it is both and it is also risk based.

Shelley Grice asked if there are any plans to provide the ability to link information from the outage management system to this system in real time. Lyla indicated this would be desirable, but there is no planned investment to do so this at this time. This would provide value especially when there are workers in the field equipped with mobile devices that can access and update information on the spot.

Harold Thiessen asked about funding in 2014 for work related to the SmartGrid and how this fits in. Lyla replied there is a portion of the project that is part of the provincial rollout but Hydro One wants to address those areas that are poor performers and that are end of life. Work is currently underway in this regard.

Mark suggested the investment for this initiative looks very costly and wanted to know whether the efficiency and return for the investment will be included in the filing in terms of an outcome. Lyla responded that it was filed in the last ICM (2013). Allan provided examples of outcomes that are the result of the planning - e.g., better vegetation management or reductions in OM&A. Mark suggested Hydro One should be able to demonstrate this in their obligations over the next five years – i.e., where money is being saved as a result. Allan provided an example where there may be fewer outages due to better planning to replace assets before there is an outage resulting from a failure. Lyla suggested there is a shift in philosophy which changes the investment profile and provides value through better planning of when work needs to be done – e.g., shorter cycles for vegetation management where necessary or savings by preventing outages. There may be a need to initially increase investment to improve success however the investment will have a return in the long run. The key is to demonstrate metrics over the next five years that identify the outcomes and value.

Ted suggested Hydro One should be able to demonstrate how the model has improved the situation over the five years compared to a situation where they did not have the model. The concern expressed is how expensive is the “fine tuning” relative to the value derived from fine tuning the model (i.e., investment required to gather and maintain the required information). Lyla acknowledged over time Hydro One will become more intelligent as information is refined and data quality is improved. She indicated fine tuning will occur over time and it would be possible for Hydro One to compare the old approach to the new plan; however, this has not been done at this time because it is not an obvious comparison in terms of information (i.e., not apples to apples).

Julie asked a question regarding the frequency of updates of information to the system. Lyla indicated it depends on when the asset was last touched. Performance data is updated monthly while the SAP piece is updated weekly. At the moment the worst case scenario is six years and the best case is yesterday. As a result, it is possible that assets are degrading over time between inspections but this is taken into account.

Lisa had a question for Roger, to clarify his earlier question regarding whether the model had been validated against previous methods produced in asset condition reports. He acknowledged the first portion of the question was seeking to identify if the model has been validated, but the second portion of the question pertained to independent assessments or reviews of the model being used. Lyla indicated there is a project underway with several utilities to validate the model. Initial feedback suggests the model is in line with other models. The algorithms and approach become easier to validate as more utilities use an approach like this. Roger suggested it is more critical to have confidence in the model because this is a five-year plan.

Ted suggested a fourth metric would be whether or not the plan shifts the risk to the left (lower risk) over time. Lyla could not confirm at the moment whether the asset risk distribution in fact is moving in the suggested direction.

6. Compensation Cost Benchmarking Study by Iain Morris, Consultant, Mercer with Introduction by Allan Cowan, Director Major Applications, Hydro One Networks and Facilitated Discussion by Bob Betts, Facilitator, OPTIMUS | SBR

Allan introduced Iain Morris from Mercer who led the final presentation, which was an overview of the Compensation Benchmarking Study by Mercer. The study was performed in response to a suggestion by Roger Higgin, Energy Probe Research Foundation, at the first stakeholder Session on April 29th, 2013.

Iain introduced himself and the team involved in performing the study. He provided a brief overview introducing why the study was conducted and how Mercer was selected through a RFP process. Iain also confirmed this study was an update to the two previous compensation studies that had been completed in 2011 and 2008 by Mercer. The methodology for this study is similar to what has been done previously to identify any trending in the information and ensure confidence in the results.

The key findings from this study based on the preliminary results are:

- Hydro One's compensation is generally within competitive range of the market 50th percentile for two of the three employee groups and overall; and,
- Hydro One is showing a steady trend downward in Total Compensation toward the 50th percentile benchmark they use for planning purposes.

