UNDERTAKING JT3.2

Undertaking

TO EXPLAIN HOW THE STANDARD & POOR'S REPORT, AND PARTICULARLY THE TABLE ON PAGE 2, DEMONSTRATES THAT INVESTORS CONSIDER DIFFERENCES IN REGULATORY RISK BETWEEN CANADA AND THE U.S. AS MINIMAL.

Response

The following response was prepared by Concentric Energy Advisors:

Please see Section 5 of Concentric's report (Ex. C1-1-1, Attachment 1) for the analysis supporting Concentric's conclusion that the differential in average deemed equity ratio between U.S. and Canadian utilities is not currently explained by differences in business risk, including regulatory risk. In particular, on page 22 of that report, Concentric explains:

> In addition, it was clear from our interviews that equity and credit analysts see the utility industry as a North American industry, and that any differences are more likely to be observed between specific provinces/states than between the two countries. The differences between specific provinces and states are viewed as being very narrow, and most Canadian provinces and U.S. states are seen as credit supportive for regulated utilities, with only minor gradations between those that are most credit supportive and those that are less credit supportive.

This is consistent with the S&P Global Ratings ("S&P") report provided as Attachment 1 to Ex. L-C1-01-SEC-023. While S&P divides the provinces/states into five categories at page 2 of that report, they specifically note the following:

> The categories indicate an important point regarding utility regulation and its effect on ratings: They are denoted credit supportive to one degree or another, as all utility regulation sustains credit quality when compared with corporate and infrastructure ratings. The presence of regulators, no matter where in the spectrum of our assessments, reduces business risk and generally supports utility ratings. We describe all these jurisdictions in a range from credit supportive to most credit supportive, and <u>these vary only in degree rather than in kind</u>. (emphasis added).