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INTERROGATORY 1:

Reference(s): **Exhibit D1**
Exhibit F1
Exhibit F2

The provincial government has announced plans to harmonize the provincial retail sales tax (RST) with the goods and services tax (GST) effective July 1, 2010 to create harmonized sales tax (HST). Based on the proposed elimination of the RST effective July 1, 2010:

a) Please confirm that THESL has not made any adjustments to the OM&A forecasts shown in Exhibits F1 & F2 to reflect the elimination of the 8% provincial sales tax.
b) Please provide the estimated costs of the provincial sales tax included in the OM&A forecast for 2010.
c) Please provide an estimate of the amount of provincial sales tax paid by THESL in each of 2006, 2007, 2008 and 2009 on OM&A expenses.
d) Is there any reduction in compliance costs that will result from the reduction in the administrative burden on THESL to comply with two separate sets of tax rules?
e) Please confirm that THESL has not made any adjustments to the capital expenditure forecasts shown in Exhibit D1 to reflect the elimination of the 8% provincial sales tax.
f) Please provide the estimated costs of the provincial sales tax included in the capital expenditures included in rate base forecast for 2010.
g) Please provide an estimate of the amount of provincial sales tax paid by THESL on capital expenditures included in rate base in each of 2006, 2007, 2008 and 2009.
h) If THESL is unable to quantify the impact of the removal of the provincial sales tax,

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is THESL agreeable to the creation of a deferral account into which the resulting savings would be placed and rebated to customers in the future? If not, why not?

RESPONSE:

a) THESL has not made any adjustments to the OM&A forecasts shown in Exhibits F1 and F2 to reflect the elimination of the RST effective July 1, 2010.

b) THESL is unable to accurately estimate using reasonable effort within the timelines provided the provincial sales tax included in OM&A expenditures forecasted for 2010.

c) THESL is unable to accurately estimate using reasonable effort within the timelines provided the provincial sales tax paid in each of 2006, 2007, 2008, and 2009 on OM&A expenses.

d) THESL is currently unable to estimate the potential reduction in compliance costs that will result from the reduction in the administrative burden in complying with two separate sets of tax rules. THESL expects that the potential reductions in costs will be offset by the requirement of administering restrictions on the new HST as well as inflationary price increases charged by its suppliers.

e) THESL confirms that it has not made any adjustments to the capital expenditure forecasts shown in Exhibit D1 to reflect the elimination of the 8% provincial sales tax.

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f) THESL is unable to accurately estimate using reasonable effort within the timelines provided the provincial sales tax included in capital expenditures forecasted for 2010.

g) THESL is unable to accurately estimate using reasonable effort within the timelines provided the provincial sales tax paid in each of 2006, 2007, 2008, and 2009 for capital expenditures.

h) In principle THESL accepts the use of deferral accounts to protect both consumers and utilities in cases of changes to external items such as tax rates. However, while in other cases such as changes in income tax rates the effects are readily determinable, the cost impact on THESL of the switch from PST to HST is unknown at this time and may never be accurately determined. The cost impact will consist of the (effective) removal of an 8% tax component on both capital goods and other operating supplies and services, offset by the fact that depending on market conditions for each of those goods and services, prices will increase as suppliers fail to pass through the full tax reduction in prices. Information on the degree to which prices fail to reflect the full tax change will necessarily be speculative and in all probability could not form the basis for accounting entries. Therefore THESL does not accept that accurate entries could be made in such a deferral account if it were established.

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INTERROGATORY 2:

Reference(s): **Exhibit C1, Tab 4, Schedule 2 & Appendix A**

Please update Table 1 to reflect the most recent Metropolitan Outlook from the Conference Board of Canada and provide a copy of the most recent report.

RESPONSE:

Please refer to Board Staff Interrogatory #4 at Exhibit R1, Tab 1, Schedule 4.

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INTERROGATORY 3:

Reference(s): Exhibit A1, Tab 1, Schedule 1, page 1

What is the expected impact on the non-street lighting rate classes assuming Toronto Hydro receives approval of the Streetlighting Applications?

RESPONSE:

The evidence filed in EB-2009-0180 indicates that only the Unmetered Scattered Load and Streetlighting classes are expected to see any impact if the proposed Streetlighting application is approved.

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INTERROGATORY 4:

Reference(s): **Exhibit A1, Tab 3, Schedule**
Exhibit P1, Tab 1, Schedule 2

a) Please explain why the net revenue deficiency is larger than the gross revenue deficiency in Table 1 of Exhibit A1, Tab 3, Schedule 1.

b) Please reconcile the net revenue deficiency of $69 million shown in Table 1 of Exhibit A1, Tab 3, Schedule 1 with the revenue deficiency of $35.4 million shown at line 21 of the Revenue Requirement Work Form shown on page 7 of Exhibit P1, Tab 1, Schedule 2.

RESPONSE:

a) The calculations for Net Revenue Deficiency in the referenced exhibit were incorrect. A corrected version of this schedule has been filed.

b) Please see (a) above.

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INTERROGATORY 5:

Reference(s): Exhibit D1, Tab 8, Schedule 7, page 3

a) What is the estimated impact on distribution revenues of the 5,400 individual suite meter installations? Please provide the estimated revenue, showing all assumptions and calculations, associated with these 5,400 individual customers. Please also show the estimated revenue, along with all assumptions and calculations, for the current bulk metered accounts.

b) How has this shift from bulk metered accounts to individual suite meter installations been taken into account in the revenue forecast?

RESPONSE:

a) Not all of the 5400 meter installations will become customers, and hence generate revenue, for the full year. Assuming 3600 of these become customers, and assuming a monthly load of 450kWh, at the proposed 2010 residential rates these customers will generate approximately $90,000 per month.

Assuming these customers remain on bulk meters, and assuming 175 units per building, at the proposed 2010 GS1-5MW rates the revenue generated would be approximately $34,000 per month.

Note that these two amounts are not strictly comparable. The 2010 proposed rates are based on a forecast of loads and customer by class which assumes the suite meters. If instead the bulk meters remain in place, the class load and customer forecasts would be different, the proposed rates would be different, and the revenue estimates shown

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above would be different. Under either scenario, the total revenue recovered through rates remains the same (i.e., revenue requirement is unchanged).

b) The load and customer forecast provided in Exhibits K1 incorporate the forecasted suite meters, as is described at Exhibit K1, Tab 1, Schedule 1, page 10.

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INTERROGATORY 6:

Reference(s): Exhibit A1, Tab 1, Schedule 1, page 17

Are the load growth figures provided based on changes in weather normalized volumes or based on actual volumes? If the latter, please provide the changes based on weather normalized volumes.

RESPONSE:

The load growth figures provided on the page 17, Exhibit A1, Tab 1, Schedule 1, are weather-normalized and correspond to numbers presented in Table 1, Exhibit K1, Tab 1, Schedule 1, page 1.

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INTERROGATORY 7:

Reference(s): Exhibit K1, Tab 1, Schedule 1, Table 4

a) Please update the 2009 actual figure to reflect the most recent actual information available. Please indicate how many actual months of actual loads are included in the 2009 figure.

b) Please provide a version of Table 4 that shows the normalized GWh for 2008 and 2009, with the normalization based on the normal degree day forecast used to generate the Board approved figures.

RESPONSE:

a) The following response is given under the assumption that Interrgotory #7 is referencing Exhibit KI, Tab 1, Schedule 1, Table 3 (as opposed to Table 4).

Table 3 in Exhibit KI, Tab 1, Schedule 1 contains actual 2009 GWh (25,933.5) number based on four months of actuals (January 2009 to April 2009) and eight months of forecasted values.

Updated 2009 actual GWh based on ten months of actual (January 2009 to October 2009) and two months of the filed forecast amounts to 25,316.2 GWh (2.4% lower than originally filed). Updated variance between 2009 actual and 2009 Board-approved is “-2.4%” (as opposed to “- 1.8%”).

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b)

Table 3: Board-Approved vs. Weather-Normalized Purchased Energy Forecast

Year	Board-Approved GWh	Weather - Normalized GWh	Variance (%)
2008	26,445.8	26,248.0	(0.7%)
2009 (4 months of normalized actuals and 8 months of forecast)	26,419.6	25,874.3	(2.1%)
2009 (updated to reflect the most recent actual data: 10 months of normalized actuals and 2 months of the filed forecast)	26,419.6	25,788.2	(2.4%)

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INTERROGATORY 8:

Reference(s): **Exhibit K1, Tab 1, Schedule 1, page 4**
Exhibit K1, Tab 3, Schedule 2, Table 1

The evidence at page 4 of Exhibit K1, Tab 1, Schedule 1 indicates that previously THESL forecasted system load at an aggregate level and then allocated loads to each rate class based on historical load shares.

Please provide a table for the 2010 test year forecast of kWh and kVA in the same level of detail as that shown in Table 1 of Exhibit Kl, Tab 3, Schedule 2 based on the proposed methodology and the previously approved Board methodology, along with the variance between the two approaches. Please use the current forecast assumptions using both methodologies. For example, use the HDD with the proposed balancing point in the estimation of the equation for the previously used methodology.

RESPONSE:

The following table represents the estimation results of model used in the previous application (with HDD replaced with HDD10; actual values from July 2002 to April 2009 as in the filed models).

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Table 8-1: Board-approved regression model estimation

Variables	Coefficient	Probabilities
CDD18	3,077,284	0.0000
HDD10	750,485	0.0000
Toronto GDP	172	0.4622
Peak Hours %	5,604,224	0.0035
Square days in the month	980,226	0.0000
Spring/Fall Dummy	- 8,213,085	0.3089
Blackout Dummy	- 154,461,938	0.0000
Intercept	878,714,818	0.0000
R^2 Adjusted		97.3%
2010 Test Year Total Purchased Energy		**26,274,352,464**

As Table 8-1 shows, two explanatory variables out of seven are insignificant (GDP and Spring/Fall Dummy). Despite of high R^2-Adjusted value, this model was considered non-appropriate for load forecasting purposes.

THESL made a decision to change its forecasting methodology because the previously used methodology and regression specification were not performing well given recent

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tendencies in loads and influencing factors. The table above clearly illustrates it.

Although THESL does not see any rationale to produce a load forecast based on the model which contains insignificant variables, class allocation according to 2008-2009 EDR methodology is provided below as requested.

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Table 8-2: 2010 test year allocated class loads (2008-2009 EDR methodology vs filed methodology)

Customer Class		Filed 2010 Test Year	Requested Modification 2010 Test Year	Variance
Residential	kWh	5,081,028,663	5,238,537,870	157,509,207
	kVA	n/a	n/a	n/a
GS<50	kWh	2,229,476,310	2,384,275,631	154,799,320
	kVA	n/a	n/a	n/a
GS 50-999 kW	kWh	10,134,340,212	9,891,237,008	- 243,103,204
	kVA	26,511,577	25,877,412	- 634,165
GS 1-5 MW	kWh	4,880,642,723	5,100,779,392	220,136,669
	kVA	11,142,188	11,647,185	504,996
Large Use	kWh	2,378,122,313	2,593,784,991	215,662,678
	kVA	4,974,405	5,425,194	450,790
Street Lighting	kWh	109,298,944	108,853,902	- 445,043
	kVA	321,183	319,875	- 1,308
Unmetered Scattered Load	kWh	52,413,320	52,013,667	- 399,653
	kVA	n/a	n/a	n/a
Total	**kWh**	**24,865,322,485**	**25,369,482,460**	**504,159,974**
	kVA	**42,949,353**	**43,269,666**	**320,313**

Notes
1. Loads are after losses

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INTERROGATORY 9:

Reference(s): Exhibit K1, Tab 1, Schedule 1, page 4

a) The evidence indicates that the dependent variable is kWh/day. Did THESL consider using kWh/customer as the dependent variable? If not, why not?

b) How has THESL dealt with the issue that the monthly billed kWh is not the amount consumed in the month because the billed amount is based on billing cycle meter reading schedules that have reading dates that vary and generally do not coincide with month end?

