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October 1, 2009

via RESS e-filing – signed original to follow by courier

Ms. Kirsten Walli, Board Secretary
Ontario Energy Board
PO Box 2319, 2300 Yonge St, 27th floor
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

Further to THESL's Interrogatory Responses filed September 25, 2009, enclosed are two hard copies of outstanding responses to the following interrogatories:

- OEB Staff: 4, 7, 10
- VECC: 1
- ECAO-GTECA: 5
- SEC: 2
- City: 2, 4

Two hard copies of the following documents are also enclosed:

- Section E, Tab 16 of Pre-filed Evidence (replacement document)

- Section E, Tab 17 of Pre-filed Evidence (replacement document)
- Response to VECC Interrogatory 9 (updated response)

Please note that all of these documents will be available online at the start of the next business day, through the following link:
http://www.torontohydro.com/electricsystem/residential/regulatory_affairs.html

Yours truly,

[original signed by]

Glen A. Winn
Manager, Regulatory Applications & Compliance

encl.(2)
:GAW/acc

cc: J. Mark Rodger, Counsel for THESL
Pankaj Sardana, Vice-President & Treasurer, THESL
Lawrence Wilde, Vice-President & General Counsel, THC
Chris Tyrrell, President, THESI
Intervenors of Record for EB-2009-0180 to -0183, by electronic mail only

NewCo
Income Statement - Plan
For The Period Ended December 31

($000s)	2009	2010	2011	2012	2013
Total Revenue	$ 17,095	$ 17,087	$ 17,487	$ 18,003	$ 18,543
Total Cost of Sales and Administration	5,798	5,960	6,198	6,298	6,498
EBITDA	11,297	11,127	11,289	11,705	12,045
Total Depreciation	5,225	5,105	4,099	5,162	5,342
Taxes provision	2,034	2,017	2,409	2,192	2,246
Net income	**$ 4,038**	**$ 4,005**	**$ 4,781**	**$ 4,351**	**$ 4,457**

NewCo
Balance Sheet - Plan
As At December 31

($000s)	2009	2010	2011	2012	2013
Current Assets					
Cash & Equivalents	$ 3,564	$ 7,684	$ 4,854	$ 7,008	$ 11,492
Accounts Receivable, net of allowance	2,895	2,894	2,964	3,052	3,144
Other Current Assets	-	-	-	-	-
Total Current Assets	**$ 6,459**	**$ 10,578**	**$ 7,818**	**$ 10,060**	**$ 14,636**
Long-term Assets					
Net Capital Assets	$ 67,444	$ 67,439	$ 75,080	$ 77,305	$ 77,292
Future Income Taxes	-	-	-	-	-
Total Long-term Assets	$ 67,444	$ 67,439	$ 75,080	$ 77,305	$ 77,292
Total Assets	**$ 73,903**	**$ 78,017**	**$ 82,898**	**$ 87,365**	**$ 91,928**
Current Liabilities					
Accounts Payable and Accrued Liabilities	$ 2,607	$ 2,686	$ 2,753	$ 2,835	$ 2,906
Other Current Liabilities	-	-	-	-	-
Total Current Liabilities	**$ 2,607**	**$ 2,686**	**$ 2,753**	**$ 2,835**	**$ 2,906**
Long-term Liabilities					
Post-employment Benefits	$ 1,070	$ 1,100	$ 1,133	$ 1,167	$ 1,202
Total Long-term Liabilities	1,070	1,100	1,133	1,167	1,202
Total Liabilities	3,677	3,786	3,886	4,002	4,108
Total Equity	70,226	74,231	79,012	83,363	87,821
Total Liabilities & Equity	**$ 73,903**	**$ 78,017**	**$ 82,898**	**$ 87,365**	**$ 91,929**

