

UNDERTAKING

Undertaking

TO ADVISE HOW 1.934 PERCENT RATE WAS CALCULATED AND SIMILARLY
3.99 RATE FOR 2011

Response

On December 11, 2009 the Board issued its cost of capital report whereby it indicates that the Board will contact major Canadian banks to obtain estimates of the spread of a typical short-term loan for an R1-low utility over the 3 month Bankers' Acceptance rate.

As a result of this direction Hydro One calculated short term rates for 2010 and 2011 as follows:

	2010	2011
Forecast BA Rates	0.434%	2.49%
Hydro One Spread for Short Term Bank Loan	1.50%	1.50%
Short Term Rates	1.934%	3.99%

The Estimated Hydro One spread for a short-term bank loan, based on submissions made by 6 Canadian Schedule 1 Banks to Hydro One, was 1.50%.