RESPONSE:

a) THESL did consider using Purchased kWh per customer as the dependent variable, however, rejected this option for the current rate application.

b) Billed kWh data is pro-rated for each customer class, using billing cycles and calendar data, to estimate the consumption by month.

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INTERROGATORY 10:

Reference(s): **Exhibit K1, Tab 1, Schedule 1, page 10**
Exhibit D1, Tab 8, Schedule 7, page 3

a) Are the figures shown in Table 5 of Exhibit K1, Tab 1, Schedule 1 year-end customers? If not, please explain.

b) Please reconcile the increase in residential customers for individually metered suites shown in Table 5 of Exhibit K1, Tab 1, Schedule 1 which shows an increase in 2010 of 3,600 to the 5,400 individual suite meter installations referenced on page 3 of Exhibit D1, Tab 8, Schedule 7.

c) What is the most recent number of cumulative individually metered suites for 2009?

RESPONSE:

a) Yes, Table 5 of Exhibit K1, Tab 1, Schedule 1 represents the expected amount of new suite-metered customers cumulatively for the end of each year.

b) The number of 5,400 on the page 3 of Exhibit D1, Tab 8, Schedule 7 represents the amount of suite meters installations expected in 2010. This number differs from the number of additional residential <u>customers</u> due to the lag between meter installation and new customer activation in THESL billing system. The residential customer forecast incorporates these lags.

c) Based on the most recent data available the estimated cumulative number of individually-metered customers as of the end of October 2009 is 5,213.

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INTERROGATORY 11:

Reference(s): **Exhibit K1, Tab 1, Schedule 1, page 8**
Exhibit K1, Tab 2, Schedule 1

a) Does the Toronto population figure shown in Exhibit K1, Tab 2, Schedule 1 include actuals up to and including April, 2009? If not, what is the last month of actual data?

b) What is the source of the monthly Toronto population data?

c) If more recent actual data is available, please prove the additional actual monthly data for the population and provide a new extrapolation of the population based on the most recent information available.

d) What impact does the change in the forecasted population have on the forecast for those rate classes that use the population in the forecast?

e) What impact does the change in the forecasted population have on the revenue deficiency?

RESPONSE:

a) Yes, the latest actual Population figure available at the time when the forecast was produced was from April 2009.

b) The source of the monthly Toronto population data is Statistics Canada.

c) For the updated Population input data please refer to Appendix A of Exhibit R1, Tab 3, Schedule 11. The actuals for Population were available until and including October 2009. Population extrapolation was updated based on the new available information as requested.

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d) The combined effect of Population and Customer Numbers updated input data is presented in Table 11.1 below.

Table 11.1: Combined effect of Population and Customer numbers update on load forecast

Customer Class		Filed 2010 Test Year	Population and Customer numbers updated 2010 Test Year	Variance, kWh	Variance, %
Residential	kWh	5,081,028,663	5,072,374,348	- 8,654,314	-0.17%
GS<50	kWh	2,229,476,310	2,228,265,053	- 1,211,257	-0.05%
GS 50-999 kW	kWh	10,134,340,212	10,182,098,137	47,757,925	0.47%
GS 1-5 MW	kWh	4,880,642,723	4,853,674,320	- 26,968,403	-0.55%
Total	**kWh**	**24,865,322,485**	**24,876,246,436**	**10,923,951**	**0.04%**
Notes 1. Loads are after losses					

e) The combined impact of the revised Population and Customer Number inputs on the revenue deficiency is a reduction of about $250,000.

	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
1	Population and Customer Numbers: Updated Input Data				
2		Toronto Population	Customer Numbers		
3			GS<50	GS 50-999	GS 1000-4999
4	Jan 2009	2,220	65,700	12,147	516
5	Feb 2009	2,226	66,133	12,181	516
6	Mar 2009	2,229	66,140	12,189	514
7	Apr 2009	2,249	65,846	12,163	514
8	May 2009	2,243	65,795	12,208	515
9	Jun 2009	2,242	66,074	12,231	515
10	Jul 2009	2,236	65,854	12,287	511
11	Aug 2009	2,243	66,047	12,295	510
12	Sep 2009	2,233	66,100	12,337	510
13	Oct 2009	2,262	65,873	12,316	506
14	Nov 2009	2,241	65,865	12,342	505
15	Dec 2009	2,243	65,852	12,357	505
16	Jan 2010	2,245	65,839	12,373	506
17	Feb 2010	2,246	65,825	12,389	507
18	Mar 2010	2,248	65,812	12,405	508
19	Apr 2010	2,250	65,799	12,420	509
20	May 2010	2,252	65,785	12,436	510
21	Jun 2010	2,254	65,772	12,452	511
22	Jul 2010	2,256	65,759	12,468	512
23	Aug 2010	2,258	65,745	12,483	513
24	Sep 2010	2,259	65,732	12,499	514
25	Oct 2010	2,261	65,719	12,515	515
26	Nov 2010	2,263	65,705	12,531	516
27	Dec 2010	2,265	65,692	12,546	517

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INTERROGATORY 12:

Reference(s): **Exhibit K1, Tab 1, Schedule 1, page 8**
Exhibit Kl, Tab 2, Schedule 1

a) Do the customer number figures shown in Exhibit K1, Tab 2, Schedule 1 include actuals up to and including April, 2009? If not, what is the last month of actual data?
b) Please update the customer number figures to show the most recent information available.
c) Please provide an updated extrapolation forecast for the number of customers based on the most recent information available in (b) above.
d) What impact does the change in the forecasted population have on the forecast for those rate classes that use customer numbers in the forecast?
e) What impact does the change in the forecasted number of customers have on the revenue deficiency?

RESPONSE:

a) Customer numbers figures shown in Exhibit K1, Tab 2, Schedule 1 include actuals up to and including May, 2009.

b) Actuals for Customer numbers were updated until and including October 2009.

c) For the updated Customer numbers input data (both actual and extrapolation) please refer to Appendix A of Exhibit R1, Tab 3, Schedule 11. Customer numbers extrapolation was updated based on the new available information as requested.

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d) For the combined effect of Population and Customer Numbers updated input data please refer to Table 11.1 below of Exhibit R1, Tab 3, Schedule 11.

e) The combined impact of the revised Population and Customer Number inputs on the revenue deficiency is a reduction of about $250,000.

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INTERROGATORY 13:

Reference(s): Exhibit K1, Tab 2, Schedule 2

The following questions relate to the residential model shown on page 1 of Exhibit K1, Tab 2, Schedule 2.

a) Please confirm that using the current model, the residential kWh volume forecast is independent of the number of residential customers.

b) Did THESL try an equation that included the number of residential customers in addition to the explanatory variables shown? If not, why not? If yes, please provide the regression model statistics.

c) Please re-estimate the equation by including the residential customers as an explanatory variable, but excluding the population variable and provide the regression statistics.

d) Please re-estimate the equation by including population divided by the number of residential customers as an explanatory variable in place of the population variable and provide the regression statistics.

e) In place of the dependent variable of monthly kWh's per day, please use monthly kWh's per customer with suitably adjusted explanatory variables (i.e., HDD and CDD in place of their per day counterparts). Please also remove the population variable and include a variable that is the number of days in the month. Please provide the regression statistics.

f) In place of the dependent variable of monthly kWh's per day, please use monthly kWh's per day per customer and remove the population variable from the equation. Please provide the regression statistics.

g) Please provide a table showing the 2010 residential volume forecast that would result

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from each of the equations requested in (b) through (f) above.

h) Please provide a live Excel spreadsheet that has all of the data needed to estimate the equations in (b) through (f) above, along with the forecasted values of all the explanatory variables need to calculate the 2010 forecast.

RESPONSE:

a) The Residential regression model does not have customer numbers as an input variable, therefore, the regression outcome does not depend on the residential customer numbers. However, residential monthly volumes are adjusted for the amount of load which is expected to shift from the GS 50-1000 kW customer class to the residential class due to suite metering. In particular, monthly load shift values are calculated based on expected retrofit suite metered customers.

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b)

Dependent Variable: RES_DAY

Variable	Coefficient	Std. Error	t-Statistic	Prob.
HDD10_DAY	**280,373**	9097.640491	30.81826046	**0.0000**
CDD18_DAY	**847,872**	29104.13057	29.13	**0.0000**
POP	**7,842**	3389.972223	2.31	**0.0235**
TREND_JUL2002	**- 28,167**	13279.70514	-2.12	**0.0372**
CUST_NUMBER	**- 7**	40.53205814	-0.17	**0.8671**
BLACKOUT	**- 1,134,054**	118923.8814	-9.54	**0.0000**
C	**1,283,106**	25109883.55	0.05	**0.9594**

R-squared	**95.0%**	Mean dependent var	15,285,972
Adjusted R-squared	**94.6%**	S.D. dependent var	1,574,192
S.E. of regression	366,521	Akaike info criterion	28.5430
Sum squared resid	10,075,335,397,223	Schwarz criterion	28.7485
Log likelihood	-1,163	Hannan-Quinn criter.	28.6255
F-statistic	237	Durbin-Watson stat	1.81
Prob(F-statistic)	**0.0000**		

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c)

Dependent Variable: RES_DAY

Variable		Coefficient	Std. Error	t-Statistic	Prob.
HDD10_DAY		**275,198**	8,318	33.08	**0.0000**
CDD18_DAY		**868,892**	30,965	28.06	**0.0000**
TREND_JUL2002	**-**	**9,730**	10,679	-0.91	**0.3651**
CUST_NUMBER	**-**	**10**	41	-0.25	**0.8006**
BLACKOUT	**-**	**1,188,934**	129,383	-9.19	**0.0000**
C		**19,489,273**	23,892,223	0.82	**0.4172**

R-squared	**94.6%**	Mean dependent var	15,285,972
Adjusted R-squared	**94.3%**	S.D. dependent var	1,574,192
S.E. of regression	377,202	Akaike info criterion	28.5893
Sum squared resid	10,813,390,378,316	Schwarz criterion	28.7654
Log likelihood	-1,166	Hannan-Quinn criter.	28.6600
F-statistic	266.9512	Durbin-Watson stat	1.6508
Prob(F-statistic)	**0.0000**		

d)

Dependent Variable: RES_DAY

Variable		Coefficient	Std. Error	t-Statistic	Prob.
HDD10_DAY		**280,564**	9,022	31.10	**0.0000**
CDD18_DAY		**845,656**	29,784	28.39	**0.0000**
TREND_JUL2002	**-**	**21,898**	4,271	-5.13	**0.0000**
POP_PER_CUST		**4,361,525,376**	1,875,901,108	2.33	**0.0227**
BLACKOUT	**-**	**1,104,476**	116,597	-9.47	**0.0000**
C	**-**	**1,904,860**	6,608,735	-0.29	**0.7740**

R-squared	**95.0%**	Mean dependent var	15,285,972
Adjusted R-squared	**94.6%**	S.D. dependent var	1,574,192
S.E. of regression	364,750	Akaike info criterion	28.5222
Sum squared resid	10,111,230,214,390	Schwarz criterion	28.6983
Log likelihood	-1,163	Hannan-Quinn criter.	28.5929
F-statistic	286.5448	Durbin-Watson stat	1.7919
Prob(F-statistic)	**0.0000**		