NewCo
Cash Flows - Plan
For The Period Ended December 31

($000s)	2009	2010	2011	2012	2013
Cash Beginning of the period	$ -	$ 3,564	$ 7,684	$ 4,854	$ 7,008
Net Income	4,038	4,005	4,781	4,351	4,457
Depreciation	5,225	5,105	4,099	5,162	5,342
Working Capital Changes and Other	61	110	30	28	14
Capital Expenditures	5,760	5,100	11,740	7,387	5,329
Cash End of the perod	**$ 3,564**	**$ 7,684**	**$ 4,854**	**$ 7,008**	**$ 11,492**

New THESL
Income Statement - Plan
For The Period Ended December 31

$000s	2010
Total Revenue	$ 2,559,495
Total Cost of Sales and Administration	2,222,319
EBITDA	337,176
Total Depreciation	172,108
Financing	64,340
Taxes provision	23,449
Net income	**$ 77,279**

New THESL
Balance Sheet - Plan
As at December 31

$000s	2010
Current Assets	
Cash & Equivalents	$ 4,682
Accounts Receivable, net of allowance	406,619
Other Current Assets	11,734
Total Current Assets	$ 423,035
Long-term Assets	
Net Capital Assets	$ 2,257,420
Future Income Taxes	291,114
Regulatory Assets	83,025
Other	7,562
Deferred Charges- Generation	
Total Long-term Assets	$ 2,639,121
Total Assets	**$ 3,062,156**
Current Liabilities	
Accounts Payable and Accrued Liabilities	$ 217,496
Other Current Liabilities	20,243
Total Current Liabilities	$ 237,739
Long-term Liabilities	
Post-employment Benefits	$ 164,574
LT Debt	1,355,679
Regulatory Liabilities	324,728
Others	36,860
Total Long-term Liabilities	$ 1,881,841
Total Liabilities	2,119,580
Total Equity	942,576
Total Liabilities & Equity	**$ 3,062,156**

New THESL
Cash Flows - Plan
For The Period Ended December 31

$000s	2010
Cash Beginning of the period	$ 68,213
Net Income	77,279
Depreciation	172,108
Working Capital Changes and Others	(34,896)
Capital Expenditures	(427,847)
Change in Regulatory Assets and Liabilities	(23,944)
Change in Financing Activities	173,769
Cash End of the perod	**$ 4,682**

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 4:

Reference(s): Tab 3, NewCo and THESL's Application for Leave to Amalgamate, Section 1.6.8, page 12

a) Would NewTHESL continue to bill the Streetlighting class on the basis of "$ / connection" and "$ / kVA" only, and if so, please provide an estimate of how much those rates and charges would increase?

b) Alternatively, would NewTHESL include additional monthly charges and/or obtain lump-sum payments from the Streetlighting customer(s) to recover the additional cost, and if so how would those rates and/or payments be established?

RESPONSE:

a) Upon amalgamation, NewTHESL has no immediate plans to change the basis of billing to any rate classes, including the Unmetered Scattered Load and Streetlighting classes. All costs and offsetting revenues will be directly allocated to these two classes. It is estimated that the revenue requirement for these two classes combined will increase by approximately 2%. As indicated in evidence, other rate classes will not be impacted.

b) The Service Agreement with the City includes charges for streetlighting services. These revenues are used to offset the revenue requirement associated with the transfer of costs and assets. THESL anticipates applying for a streetlight service rate in a future rate filing.

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 7:

Reference(s): Tab 6, Affidavit of B. LaPianta, paragraph 14, page 5

Does the information in this paragraph indicate that the streetlighting system is now providing service to some unmetered scattered load customers (i.e., the bullets in the list other than the first one)? If that is the case and the streetlighting system and the distribution system were combined, would additional costs be allocated to the unmetered scattered load customers compared to the status quo? If so, approximately how much additional cost would be allocated to the unmetered scattered load customers?

RESPONSE:

As described in evidence, the actual connections vary. THESL has proposed a direct allocation of costs and revenues to the Streetlighting and Unmetered Scattered Load classes. It is currently estimated that the revenue requirement impact to the Unmetered Scattered Load class will be less than $20,000.

