**UNDERTAKING JTX 1.3**

Note: The undertaking and response to JTX1.3 do not contain any confidential information.

**Undertaking**

With reference to Confidential Interrogatory L-12-003, Attachment 1, to confirm the calculation of estimated impact of CWIP in rate base until all units are in-service or advise whether the calculation can be produced?

**Response**

With respect to Attachment 1 to Confidential Interrogatory L-12-003, the middle row, labeled “Escalation and Interest”, does not approximate the yearly revenue requirement impact of approving OPG’s CWIP proposal.

The IDC and escalation represent the adjustments that have to be made to the overnight cost estimate (i.e. the top row in Attachment 1 to Confidential Interrogatory L-12-003) in order to convert it to a capitalized cost for the individual year in question. Escalation converts overnight dollars into as spent dollars by accounting for cost escalation over time. The IDC, or interest during construction, is added to account for the cost of interest during project construction.

Under the CWIP proposal, OPG is proposing to recover its cost of capital on its capital expenditures during the construction period. As a result, the amount that is put into service will be lower than the traditional method; thus, lowering revenue requirements post in-service.

To see the yearly revenue requirement impact of OPG’s CWIP proposal during the test period, please see Ex. D2-T2-S2, Table 1. For years beyond the test period, please see OPG’s response to Interrogatory L-14-004, Part c) where the cost impacts of two illustrative project cost examples were provided (i.e. at $6B and at $10B).