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e)

Dependent Variable: RES_CUST

Variable	Coefficient	Std. Error	t-Statistic	Prob.
HDD10	**0.466**	0	33.07	**0.0000**
CDD18	**1.473**	0	26.96	**0.0000**
TREND_JUL2002	**-** **0.976**	0	-11.22	**0.0000**
DAYS	**25.598**	3	10.01	**0.0000**
BLACKOUT	**-** **66.245**	7	-9.44	**0.0000**
C	**-** **79.533**	77	-1.03	**0.3049**

R-squared	**95.2%**	Mean dependent var	781.043
Adjusted R-squared	**94.9%**	S.D. dependent var	85.752
S.E. of regression	19	Akaike info criterion	8.8389
Sum squared resid	28,607	Schwarz criterion	9.0150
Log likelihood	-356	Hannan-Quinn criter.	8.9096
F-statistic	301.2835	Durbin-Watson stat	1.6497
Prob(F-statistic)	**0.0000**		

f)

Dependent Variable: RES_DAY_CUST

Variable	Coefficient	Std. Error	t-Statistic	Prob.
HDD10_DAY	**0.461**	0.01392	33.11	**0.0000**
CDD18_DAY	**1.475**	0.05448	27.07	**0.0000**
TREND_JUL2002	**-** **0.032**	0.00283	-11.36	**0.0000**
BLACKOUT	**-** **2.114**	0.21742	-9.72	**0.0000**
C	**23.012**	0.17289	133.10	**0.0000**

R-squared	**94.8%**	Mean dependent var	25.662
Adjusted R-squared	**94.6%**	S.D. dependent var	2.735
S.E. of regression	0.6382	Akaike info criterion	1.999
Sum squared resid	31.3644	Schwarz criterion	2.1455
Log likelihood	-76.9501	Hannan-Quinn criter.	2.0577
F-statistic	352.5138	Durbin-Watson stat	1.6354
Prob(F-statistic)	**0.0000**		

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g) THESL doesn't see any rationale in providing the residential volume forecast based on the regressions requested in b) and c) since the suggested variables are highly statistically insignificant and display incorrect signs.

Normalized residential loads for regressions d)-f) are provided in Table 13.1 below.

Table 13.1				
YEAR	**Filed model specification**	**Modification d)**	**Modification e)**	**Modification f)**
2006	5,564,263,254	5,564,393,627	5,564,966,987	5,562,693,932
2007	5,418,130,960	5,418,272,411	5,417,401,316	5,416,603,690
2008	5,408,735,841	5,408,346,852	5,410,041,404	5,413,233,434
2009 bridge year	5,359,600,763	5,349,277,227	5,405,412,775	5,400,087,681
2010 test year	**5,272,075,340**	**5,218,750,635**	**5,341,847,870**	**5,339,559,250**
Note: Loads are before losses				

THESL had tested a sufficient number of models to determine the best forecast model. The evaluation was primarily based on the statistical estimation results (models with significant variables and higher R^2-Adjusted values were chosen). Additionally, the forecast outcome for each "suitable" modification was compared to historic and normalized loads to ensure the chosen model did not produce results that were clearly outside of reasonably extrapolated existing trends over the forecast horizon. Since three out of the five requested modifications display very similar statistical results compared to the filed model, the Table above and the graphs below illustrate the forecasts resulting from each modification (including the filed model) compared with residential loads experienced in recent history.

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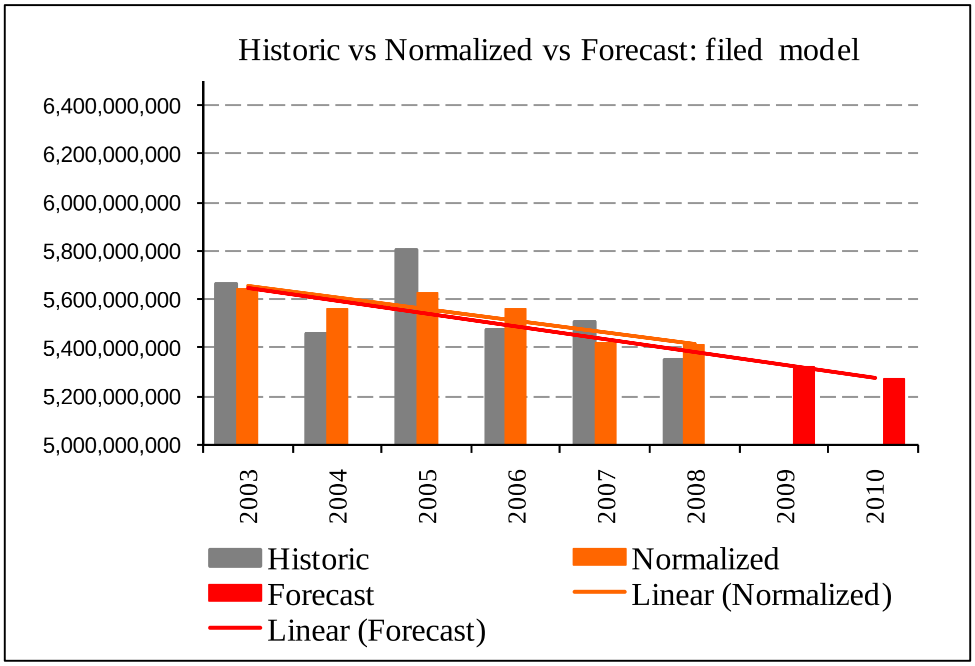
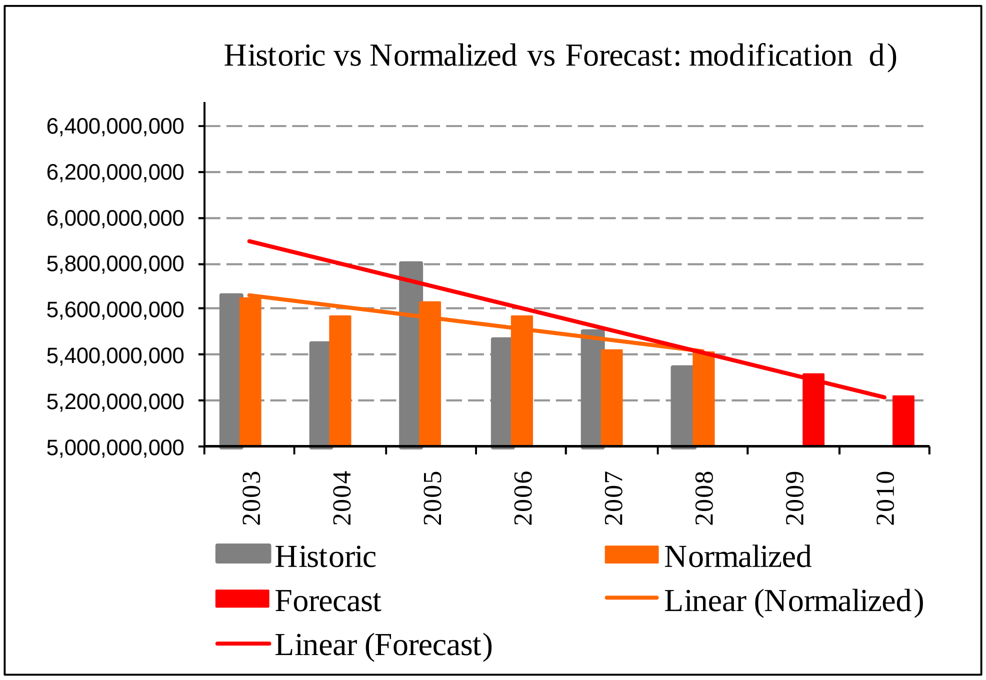
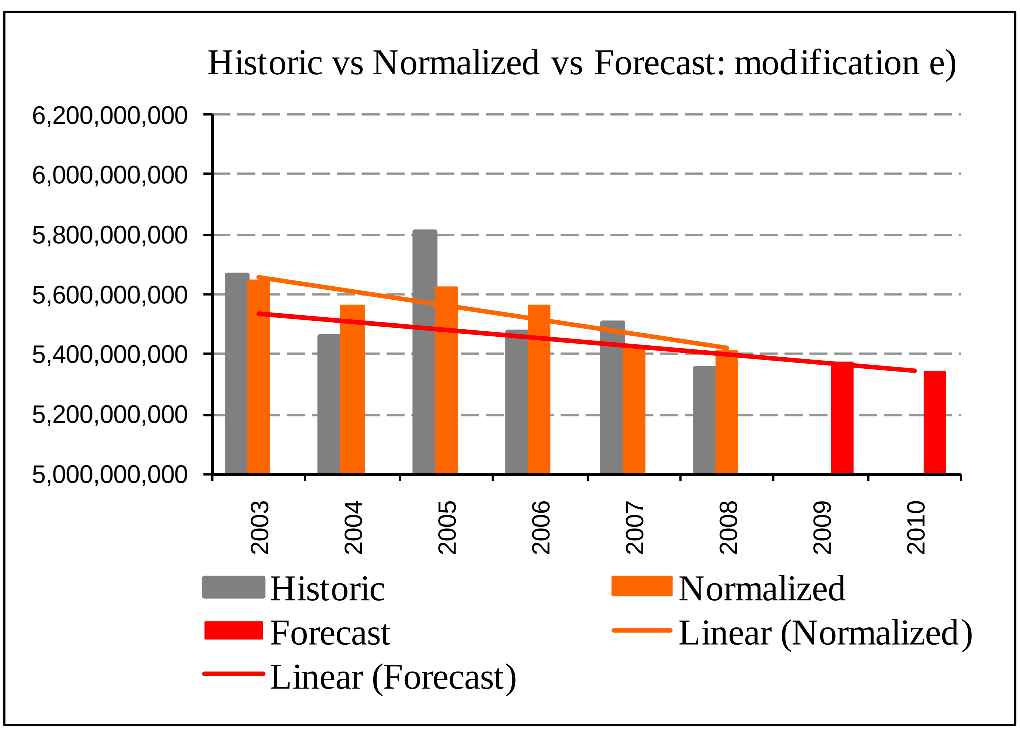


INTERROGATORIES OF BUILDING OWNERS AND MANAGERS ASSOCIATION OF THE GREATER TORONTO AREA





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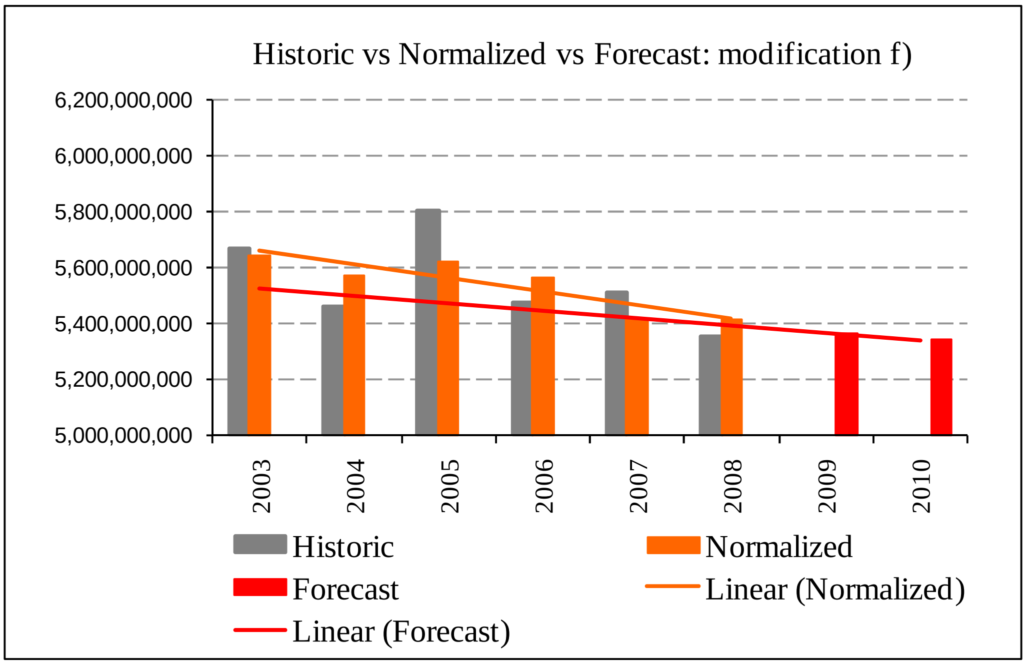

Based on the results summarized above THESL believes that the model which is presented in the filed evidence is the most suitable for forecasting residential loads.

h) The excel data is provided as Appendix A to this Schedule.

