

PROPOSED REQUIREMENTS OF ELECTRICITY MONITORING CODE - TRANSMITTER

F1 Audited financial statements

requirements required annually for the preceding calendar year, by June 30

Provide (i) audited financial statements of the regulated corporate entity. Where the financial statements of the regulated corporate entity being reported contain material non-regulated businesses, provide also (ii) audited financial statements for the regulated activity. Where the regulated entity conducts more than one regulated activity, provide (iii) audited financial statements for each regulated activity.

In addition, if sufficient information is not included in the audited financial statements to determine the financial ratios provided in **Appendix A** it should be reported separately.

F2 Variance analysis

requirements required quarterly, by the 1st day of third month after the period end

- 1 Composition of all variance/ deferral accounts and an analysis of the change (or lack thereof) from the previous quarter.
- 2 Composition of all transition cost accounts (and sub-accounts) and an analysis of the change (or lack thereof) from the previous quarter (interim requirement).

F3 Economic evaluations

Construction of new or modified load customers, distributor or consumer connections (only pool funded option that would be owned by the transmitter).

Projects: Projects Requiring Capital Contribution, Load Guarantees, or Other Financial Arrangement Between the Transmitter and Customer, s92 OEB Act.

When: Required Annually by March 1

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Basis: OEB Transmission System Code (“TSC”), s9.2 to 9.7. Appendices 4 & 5 set up the details and methodology to be applied by transmitters-
s9 of the TSC: “Economic Evaluation of New and Modified Connections”
Appendix 4 of the TSC: “Scope, principles and criteria for economic assessment”
Appendix 5 of the TSC: Assumptions and methodology details for project economic evaluation”

requirements

as required

The following is outlined in the TSC s9.7 “Record keeping and reporting requirements”:

s9.7.1. Transmitters shall keep records of the detailed economic evaluations of projects requiring capital contribution, load guarantees, or other financial arrangements related to new or modified connections between the transmitter and the customer. All such financial arrangements shall be consistent with the methodology set out in section 9 and Appendices 4 and 5.

s9.7.2. The records referred in section 9.7.1. shall be submitted to the Board on request. Each record must show the details of the economic evaluation, including justification for all the study parameters including, but not limited to, the economic study horizon, the project capital costs, the ongoing operation and maintenance costs, and the project incremental cost of capital.

F4	Post construction report - cost variance
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Projects: Every Leave to Construct
When: Within 90 Days after Finalizing Construction or 15 Months as Stated in 2 Recent Orders (RP-2000-0068 and RP-2000-0077)
Basis: Standard Condition of Approval - s92 OEB Act

requirements

Post construction financial report to contain:

- 1 actual capital costs of the project; and
- 2 an explanation of all significant (>5%) variances from the estimates submitted.

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A1 Corporate structure

Affiliate Relationships Code - Electricity Distributors & Transmitters s2.1.3, s2.8.2

requirements 1 required annually for the preceding calendar year, by April 30,
and notification within 10 days of each change

- 1 A list of all affiliates with whom the utility transacts, including business addresses, a list of the officers and directors, and a description of the affiliate's business activity.
- 2 A clear demonstration that at least one-third of the utility's Board of Directors is independent from any affiliate. (Note that this requirement does not apply to a municipal utility until January 1, 2004).
- 3 A corporate organization chart indicating relationships and ownership percentages.

requirements 2 record keeping requirement

Maintain on file and available for Board review:

- 1 Specific costing and transfer pricing guidelines;
- 2 Tendering procedures; and
- 3 Services agreements.

A2 Affiliate arrangements and transactions

Affiliate Relationships Code - Electricity Distributors & Transmitters s2.3 and s2.8.3

requirements 1 required annually for the preceding calendar year, by April 30

- 1 The total annual \$ amount and numbers of transactions of sales to all affiliates.
- 2 The total annual \$ amount and numbers of transactions of purchases from all affiliates.
- 3 The total annual \$ amount and numbers of sales and transfers to each affiliate (name) recorded below fair market value and state what that should be. Indicate the nature of the transactions and provide an explanation.
- 4 The total annual \$ amount and numbers of purchases and transfers from each affiliate (name) recorded above fair market value and state what that should be. Indicate the nature of the transactions and provide an explanation.