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 10:

Reference(s): Tab 17, NewTHESL 2010 Pro Forma Financial Statements

a) For ease of reference, please provide for the record of this proceeding a copy of the 2010 pro forma financial statements in THESL's distribution rate application EB-2009-0139/ Exhibit B1/ Tab 7/ Schedule 1.

b) Please provide an overview of the financial outlook of THESL (i.e., if it were to operate as a stand alone utility) compared to the outlook after the proposed amalgamation with NewCo.

c) Please provide an explanation of why the stand-alone utility is forecast to have net income of $73.3 million in 2010 whereas the amalgamated entity is forecast to have net income of $67.8 million.

RESPONSE:

a) A copy of the pro forma financial statements in THESL's distribution rate application EB-2009-0139 is hereto attached as Appendix A.

b) The financial outlook of THESL operated as a stand alone entity is not materially different than the financial outlook of THESL after the amalgamation. The amalgamation is not expected to have a material impact on THESL's financial position. The proposed changes are expected to increase net income by approximately $4.0M (5%) and rate base by approximately $68M (3.4%).

c) The net income of $67.8M of the amalgamated entity shown in the present application should be corrected to reflect the final net income of THESL as shown in

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

EB-2009-0139/ Exhibit B1/ Tab 7/ Schedule 1. Accordingly, the revised net income of the amalgamated entity should be $77.3M. The correction relates to the final calculation of the THESL net income following the preparation of the final 2010 EDR application in August 2009 and the revision to the NewCo pro forma.

Pro Forma

	Col. 1	Col. 2	Col. 3
1	**BALANCE SHEET**		
2	**[in thousands of dollars]**		
3			
4		**Bridge**	**Test**
5	**As at December 31**	**2009**	**2010**
6		**$**	**$**
7	**ASSETS**		
8	**Current**		
9	Cash and cash equivalents (bank indebtedness)	64,649	(3,002)
10	Accounts receivable, net of allowance for doubtful accounts	165,505	150,072
11	Unbilled revenue	253,242	253,653
12	Payment in lieu of corporate taxes receivable	484	2,675
13	Inventories	5,896	5,878
14	Prepaid expenses	3,171	3,181
15	**Total current assets**	492,947	412,457
16	Property, plant and equipment, net	1,866,441	2,109,404
17	Intangible assets, net	67,797	80,577
18	Regulatory assets	76,985	83,025
19	Future income tax assets	291,114	291,114
20	Other assets	7,623	7,562
21	**Total assets**	2,802,907	2,984,139
22			
23	**LIABILITIES AND SHAREHOLDER'S EQUITY**		
24	**Current**		
25	Accounts payable and accrued liabilities	268,915	214,810
26	Current portion of other liabilities	17,506	18,643
27	Deferred revenue	1,264	1,600
28	Current portion of promissory note payable to related party	-	245,058
29	**Total current liabilities**	287,685	480,111
30			
31	**Long-term liabilities**		
32	Long-term note payable to related party	666,438	865,553
33	Long-term promissory note payable to related party	490,115	245,058
34	Post-employment benefits	156,663	163,474
35	Regulatory liabilities	342,632	324,728
36	Other liabilities	1,501	558
37	Asset retirement obligations	5,524	4,381
39	Customers' advance deposits	32,278	31,931
40	**Total long-term liabilities**	1,695,151	1,635,683
41	**Total liabilities**	1,982,836	2,115,794
42			
43	**Shareholder's equity**		
44	Share capital	527,817	527,817
45	Retained earnings	279,497	327,771
46	Contributed surplus	12,757	12,757
47	**Total shareholder's equity**	820,071	868,345
48	**Total liabilities and shareholder's equity**	2,802,907	2,984,139