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INTERROGATORY 14:

Reference(s): Exhibit K1, Tab 4, Schedule 1, Table 1

a) Please provide the number of customers for each rate class in 2009 based on the latest month of information available. Please also provide the number of customers by rate class for the same month in 2008.

b) Please provide a Table in the same level of detail as Table 1 by rate class that shows the change in the number of customers based on the actual figures for 2004 through 2008 and the forecasts for 2009 and 2010.

c) Please explain the small growth in GS 50 – 999 customers in 2009 and 2010 (147 in 2009 and 63 in 2010) as compared to the average growth in number of customers in 2005 through 2008 of 257 per year.

d) Please explain the decrease in the number of GS 1000 – 4999 customers forecast for 2009.

e) Please explain the loss of 2 large use customers in 2009.

RESPONSE:

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a)

Customer Class	Customers/ Connections	October 2009	October 2008
Residential	Customers	610,419	605,392
GS < 50 kW	Customers	65,873	65,867
GS 50-999 kW	Customers	12,316	12,095
GS 1-5 MW	Customers	506	516
Large Users	Customers	47	48
Street Lighting	Connections	162,371	162,215
USL	Customers	1,093	1,115
	Connections	21,394	21,371
Total	**Customers**	**690,254**	**672,938**
	Connections	**183,765**	**183,586**
Note: the latest available data for USL are from June 2009 (compared to June 2008 in the right column).			

b) Please refer to Appendix A of this Schedule.

c) Over the period June 2008 to May 2009 the number of GS 50-999 kW customers has increased only by 142 (from 12,066 customers in June 2008 to 12,208 customers in May 2009). The initial forecast produced using Holt-Winters technique produced forecast for 2009 and 2010 of:

- 12,178 in June 2009 (12,197 in December 2009)
- 12,266 in June 2010 (12,285 in December 2010.

Recent economic activity has been slower in this class and it is reasonable to conclude that this is reflected in the slowing customer growth. Notwithstanding the

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model results, a small adjustment was applied to the intial forecast which resulted in the filed 50-1000 kW customer forecast:

- 12,213 in June 2009 (12,244 in December 2009)
- 12,276 in June 2010 (12,307 in December 2010).

d) The number of GS 1000-4999 kW customers has dropped from 520 customers in June 2008 to 514 customers in April 2009 and 515 customers in May 2009. The forecast produced using Holt-Winters technique reflects recent customer fluctuations.

e) The number of Large Users decreased by two customers over September-October 2008 as these customers significantly decreased their production activity, moving them to the GS 50-1000 kW customer class.

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
Variances - Customers by Class								
		2004 Actual vs 2003 Actual	2005 Actual vs 2004 Actual	2006 Actual vs 2005 Actual	2007 Actual vs 2006 Actual	2008 Actual vs 2007 Actual	2009 Bridge vs 2008 Actual	2010 Test Year vs 2009 Actual
Residential	Customers	2,215	2,976	2,936	2,367	4,280	4,154	6,605
GS <50 kW	Customers	-169	-121	336	-387	-306	-400	-164
GS 50-999 kW	Customers	193	176	183	43	626	147	63
GS 1000-4999 kW	Customers	5	13	14	-4	3	-4	1
Large Use	Customers	1	0	1	1	0	-2	0
Street Lighting	Connections	0	40	0	2,015	244	109	124
Unmetered Scattered Load	Customers	71	-245	-56	-338	213	9	0
	Connections	490	-4,692	10,644	-476	2,036	411	0
Total	Customers	2,316	2,799	3,414	1,682	4,816	3,904	6,505
	Connections	490	-4,652	10,644	1,539	2,280	521	124

Notes
1. Customer/Connection growth calculation is based on mid-year values (consistent with Table 1, Exhibit K1, Tab 4, Schedule 1).

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INTERROGATORY 15:

Reference(s): Exhibit K1, Tab 7, Schedule 2

a) What is the impact on the revenue deficiency of the increase in volumes of 24.9 GWh shown in Table 1 for 2010 of using the 20 year trend for HDD and CDD?

b) How did THESL forecast HDD and CDD in its previous rates application?

RESPONSE:

a) The impact on revenue deficiency assuming the 20 year trend for HDD and CDD is a decrease of about $375,000.

b) In its previous applications (including the latest one approved by the Board) THESL used ten-year averages to forecast HDD and CDD monthly values. THESL presented alternative scenario of the forecast using 20-year trend forecast for HDD and CDD to meet Board filing requirements.

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INTERROGATORY 16:

Reference(s): **Exhibit I1, Tab 1, Schedule 1**

a) Please provide the most recent year-to-date figures for 2009 in the same level of detail as shown in Table 1, along with the corresponding figure for the same period in 2008.

b) Please provide the 2006 and 2007 historical revenues in the same level of detail as shown in Table 1.

c) Please confirm that all costs associated with providing services for Merchandise and Jobbing have been removed from the calculation of the revenue requirement.

d) Please provide the EB-2007-0680 Board approved revenue offsets for 2008 and 2009 in the same level of detail as shown in Table 1.

RESPONSE:

a) Please see table below.

Other Revenues ($ millions)	2008 Q3	2009 Q3
Specific Service Charges (include Pole Attachment)	5.7	5.5
Late Payment Charge	3.6	3.8
Other Distribution Revenue	6.2	5.6
Other Income & Deductions	7.1	2.3
Total Revenue Offset	22.7	17.2

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b) Please see Table below

Other Revenues ($ millions)							
	2006 Actual	2007 Actual	2008 Actual	2008 Board Approved	2009 Bridge	2009 Board Approved	2010 Test Year
Specific Service Charges (including Pole Rental)	6.0	7.6	7.5	7.4	7.0	7.5	7.0
Late Payment Charges	4.6	5.2	4.8	5.0	4.8	5.0	4.8
Other Distribution Revenue	8.2	8.7	8.1	6.7	6.6	6.9	7.0
Other Income and Reduction	12.1	20.2	10.3	6.9	2.2	2.3	0.0
Total Revenue Offset	**30.9**	**41.7**	**30.7**	**25.9**	**20.9**	**21.7**	**18.7**

It should be noted Other Income and Reduction can vary significantly from year to year due to one-time or extraordinary events. For example, the 2007 value of $20.2 million is partly due to $6 million in CDM revenue received from the OPA which was recorded to this account. It was to reimburse THESL for offering a 10% discount to commercial customers achieving 10% load reduction as a conservation measure. THESL also receives investment tax credits, in varying amounts from time to time, due to research and development, which are difficult to forecast.

c) Confirmed.

d) Please see (b) above.

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INTERROGATORY 17:

Reference(s): Exhibit I1, Tab 1, Schedule 4

a) Please expand Table 1 to reflect actual figures for 2006 and 2007.

b) Please provide the most recent year-to-date figures available for the expenses and revenues associated with Merchandise and Jobbing for 2009.

RESPONSE:

a) Please refer to expanded Table 1 for the requested years in Exhibit R1, Tab 3, Schedule 17, Appendix A.

b) The most recent year-to-date figures available for the expenses and revenues associated with Merchandise and Jobbing for 2009 (2009 Q3):

Revenue = $8.9 millions

Expenses = $7.4 millions

Merchandise and Jobbing Revenue and Expenses ($000s)

Table 1

	Col. 1	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7
		Actual Year 2006	**Actual Year 2007**	**Actual Year 2008**	**Bridge Year 2009**	**Test Year 2010**
	Revenue					
1	Line Hose Removal	1,164.9	1,502.2	1,344.3	-	908.0
2	Isolation	2,315.6	24.3	2,480.8	1,342.0	1,289.3
3	Temp Service Contruction	1,280.8	1,496.4	1,686.2	1,434.4	1,837.5
4	Customer Services	2,427.3	4,928.9	2,287.5	2,571.7	1,192.4
5	Scrap Sales	3,326.8	4,158.8	3,826.6	2,400.0	1,413.2
6	Standby	166.6	801.7	785.7	712.3	507.3
	Other	1,280.6	7,681.6	1,925.9	972.2	1,448.9
7	Total	11,962.6	20,594.1	14,337.0	9,432.5	8,596.5
8	**Expenses**					
9	Line Hose Removal	- 1,416.1	- 1,333.5	- 1,037.9	-	- 908.0
10	Isolation	- 1,427.9	- 6.6	- 1,755.8	- 1,342.0	- 1,289.3
11	Temp Service Contruction	- 1,196.8	- 1,502.9	- 2,150.5	- 1,434.4	- 1,837.5
12	Customer Services	- 2,553.9	- 4,695.6	- 3,442.6	- 2,571.7	- 1,192.4
13	Scrap Sales	- 1,346.3	- 930.1	- 1,106.8	- 1,195.6	- 1,413.2
14	Standby	- 449.9	- 635.9	- 372.5	- 712.3	- 507.3
	Other	- 878.7	- 476.0	- 632.2	- 764.3	- 1,448.9
15	Total	(9,269.6)	(9,580.6)	(10,498.3)	(8,020.2)	(8,596.5)
16	**Net Revenue**					
17	Line Hose Removal	- 251.2	168.7	306.4	-	-
18	Isolation	887.8	17.8	725.0	- 0.0	-
19	Temp Service Contruction	84.0	- 6.5	- 464.3	- 0.0	-
20	Customer Services	- 126.6	233.3	- 1,155.1	- 0.0	-
21	Scrap Sales	1,980.5	3,228.8	2,719.8	1,204.4	-
22	Standby	- 283.4	165.7	413.2	0.0	-
	Other	401.9	7,205.6	1,293.7	207.9	-
23	Total	2,693.0	11,013.5	3,838.6	1,412.3	-

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INTERROGATORY 18:

Reference(s): Exhibit B1, Tab 4, Schedule 1, page 2

Are any of the costs associated with the Toronto Hydro Corporation Board of Directors or the Board of Directors for any of the other affiliates of THESL directly or indirectly included in the revenue requirement of THESL? If yes, please provide details, including the total of any such cost.

RESPONSE:

The $0.08 million of the Toronto Hydro Corporation Board of Directors is indirectly included in the revenue requirement of THESL through the shared services.

