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via RESS / email – signed original to follow by mail

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
PO Box 2319
2300 Yonge Street, 27th floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

**RE: Procedural Order No. 5 in Application by 1798594 Ontario Inc. for a distribution licence; Applications by Toronto Hydro Energy Services Inc. ("THESI") and 1798594 Ontario Inc. for leave to sell street lighting assets; and Application by Toronto Hydro-Electric System Limited ("THESL") and 1798594 Ontario Inc. for leave to amalgamate
Board File Nos. EB-2009-0180, EB-2009-0181, EB-2009-0182 and EB-2009-0183**

THESL has received the Board's PO No. 5 in this proceeding, which sets out the Board's direction to THESL to file further evidence concerning the relative magnitudes of values for certain of its distribution assets using both the depreciated replacement cost ("DRC") and net book value ("NBV") approaches. The Board set April 27, 2011 as the due date for this additional evidence.

THESL wishes to advise the Board that THESL cannot produce the required information within the time given. In particular, as the Board acknowledges in PO No. 5, THESL does not have DRC information on its distribution assets, and the production of a DRC analysis for even a subset of THESL's distribution assets is a complex, time-consuming, and costly exercise.

Nevertheless THESL will produce that analysis, using best efforts and subject to data availability, and will consult with its valuator to determine a date by which the analysis could be available.

Notwithstanding THESL's preparedness to produce the required analysis, THESL is concerned about the Board's characterization of THESL's request in this proceeding, and the probative value of the requested information.

Specifically, THESL does not seek "to revert to the net book value amount originally filed in the first phase of this proceeding (the "Original NBV")". Having conducted the study ordered by the Board, THESL applied the DRC values found for the various asset categories in proportion to the total DRC, under the constraint that THESL cannot, from either an accounting or regulatory perspective, write-up the existing net book value of the assets. Therefore, despite the fact that the Board-ordered study produced an asset value significantly higher than the Original NBV, THESL does not seek transfer of assets at values higher than their current carrying value. However, the results of the study are reflected proportionately by asset category. This is explained in evidence at page 19 of the Application.

Furthermore, the relationship between DRC and NBV for any particular group of assets is an empirical one and the same relationship may not exist for a different group of assets. Consequently an extrapolation of DRC to NBV ratios between asset groups may be tenuous at best.

THESL therefore intends to "provide whatever caveats or qualifiers it considers necessary in the reporting of its analysis and outcomes so as to inform the Board as to how THESL considers the information should be interpreted and used", as it is invited to do in PO No. 5.

THESL will provide a further update to the Board and intervenors as soon as it can determine if and when the required analysis can be provided.

Yours truly,

[Original signed by]

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cc: Registered Intervenors
J. Mark Rodger, THESL Counsel