



November 9, 2009

**BY E-MAIL**

Mr. J. Mark Rodger  
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**Ian Blue, Q.C.**

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Dear Mr. Rodger:

**Re: Board File No. EB-2009-0180/ EB-2009-0181 / EB-2009-0182 and EB-2009-0183  
Re: Applications by Toronto Hydro Energy Services Inc., Toronto Hydro-Electric  
System Limited and 1798594 Ontario Inc.  
Interrogatories of City of Toronto**

On behalf of the City of Toronto, I enclose herewith Table entitled *Derivation of worst case 2010 street lighting distribution rates* together with assumptions used in the Table and the explanation of the scenarios.

The City's consultant, Kathi Litt of Elenchus Research Associates, prepared this Table, assumptions and explanation, at my request.

I intend to refer to this Table in my questioning of Mr. J.S. Coulliard and Mr. P. Sardana at the hearing to commence on November 17, 2009 and did not want to surprise them with it there. I request that Mr. Coulliard and Mr. Sardana and their staffs review this Table in advance of their testimony so that they are familiar with it and can answer questions about it.

If in their review, they take the position that any of the assumptions or numbers are inaccurate or inappropriate or that any of the calculations are wrong, I request that you so advise me and provide me with any revisions prior to the hearing so that I am not taken by surprise either.

Many thanks!

Yours truly,

A handwritten signature in black ink, appearing to read 'Ian Blue', is written over the typed name.

IAN BLUE

IAB/sh

Enclosure

cc: Board Secretary, Board Staff and Intervenors of record (by e-mail)  
Legal\*4598946.1

Scenario Incremental Revenue Requirement	\$1,000,000
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Scenario 1: 2008 rates increased to achieve a R:C=1 and to OM&A for Incremental Activities			
	Approved 2008	Approved 2008 adjusted to achieve R:C=1	Adjusted Approved 2008 Rates
Fixed Rate Data Rate	0.66 (1)	1.65	1.76
Charge Parameter	162,046 (2)	162,046	
Variable Rate Data Rate	\$15.3700 (1)	\$38.4250	\$40.9186
Charge Parameter - kW	317,526 (3)	317,526	
Energy (kWh)	109,246,764 (3)	109,246,764	
Revenues	\$6,163,779	\$15,409,447	\$16,409,447
Costs	\$15,409,447	\$15,409,447	\$16,409,447
Revenue:Cost Ratio	40.00% (4)	100.00%	100.00%
Revenue Verification	\$6,163,779	\$15,409,447	\$16,409,447
Revenue per kWh	0.0564	0.1411	0.1502

Scenario 2: Proposed 2010 rates increased to recover Incremental Activities			
	2010TY Proposed Rates and Forecast Charge Parameters	Incremental Costs	Revised 2010TY Proposed Rates
	1.12 (1)		1.21
	162,353 (2)		
	\$31,1169 (1)		\$33,6724
	321,183 (3)		
	109,298,944 (3)		
	\$12,176,244	\$1,000,000	\$13,176,244
	\$17,394,634	\$1,000,000	\$18,394,634
	70.00% (4)		71.63%
	\$12,176,244		\$13,176,244
	0.1114		0.1206

Scenario 3: Proposed 2010 rate increased to achieve R:C=1 and to recover Incremental Activities			
	2010TY Proposed Rates and Forecast Charge Parameters	2010TY Proposed Rates Adjusted to Achieve R:C = 100%	Revised 2010TY Proposed Rates
	1.12 (1)	1.60	1.69
	162,353 (2)	162,353	
	\$31,1169 (1)	\$44,4527	\$47,0083
	321,183 (3)	321,183	
	109,298,944 (3)	109,298,944	
	\$12,176,244	\$17,394,634	\$18,394,634
	\$17,394,634	\$17,394,634	\$18,394,634
	70.00% (4)	100.00%	100.00%
	\$12,176,244	\$17,394,634	\$18,394,634
	0.1114	0.1591	0.1683