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INTERROGATORY 19:

Reference(s): Exhibit C1, Tab 4, Schedule 1, Appendix B

At page 5 of 7 of the letter related to 2010 EDR Application –Financial Projects, it is stated that "a portion of goods and services purchased are consistent from year to year due to the repetitive nature of our business". What is the approximate cost in 2009 associated with these standard costs that were expected to recur?

RESPONSE:

The approximate cost in 2009 associated with the "standard costs" that are expected to recur is $74.7M. This expected cost is comprised of inventory and direct purchases, external contract services, utilities and communications, office supplies and postage, employee expenses and rental and leases.

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INTERROGATORY 20:

Reference(s): Exhibit D1, Tab 3, Schedule 1

Please provide versions of Tables 1,2,3,4 & 5 that exclude amortization expenses.

RESPONSE:

The revised versions of Tables 1, 2, 3, 4 and 5 that exclude amortization expenses are below:

Table 1: Distribution Expense Summary ($ millions)

	2008 Board-Approved	2008 Historical	2009 Board-Approved	2009 Bridge	2010 Test
Operations	57.2	45.8	59.2	51.5	64.6
Maintenance	46.5	41.3	48.8	44.5	43.5
Billing and Collections	35.6	31.9	38.6	35.4	37.0
Community Relations	3.0	3.5	3.2	4.1	4.5
Administrative and General	35.4	46.1	33.8	46.8	62.6
Other Distribution Expenses	13.5	14.0	12.0	11.9	8.7
Total Excl Amortization	**191.2**	**182.6**	**195.6**	**194.2**	**220.9**

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Table 2: 2008 Board-Approved versus 2008 Historical ($ millions)

	2008 Board-Approved	2008 Historical	Variance ($)	Variance (%)
Operations	57.2	45.8	(11.4)	(19.9)
Maintenance	46.5	41.3	(5.2)	(11.2)
Billing and Collections	35.6	31.9	(3.7)	(10.4)
Community Relations	3.0	3.5	0.5	16.7
Administrative and General	35.4	46.1	10.7	30.2
Other Distribution Expenses	13.5	14.0	0.5	3.7
Total Excl Amortization	**191.2**	**182.6**	**(8.6)**	**(4.5)**

Table 3: 2008 Historical versus 2009 Bridge ($ millions)

	2008 Historical	2009 Bridge	Variance ($)	Variance (%)
Operations	45.8	51.5	5.7	12.4
Maintenance	41.3	44.5	3.2	7.7
Billing and Collections	31.9	35.4	3.5	11.0
Community Relations	3.5	4.1	0.6	17.1
Administrative and General	46.1	46.8	0.7	1.5
Other Distribution Expenses	14.0	11.9	(2.1)	(15.0)
Total Excl Amortization	**182.6**	**194.2**	**11.6**	**6.4**

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Table 4: 2009 Board-Approved versus 2009 Bridge ($ millions)

	2009 Board-Approved	2009 Bridge	Variance ($)	Variance (%)
Operations	59.2	51.5	(7.7)	(13.0)
Maintenance	48.8	44.5	(4.3)	(8.8)
Billing and Collections	38.6	35.4	(3.2)	(8.3)
Community Relations	3.2	4.1	0.9	28.1
Administrative and General	33.8	46.8	13.0	38.5
Other Distribution Expenses	12.0	11.9	(0.1)	(0.8)
Total Excl Amortization	**195.6**	**194.2**	**(1.4)**	**(0.7)**

Table 5: 2009 Bridge versus 2010 Test ($ millions)

	2009 Bridge	2010 Test	Variance ($)	Variance (%)
Operations	51.5	64.6	13.1	25.4
Maintenance	44.5	43.5	(1.0)	(2.2)
Billing and Collections	35.4	37.0	1.6	4.5
Community Relations	4.1	4.5	0.4	9.8
Administrative and General	46.8	62.6	15.8	33.8
Other Distribution Expenses	11.9	8.7	(3.2)	(26.9)
Total Excl Amortization	**194.2**	**220.9**	**26.7**	**13.7**

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INTERROGATORY 21:

Reference(s): Exhibit F2, Tab 3, Schedule 1

a) What is the amount included in charitable contributions that is related to the Low Income Energy Program (LEAP) and how much of an increase is this from the level forecast for 2009?

b) Are there other LEAP related costs that have been included in the 2010 revenue requirement? If yes, please quantify these additional costs, with an explanation for each component.

RESPONSE:

a) Please refer to the response to Board Staff interrogatory #25.

b) There are no other LEAP related costs.

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INTERROGATORY 22:

Reference(s): Exhibit F2, Tab 6, Schedule 1, page 4

a) Please provide the average level of customer deposits held in 2008 and forecast to be held in 2009 and 2010.

b) What prime rate has THESL used in 2010 to base the forecast cost of $0.8 million associated with customer deposits?

c) What is the driver of the forecasted increase in the short-term line of credit from $0.52 million in 2009 to $1.0 million in 2010?

d) Please separate out the costs associated with insurance premiums and claim costs in for 2008, 2009 and 2010 shown in Table 1.

e) What is the actual cost of insurance in 2009?

RESPONSE:

a) See Appendix A of this Schedule.

b) THESL has used 3.97% as the prime rate.

c) The increase is due to a forecast increase in fees associated with the short-term line of credit in 2010.

d) Claim costs included in insurance totals are as follows:

2008: $0.6 million
2009: $0.7 million
2010: $1.0 million

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e) Actual cost of insurance for 2009 is estimated to be $3.0 million, of which $0.8 million is claims cost.

Appendix A
Interrogatory Response
Customer Deposits ($ millions)

	2008 Actual	2009 Bridge	2010 Test
Total Long Term Portion	**30.3**	**32.3**	**31.9**
Total Current Portion	**16.4**	**16.5**	**17.7**
Total Customer Deposits	**46.7**	**48.8**	**49.7**

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INTERROGATORY 23:

Reference(s): Exhibit F2, Tab 7, Schedule 1, page 3

Please explain how the introduction of the HST in 2010 has resulted in an increase in the cost forecast for 2010. Please also provide a quantification of this increase.

RESPONSE:

Before HST, a number of service-related expenditures are subject to GST only, the impact of GST on our budget / expenditure is "flow through" - we do not budget for GST.

With HST, the additional 8% on the service-related invoice amounts would be reflected in our expenditure account. At budget time we added 4% (half of 8%) to budget items related to external services: outside legal fees, consultant / temporary help, and access to various research websites.

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INTERROGATORY 24:

Reference(s): Exhibit A1, Tab 1, Schedule 1, page 5

Does THESL have any current estimate of the changes in 2010 governance costs as a result of the retirement of the Chief Executive Officer in September, 2009? If yes, please provide details. If not, why does THESL expect to provide this information to the Board and to intervenors?

RESPONSE:

Please see Exhibit R1, Tab 11, Schedule 3, the response to VECC IR 3 a).

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INTERROGATORY 25:

Reference(s): Exhibit C1, Tab 3, Schedule 1, page 2 & Appendix A

a) Please break out the $1.7 million related to strategic leadership, stewardship and governance services purchased by THESL from THC into each of the three components listed: Board of Directors, office of the CEO and office of the CFO.

b) Please break out the $0.7 million related to overall finance leadership services purchased by THESL from THC into each of the three components listed: Board of Directors, office of the CEO and office of the CFO.

c) What is the total cost associated with the THESL Board of Directors?

d) Please explain the $0.08 million for Governance in the 2009 bridge year in relation to the $1.66 million forecast for 2010, both of which are shown in Appendix A.

RESPONSE:

a)

Board of Directors	$0.08M
Office of CEO	1.58M
Office of CFO	0.00
	$1.66M

Note that the amount for the Office of CEO has been reduced as shown in Exhibit R1, Tab 11, Schedule 3.

INTERROGATORIES OF BUILDING OWNERS AND MANAGERS ASSOCIATION OF THE GREATER TORONTO AREA

b)

Board of Directors	$0.0
Office of CEO	0.0
Office of CFO	0.7
	$0.7M

c) Board of Directors $0.08M

d) The decrease observed in 2009, was the result of a last-minute budget reduction of $0.7 million for all of THC, which was reflected only in the Governance responsibility centre, as it was not large enough to reflect in all of the THC business unit responsibility centres.

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INTERROGATORY 26:

Reference(s): Exhibit C1, Tab 3, Schedule 1, Appendix B

a) What is driving the decrease in asset management services to TH Energy in 2010?
b) What is driving the decrease in treasury services to TH Energy in 2010? Is this related to the increase in finance services forecast to be provided in 2010?
c) What is driving the decrease in ITS & management services to TH Energy in 2010?
d) Why are there no communication services provided to TH Energy in 2010?

RESPONSE:

a) The decrease in asset management services to TH Energy in 2010 is primarily due to decreased activity.

b) The decrease in treasury services to TH Energy in 2010 is primarily due to decreased activity. This is not related to the increase in finance services forecast to be provided in 2010.

c) The decrease in ITS & management services to TH Energy in 2010 is primarily due to decreased activity.

d) The decrease in communication services to TH Energy in 2010 is primarily due to decreased activity. Any remaining communication services are covered in THESL.

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INTERROGATORY 27:

Reference(s): Exhibit C1, Tab 4, Schedule 3

The evidence lists the costs included in the FES, Facilities and IT&S allocations. The evidence also indicates that these costs include a component of depreciation and return on assets for costs allocated to unregulated affiliates. Do these costs allocated to unregulated affiliates also include a component for capital and income taxes? If not, why not?

RESPONSE:

The costs allocated to unregulated affiliates include a component of capital tax. Income taxes are excluded, due to the fact that each entity is responsible for paying it own income taxes and as such these would not be part of the allocation.

INTERROGATORIES OF BUILDING OWNERS AND MANAGERS ASSOCIATION OF THE GREATER TORONTO AREA

INTERROGATORY 28:

Reference(s): Exhibit C1, Tab 4, Schedule 3

a) Please provide the number of FTE's (including part-time) in the same level of detail as shown in Table 1 in Appendix A for 2009 including the current positions at THC that are scheduled to be transferred to THESL at the beginning of 2010. Please confirm that any remaining differences between the adjusted 2009 figures and the forecast for 2010 is based on additions and changes apart from the transfer or migration of employees from THC to THESL.

b) Please provide the historical yearly market adjustment increase for 2006 through 2008 along with the forecast used for 2009 and 2010 for each of the three major employee groups (CUPE, Society of Energy Professionals, Management).

c) Please provide separately the impact on the revenue requirement in 2010 of a 0.5% change in the market adjustment increase for each of the three major employee groups (CUPE, Society of Energy Professionals, Management). Please indicate whether the change in the revenue requirement reflects that some of the wages and salaries are expenses while some are capitalized.

d) Please provide the total forecasted incentive pay for 2010 for each employee categories shown in Table 1 (Executive, Managerial, Management/Non-Union and Union).

e) Is all of the incentive pay included in the 2010 forecast expensed or is a portion capitalized? If a portion is capitalized provide the details on the amount.

f) Does the forecast for incentive pay included in the 2010 revenue requirement represent the maximum potential incentive pay, or a portion of the maximum? If it is a portion please indicate what portion of the maximum potential it represents.

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g) What has been the actual experience in terms of the incentive payments made to employees (including variable performance pay for non-unionized employees) as a percentage of the maximum potential payment for each of 2006, 2007 and 2008 by each employee group shown in Table 1 (Executive, Managerial, Management/Non-Union and Union)?

