

1 **UNDERTAKING J9.4**
2

3 **Reference:**

4 Table B-1 of Exhibit M1, as revised on October 25, 2019.

5 Exhibit L1/Tab 1/Schedule 13, Table HON-13.

6 **Undertaking:**

7 To reconcile the two tables and the values at Table B.1 and at HON-13; to confirm the X factor
8 that is assumed in Table B-1.

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10 **Response:**

11 Table B-1 provides C factor calculations under three scenarios, all of which assume an X factor
12 of 0%: (1) a 0% S factor, (2) an S factor of 0.15% (e.g., the S factor approved for Hydro One
13 Distribution), and (3) an S factor with an equivalent markdown to the materiality threshold
14 applied to the OEB's capital modules (e.g., S=0.31%).

15 Table HON-13 provides C factor and revenue cap index calculations in four scenarios where
16 both the S factor and X factor were allowed to change. One scenario is the Hydro One proposal
17 for a 0% X factor and no S factor. This is equivalent to scenario (1) in Table B-1. A second is
18 an X factor of 0% and an S factor of 0.31%, equivalent to the markdown found in the materiality
19 threshold and deadzone applied to the OEB's capital modules. This is the same as scenario (3) in
20 Table B-1. There are some small differences between these tables due to rounding for these
21 scenarios. In instances where the values differ between Table B-1 and Table HON-13 for the
22 same scenario due to rounding, PEG recommends that the values from Table B-1 be relied upon.

23 The third scenario is PEG's proposed X factor of 0.05% and an S factor that provides an
24 equivalent markdown to the materiality threshold and deadzone applied to the OEB's capital
25 modules (e.g., S=0.26%). The fourth scenario is an X factor of 0.3% and an S factor that
26 provides an equivalent markdown to the materiality threshold and deadzone applied to the
27 OEB's capital modules (e.g., S=0.01%). These latter two scenarios were not included as part of
28 Table B-1.