Sources

- (1) EB-2009-0139/EXM1/T1/S1/p2
- (2) EB-2009-0139/EXK1/T4/S1/p1
- (3) EB-2009-0130/EXK1/T3/S2/p1
- (4) EB-2009-0139/EXM1/T1/S1/p5

EB-2009-0180/0181/0182/0183  
 Toronto Hydro-Electric System Limited  
 Street Lighting Repatriation

Data Inputs		
Tax Rate	32.00%	(1)
Long Term Debt Rate	5.60%	(2)
Long Term Debt Ratio	56%	(2)
Short Term Debt Rate	1.33%	(2)
Short Term Debt Ratio	4%	(2)
Allowed Return on Equity	8.01%	(2)
Equity Ratio	40%	(2)
Depreciable Life	25 years	(3)

	Revenue Requirement
Cost of Capital	\$639,320
Depreciation Expense	\$400,000
Deemed PILs - on Regulated Return	\$150,776
Incremental O&M	\$1,000,000
Total	\$2,190,096
<b>OM&amp;A to Support Incremental Activities</b>	
OM&A	\$1,000,000

Scenario Inputs	
NBV	\$10,000,000
Incremental OM&A on assets	\$1,000,000
OM&A to Support Incremental Activities	\$1,000,000

**Sources**

- (1) EB-2009-0139/ExP1/T1/S2/p5
- (2) EB-2009-0139/ExE1/T4/S1/p1
- (3) 2006 EDR Handbook - Appendix B

## THESL Street Light Repatriation retention

EB-2009-0180/0181/0182/0183

### Rate Scenarios

#### Purpose

The attached spreadsheet has been prepared to quantify the impact to Street Lighting distribution rates of adjusting:

- The associated revenue:Cost ratio
- Recovering incremental revenues due to incremental activities or to the acquisition of incremental assets

#### Scenarios

Three different scenarios are projected.

Scenario 1 quantifies the changes to authorized 2008 Street Lighting distribution rates to:

- achieve rates that recover all costs of providing service; and
- recover the costs of incremental activities.

Scenario 2 quantifies the changes to proposed 2010 Street Lighting distribution rates to achieve rates that recover the costs of incremental activities.

Scenario 3 quantifies the changes to proposed 2010 Street Lighting distribution rates to:

- achieve rates that recover all costs of providing service; and
- recover the costs of incremental activities.

#### Data

All data has been obtained from THESL's 2010EDR application; the specific exhibit references are indicated in the footnotes.

#### Methodology

### Scenario 1

The revenues generated by 2008 rates and by 2008 rates that result in a Revenue:Cost ratio of 1.00 are computed. The allocated costs are increased by the costs of incremental activities and the revenues are set equal to the adjusted costs. The rates that result in a Revenue:Cost ratio of 1.00 are proportionally increasing by the ratio of:

- the sum of allocated costs plus costs of incremental activities; to
- allocated costs.

### Scenario 2

The proposed 2010 Street Lighting distribution rates are relied on to estimate Street Lighting distribution revenues. The estimated revenues are divided by the target Revenue:Cost ratio to estimate the costs incurred to provide Street Lighting distribution service. The calculated revenues and estimated costs are both increased by costs of incremental activities. The adjusted revenues are divided by the adjusted costs to estimate the resulting Revenue:Cost ratio. The proposed Street Lighting distribution rates are proportionally increased by the ratio of:

- the sum of allocated costs plus costs of incremental activities; to
- allocated costs.

### Scenario 3

The proposed 2010 Street Lighting distribution rates are relied on to estimate Street Lighting distribution revenues. The proposed Street Lighting distribution rates are divided by the Revenue:Cost ratio to estimate the rates that result in a Revenue:Cost ratio of 1.00. The allocated costs are increased by the costs of incremental activities and the associated revenues are forced to the same level. The Estimated Street Lighting distribution rates that recover all allocated costs are then increased by the ratio of:

- the sum of allocated costs plus costs of incremental activities; to
- allocated costs.

The revenues recovered under all estimated rates are calculated and divided by the energy consumed to estimate a levelized all in rate.