UNDERTAKING JT3.1

Undertaking

TO ADVISE WHY THE OEB ROE FORMULA IS RELEVANT TO EQUITY THICKNESS.

Response

The following response was prepared by Concentric Energy Advisors:

The weighted cost of equity for ratemaking purposes is calculated based on the equity thickness multiplied by the allowed return on equity ("ROE"). As such, both components impact revenues and cash flows to the utility, and therefore investors' perceptions of the regulatory environment in which the utility operates. For instance, as discussed in the response to interrogatory Ex. L-C1-01-SEC-043, DBRS Limited considers both "deemed equity" and "allowed ROE" in its assessments of regulatory frameworks. For these reasons, allowed ROE can be a relevant consideration in the determination of appropriate equity thickness.