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- 5 The monthly weighted average total \$ amount of loans to each affiliate (name) outstanding during the year where the interest rate is below the utility's corresponding borrowing rate or, where applicable, below its corresponding investment rate. Provide an explanation.
- 6 The monthly weighted average total \$ amount of loans from each affiliate (name) outstanding during the year where the interest rate is above the utility's corresponding borrowing rate or, where applicable, above its corresponding investment rate. Provide an explanation.

requirements 2

record keeping requirement

Where the total cost of transactions with a particular affiliate exceeds on an annual basis \$100,000, the utility shall maintain on file and available for Board review:

- 1 records substantiating and explaining, where applicable, the individual transactions; reported in aggregate above;
- 2 the name of the affiliate;
- 3 the product or service in question;
- 4 the form of price or cost determination; and
- 5 the start date and expected completion date of the transaction.

A3	Affiliate information systems segregation
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Affiliate Relationships Code - Electricity Distributors & Transmitters s2.2.2

requirements 1

required annually for the preceding calendar year, by April 30

Where a utility shares information services with an affiliate:

File in confidence with the ERO in accordance with s111 of the *Ontario Energy Board Act, 1998*, reports of the (at least annual) review(s) complying with the provisions of section 5900 of the CICA Handbook to ensure compliance with the access protocols and the Services Agreement - with findings, recommendations, details of follow-up action and status of associated remedial action.

requirements 2

record keeping requirement

Maintain on file and available for Board review:

Individual review files (i.e. for each review) containing the review working papers substantiating the review(s) reported.

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A4 Compliance with Affiliate Relationships Code

Affiliate Relationships Code - Electricity Distributors & Transmitters s2.7

requirements 1 required annually for the preceding calendar year, by April 30

File a self-certification statement with the Board signed by both the chief executive officer and the senior regulatory officer / other senior officer of the utility confirming that in ensuring compliance with the Affiliate Relationships Code - Electricity Distributors & Transmitters, the utility has:

- 1 performed periodic compliance reviews;
- 2 communicated the Code to its employees; and
- 3 monitored its employees' compliance with the Code.

requirements 2 required annually for the preceding calendar year, by April 30

File in confidence with the ERO in accordance with s111 of the *Ontario Energy Board Act, 1998*:

- 1 reports of the periodic (at least annual) compliance reviews to determine compliance with the Affiliate Relationships Code, Electricity Distributors & Transmitters - with findings, recommendations, details of follow-up action and status of associated remedial action; and
- 2 annual summary of the results of the monitoring of employee compliance with the Affiliate Relationships Code, Electricity Distributors & Transmitters - with details of any follow-up action and status of associated remedial action.

requirements 3 record keeping requirement

Maintain on file and available for Board review:

- 1 individual files of compliance reviews (i.e. for each compliance review) containing compliance review working papers substantiating the compliance review report;
- 2 details when the Code was communicated to its employees - date, what was communicated, to whom was this communicated, other pertinent information; and
- 3 details on the monitoring of its employees' compliance with the Code substantiating the annual summary of monitoring results - including monitoring activities (who is monitored, when, how and frequency).

**PROPOSED REQUIREMENTS OF ELECTRICITY MONITORING CODE -
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A5 Financial and regulatory reports (applicable to publicly listed companies)

requirements required within 10 days of filing with the Ontario Securities Commission

Consolidated Securities Commission reports & shareholder reports of the consolidated utility & parent holding company.

A6 Inappropriate affiliate marketing activity - report

Affiliate Relationships Code - Electricity Distributors and Transmitters s2.5.4

requirements required within 10 days of each occasion, and where none, report that annually for the preceding calendar year by April 30

Inform the Director of Licensing in writing on each occasion of compliant of any inappropriate marketing activity by an affiliate and the remedial measures that were undertaken by the utility.

s2.5.4 If the utility becomes aware of inappropriate marketing activity by an affiliate, it shall: inform the Director in writing of such activity and the remedial measures that were undertaken by the utility.

PROPOSED REQUIREMENTS OF ELECTRICITY MONITORING CODE - TRANSMITTER

Q1 Emergency events - accidents and unplanned outages

- requirements**
- preliminary report required by the end of the day following the event
 - progress report(s) may be requested in a form and manner and frequency dependent of the situation
 - final report is expected within one month of the resolution of the incident
 - where none, report that annually for the preceding calendar year, by April 30

- accident**
- death or hospitalization (critical condition) of non-utility persons, or
 - death or hospitalization (critical condition) of utility persons, or
 - utility judges significant from a safety standpoint, or
 - malfunction, accident, fire, explosion or spill where
 - damage to property of others >\$500,000
 - significant (in utility's opinion) damage to utility's facilities

- unplanned outage**
- duration > 12 hours, and
 - magnitude > 25% of supply or 100 MW if lower

specific details

Preliminary report:

- 1 date, time, location;
- 2 relevant circumstances - weather, visibility, etc.;
- 3 description of the event - what happened (including the magnitude) and why;
- 4 difficulties anticipated by utility in responding to the event; and
- 5 anticipated duration of situation if service reduction has occurred.

