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2011 May 6

*via email ([boardsec@ontarioenergyboard.ca](mailto:boardsec@ontarioenergyboard.ca))*

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
2300 Yonge St  
Toronto, ON M4P 1E4

Dear Ms. Walli:

**RE: 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**

On April 13, 2011, in response to Procedural Order #5, THESL filed a letter with the Board stating that it could not provide a depreciated replacement cost (‘DRC’) DRC analysis of its distribution assets in the time provided and would provide a further update to the Board and intervenors as soon as it could determine if and when the required DRC analysis could be provided.

THESL undertook an extensive review of its distribution and financial records over the past 3 weeks to determine the availability of information to allow the company to derive a DRC for a

subset of its distribution assets that would be comparable to the DRC provided to the Board in its "Additional Evidence" filing dated January 31, 2011.

Despite best efforts, THESL is unable to produce vintage information for comparable distribution assets from its records.

During the process of amalgamating the GTA utilities, distribution records were merged to form as complete a record as possible. Some utilities did not retain pole and cable installation dates in their records and other utilities retained install dates for some pole-types but not others. Consequently, about 90% of the installed poles do not have reliable installation dates on record. This information would need to be gathered in the field by visiting each pole location and checking dates on pole plates.

Last year during THESL's conversion of its financial system to SAP, installation data for poles and other assets which had been completely depreciated, was discarded from the financial records. In addition, pole installed costs per year, and NBV data, was not retained in the financial records by pole-type.

THESL regrets that it is unable to satisfy the Board's request for a DRC valuation on a sample group of distribution assets that could be compared to similar streetlighting assets. Had THESL been aware that the Board would require this type of assessment and comparison in order to inform its Decision in this case, collection of age data for distribution assets could have been included in the streetlighting survey contract that was executed last year.

The contract cost to collect the streetlighting data last year was over \$1million and the project ran for about 8 months. THESL expects a similar or greater cost and timeframe would be required to conduct a similar survey for the distribution poles in order to collect asset vintage data from pole plates suitable to develop a DRC for those assets. Even if a sufficient number of pole plates were found to be in readable condition in the field in order to establish reliable vintage data, THESL believes that another project of this scope and cost for this purpose would not be justified in the circumstances.

As stated in THESL's letter of April 13, 2011, 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. In THESL's view the NBV on the books for the streetlighting assets represents a reasonable basis from which to

apportion the value of assets deemed to be distribution, as it has done in its Additional Evidence filed on January 31, 2011, since that value is considerably below the DRC value determined in the Board-ordered study.

Yours truly,

*[Original signed by]*

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