

UNDERTAKING

Undertaking

TO PROVIDE A RESPONSE AS TO WHY THE TABLES IN C1, TAB 2, SCHEDULE 1, PAGE 2, TABLE 1 AND D1, TAB 3, SCHEDULE 1, PAGE 2, TABLE 1 DO NOT MATCH RE DEVELOPMENT OM&A EXPENDITURES.

Response

The Development OM&A is primarily for Research, Development & Demonstration initiatives and Standards Development. This work addresses long term process and technical issues related to the transmission system. The increase in the 2011/12 test years from the Board Approved amount for 2009/10 is for new studies and demonstration initiatives related to transmission issues as a result of smart grid development and the increasing level of distributed generation on the system. The increase in activities and expenditures are in the “Smart Zone Development” item as outlined in Exhibit C1, Tab 2, Schedule 4 page 2 lines 16-20.

The Development Capital expenditures fund projects related to new or upgraded transmission facilities. The decrease in spending from 2011 to 2012 is largely attributable to the nature of timing of development work. A significant amount of Development Capital work is demand driven, based on customer load growth and there is a decrease in spending in 2012 in this area. Spending levels for the Bruce to Milton project are lower in 2012 as the project is completed. Also a number of projects at Transmission stations to install SVC’s and Shunt Capacitors to address off coal completion and system stability are completed in 2011 as outlined in Exhibit D1, Tab 3, Schedule 3 page 13 lines 12-15. New projects (per Government Instruction) will not commence construction until after approvals are obtained and therefore cashflows for these projects occur beyond the test years.