Iain proceeded to highlight some of the major features of this year's study. He first highlighted this is an assessment of regulated Transmission and Distribution utilities' compensation cost benchmarks across Canada and the study conforms to best industry standards for independence, testability and repeatable market-based assessment. Iain noted the review included organizations east and west of Ontario but most were in the province. The design and methodology used for the study is intended to assure participants' confidentiality that respondent information cannot be attributed or inferred. To ensure consistency to the previous studies, it mirrors the scoping included in the 2011 and 2008 studies for peer selection, job classes, etc., as well as the questionnaire used in the 2011 and 2008 studies for ease of participation by returning participants. To balance the repeatability and durability of results obtained, the scope of the 2013 study was enhanced by targeting the same benchmark jobs and adding four (4) additional organizations to participate, in addition to the organizations that were invited to participate in 2011.

One of the goals of the study is to ensure representation of different functions and organization levels. As a result, jobs that are well defined and stable in their content are selected. In addition, the selected jobs have a large number of incumbents and can be found in other organizations. Part of the goal is to cover at least 50% of the Hydro One population, excluding non-full time employees, which was exceeded since they had 57%. The effort to complete the surveys can be significant but the results are valuable to all of the participants. A list of the jobs included in the benchmark study was provided. There was one note for the 'Regional Maintainer – Forestry' indicating insufficient data was received for this position.

Iain then provided an overview of how the Peer Group for the study was determined. He highlighted the fact that a similar approach was taken to the one used in 2011 where they selected organizations similar in size, assets and revenues to Hydro One.

Mark asked why it was important the companies were in a similar regulatory regime. Iain responded by saying that certain jobs are only found in regulated companies, also because of the intensity and focus of skill sets required for the front line workers and the size of the companies which will have an impact on the managerial jobs.

Iain then presented the list of companies that participated in the study ranked by revenue. He identified there were four new participants in this study including EPCOR, Bruce Power, Enersource Corp, and Horizon Utilities Corporation. Of the companies that participated in the 2011 study, 11 of them participated in this study while two of the organizations refrained.

Next, Iain reviewed the elements that are included in determining compensation. The focus is on items that can be monetized such as base wages or salaries, short-term incentives, long-term incentives, insured benefits, and retirement plans. Base wages and salaries are the biggest component of compensation. Long term incentives include items such as performance share units which are mostly given at the senior management level. For the insured benefits and retirement plans, they only considered the portions paid by the company.

Iain emphasized the survey is a snapshot in time and in this particular instance the effective date for information used in the survey is July 1st, 2013. He highlighted that actuarial assumptions and tools were used in their approach to eliminate "noise" resulting from differences in elements such as benefits and pensions. He also addressed the fact Hydro One will be introducing changes to their pension plan later this year so this was not a factor at this time. An explanation for how the "average" was determined –

i.e., using the 50^{th} percentile as the middle point for the ranking and the arithmetic mean for the average based on the sum of the responses divided by the number of observations – was provided.

Following this, Iain presented the results from the study beginning with the overall, total compensation by employee group. There were over 3,000 Hydro One incumbents represented in the survey and generally speaking the trend for compensation is moving in the right direction. The subsequent slides presented more detailed information for the job groups identified for the survey. Changes to incumbency will have an effect on the results from one study to the next. One of the challenges identified was to find other companies with Field Service Coordinators with which to compare. As a result, only the average was reported.

Mark wanted to confirm based on the information presented if the Financial Director had moved further above the median in the market. Iain confirmed this is what the results represented.

The results for the Professionals group were presented next. The general result was an increase in Hydro One's positioning relative to the market median across the job classes which are standardized for engineers by organizations such as Ontario Society of Professional Engineers (OSPE), Mercer, and Towers Watson through their own surveys. This generated a number of questions and discussion amongst the participants to ascertain why the number increased.

Vicki Power, Society of Energy Professionals, asked if the loss of several of the companies that participated in the survey in the past would have an impact on the results. Iain acknowledged this is possible but so is the effect of retirements on the results. Changes will have an effect up or down; for instance, downsizing can raise the average wage if lower paying jobs are eliminated or if the sample size changes.

