

1           **ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION**

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3       The interest rate used for construction work in progress (CWIP), which is referred to as  
4       Allowance for Funds Used During Construction (AFUDC) reflects the Board's decision  
5       in EB-2006-0117, effective November 28, 2006. This decision prescribed that the interest  
6       rate to use for CWIP, effective May 1, 2006, would be the Scotia Capital All-Corporates  
7       mid-term Yield, as published on the Bank of Canada website and updated quarterly. As a  
8       result the 2008 test year reflects a forecast of the prescribed CWIP rate, respectively,  
9       while the historical years reflect CWIP at Hydro One Distribution's previously approved  
10      embedded cost of debt.

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**Table 1**  
**Allowance for Funds Used During Construction**

<b>Year</b>	<b>AFUDC Rate %</b>	<b>(\$ millions)</b>
2004	7.0	4.5
2005	6.8	4.4
2006	6.3	5.4
2007	4.8	8.9
2008	5.1	8.9

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