RESPONSE:

a) 2009 Bridge including THC

	2008 Board Approved	2008 Historical Actual	2009 Bridge		2010 Test
Number of Employees (FTEs including Part-Time)			THC	THESL	THESL
Executive	10	10	3	9	12
Managerial	47	41	5	47	51
Management/Non-Union	291	275	25	310	396
Union *	1312	1220	0	1265	1326
Total *	1660	1546	33	1630	1785
** Excludes President & Vice President of CUPE Local One*					
Number of Part-Time Employees					
Executive	0	0	0	0	0
Management (Managerial)	0	0	0	0	0
Non-Union (Management/Non-Union)	0	0	0	0	0
Union	0	0	0	0	0
Total					

The difference between the adjusted 2009 figures and the forecast for 2010 is based on additions and changes apart from the transfer or migration of employees from THC to THESL.

b) The table provided below is the Yearly Market Adjustment Increase for each of the three major employee groups.

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	2006	2007	2008	2009	2010
Management/Non-Union	3.5%	3.25%	3.25%	3%	3%
Society Of Energy Professionals	3.5%	3.25%	3.25%	3%	3%
Union	3.5%	3.25%	3.25%	3%	3%

c) The impact on revenue requirement in 2010 based on 0.5% change in the market adjustment increase for management is $123K and for union is $390K. The change in the revenue requirement is based on 46.58% that will be capitalized for wages and salaries and the remaining belongs to expenses.

d) Below is a chart that outlines the total forecasted incentive pay for 2010 for each employee category shown in Table 1 (Executive, Managerial, Management/Non-Union and Union).

Employee Category	Total Forecasted 2010 Incentive Pay
Executive	798K
Management (Managerial)	1,202K
Non-Union	3,233K
Union (Applies to Society of Energy Professionals, Crew Leaders, & System Response Representatives)	551K

e) 46.58% of the incentive pay is capitalized and the remaining 53.42% is included in expenses for 2010.

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Summary Details (Incentive Pay)

Capitalized	46.58%	$2,694K
Expenses	53.42%	$3,090K

f) The forecast for incentive pay included in the 2010 revenue requirement does not represent the maximum potential incentive pay; it is based on the target percentage. For employee categories with varying performance pay targets, a blended target rate applicable within the group is used in the table.

g) The chart below outlines the actual incentive payments made to employees as a percentage of the target performance payment by employee category for each of 2006, 2007 and 2008.

	Percentage Attainment of Performance Pay Target		
Employee Category	2006 Performance Pay (Paid in 2007)	2007 Performance Pay (Paid in 2008)	2008 Performance Pay (Paid in 2009)
Executive	69.5%	84.3%	88.7%
Management (Managerial)	69.3%	69.6%	74.6%
Non-Union	64.6%	66.5%	68.0%
Union (Society of Energy Professionals)	81.3%	84.5%	80.2%

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INTERROGATORY 29:

Reference(s): **Exhibit D1, Tab 12, Schedule 1**

How does THESL calculate depreciation on capital expenditures closed to rate base in the bridge and test years? Does it calculate a full year of depreciation regardless of when the asset is placed in service, or does THESL use the half year approach whereby it is assumed that the asset is placed in service at mid year, and one half of the depreciation expense is calculated?

RESPONSE:

THESL did not calculate full year depreciation on the bridge and test years. For the bridge year, the half-year rule was applied to projected capital expenditures and estimated energization timing. For the test year, THESL estimated the timing of energization for capital expenditures and calculated depreciation expense based on the expected “in service” date.

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INTERROGATORY 30:

Reference(s): Exhibit H1, Tab 1, Schedule 1, page 7

a) Please explain what is meant by "PILS Property Taxes" in Table 2.
b) What is the actual level of property taxes for 2009?
c) What was the Board approved level of property taxes in 2008 & 2009?

RESPONSE:

a) THESL is subject to a payment-in-lieu of additional property taxes ("PILs") legislated under section 92 of the *Electricity Act, 1998* and Ontario Regulation 224/00. This payment in lieu of tax is required to be paid by entities including Ontario Power Generation Inc., Hydro One and their respective subsidiaries, and by every municipal electricity utility in Ontario. These payments are in addition to property taxes paid to municipalities and are applied to retire the stranded debt associated with the restructuring of Ontario Hydro.

b) Please see response to Board Staff question 48 a).

c) Please see response to Board Staff question 48 a). The Board-approved property tax amount for 2009 is $7.0 million.

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INTERROGATORY 31:

Reference(s): **Exhibit F2, Tab 4, Schedule 1**

Please provide a table showing the historical and forecast R&D tax credits claimed by THESL in 2008 and forecast to be claimed in 2009 and 2010.

RESPONSE:

Summary of R&D Credits claimed by Year ($ millions)

	2008 Actual	2008 Forecast	2009 Bridge (Note 1)	2010 Test (Note 1)
R&D Credits	1.1	0.2	0.7	0.7

Note 1:

The 2009 and 2010 amounts are based on the average of actual R&D credits claimed from the taxation years 2001 to 2008.

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INTERROGATORY 32:

Reference(s): Exhibit H1, Tab 1, Schedule 1, page 6

Please provide a table that shows the number of eligible positions for the Federal Apprenticeship Job Creation Tax Credit, the Ontario Apprenticeship Training Tax Credit and the Ontario Co-operative Education Tax Credit for each of 2007 and 2008 and the forecast number of positions for 2009 and 2010.

RESPONSE:

Summary of the number of eligible positions for the tax credits listed below:

	2007 Actual	2008 Actual	2009 Actual	2009 Bridge	2010 Test
Federal Apprenticeship Job Creation Tax Credit	49	62	Note 1	Note 2	Note 2
Ontario Apprenticeship Training Tax Credit (“ATTC”)	59	62	Note 1	Note 2	Note 2
Ontario Co-operative Education Tax Credit (“CETC”)	82	93	Note 1	Note 2	Note 2

Note 1: The number of eligible positions for the above-listed tax credits is not yet determinable for 2009.

Note 2: The forecasted Federal Apprenticeship Job Creation Tax Credit amounts for 2009 and 2010 are based on the average of the credits claimed from the taxation years

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2006 to 2008. Similarly, the forecasted Ontario ATTC and CETC amounts for 2009 and 2010 are based on the average of the credits claimed from the taxation years 2005 to 2008. Thus, no forecast of the number of eligible positions is available for 2009 and 2010.

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INTERROGATORY 33:

Reference(s): Exhibit P1, Tab 2, Schedule 2, page 24
Exhibit E1, Tab 4, Schedules 1 & 2

What is the relationship between the current portion of Notes payable to associated companies and long term notes payable to associated companies that total $1,358,336,139 on page 24 of Exhibit P1, Tab 2, Schedule 2 with the figures of $1,277,491,219 and $1,210,900,000 shown in Schedules 2 and 1, respectively, of Exhibit E1, Tab 4?

RESPONSE:

The long term notes payable of $1,358,336,139 (shown on page 24 of Exhibit P1, Tab 2, Schedule 2) represents the forecasted total of the current portion and long-term notes payable to the associated company – Toronto Hydro Corporation – for Ontario Capital tax purposes for the 2010 test year. This balance is net of unamortized debt costs.

The $1,210,900,000 balance (shown in Exhibit E1, Tab 4, Schedule 1) represents the forecasted principal at year end related to medium and long-term debt for the 2010 test year. The amount is based on 2009 approved rates for cost of capital purposes.

The $1,277,491,219 balance (shown in Exhibit E1, Tab 4, Schedule 2) represents the forecasted average of monthly debt outstanding principal based on 2010 forecasted carrying costs related to medium and long-term debt costs for the 2010 test year.

Note that the purpose of Exhibit E1, Tab 4, Schedule 1 and 2 is to provide an overview of THESL's capital structure and financing plans for the 2010 Test Year. Thus, there is no

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relationship between the balances $1,358,336,139, and the balances $1,277,491,219 and $1,210,900,000.

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INTERROGATORY 34:

Reference(s): Exhibit P1, Tab 2, Schedule 2, page 25

Please confirm that the 2009 provincial budget proposed to reduce the provincial corporate income tax rate from 14.0% to 12.0% effective July 1, 2010.

Please recalculate the income taxes payable based on a 13.0% provincial income tax rate for 2010.

Please confirm that the 2009 provincial budget reduced the small business tax rate from 5.5% to 4.5% effective July 1, 2010 on the first $500,000 of taxable income and eliminated the 4.25% surtax on taxable income over $500,000, also effective July 1, 2010.

Please confirm that the 2010 provincial tax savings resulting from the above change is $18,750, the difference between the following calculations on the first $1,500,000 of taxable income:

* 13% x $1,500,000 = $195,000 and

* 5% x $500,000 = $25,000

13% x $1,000,000 = $130,000

2.125% x $1,000,000 = $21,250

Total = $176,250

If these calculations cannot be confirmed, please provide the calculations that show the reduction in the provincial income tax and provide the rationale for the rates and numbers used.

RESPONSE:

a) THESL confirms that the 2009 provincial budget proposed to reduce the provincial

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corporate income tax rate from 14.0% to 12.0% effective July 1, 2010.

b) Consistent with prior practice, THESL calculates income taxes payable on the basis of tax law enacted or substantively enacted at the time of the application. At the time of application, the provincial substantively enacted rate was 14%. THESL will update its calculation of income taxes at the time of Board decision on its application for any changes in substantively enacted rates or other changes ordered.

c) THESL confirms that the 2009 provincial budget proposed to reduce the small business tax rate from 5.5% to 4.5% effective July 1,2010 on the first $500,000 of taxable income and eliminated the 4.25% surtax on taxable income over $500,000, also effective July 1, 2010.

d) The calculations shown in the question represent a reasonable approximation of the impact of changes to the Incentive Deduction for Small Business Corporations and the Surtax on Canadian –Controlled Private Corporations that are proposed to become effective July 1, 2010. THESL would present the savings on the first $1,500,000 of its taxable income as follows:

Full year impact of elimination of surtax	$42,500
Full year impact of reduction of IDSBC from 8.5% to 7.5%	- 5,000
Net full year savings	$37,500
Savings for 184/365 days	$18,904

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INTERROGATORY 35:

Reference(s): **Exhibit P1, Tab 2, Schedule 1, page 21**
Exhibit D1, Tab 2, Schedule 1, page 4

Please explain why the UCC additions shown on page 21 of Exhibit P1, Tab 2, Schedule 1 for 2009 of $231.3 million is less than the capital additions shown for 2009 on page 4 of Exhibit D1, Tab 2, Schedule 1 of $234.8 million.

RESPONSE:

$234.8 million (shown in Exhibit D1, Tab 2, Schedule 1, Page 4) represents the fixed asset additions for accounting purposes. $231.3 million (shown in Exhibit P1, Tab 2, Schedule 1) represents the fixed asset additions for tax purposes.

The difference is demonstrated below ($ millions):

	2009 Bridge
Total Fixed Asset Additions for accounting purposes	234.8
Less: Allowance for Funds Used During Construction (“AFUDC”) capitalized for accounting; but not for tax	(2.3)
Less: Assets related to Asset Retirement Obligation (“ARO”) capitalized for accounting; but not for tax	(1.1)
Less: Reduction of Tax Class 13 additions re: Election under subsection 13(7.4) of the *Income Tax Act (Canada)*	(0.1)
Total Fixed Asset Additions for tax purposes	**231.3**

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INTERROGATORY 36:

Reference(s): Exhibit P1, Tab 2, Schedule 2, page 10
Exhibit D1, Tab 2, Schedule 1, page 5

Please explain why the UCC additions shown on page 10 of Exhibit P1, Tab 2, Schedule 2 for 2010 of $365.9 million is less than the capital additions shown for 2010 on page 5 of Exhibit D1, Tab 2, Schedule 1 of $368.8 million.