Pro Forma

	Col. 1	Col. 2	Col. 3
1	**STATEMENT OF INCOME**		
2	**[in thousands of dollars]**		
3			
4		**Bridge**	**Test**
5	**Year ended December 31**	**2009**	**2010**
6		**$**	**$**
7			
8	**Revenues**		
9	Sale of electricity	2,401,453	2,523,667
10	Other income	19,860	18,741
11		2,421,313	2,542,408
12			
13	**Costs**		
14	Purchased power	1,914,679	1,994,917
15	Operating expenses	195,096	221,442
16	Depreciation and amortization	158,402	167,003
17		2,268,177	2,383,362
18			
19	**Income before interest, other and provision for payments in lieu of corporate taxes**	153,136	159,046
20	Interest income	1,024	3,665
21	Interest expense	(63,819)	(68,005)
25			
26	**Income before provision for payments in lieu of corporate taxes**	90,341	94,706
29	Provision for payments in lieu of corporate taxes	22,913	21,432
31	**Net income**	67,428	73,274

Pro Forma

	Col. 1	Col. 2	Col. 3
1	**STATEMENT OF CASH FLOWS**		
2	**[in thousands of dollars]**		
3			
4		**Bridge**	**Test**
5	**Year ended December 31**	**2009**	**2010**
6		**$**	**$**
7			
8	**OPERATING ACTIVITIES**		
9	Net income	67,428	73,274
10	Adjustments for non-cash items		
11	Depreciation and amortization	158,402	167,003
12	Net change in other assets and liabilities	(1,456)	(2,024)
13	Post-employment benefits	10,516	6,811
14	Gains on disposals of property, plant and equipment	(512)	-
16	Changes in non-cash working capital balances		
17	Decrease (increase) in accounts receivable	(15,962)	13,242
18	Decrease (increase) in unbilled revenue	8,494	(411)
19	Decrease (increase) in inventories	(827)	18
20	Increase in prepaid expenses	(860)	(10)
21	Decrease in accounts payable and accrued liabilities	(14,410)	(54,105)
22	Increase (decrease) in deferred revenue	(399)	336
23	Increase in current portion of other liabilities	124	1,137
24	**Net cash provided by operating activities**	210,538	205,271
25			
26	**INVESTING ACTIVITIES**		
27	Purchase of property, plant and equipment	(218,838)	(389,109)
28	Purchase of intangible assets	(20,707)	(33,638)
29	Net change in regulatory assets and liabilities	(82,770)	(23,944)
30	Proceeds on disposal of property, plant and equipment	528	-
32	**Net cash used in investing activities**	(321,787)	(446,691)
33			
34	**FINANCING ACTIVITIES**		
35	Increase (decrease) in long-term note payable to related party	244,150	-
36	Increase (decrease) in promissory note payable to related party	(245,058)	199,116
37	Increase (decrease) in customers' advance deposits	1,995	(347)
39	Dividends paid	(25,000)	(25,000)
40	**Net cash (used in) provided by financing activities**	(23,913)	173,769
41			
42	**Net increase (decrease) in cash and cash equivalents during the year**	(135,162)	(67,651)
43			
44	Cash and cash equivalents, beginning of year	199,811	64,649
45			
46	**Cash and cash equivalents (bank indebtedness), end of year**	64,649	(3,002)

Pro Forma

	Col. 1	Col. 2	Col. 3
1	**STATEMENT OF RETAINED EARNINGS**		
2	**[in thousands of dollars]**		
3			
4		**Bridge**	**Test**
5	**Year ended December 31**	**2009**	**2010**
6		**$**	**$**
7			
8	**Retained earnings, beginning of year**	237,069	279,497
9	Net income	67,428	73,274
11	Dividends	(25,000)	(25,000)
12	**Retained earnings, end of year**	279,497	327,771

RESPONSES TO VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES

INTERROGATORY 1:

Reference(s): Cover Letter and Transaction Diagram

a) As an alternative to the transfer of SEL assets from THESI and Integration of assets and operations with Distribution assets and operations, why could THC/THESL not seek permission of the OEB to operate a non-utility business (SEL) under a Service Agreement with the City or THESI. Explain in detail why this would not achieve the same/similar purpose.

b) Provide *segregated* Pro forma statements for the Streetlighting and Expressway Lighting Business for 2008 and projected (8 and 4) 2009.

c) Provide estimates of the Return on Capital Deployed and the Return on shareholders' equity for the SEL business for 2008 and projected 2009.