Progress report:

The Board may request progress reports in a form and manner and frequency dependent of the situation.

Final report:

A final report is expected within one month of the resolution of the incident. Additional details may be requested depending on the circumstances, however the following minimum information is required:

- 1 specific difficulties encountered by utility and customers in responding to the situation and how these were resolved;
- 2 resolution of consequences of emergency/ unplanned outage;
- 3 steps to be taken by the utility to improve response and mitigate consequences and difficulties in future, report when implemented; and
- 4 remedial action by utility to reduce the frequency/ likelihood of occurrences in future, report when implemented.

PROPOSED REQUIREMENTS OF ELECTRICITY MONITORING CODE - TRANSMITTER

Q2 Connection agreement amendments

Electricity Transmission Code - Appendix 1 - 29.2

requirements required within 10 days of amendment taking effect

Provide the following with regards to connection agreement amendments:

- 1 revised document;
- 2 cover letter outlining changes; and
- 3 summary of any public comment on the changes.

Q3 Exceptions to normal procedures

Electricity Transmission Code s4.1.5

requirements 1 file within 10 days of the procedures taking effect

File initial and amended procedures for processing applicants' requests.

requirements 2 required annually for the preceding calendar year, by March 1

Report total numbers of exceptions to normal procedures with a general explanation. Where no exceptions, report that.

specific details

- 1 number of exceptions in year on a monthly basis
- 2 general explanation
- 3 summarized details of any significant (in the transmitter's judgement) exceptions

PROPOSED REQUIREMENTS OF ELECTRICITY MONITORING CODE - TRANSMITTER

01 Performance standards

Electricity Transmission Code s2.5.2

requirements 1 required when first developed, and when amended

- 2.5.1 A transmitter shall develop performance standards at the customer-delivery point level, consistent with system wide standards, that reflect:
- . typical transmission-system configurations that take into account the historical development of the transmission system at the customer-delivery point level;
 - . historical performance at the customer-delivery point level;
 - . acceptable bands of performance at the customer-delivery point level for the transmission system configurations, geographic area, load, and capacity levels; and
 - . defined triggers that would initiate technical and financial evaluations by the transmitter and its customers regarding performance standards at the customer-delivery point level, exemptions from such standards, and study triggers and results.

2.5.2 A transmitter shall file these performance standards for the Board's review and approval.

requirements 2 record keeping requirement

The historical performance of the system at each customer delivery point must be kept by transmitters indefinitely, and made available to the Board on request.

02 Condition of transmission system and equipment

Electricity Transmission Code s5.1.1 and s5.1.2

requirements record keeping requirement

- 5.1.1 Every transmitter shall inspect, test and monitor its transmission system elements and equipment to ensure and maintain compliance with all applicable standards required by this Code, including all connection agreements and the relevant Market Rules.

PROPOSED REQUIREMENTS OF ELECTRICITY MONITORING CODE - TRANSMITTER

- App2 Transmission system and connection point performance standards
- 1 voltage variations
 - 2 fault levels
 - 3 circuit breaker interrupting and automatic single shot reclose time
 - 4 unbalance
 - 5 flicker
 - 6 switching surges
 - 7 voltage harmonics
 - 8 current harmonics
 - 9 telephone interference

5.1.2 Every owner of transmission system elements and equipment shall maintain records setting out the results of all performance testing and monitoring conducted to demonstrate compliance with this Code in each particular case for seven years from the date of the testing or monitoring activity and shall make those records available to the Board upon request.

specific details

Every owner of transmission system elements and equipment shall maintain records setting out the results of all performance testing and monitoring conducted to demonstrate compliance with this Code in each particular case for seven years from the date of the testing or monitoring activity and shall make those records available to the Board upon request.

03 Reporting transmission system circuit trips

Electricity Transmission Code s8.1.9

requirements

record keeping requirement

8.1.9 Total transmission system circuit trips coincident with telecommunications failure shall be no more than 0.001 per year.

The transmitter shall keep records of all transmission circuit trips coincident with telecommunication failures, and make them available to the Board on request.

PROPOSED REQUIREMENTS OF ELECTRICITY MONITORING CODE - TRANSMITTER

04 Conditions for approval of construction

Projects: All Projects Requiring Leave to Construct, under S. 92 Oeb Act
Basis: Standard Conditions of Approval Leave to Construct Orders (E.g. 2 Recent Orders
RP-2000-0068 and RP-2000-0077)

Note: There are 3 distinct monitoring and reporting standard conditions of approval attached to the leave to construct orders: 1. Shall report on material changes to approved construction or routing; 2. Shall file with the Board an interim environmental monitoring report with landowners complaints log; and 3. Shall file a final environmental monitoring report with landowner complaints logs.