RESPONSE:

The $368.8 million (shown in Exhibit D1, Tab 2, Schedule 1, Page 5) represents the fixed asset additions for accounting purposes.

The $365.9 million (shown in Exhibit P1, Tab 2, Schedule 2) represents the fixed asset additions for tax purposes.

The difference is illustrated in the table below ($ millions):

	2010 Test
Total Fixed Asset Additions for accounting purposes	368.8
Less: Allowance for Funds Used During Construction (“AFUDC”) capitalized for accounting; but not for tax	(2.8)
Less: Assets related to Asset Retirement Obligation (“ARO”) capitalized for accounting; but not for tax (Note: Accounting addition is nil)	-
Less: Reduction of Tax Class 13 additions re: Election under subsection 13(7.4) of the *Income Tax Act (Canada)*	(0.1)
Total Fixed Asset Additions for tax purposes	**365.9**

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INTERROGATORY 37:

Reference(s): **Exhibit P1, Tab 2, Schedule 2, page 25**

a) Please explain what the Investment Tax Credits shown in the amount of $660,000 are related to. Are these investment tax credits the R&D tax credits referred to in Exhibit F2, Tab 4, Schedule 1?

b) Please explain what the Miscellaneous Tax Credits shown in the amount of $180,000 are related to. Are these tax credits related to the apprenticeship training tax credits and Ontario co-operative tax credits? Please break out the $180,000 in miscellaneous tax credits into each of its component parts.

c) Please calculate the impact on taxes of including the Apprenticeship Training Tax Credit as modified in the 2009 provincial budget to 35% of qualifying wages to a maximum of $10,000 per position and extending the eligibility period from 36 months to 48 months.

d) Please calculate the impact on taxes of including the Co-operative Education Tax Credit as modified in the 2009 provincial budget to 25% of salaries and wages to a maximum of $3,000 per work placement.

RESPONSE:

a) The balance of $660,000 is primarily made up of $568,000 related to the forecasted R&D tax credit and $87,000 related to the Federal Apprenticeship Job Creation Expenditures credit.

b) The $180,000 balance is primarily made up of, $131,000 related to the forecasted Ontario Apprenticeship Training Tax Credits (“ATTC”) and $49,000 is related to the

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forecasted Ontario Co-Operative Education Tax Credits ("CETC").

c) Please refer to response to BOMA 37b. The balance of $131,000 is the forecasted Ontario Apprenticeship Training Tax Credit ("ATTC") for the 2010 Test Year. The forecasted credits are based on the average of Actual tax credits claimed from taxation years 2005 to 2008.

Based on 2008 Actual, the total number of eligible positions of the ATTC was 62 (refer to the Response to BOMA 32). On the assumption that 2010 Test Year has the same number of eligible positions, the upper limit impact of increasing the maximum ATTC to $10,000 from $5,000 is approximately $254,000.

d) Please refer to the response BOMA 37b. The $49,000 is the forecasted Ontario Co-Operative Education Tax Credit ("CETC") for the 2010 Test Year. The forecasted credits are based on the average of Actual tax credits claimed from taxation years 2005 to 2008.

Based on 2008 Actual, the total number of eligible positions of the CETC was 93 (refer to the Response BOMA 32). On the assumption that 2010 Test Year has the same number of eligible positions, the upper limit impact of increasing the maximum CETC to $3,000 from $1,000 is approximately $153,000 for the 2010 Test Year.

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INTERROGATORY 38:

Reference(s): Exhibit P1, Tab 1, Schedule 2

Please update the Revenue Requirement Workform to reflect the changes in income taxes based on the response to Interrogatory # 34 above and any additional changes resulting from the response to Interrogatory # 37 above.

RESPONSE:

Please see responses to BOMA interrogatories 34 and 37 at Exhibit R1, Tab 3, Schedules 34 and 37, respectively.

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INTERROGATORY 39:

Reference(s): Exhibit D1, Tab 2, Schedule 1

a) The 2010 contribution and grants amount shown in Table 5 of $17.9 million is significantly lower than previous Board approved amounts of $28.9 million in 2008 and $20.0 million in 2009 in addition to being significantly lower than actual 2008 level of $23.0 million and the current forecast for 2009 of $27.8 million. Please explain what is driving this reduction in the forecast level of contribution and grants in 2010. In particular, what is driving the reduction of nearly $10 million between 2009 and 2010?

b) Does THESL have a more up-to-date projection of the additions, reductions, transfers and closing balances for the year ending December 2009 (Table 4). If yes, please provide an update to Table 4 and explain any significant variances from the original bridge year forecast.

RESPONSE:

a) In 2008, the East Bayfront, Toronto Film Studio, Villages of York, 855 Oxford St. and Regeant Park Feeders major projects accounted for $7.0M of the total contributed capital recognized.

One of these projects that is now virtually completed alone accounted for $4.7M of the contributed capital in 2009.

With the current economic downturn, fewer large projects have been confirmed or are expected to begin construction during the 2010 year. This forecasted has resulted in

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less customer-driven spending and forecasted contributed capital for 2010.

b) No revised Continuity of Gross Fixed Assets as submitted in Exhibit D1, Tab 2, Schedule 1, has been prepared to reflect a more up-to-date projection of additions, reductions, transfers and closing balances for the year ending December 2009.

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INTERROGATORY 40:

Reference(s): **Exhibit K1, Tab 8, Schedules 1 & 2**
Exhibit K1, Tab 1, Schedule 2

a) Are the kWh's associated with any market participants served by the distributor included in the kWh's used to calculate the cost of power? If yes, please explain why these volumes have not been removed from the calculation. Please also provide the kWh's associated with the market participants.

b) Has THESL reflected the different rates applicable to RPP and non-RPP customers in the cost of power calculation? If not, why not?

c) Please update the cost of power component of the working capital allowance to reflect the October 15, 2009 RPP Price Report (Nov 09-Oct 10). Please show the components of the cost of power used.

RESPONSE:

a) THESL has only one embedded Market Participant. THESL does not include this market participants' kWh in its calculation of Cost of Power.

b) THESL has not included different rates for RPP and non-RPP customers in its cost of power forecast. The additional complexity of forecasting the different rates, plus the fact that cost of power is only one input into the working capital allowance model (which itself leads to only a small portion of revenue requirement) has not warranted doing so.

c) The October 15, 2009 report shows a forecast for the November 2009 to October 2010 period. The wholesale price forecast for this period is $35.68/MWh, and the

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Global Adjustment price forecast is $24.94/MWh. The combined energy price is thus $60.62/MWh. The Cost of Power forecast in K1/T8/S2 is $63.00 (value was rounded in table). Using the $60.62/MWh forecast, the 2010 Energy Cost in K1/T8/S1 would be $1561.3M (compared with $1622.6M filed). The total cost of power would be $1933.6M (compared with $1994.9M filed).

The impact of the lower Cost of Power on Working Capital is a reduction to $270.0M (from the $276.9M filed).

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INTERROGATORY 41:

Reference(s): Exhibit K1, Tab 1, Schedule 2

The evidence indicates that the THESL forecast of wholesale electricity rates is based on current costs to THESL (including Global Adjustment) and expected increases of 5% in 2010.

a) How does the current costs to THESL compare to the figures in the RPP Price Report (May 09-Apr 10) dated April 15, 2009?

b) What is the increase based on the change in the RPP Price Report from the April 15, 2009 version to the current October 15, 2009 version?

RESPONSE:

a) The costs to THESL at the time the evidence was prepared was approximately $60/MWh. The wholesale plus Global Adjustment price in the April 15, 2009 RPP Price Report for the May 2009-April 2010 period is $59.06/MWh.

b) The wholesale plus Global Adjustment price in the October 15, 2009 RPP Price report for the November 2009-October 2010 period is $60.62/MWh. The calculated increase over the price in the April 15, 2009 Price Report is 2.6% (60.62/59.06).

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INTERROGATORY 42:

Reference(s): **Exhibit K1, Tab 8, Schedule 1 & 2**
EB-2009-0096 Exhibit H, Tab 3, Schedule 23

Hydro One was asked to show how it determined the appropriate commodity price to use in the calculation of the commodity component of the cost of power. In their response, found in Schedule 23 of Exhibit H, Tab 3 of EB-2009-0096, Hydro One stated the following:

> *The commodity price Hydro One used was a weighted average rate for both RPP and non-RPP customers. The rate used for RPP customers was $60.72/MWh, consistent with the April 15, 2009 Regulated Price Plan Price Report. The rate used for non-RPP customers was $63.88/MWh which was the sum of the forecasted HOEP $49.62/MWh, consistent with the April 15, 2009 Ontario Wholesale Electricity Market Price Forecast, and the forecasted Global Adjustment of $14.26/MWh, consistent with the April 15, 2009 Regulated Price Plan Price Report. The calculation is as follows:*

	Rate - $/MWh	*Weighting*	*WA Rate $/MWh*
** Forecasted Average HOEP*	*49.62*		
*** Forecasted Average Global Adjustment*	*<u>14.26</u>*		
Forecasted Average non-RPP cost	*63.88*	*31%*	*19.80*
*** Forecasted Average RPP cost*	*60.72*	*69%*	*41.90*
Weighted Average Commodity Cost			***61.70***

Note:
** Per April 15, 2009 Ontario Wholesale Electricity Market Price Forecast*
*** Per April 15, 2009 Regulated Price Plan Price Report*

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a) Based on the above methodology, please calculate the energy component of the cost of power shown in Table 1 in Exhibit K1, Tab 8, Schedule 1 using the Hydro One methodology shown above to calculate a weighted average commodity cost. Please update the rates to reflect the October 15, 2009 Regulated Price Plan Price Report and use the weights for non-RPP and RPP volumes used in Exhibit J1, Tab 2, Schedule 10, page 2 if THESL does not have a forecast for specifically for 2010.

b) Based on the calculation in (a) above, what is the impact on the working capital allowance component of rate base?

RESPONSE:

a) The following table replicates the methodology as above using the October 15, 2009 Regulated Price Plan Price Report, and the RPP/NonRPP kWh weightings based on Exhibit J1, Tab 2, Schedule 10, page 2.

	Rate $/MWh	Weighting	Weighted Average Rate $/MWh
Forecast HOEP	35.68		
Forecast Global Adjustment	24.94		
Forecast Average Non-RPP Cost	60.62	59.3%	35.95
Forecast Average RPP Cost	62.15	40.7%	25.30
Weighted Average Commodity Cost			61.24

b) The impact of the alternate forecast of Cost of Power is a reduction in Working Capital allowance of $5.1 million (reduction from $276.9 million to $271.8 million).

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INTERROGATORY 43:

Reference(s): Exhibit J1, Tab 2, Schedule 7

a) Please indicate how the $218.8 million figure in line 3 of column 2 is derived in relation to the OM&A expenses shown in Exhibit P1, Tab 1, Schedule 2, page 8 of $212.1 million.

b) Please explain how the figure of -$10.9 in line 11 of column 2 has been derived.

c) What proportion of the $218.8 in OM&A expenses shown on line 3 in column 2 is subject to GST? In particular, how much of the $218.8 is for wages and salaries?

RESPONSE:

a) The difference is property taxes of $6.7M. The $218.8M in Exhibit J1, Tab 2, Schedule 7 includes property taxes but in Exhibit P1, Tab 1, Schedule 2, page 8 property taxes is treated as a separate item in line 4.

b) Please see the Navigant Report filed with Board Staff Interrogatory #80 for the details explaining the derivation of the parameters used in the Working Capital Allowance calculation.

c) In the Navigant Report (page 23, Footnote 1 – GST Calculation table), the entire OM&A expense which includes wages and salaries is subject to the GST calculation. Included in the $218.8M for 2010 is $118.2M for wages and salaries.

