UNDEARTAKING J1.2

Undertaking

Transcript Reference – pg 89

To provide a calculation showing the impact on the test period deficiency of an assumption that the credit spread on the long-term debt components of the capital structure was 80 basis points for 2008 and 2009.

Response

The impact on the deficiency associated with applying an 80 basis point credit spread (in place of the 130 basis point credit spread proposed in the evidence) to OPG’s long-term debt for the 21 month test period is a reduction in the test period deficiency of $8.9M.

OPG notes that its most recent long-term debt issue (April 22, 2008) reflected a credit spread of 168 basis points. The impact on the deficiency of using this more recent and higher credit spread would be an increase in the test period deficiency of $7.0M.

The analysis takes into account the impact of the credit spread changes on both OPG’s hedged and unhedged debt for each of the planned debt issues in 2008 and 2009.

As explained by Ms. Sidford, credit spreads have been increasing since August 2007. As an example, Suncor Energy, a similarly rated entity to OPG, completed a 10 year $500M issued priced at 210 basis points on May 15, 2008. Suncor Energy is rated A(low) / A- by DBRS / S&P respectively.

In this context, OPG’s use of a 130 basis point credit spread for the test period is reasonable.