

1 **UNDERTAKING JTX 1.3**  
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4 **Note: The undertaking and response to JTX1.3 do not contain any**  
5 **confidential information.**  
6

7 **Undertaking**  
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9 With reference to Confidential Interrogatory L-12-003, Attachment 1, to confirm the  
10 calculation of estimated impact of CWIP in rate base until all units are in-service or  
11 advise whether the calculation can be produced?  
12

13  
14 **Response**  
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16 With respect to Attachment 1 to Confidential Interrogatory L-12-003, the middle row,  
17 labeled "Escalation and Interest", does not approximate the yearly revenue requirement  
18 impact of approving OPG's CWIP proposal.  
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20 The IDC and escalation represent the adjustments that have to be made to the overnight  
21 cost estimate (i.e. the top row in Attachment 1 to Confidential Interrogatory L-12-003) in  
22 order to convert it to a capitalized cost for the individual year in question. Escalation  
23 converts overnight dollars into as spent dollars by accounting for cost escalation over  
24 time. The IDC, or interest during construction, is added to account for the cost of interest  
25 during project construction.  
26

27 Under the CWIP proposal, OPG is proposing to recover its cost of capital on its capital  
28 expenditures during the construction period. As a result, the amount that is put into  
29 service will be lower than the traditional method; thus, lowering revenue requirements  
30 post in-service.  
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32 To see the yearly revenue requirement impact of OPG's CWIP proposal during the test  
33 period, please see Ex. D2-T2-S2, Table 1. For years beyond the test period, please see  
34 OPG's response to Interrogatory L-14-004, Part c) where the cost impacts of two  
35 illustrative project cost examples were provided (i.e. at \$6B and at \$10B).  
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