

UNDERTAKING

Undertaking

TO CALCULATE A FULL-YEAR REVENUE REQUIREMENT FOR THE CAPITAL RELATED TO RENEWABLE GENERATION AND SMART GRID IN EACH OF THE YEARS 2010 AND 2011 IN THE FORMAT OF SEC 23

Response

For externally funded GEP costs, the requested information is provided in the following tables. Please note that the information provided is for the purpose of this undertaking only, and is not consistent with the standard methodology for determining revenue requirement. The calculations assume:

- all capital expenditures are made at the beginning of the year, and
- a Debt/Equity ratio of 60/40, with all debt financed at the long term rate.

Scenario A: Externally Funded Costs (Capex.: 2010, \$139M\$; 2011, 236M\$)

Using 20 years depreciation

	2010	2011
OM&A	0.0	0.0
Depreciation	6.9	18.7
Capital tax	0.1	0.0
Return on debt	2.3	8.3
Return on equity	2.1	8.7
Income tax	1.6	2.9
Total Revenue Requirement	13.0	38.6

Using Useful life depreciation

	2010	2011
OM&A	0.0	0.0
Depreciation	6.1	16.0
Capital tax	0.1	0.0
Return on debt	2.3	8.3
Return on equity	2.1	8.8
Income tax	1.2	1.8
Total Revenue Requirement	11.9	34.9

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Exhibit J2.2

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1 Scenario B: Externally Funded and Hydro One Customer Funded Costs (Capex; 2010:
2 185M\$; 2011, 331M\$)

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Using 20 years depreciation

	2010	2011
OM&A	0.0	0.0
Depreciation	9.3	25.8
Capital tax	0.1	0.0
Return on debt	3.0	11.3
Return on equity	2.9	12.0
Income tax	2.1	4.1
Total Revenue Requirement	17.4	53.1

Using Useful Life Depreciation

	2010	2011
OM&A	0.0	0.0
Depreciation	7.7	20.3
Capital tax	0.1	0.0
Return on debt	3.0	11.4
Return on equity	2.9	12.1
Income tax	1.4	2.0
Total Revenue Requirement	15.1	45.8

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