

UNDERTAKING

Undertaking

TO CLARIFY WHETHER THE ACCOUNTING STANDARDS BOARD DOCUMENT
OF AUGUST 22ND, 2007 WOULD REQUIRE HYDRO ONE TO CHANGE OVER TO
THE ACCRUAL BASIS FOR RECOGNITION OF PENSION COSTS

Response

The Accounting Standards Board's document of August 22nd, 2007 identifies our requirement to recognize, effective the first quarter of 2009, future income tax obligations on our balance sheet along with a corresponding regulatory asset. Our accounting treatment for pension costs already reflects this type of presentation on our balance sheet and there will be no impact on the calculation of the pension cost differential account. Pension costs, as well as income taxes, will continue to be recorded on a cash basis.