

UNDERTAKING

Undertaking

TO RERUN THE TABLES CONTAINED IN EXHIBIT E1, TAB 1, SCHEDULE 1 TO SHOW THE IMPACT ON ROE OF THE COST OF CAPITAL REPORT ISSUED DECEMBER 11, 2009.

Response

The impact of the Cost of Capital Report issued on December 11, 2009 is as follows:

| | | 2010 | 2011 |
|---------------------|-------------------------------------|--------------|---------------|
| ROE | As per filing | 8.11% | 9.09% |
| | Update per December 11, 2009 report | 9.75% | 10.13% |
| | Increase | <u>1.64%</u> | <u>1.04%</u> |
| Revenue Requirement | As per filing | 1,150 | 1,164 |
| | Update per December 11, 2009 report | 1,194 | 1,293 |
| | Increase | <u>44</u> | <u>29</u> |
| Dx Rates | As per filing | 9.7% | 13.3% |
| | Update per December 11, 2009 report | 14.1% | 11.6% |
| | Increase/Decrease | <u>4.4%</u> | <u>(1.7%)</u> |
| Total Bill | As per filing | 3.2% | 4.7% |
| | Update per December 11, 2009 report | 4.4% | 3.9% |

The tables in Exhibit E1-1-1 updated to reflect the December 11, 2009 Cost of Capital Report are as follows:

Table 2
Comparison of Revenue Requirements: 2008 vs. 2010 (\$ Millions)

| Line No | Description | Year 2008 OEB Approved | Year 2010 | Difference |
|----------------|---|-------------------------------|------------------|-------------------|
| 1 | OM&A | 466 | 560 | 94 |
| 2 | Depreciation | 230 | 259 | 29 |
| 3 | Capital Taxes | 8 | 4 | (4) |
| 4 | Income Taxes | 35 | 27 | (8) |
| 5 | Return | 289 | 344 | 55 |
| | Total Revenue Requirement | 1,028 | 1,194 | 166 |
| 6 | Deduct External Revenues | (42) | (48) | (6) |
| | Revenue Requirement less External Revenues | 986 | 1,146 | 160 |

Table 3
Components of Change to Revenue Requirement

| Previously OEB-Approved (2008) vs. Proposed (2010) Description | Amount (\$ millions) |
|---|-----------------------------|
| Increase in OM&A | 94 |
| Impact of increased rate base | 83 |
| Increase in asset removal costs | 10 |
| Increased external revenue | (6) |
| Tax timing differences and other | (5) |
| Higher ROE | 23 |
| Impact of lower capital tax rate | (8) |
| Lower cost of debt | (8) |
| Impact of lower income tax rate | (2) |
| Other (includes OPEB) | (22) |
| Total Change | 160 |

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Table 4
Comparison of Rates Revenue Requirements 2010 vs. 2011 (\$ Millions)

| Line no. | Description | Year 2010 | Year 2011 | Difference |
|-----------------|---|------------------|------------------|-------------------|
| 1 | OM&A | 560 | 575 | 15 |
| 2 | Depreciation | 259 | 291 | 32 |
| 3 | Capital Taxes | 4 | 0 | (4) |
| 4 | Income Taxes | 27 | 48 | 21 |
| 5 | Return | 344 | 379 | 35 |
| | Total Revenue Requirement | 1,194 | 1,293 | 99 |
| 6 | Deduct External Revenues | (48) | (48) | 0 |
| | Revenue Requirement less External Revenues | 1,146 | 1,245 | 99 |

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Table 5
Components of Change to Rates Revenue Requirement:
Proposed 2010 vs. Proposed 2011

| Description | Amount (\$millions) |
|-----------------------------------|----------------------------|
| Impact of increased rate base | 48 |
| Tax timing differences and other | 26 |
| Higher ROE | 8 |
| Increased OM&A | 15 |
| Higher cost of debt | 5 |
| Impact of lower income tax rates | (5) |
| Impact of lower capital tax rates | (4) |
| Other | 6 |
| Total change | 99 |

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