RESPONSE:

a) As an alternative to the proposed transaction, VECC suggests that THESL could operate the Streetlighting System as a "non-utility business" somewhat akin to the water billing services provided by numerous LDCs in Ontario. THESL questions whether the alternative proposed by VECC is feasible under the current regulatory framework in Ontario. Specifically, Section 71(1) of the *Ontario Energy Board Act, 1998* provides:

> Subject to subsection 70 (9) and subsection (2) of this section, a transmitter or distributor shall not, except through one or more affiliates, carry on any business activity other than transmitting or distributing electricity.

RESPONSES TO VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES

Currently, distributors may engage in water billing services as a non-utility business, but only to the extent that this activity is allowed under Section 5 of O.Reg. 161/99. Several other exemptions to the general restriction on business activities exist under the Act and related regulations. However, we are not aware of any exemptions from the general rule in Section 71 that would equip the Board with power necessary to authorize THESL to operate a non-utility business in respect of the streetlighting system.

Notwithstanding the foregoing, there are two further reasons why VECC's proposed alternative arrangement would not achieve the desired purposes.

First, it is the applicants' position that the Streetlighting System is properly characterized as a distribution system, particularly in light of the evidence provided elsewhere in the applications (See the response to Board Staff IR#1 found at Section F, Tab 18, Schedule 1.). THESI is not licensed to own or operate a distribution system. Further, it would be impractical for THESI to obtain a distribution system licence, which would make THESI subject to Section 71 restrictions and thus force THESI to divest its existing energy services, generation and related competitive business activities. Even if this approach were adopted, THESI would then have to apply for rate recovery on its distribution assets and THESL and THESI would then have to comply with their respective obligations under ARC under a Services Arrangement. It is a simpler and practical strategy to consolidate all of the distribution system assets in the City of Toronto into a single licensed distributor, namely NewTHESL. Further, through the use of cost allocation methods the costs of the Streetlighting System can be properly be included within the THESL distribution

RESPONSES TO VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES

rates charged to that class of customers those assets are used to serve.

Second, as illustrated in the Affidavits of J.S. Couillard and Ben LaPianta, for more than 80 years, the Streetlighting System was designed and installed as part of an integrated distribution system for the City of Toronto, with no provision being made for definitive demarcation points to effectively separate THESL distribution assets from the Streetlighting System. As detailed in NewCo's Application for an Electricity Distribution Licence at Tab 2, Section 19, reuniting the Streetlighting System with the distribution system in NewTHESL will address several adequacy, reliability, quality of service and safety concerns that arose because of the status-quo. Several of the improvements which could be accomplished through reuniting the Streetlighting assets into NewTHESL could not be achieved if the assets continued to be distinct. For example, the VECC alternative does not eliminate existing coordination and connection issues arising from the fact that numerous THESL customers are being serviced and connected through the THESI Streetlighting System.

b) The 2008 segregated financial statements are presented in Tables 1 and 2 below. The revised 2009 ProForma financial statements are filed as an update to Section E, Tab 16 in the Application.