Similarly to the gas pipeline leave to construct monitoring requirements, this monitoring requirements may be broken into 3 distinct requirements as follows:

- ET2.1 - report on material changes in project construction or location
- ET2.2 - file an interim environmental monitoring report
- ET2.3 - file a final environmental monitoring report

Alternatively, ET2.2 and ET2.3 maybe be combined to deal with Interim and Final post-construction monitoring.

requirements 1 as required (see Note below)

ET2.1 - Report Material Changes in Project Construction or Location

Specific details

The following text reflects this reporting requirement as set in the standard conditions of approval for (RP-2000-0077)

“Applicant shall advise the Board's designated representative of any proposed material change in the project, including changes in: the proposed route; construction techniques; construction schedule; restoration procedures; or any other impacts of construction. Applicant shall not make a change without prior approval of the Board or its designated representative.”

Note: Timing of this reporting maybe, for instance, 2 days before the change is to be made.

PROPOSED REQUIREMENTS OF ELECTRICITY MONITORING CODE - TRANSMITTER

requirements 2 required within 6 months upon construction completed

ET2.2 - Interim Post-construction Monitoring Report

requirements 3 required within 15 months upon construction completed

ET2.3 - Final Post-construction Monitoring Report

Specific details

The following text reflects the reporting requirements for both Interim and Final reports as set in the standard conditions of approval for (RP-2000-0068).

- 1 Both during and after construction, Hydro One shall monitor the impacts of construction, and shall file ten copies of both an interim and a final monitoring report with the Board. The interim monitoring report shall be filed within six months of the completion of construction, and the final monitoring report shall be filed within fifteen months of the completion of construction. Hydro One shall attach a log of all complaints that have been received to the interim and final monitoring reports. The log shall record the times of all complaints received, the substance of each complaint, the actions taken in response, and the reasons underlying such actions.
- 2 The interim monitoring report shall confirm Hydro One's adherence to Conditions 1.1 and 1.2 and shall include a description of the impacts noted during construction and the actions taken or to be taken to prevent or mitigate the long-term effects of the impacts of construction. This report shall describe any outstanding concerns identified during construction.
- 3 The final monitoring report shall describe the condition of the rehabilitated land and the effectiveness of the mitigation measures undertaken. The results of the monitoring programs and analysis shall be included and recommendations made as appropriate. Any deficiency in compliance with any of the Conditions of Approval shall be explained.

**PROPOSED REQUIREMENTS OF ELECTRICITY MONITORING CODE -
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Appendix A		
Financial Analysis of Audited Financial Statements - Details of Ratios		
<u>TYPE</u>	<u>RATIO</u>	<u>FORMULA</u>
LIQUIDITY	Current Ratio	Current Assets /Current Liabilities
	Acid Test	(Current Assets less Inventories) / Current Liabilities
DEBT	Asset Coverage	[Total Assets - Deferred Charges - Intangibles- (Current liabilities less short debt like bank advances/loans and current portion of long-term debt)] / Total Debt(short-term and long-term debt)/100
	Debt/Equity Ratio	{Total Debt (Short-term + long-term debt)/Total Equity (Preferred Stock + Common Stock + Contributed Surplus + Retained Earnings)} x 100
	Cash Flow/Total Debt Outstanding	(Earnings before Extraordinary items - equity income - minority interest in earnings of subsidiary + deferred income taxes + depreciation + non-cash deductions e.g amortization, depletion)/Total debt outstanding) x 100
	Preferred Dividend Coverage	(Net earnings before extraordinary items) - equity income + minority interest in earnings of subsidiaries + all income taxes + total interest charges)/total interest charges + preferred dividend payments before tax
PROFITABILITY	Gross Profit Margin	{Net Revenue less Cost of Sale(Power/Energy)/Net Sales} x100
	Operating Profit Margin	{Net sales - (cost of sales + selling, administrative and general expenses)/ net sales} x 100
	Net Profit Margin	{Net earnings before extraordinary items - equity income + minority interest in earnings of subsidiaries/Net Sales} x 100
	Net Return (after tax) on Common Equity	{Net earnings before extraordinary items - preferred dividend/ Common Equity} x 100
	VALUE	% of Earnings Paid as Stock
	Earnings per Common Share	(Net earnings before extraordinary items - preferred dividends) / # of common shares outstanding