

**UNDERTAKING****Undertaking**

TO PROVIDE ANY INFORMATION RELATING TO LEGISLATIVE OR REGULATORY CHANGES THAT HAVE LED TO AN INCREASE IN COST SINCE 2006

**Response**

The following table provides the information requested in the undertaking.

<b>Description of Legislation</b>	<b>Program Impacts</b>	<b>2008 Cost Impacts (if available)</b>
Smart Meter O.reg 427/06 and 42606	This legislation is the primary driver of the Smart Meter program spending from 2006 to 2010.	\$9.7M OM&A \$164.8M Capital
Safety Regulation 22/04 brought all distribution electrical businesses under regulation by the Electrical safety Authority ESA.	This regulation requires formal engineering approval of all material and construction standards, as well as formal approval of any deviations from those standards to accommodate existing conditions. Implementation of this regulation extended beyond 2006, as such not all costs associated with compliance were captured in the 2006 actual costs. The 2006 filing captured the ESA fees of about \$0.6M and some of the increased costs for standards, but not all.	~ \$0.5M OM&A (Engineered field modifications) There are other 2008 OM&A costs associated with the following work, which are not separately quantified: <ul style="list-style-type: none"> <li>• Development and updating of standards and drawings</li> <li>• Compliance audits</li> <li>• Reporting</li> </ul>
About 30 municipalities have put in place by-laws concerning herbicide restrictions since 2005.	Introduces added restrictions on the use of herbicide for brush control and station grounds maintenance. As well this has increased efforts to convince municipalities concerning the safe and environmentally benign use of herbicide in their jurisdiction.	Cost impacts are not readily available and no specific cost allowance is included for 2008.
Sub-section 7.1 of the Pesticides Act, R.S.O. 1990, CHAPTER P.11 which bans the sale of Cosmetic Pesticides.	Hydro One has applied for an exemption to permit the use of pesticides on its rights-of-way. If the regulations do not grant an exemption for Hydro One use, the costs for brush control, which for 2008 are \$28.2 million, could potentially double.	Hydro One's 2008 costs do not include any provisions concerning the potential impacts from a ban on pesticide use on its rights-of-way.
Section 6.5.4 of the Distribution System Code (DSC) with respect to Long Term Load Transfers (LTLT)	In January 2007 the OEB approved amendments to the DSC which required that LTLTs be completed by January 2009. This change has impacted work in the area of Development OM&A and Development Capital related to Customer Connections.	\$1.0 M OM&A \$0.3M Capital
August 18, 2005 letter from Minister of Energy directing OPA and OEB to develop RESOP, and associated DSC changes.	Work associated with connecting distributed generation affects Development OM&A, Development Capital, and Asset Management - Shared Services.	\$4.2M OM&A \$8.4 M Capital
Endangered Species Act - Species at Risk	This Provincial legislation came into effect in 2008 and impact on right of way maintenance. The Act prohibits damage or destruction of habitat for the 128 listed endangered and threatened species of plants	A comprehensive impact assessment has not yet been prepared and no specific cost allowance is included for 2008.

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	<p>and animals. There will be a requirement to identify the location of these endangered species and adjust work methods so not to disturb the habitat, mating or other activities. The current proposed implementation time frame is 2011.</p> <p>It is expected that this legislation will affect a large number of specific location on our 101,000 kms of rights of way and would result in changes in work practices to both brush control and line clearing.</p>	
International Financial Reporting Standards (IFRS)	The Canadian Accounting Standards Board has confirmed that publicly accountable enterprises will be required to adopt IFRS in place of Generally Accepted Accounting Principles for interim and annual reporting purposes for fiscal years beginning on or after January 1, 2011. Hydro One Networks commenced our IFRS conversion project in 2007, for further explanation see Exhibit A Tab 10 Section 2 Attachment 5 page 8.	We expect to incur about \$2M in IFRS related OM&A costs in 2008. A review of future costs is ongoing. In addition, there are capital costs associated with IFRS requirements in Phase 2 of the Cornerstone project.
<i>Pending Regulation</i> from Environment Canada with respect to PCB > 50 ppm	Requires testing of pole top and pad mount transformers and removal of contaminated units. If and when these regulations come into effect, OM&A costs will increase by \$8M/year for testing of transformers and capital costs by \$4M/year for replacement. These costs are highlighted in Exhibit C1, Tab 2, Schedule 2, page 21, line 24.	No costs associated with this pending regulation are included for 2008.