RESPONSES TO VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES

Table 1: Income Statement for the Period Ended December 31, 2008 ($ millions)

Revenue	$17.8M
Cost of sales and Administration	$5.9M
EBITDA	$12.0M
Depreciation	$5.1M
Taxes	$2.3M
Net Income	$4.6M

Table 2: Balance Sheet for the Period Ended December 31, 2008 ($ millions)

Assets	
Cash	0
Receivables	$1.9M
Fixed Assets	$66.7M
Total Assets	$68.6M
Liabilities	
Payables	$1.4M
POEB	$1.0M
Total Liabilities	$2.4M
Equity	$66.2M
Total Liabilities and Equity	$68.6M

c) Because Toronto Hydro Corporation chose to structure the streetlighting business on an all-equity basis, the corresponding ROE for the streetlighting business is not directly comparable to the ROE for a regulated utility such as THESL which has an ROE that stems from its 60% debt to 40% equity capital structure. Nevertheless,

RESPONSES TO VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES

return on equity ratios have been calculated for 2008 and for 2009 on a pro forma basis.

Table 3: Pro Forma ROE Ratios

	2008	2009
Net Income ($000s)	$4,600	$4,038
Equity ($000s)	$66,200	$70,226
ROE	6.95%	5.75%

A table showing pro forma return on invested capital ("ROIC") ratios, which is the industry standard financial metric for determining the return on capital deployed, is shown below. This ratio is typically calculated as Earnings before Interest and Taxes less "cash taxes", all divided by Net Capital Assets. The paucity of data for the streetlighting business has necessitated calculating a close proxy for this ratio as Net Income divided by Net Capital Assets.

Table 4: Pro Forma ROIC Ratios

	2008	2009
Net Income ($000s)	4,600	4,380
Net Capital Assets ($000s)	66,700	67,444
Return on Invested Capital	6.90%	6.49%

RESPONSES TO VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES

INTERROGATORY 9:

Reference(s): Tab E Tab 15 Financial Documents

a) For THC and or THESL provide copies of the latest Bond rating agency report(s) and in particular, the latest pro forma 5-year outlook for THC and THESL.
b) If not included in the above, provide a 5 year pro forma Income, Balance sheet and Cash Flow projection for THESL in the same format as the Newco Business Plan.
c) Compare the stand alone pro formas for THESL and Newco on a line by line basis and provide comprehensive notes.
d) Provide any correspondence with the Bond/debt rating agencies regarding the proposed transfer of SEL assets and amalgamation.
e) Provide an assessment of how THESL/Newco's Business Risk may change as a result of the transfer/amalgamation.
f) Provide a 5 year projection of capital and borrowing for THESL distribution business.
g) Provide a 5 year projection of the capital and borrowing for THESL if SEL is included

RESPONSE:

a) The latest credit rating report on Toronto Hydro Corporation from DBRS is attached as Appendix A. Standard and Poors does not permit their ratings reports to be disseminated to third parties. Ratings reports are only produced for Toronto Hydro Corporation. The latest five-year business outlook for THC and THESL contains commercially sensitive information, and hence is not included here.

RESPONSES TO VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES

b) The inclusion of the street lighting business into THESL's operations is not expected to materially impact the financial profile of THESL. THESL has not updated its five-year pro forma financial statements to reflect the addition of the streetlighting activities. However, as described in response to OEB 10 b), the proposed changes are /C
expected to increase net income by approximately $4.0M (5%) and rate base by /C
approximately $68M (3.4%). /C

c) See b) above.

d) To date, there has been no formal correspondence with the credit rating agencies. The transaction has been mentioned in (unrecorded) telephone conversations with at least one of the agencies, but only as part of an overall discussion about the company.

e) The inclusion of streetlighting into THESL is not expected to change the overall risk profile of "Newco" in any material fashion. This is because the streetlighting business is fundamentally a distribution business, and the inherent risks are the same as or very similar to risks that currently exist in THESL. For example, a key risk driver in THESL is the impact that aging infrastructure has on asset integrity. This risk driver is common to both the streetlighting business and THESL's overall distribution business.

f) A five-year projection of borrowing is not being provided here as THESL does not consider it relevant to this proceeding. In any case, THESL's overall level of debt is not forecast to change with the inclusion of streetlighting and the resulting "Newco".

