

UNDERTAKING

Undertaking

TO ADVISE WHAT, IF ANY, MATERIALITY THRESHOLD HYDRO ONE USED IN APPLYING TO CREATE THE DEFERRAL ACCOUNTS FOR PENSION COST DIFFERENTIAL, OEB COST DIFFERENTIAL AND BILL IMPACT MITIGATION AND WHAT THE MATERIALITY THRESHOLD IS BASED ON

Response

Hydro One Distribution did not use a specific materiality threshold for requesting the three variance accounts in Exhibit F1, Tab 3, Schedule 1.

The Bill Impact Mitigation Account is being requested consistent with past practice and tracks the difference between the requested revenue and distribution rates ensuring that all costs are appropriately recovered from customers.

The Pension Cost Differential and OEB Cost Differential Accounts will track and settle all differences between Board approved and actual costs ensuring that customers only pay actual costs and that there is no gain or loss from using estimated amounts..

Even though a specific materiality limit was not used, as a general guideline a materiality threshold of \$500,000 would be consistent with materiality used for financial reporting disclosure and also the materiality threshold for capital investments in the 2006 Electricity Distribution Rate Handbook.