

**UNDERTAKING**

**Undertaking**

PROVIDE IMPACT OF THE INCREASED ACTIVITY IN TREE CLEARING ON THE VEHICLE ACQUISITION COSTS, IF AVAILABLE

**Response**

Hydro One's Fleet is a common service, supporting both OM&A and capital activities in both the Distribution and Transmission businesses. For Distribution, a wide variety of vehicles are used, primarily for Lines, Forestry and Stations work. Vehicle types include (but are not limited to) bucket trucks, radial boom derrick trucks, service trucks, highway tractors, pickup trucks, off-road vehicles, boats, forklifts, and backhoes.

Of the \$51.6m fleet-related capital expenditures in 2008, approximately 77% is associated with asset replacement and 23% is associated with increased volume. Please also see Exhibit H, Tab 1, Schedule 32. The asset replacement rate is consistent with the assessment of the condition of the fleet as outlined in Exhibit C1, Tab 4, Schedule 1 Attachment A.

The increase in capital spending in 2008 versus 2007 is largely a function of increases in the distribution and transmission work programs, and the resultant hiring of additional staff in the forestry and lines areas. Increases in spending have also resulted from the decision to purchase some vehicles rather than rent them, for cost effectiveness reasons. Hydro One's approach is to purchase vehicles rather than rent them if the vehicle will be utilized for more than 8.5 months per year, as this is the point at which the cost of a rental exceeds the depreciation of an owned unit.

Main drivers of the increase in 2008 vs. 2007 are:

- Approximately \$4. M of the increased capital spending is for the purchase of additional large equipment to support an increased Forestry work program for 2008 and beyond, including aerial devices (i.e. 55-foot bucket trucks) required for line clearing.
- Approximately \$6. M required to support the increased Lines work program in 2008 and beyond, to offset uneconomical rental requirements (as mentioned above), and to support the Lines program through the purchase of radial boom derricks and bucket trucks.
- Approximately \$1 M is related to the purchase of ½ ton pickup trucks to support the Lines' Area Distribution Engineering Technician program.