RESPONSES TO VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES

g) No change to THESL's long-term debt is projected with the inclusion of SEL. Should the streetlighting merger be approved, THESL may need to update its capital budget. However, at this time, no net new borrowing is anticipated from the inclusion of SEL.

RESPONSES TO THE ELECTRICAL CONTRACTORS ASSOCIATION OF ONTARIO AND THE GREATER TORONTO ELECTRICAL CONTRACTORS ASSOCIATION INTERROGATORIES

INTERROGATORY 5:

Reference: Application for a Distribution Licence (EB-2009-0180), pages 22 and 23.

The evidence addresses distribution rate impacts of the proposed transactions.

a) Is it proposed that the capital cost of the poles and street lights be included in rate base and earn a return?

b) If so:

   i. Please estimate the 2010 and 2011 revenue requirement impacts of this addition to rate base.

   ii. Please estimate the 2010 and 2011 offsetting revenue requirement adjustment resulting from revenues under the service agreement with the City of Toronto.

c) Is it proposed that the charges for the provision of lighting services (as distinct from the physical distribution of electricity) to the City of Toronto be subject to regulation? If so, please describe, and provide an estimate of, the new rates/charges for the provision of street lighting services that the Board would be asked to approve for each of 2010 and 2011.

RESPONSE:

a) That is correct.

b) THESL proposes to allocate all costs and offsetting revenues directly to the Streetlighting and Unmetered Scattered Load classes. The estimated impact on revenue requirement in 2010 is about a $350,000 increase, and in 2011 is a $175,000

RESPONSES TO THE ELECTRICAL CONTRACTORS ASSOCIATION OF ONTARIO AND THE GREATER TORONTO ELECTRICAL CONTRACTORS ASSOCIATION INTERROGATORIES

decrease.

c) THESL proposes that lighting services will continue to be covered by the existing Service Agreement which will be assumed by NewTHESL, until the Board establishes new rates for Streetlighting Services, which THESL intends to propose in its 2011 cost of service rates application.

RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES

INTERROGATORY 2:

Reference(s): Corporate and Regulatory Steps

Under both the existing and proposed ownership model, the City of Toronto is the sole shareholder of the company that owns/will own the streetlighting asset.

a) Please confirm the above is correct.

b) Please state what rate of return, if any, the City of Toronto currently receives on the streetlighting assets;

c) Please provide a schedule showing the total cost to NewTHESL of owning and operating the streelighting system (total cost of capital; depreciation; operations and maintenance including insurance costs, and taxes) in the first year.

d) The OEB's decision in EB-2007-0680 set the revenue to cost ratio for the streetlighting rate class (for the 2008 and 2009 test years) at 40%. Assuming no change in rates and an increase in costs to NewTHESL as described in (c) above, what would the resulting revenue to cost ratio be?

e) Please state whether the cost of owning and operating the streetlighting assets, in the event they are transferred to THESL, will be fully allocated to the streetlighting customers, with the result that those customers will see an increase in their distribution rates.

f) Please confirm also that none of the costs referred to in (c) above that are associated with NewTHESL's owning and operating the streetlighting system will be paid for by any customers other than streetlighting customers.

g) Given that the revenue to cost ratio for the streetlighting assets is already well below unity, how can NewTHESL ensure that other rate classes will not absorb some of the increased costs related to NewTHESL's ownership and operation of the streetlighting

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assets?

RESPONSE:

a) Correct.

b) The City of Toronto does not receive a rate of return on the streetlighting assets.

c) The following table shows the forecast cost and revenues for 2010.