Mark Garner asked if sensitivity analysis had been done to determine the effect of removing a company such as OPG from the results. Iain replied they had not removed OPG to see the effect of doing this on the results but did analyze the data relative to some constant samples to see what the effect was, in addition to increases in the market median, as well as companies that would be extreme. Particular focus was given to Engineer D given the fact it's the second largest group and sample changes there did have a material effect.

Mark asked about the absence of Union Gas from the list of companies. Iain confirmed Union Gas was not approached for this study but acknowledged Enbridge Gas Distribution was included. Mark identified they are in the more expensive area of Toronto, whereas Union Gas is in a lower cost rural area. He then wanted to know the effect of removing all of the Ontario utilities and comparing the results. Iain confirmed it would be possible, but this was not done as part of the study. He indicated it would not be advisable to remove only one organization since the impact of that organization on the results would become apparent. Iain confirmed it would be possible to analyze the results within Ontario and outside of Ontario.

Ted Cowan asked if the overall aggregate payroll has decreased. Iain concluded this is a relative cost and said it was not part of the analysis performed. Ted suggested that it would be important to demonstrate the direction total payroll was moving. Allan indicated that all efforts are to drive compensation down where possible through activities such as collective bargaining or at least making sure it's escalating at a lower rate than in the past. Compensation information will be included in the application evidence to demonstrate the direction it has been moving including staffing levels. The focus has been to maintain or decrease levels through retirements, outsourcing, etc. which is all part of the business plan.

Mark asked if it would be possible to compare the results for the engineers to non-utility sector companies since the levels are standardized. Nick Mirkovic suggested that OSPE maintains a standard definition for categorization for engineer levels based on responsibility and function. The organization gathers information from engineers that participate in their survey. Iain suggested the focus is what market you are trying to compare the data to. It may be possible to compare Hydro One results to non-utility sector companies, but this would not be representative of Hydro One's target labour market.

Roger Higgin indicated Professional Engineers Ontario (PEO) used to conduct surveys and Iain confirmed it was PEO that originally developed the classification scheme – A, B, C, D, and E – and OSPE still conducts the study. Roger suggested that an IR could be submitted to request this information or it could be obtained directly from them. Iain identified the surveys still occur but they only look at base wage or salary and not total compensation.

Ted wanted to know if there are large numbers of people leaving from the groups that are in the 70% of the median or lower or if there is greater loyalty in the group in the 1.3 range. Iain suggested Hydro One would have to address such a question because the project team did not look at individuals. Iain advanced the presentation and used the example of the apprentice. The Lines Apprentices is a relatively low multiple and people take the role because they think it's a good occupation and may lead to Regional Maintainer in future that is paid relatively well. It's important to note that not everyone can be at the median otherwise there won't be a range.

Iain began to wrap up the presentation indicating the remaining slides contained further details. He stated there is a lot of data contained in the benchmark jobs with a large number of incumbents and the trend is in the right direction.

Bob asked if Roger Higgin received the value from the results of the study since it was his initial suggestion for the study to be updated. Roger replied the inclusion of this information for regulatory reasons in the last few cases has been good and including it at this time is important because there won't be another application for five years. Secondly, the study does indicate that the Hydro One trend is positive trending toward the 50^{th} percentile.

Judy Kwik wanted to confirm if this is the data that is going to be filed. Iain and Allan both acknowledged there is more data in the report and the full Mercer report will be included in the filing similar to the previous times.

7. Closing Remarks/Next Steps, Allan Cowan, Director Major Applications, Hydro One Networks

Allan concluded the session by thanking everyone for participating and for their valuable feedback. He stated that this application is a new endeavor for Hydro One and for the OEB with the concept of a five-year cost of service application so the level of detail and the questions improve the product. He indicated the more we can get together to talk about things, the more it will be helpful to Hydro One to produce the application and file it in the first quarter of next year. The next stakeholder session is scheduled for November 27th, 2013 at Hydro One for a full day session and the expectation is it will be quite well attended. Allan confirmed the business plan will be presented at the stakeholder session along with the rate impacts. He would like discussion at the November 27th stakeholder session regarding potential outcome measures, what they may be and what they would look like.

