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3 **UNDERTAKING**

4 **Undertaking**

5 TO CONFIRM WHETHER GRAPHS WERE PREPARED ON THE BASIS OF A  
6 REPORT OR ANALYSIS.

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8 **Response**

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10 [With reference to Miscellaneous Exhibit K2.1, Schedule C, page 27]

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12 The Transmission Unit Cost chart is based on analysis of data submitted by the  
13 benchmarking company First Quartile Consulting.

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15 The equation utilized by First Quartile Consulting equals (Capital plus O&M Spending)  
16 divided by Asset Value. The unit costs are calculated as a 3 year average (2006-2008)  
17 using Federal Energy Regulatory Commission (FERC) definitions and data to compare  
18 Hydro One's results to those of comparable U.S. utilities. The FERC definitions of costs  
19 (Capital, Operating and Maintenance), unlike the CEA, excludes "fringe benefits" (e.g.  
20 pension, health benefits, unemployment insurance, etc.) and costs associated with  
21 transport, work equipment and information technology (IT). In addition, the FERC  
22 definition of Gross Fixed Assets, unlike CEA, excludes assets associated with transport,  
23 work equipment and information technology. As a result, cross-study comparisons are  
24 unreliable.  
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