Table 1: 2010 Forecast Cost and Revenues ($ millions)

OPEX	5,960
Depreciation	5,105
Rate Base	68,276
Return on Rate Base	4,363
Taxes (PILs)	2,017
Revenue Offset	17,087

d) If approval is granted, all streetlighting costs and revenues will be directly allocated to the Streetlighting and Unmetered Scattered Load classes. THESL intends to meet the Board's Cost Allocation guidelines and therefore anticipates that the revenue-to-cost ratios for the Streetlighting class will be within those guidelines.

e) If approval is granted, all streetlighting costs and revenues will be directly allocated to the Streetlighting and Unmetered Scattered Load classes. The estimated impact on revenue requirement in 2010 for the combined classes is about $350,000.

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f) THESL's evidence indicates that rate classes other than Streetlighting and Unmetered Scattered Load will not be impacted.

g) Please see response to d) above.

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INTERROGATORY 2:

Reference(s): EB-2007-0680 Decision dated May 15, 2008, pages 63-64

The table below summarizes the Board's Decision on THESL's proposed Revenue:Cost ratios for its Street Expressway Lighting and Unmetered Scattered Load customer classes.

	2006 CAR-IF	Proposed	OEB range	OEB Decision
Street Expressway Lighting	10.7%	25.1%	70-120	40%
Unmetered Scattered Load	44.3%	48.2%	80-120	62%
Source	p63	p 63		p 64

a) Please confirm that the data summarized in the table is correct.

b) Please quantify THESL's proposed Street Expressway Lighting and Unmetered Scattered Load distribution rates for 2009 and 2010 that moves to the minimum Board required Revenue:Cost ratio by 25% in each year, so that the associated Revenue:Cost ratio is 70% by 2011; please provide all calculations and state all assumptions and supporting facts.

c) Please identify all adjustments and changes to the costs of the Cost Allocation Review Informational Filing ("2006 CAR-IF") to restate Street Expressway Lighting and Unmetered Scattered Load costs to include the costs to overcome Contact Voltage in THESL's licensed service area as supported by the findings of the Contact Voltage Review and any other applicable analyses. Please re-estimate the 2006 CAR-IF Revenue:Cost ratios for Street Expressway Lighting and Unmetered Scattered Load customer classes to incorporate those adjustments. Please re-estimate THESL's 2008 Street Expressway Lighting and Unmetered Scattered Load

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distribution rates that overcome 50% of the difference between the computed Revenue:Cost ratio and the minimum OEB required Revenue:Cost ratio. Please estimate THESL's 2009 and 2010 Street Expressway Lighting and Unmetered Scattered Load distribution rates that overcome the remaining 50% difference.

RESPONSE:

a) Confirmed.

b) THESL's 2009 Streetlighting rates have been approved and are based on an approved revenue to cost ratio of 51.4% (EB-2009-0069). THESL has applied in its 2010 rate application (EB-2009-0139) for Streetlighting rates which are based on revenue to cost ratio of 70% to meet the Board's guidelines on revenue to cost ratios.

c) This question, which deals with Contact Voltage, is not relevant to this application. Information on the rate impacts resulting from the request for costs associated with Contact Voltage can be found in Exhibit 1 of that application.

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INTERROGATORY 4:

Reference(s): none

Assuming the applications are approved, please estimate the following for the years 2009-2013:

a) The estimated amounts payable by the City of Toronto to THESL for Street Expressway Lighting and Unmetered Scattered Load services and activities; and

b) The Revenue:Cost ratio of the distribution rates charged by THESL in each year resulting in such amounts payable.

Please state all assumptions, all supporting facts and provide all working papers.

RESPONSE:

a) 2009 Distribution rates have been approved by the Board. Based on forecasted loads revenue from the Streetlighting class will be approximately $8 million.

Based on proposed 2010 distribution rates and loads, revenue from the Streetlighting class is expected to be approximately $12.3 million. If the proposed amalgamation is approved, this amount would increase by approximately $0.35 million.

Estimates for 2011-2013 are not available.

b) The approved Revenue-to-Cost ratio for 2009 was 51.4%. The proposed ratio for 2010 is 70%. Ratios for 2011-2013 are not available.