He concluded by thanking everyone for coming and stated he looks forward to seeing everyone on the November 27th, 2013.

BOB BETTS ADJOURNED THE MEETING at 4:30pm.

8. Appendices

A. Summary of Stakeholder Session

This Stakeholder Session #3 was conducted to present information to stakeholders and gather feedback on items related to Hydro One's Distribution Custom Rate Application 2015-2019. The four (4) topics discussed in the Session were:

1. Update on the 2015-19 Distribution Application
2. Business Planning Process
3. Asset Investment Planning & Asset Analytics Demonstration
4. Compensation Cost Benchmarking Study

Throughout the Session, there was open two-way discussion with stakeholders, covering questions, issues of concern, additional information for consideration, requests for detail or explanation, and requests for further input and consultation.

Hydro One's internal specialists explained the rationale, approach and results, and indicated where further details and explanations would be provided in the filing.

B. Key Actions and Considerations

Update on the 2015-19 Distribution Application

- Stakeholders expressed concern about how Hydro One would be rate smoothing and questioned if rate smoothing would deal with 'lumpy investments' as well as the first-year bump-up in rates.
- Hydro One indicated it will file the application by February 28th, 2014 to ensure rates are in place for January 1st, 2015.

Business Planning Process

- Hydro One will present the Business Plan to its Board of Directors on November 14th, 2013, which will include both transmission and distribution submitted as a single five-year plan.
- Stakeholders asked to see outcome reporting. Hydro One will be discussing outcomes at next session and seeking input on what the outcomes should be and how they should be measured.
- Stakeholders asked to see the actual capital budgets and spending, prospective and a post view, at a category level if possible in the evidence of the application.
- Stakeholders asked if there would be a line loss reduction outcome proposed for the application and Hydro One indicated that it would depend on the finding of the study which is currently underway.

Asset Investment Planning & Asset Analytics Demonstration

- Stakeholders asked if independent third party reports could be used to validate the information in the asset analytics system as it is critical to have confidence in the model for a five-year plan.
- A stakeholder asked for evidence to support four metrics 1) plans need to address low risk items, 2) do the plans reduce unplanned outages, 3) how effective are the plans for addressing unplanned outage items, and, 4) if the plan shifts the risk to lower risk over time.
- Stakeholders suggested separating the categories for the capital budget in the filing in order to allow intervenors to ask different questions for the different categories.
- Stakeholders asked to see efficiency and return for the investment associated with the asset analytics system in the filing in terms of outcomes.

Compensation Cost Benchmarking Study

- Stakeholders asked if it was possible to compare engineers' compensation results to non-utility sector companies.
- Hydro One indicated that the full Compensation Study would be filed in the application.

C. Meeting Agenda

1:00 p.m.	**Registration**	
1:05 p.m.	**Welcome**	**Allan Cowan, Director Major Applications Hydro One Networks**
1:10 p.m.	**Introductions and Agenda**	**Bob Betts, Facilitator, OPTIMUS|SBR**
1:20 p.m.	**2015-19 Distribution Application**	**Allan Cowan, Director Major Applications Hydro One Networks**
1:35 p.m.	**Business Planning Process and Facilitated Discussion**	**Glenn Scott, Director Corporate Planning & Finance Hydro One Networks Bob Betts, Facilitator, OPTIMUS|SBR**
2:25 p.m.	**Break**	
2:35 p.m.	**Asset Investment Planning & Asset Analytics Demonstration and Facilitated Discussion**	**Lyla Garzouzi, Manager Distribution Development Hydro One Networks Bob Betts, Facilitator, OPTIMUS|SBR**
3:25 p.m.	**Compensation Cost Benchmarking Study and Facilitated Discussion**	**Allan Cowan, Director Major Applications Hydro One Networks Iain Morris, Consultant, Mercer Bob Betts, Facilitator, OPTIMUS|SBR**
4:20 p.m.	**Closing Remarks/Next Steps**	**Allan Cowan, Director Major Applications Hydro One Networks**
4:30 p.m.	**Adjourn**	