

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 (IT) 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 2007 through 2012, highlighting the total capital spending for Shared Services.

Table 1
Total Shared Services & Other Capital 2007-2012 (\$ Millions)

Description	Historic			Bridge	Test	
	2007	2008	2009	2010	2011	2012
Information Technology	31.6	19.1	21.0	41.6	37.8	29.1
Cornerstone Initiative	63.5	107.2	90.9	24.1	7.0	7.3
Facilities & Real Estate	9.6	7.1	17.1	48.4	44.8	35.2
Transport & Work Equipment	41.1	52.0	46.5	61.0	74.1	60.2
Service Equipment	7.9	11.7	6.6	12.0	8.8	5.9
Other (including Distribution Line Loss and CDM)	15.2	3.3	2.5	0.0	0.0	0.0
Total	168.9	200.4	184.7	187.1	172.5	137.6

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

Table 2
Shared Services & Other Capital Allocated to Transmission 2007-2012 (\$ Millions)

Description	Historic			Bridge	Test	
	2007	2008	2009	2010	2011	2012
Information Technology	13.3	9.2	9.2	17.0	18.9	14.4
Cornerstone	35.2	59.1	50.9	11.1	2.0	0.2
Facilities & Real Estate	3.2	3.5	6.3	25.8	23.9	19.1
Transport & Work Equipment	9.9	12.5	11.2	14.6	17.8	14.4
Service Equipment	3.4	5.0	2.8	5.1	3.8	2.5
Other	7.1	0.5	1.1	0.0	0.0	0.0
Total	72.2	89.8	81.5	73.6	66.4	50.6

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

The increase in IT capital for 2011 and 2012 relative to the 2009 historic test year is driven by the IT strategy that includes the upgrade or 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 IT.

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. This in
2 turn requires increased Facilities & Real Estate as space for a larger workforce is required. In
3 2011 and 2012 the Facilities & Real Estate capital increases, relative to the 2009 historic year,
4 are to accommodate 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 Facilities and
6 Real Estate.

7
8 Additional T&WE are also needed to support growth in work programs. T&WE costs show an
9 increase for 2011 and 2012, relative to the 2009 historic year, primarily due to the significant
10 increase in workload due to the new connections required for the *Green Energy and Green*
11 *Economy Act, 2009*. Moreover, as the end-of-life is reached for fleet vehicles, such as line
12 trucks, utility vehicles and helicopters, replacement is required. Exhibit D1, Tab 3, Schedule 9
13 details the capital requirements for T&WE.

14
15 Service Equipment year-over-year changes are largely the result of end-of-life replacement of
16 specific items of large mobile equipment, spending related to corporate Health and Safety
17 initiatives, and general cost increases associated with purchases of new and replacement
18 equipment. Exhibit D1, Tab 3, Schedule 9 details the capital requirements for Service
19 Equipment.

20
21 Other capital normally consists of accruals and adjustments, including adjustments for
22 over/under recovery for burdened rates that are attributable to capital, but had not been applied to
23 a specific program. There are no anticipated adjustments in the test years 2011 and 2012.