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INTERROGATORY 44:

Reference(s): **Exhibit E1, Tab 1, Schedule 1**

What is the impact on the revenue deficiency of a 10 basis point change in each of the following components of the cost of capital:

i. Return on Equity;
ii. Short Term Debt Rate; and
iii. Long Term Debt Rate.

RESPONSE:

A change of 10 basis points in each of the indicated rates results in changes to the revenue requirement as follows:

Return on Equity:	+/- $0.9 million
Short Term Debt Rate:	+/- $0.1 million
Long-term Debt Rate:	+/- $1.2 million

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INTERROGATORY 45:

Reference(s): Exhibit E1, Tab 1, Schedule 1

a) Are each of the three debt instruments shown in Table 2 held by affiliates of THESL?

b) Are any of the three debt instruments shown in Table 2 considered to be variable rate debt or callable on demand? Please explain.

c) Has THESL issued the forecast debt shown in Table 3 for the 2nd City Note Repayment?

d) Will both debt instruments shown in Table 3 be held by an affiliate of THESL?

e) Please update the rates shown in Table 3 to reflect current projections of interest rates and corporate spreads. Please provide details on the interest rates and corporate spreads.

f) Does THESL still plan to issue debt with a 10 year term? If not, what are the current term plans and explain the rationale for any change.

g) What is the current 10 year term rate available to local distribution companies from Infrastructure Ontario?

h) Please explain any significant difference between the current Infrastructure Ontario rate provided in part (g) with the updated rates shown in response to part (e).

RESPONSE:

a) Yes. All three of the debt instruments shown are held by Toronto Hydro Corporation.

b) None of these three debt instruments is considered to be variable rate debt or callable on demand.

c) Yes. The revised cost of this debt is 4.54%. Exhibits E1, Tab 4, Schedules 1 and 2

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have been updated to reflect this cost, plus an updated cost estimate for the planned 2010 debt issue. Please also see the response the Board Staff interrogatory 83 b).

d) Yes. As noted in the response under part a), above, the second City Note repayment is held by THC. All debt for THESL will be issued at the THC level and then "lent down" to THESL.

e) The second City Note repayment of $254,057,739 was a ten-year note issued at 4.54%. The credit spread on the date of issuance was 90 basis points over the equivalent Government of Canada curve. The updated forecast for the 2010 capex issue is based on the latest Conference Board of Canada interest rate forecast (updated at Exhibit E1, Tab 5, Schedule 1) plus an estimated corporate spread of 200 basis points, plus a 5 basis points admin cost. The following table updates Table 3

Description	Issue Date	Term	Principal	Govt Canada Benchmark	Corporate spread	Rate
2nd City Note Replacment	Nov 13, 2009	10-Years	$245,057,739	3.59%	95bp	4.54%
$260M Capex Issue	June 1, 2010	30-Years	$260,000,000	3.54%	205bp	5.59%

f) THC will determine the term of each debt issue closer to the time of the actual issuance depending on bond market conditions. For capex-related debt, THC will strive to match the liability with the associated asset life. However, this may not always be possible. Depending on market conditions, maturities along the entire

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yield curve will be examined, always with a view to minimizing debt costs. THESL's current forecast anticipates issuing a 30-year term note.

g) THESL has no information at this time on debt offerings from Infrastructure Ontario.

h) Please see the response to part g) above.

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INTERROGATORY 46:

Reference(s): **Exhibit E1, Tab 4, Schedule 2**
Exhibit E1, Tab 3, Schedule 2

Please explain the increase of $225,000 or 48% for the financing costs in 2010 as compared to 2009.

RESPONSE:

The increase in financing costs relates primarily to amortization of issuance costs associated with the projected $200 million capex-related debt issue in 2010, as well as a full-year of amortized issuance costs stemming from the refinancing of the second repayment of the City Note in late-2009.

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INTERROGATORY 47:

Reference(s): **Exhibit E1, Tab 5, Schedule 1, Table 1**

Please update Table 1 to reflect the most recent actual and forecast information available.

RESPONSE:

An update to Exhibit 1, Tab 5, Schedule 1, Tables 1 and 2, reflecting the most recent (September 2009) Conference Board forecast has been filed.

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INTERROGATORY 48:

Reference(s): **Exhibit J1, Tab 1, Schedule 2**
Exhibit J1, Tab 2, Schedule 9
Exhibit O1, Tab 1, Schedules 1-7

a) Please update Table 1 and Table 2 in Exhibit J1, Tab 1, Schedule 2 to reflect an interest rate of 0.55% in 2009 Q3 through 2010 Q2 in place of the rates shown in Table 1 of Exhibit J1, Tab 2, Schedule 9.

b) Please update Table 4 to reflect rate riders that would be based on a 24 month rate rider credit instead of the 36 month period as proposed by THESL and include the impact of the interest rate shown in part (a) above.

c) Based on the response to parts (a) and (b) above, please show the impact on customers by providing revised Schedules 1-7 of Exhibit O1, Tab 1 to reflect the lower interest rate and the rate riders based on a 24 month disposition period.

RESPONSE:

a) Updating the carrying costs rates for 2009 Q3 and Q4 approved rates has a total impact of $175,000 on the amounts requested for disposal. Because 2010 carrying cost rates are unknown, and THESL intends to use the approved rates when they are known, THESL submits that updating the table, and recalculating the rate riders is of limited value at this time.

b) Please see (a) above.

c) Please see (a) above.

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INTERROGATORY 49:

Reference(s): **Exhibit J1, Tab 1, Schedule 2, page 4**

Please provide the calculations for 2006, 2007 and 2008 used to calculate the balance in account 1592 -PILS and Tax variances, including the tax rates assumed in the rate adjustment model and the tax rates as a result of legislative or regulatory changes.

RESPONSE:

The balance of $11.93 million to December 31, 2008, including carrying charges to April 30, 2010, is the result of:

- the legislative elimination of the Large Corporations Tax ("LCT") for the May 1, 2006 to April 30, 2007 period;
- the legislative changes in the capital cost allowance ("CCA") rates for distribution assets, computer hardware and system software;
- the rate change in Ontario capital tax effective January 1, 2007;
- the income tax rate change effective January 1, 2008; and
- carrying charges for the period June 1, 2006 to April 30, 2010.

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1 The calculation is shown below by Year ($ millions):

	2006 Actual	2007 Actual	2008 Actual (Note 1)
Opening balance	-	(1.70)	(7.07)
Impact of elimination of LCT	(1.68)	(0.84)	-
Impact of change in CCA rate	-	(2.85)	(0.66)
Impact of change in Capital tax rate (Rate model: 0.3%; legislative rate: 0.225%)	-	(1.43)	(0.47)
Impact of change in Capital tax rate (Rate model: 0.285%; legislative rate: 0.225%)	-	-	(0.83)
Impact of change in income tax rate (Rate model: 36.12%; legislative rate: 33.5%)	-	-	(1.41)
Impact of change in income tax rate (Rate model: 34.5%; legislative rate: 33.5%)	-	-	(0.91)
Carrying charges	(0.02)	(0.25)	(0.36)
Subtotal	**(1.70)**	**(7.07)**	**(11.71)**
Projected carrying charges Jan 1, 2009 to April 30, 2010	-	-	(0.22)
Closing balance	**(1.70)**	**(7.07)**	**(11.93)**

Note 1: 2008 Actual includes projected carrying to April 30, 2010.

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INTERROGATORY 50:

Reference(s): **Exhibit L1, Tab 1, Schedule 1, Table 2**
Exhibit M1, Tab 1, Schedule 1, page 4

a) What do the revenue to cost ratios under the column "From Cost Allocation Model" signify? In particular, how have the revenues used in calculating these ratios been determined?

b) With the exception of the Intermediate 1000-4999 kW, Streetlighting and USL classes, the revenue to cost ratios from the cost allocation model are already within the Board Target Ranges. Please explain why THESL believes it is appropriate to adjust these ratios closer to unity even though they are already within the Board's approved range in light of the following which is taken from the Board's EB-2007-0693 Decision and Order dated August 11, 2008 for Wellington North Power Inc.:

An important element in the Board's report on cost allocation was its express reservation about the quality of the data underpinning cost allocation work to date. The report frankly indicated that the Board did not consider all of the data underpinning the report to be so reliable as to justify the application of the report's findings directly into rate cases. For this reason, among others, the Board established the ranges depicted above and mandated the migration of revenue to cost ratios currently outside the ranges to points within the ranges, but not to unity. In short, the ranges reflect a margin of confidence with the data underpinning the report. No point within any of the ranges should be considered to be any more reliable than any other point within the range. Accordingly, there is no particular significance to the unity point in any of the ranges.

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RESPONSE:

a) Revenue to Cost Ratio for each rate class is the percentage of the rate class revenue as a percentage of the total Cost of providing service to this rate class. These values represent the Revenue to Cost ratios which are determined by the model assuming the revenue received from each class is in the same proportion as the 2009 approved.

b) The allocation of revenue requirement to the different rate classes within an LDC is a "zero sum" exercise in that if one rate class is lowered, another rate class or classes must be raised in order to maintain the total revenue requirement. THESL has proposed allocations which ensure that the ranges contained within the Board's Cost of Capital report are met. Furthermore, while THESL concurs that further refinement of the Cost Allocation model will improve the accuracy of the model results, it is unclear when further refinement will occur, or the degree to which it will impact the calculated revenue to cost ratios. As the current model indicates that some rate classes appear to be subsidizing other rate classes, THESL believes it is appropriate to continue to move in small steps toward revenue to cost ratios which are close to unity.

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INTERROGATORY 51:

Reference(s): **Exhibit M1, Tab 1, Schedule 1, page 8**
Exhibit M1, Tab 5, Schedule 1

a) Please provide the most recent three-year average total loss factor for non-large users.

b) What is the total loss factor for non-large users for 2009 based on the most recent year-to-date information available?

RESPONSE:

a) An updated Exhibit M1, Tab 5, Schedule 1 is provided in Appendix A of this Schedule. This includes the most recent available data for 2009. The three-year average (2007-2009YTD) total loss factor for non-large users is 1.0352.

b) The total loss factor for non-large users for 2009 based on the most recent year-to-date information is 1.0404.

Appendix 2-Q
Loss Factors

		2004	2005	2006	2007	2008	2009Q2	2005-2009Q2
	Losses in Distributor's System							
A1	"Wholesale" kWh delivered to distributor (higher value)	26,417,144,859	27,312,085,342	26,449,417,229	26,679,431,182	26,036,887,862	12,581,949,439	
A2	"Wholesale" kWh delivered to distributor (lower value)	26,298,800,257	27,189,731,550	26,330,928,053	26,559,911,580	25,920,246,752	12,525,584,309	
B	"Wholesale" kWh for Large Use customers	2,630,137,387	2,599,239,226	2,628,829,559	2,722,931,468	2,641,416,594	1,273,658,069	
C	Net "Wholesale" kWh delivered to distributor (A2)-(B)	23,668,662,871	24,590,492,324	23,702,098,494	23,836,980,112	23,278,830,158	11,251,926,240	
D	"Retail" kWh delivered by distributor	25,500,987,289	26,355,686,169	25,563,321,385	25,831,335,781	25,292,121,880	12,120,133,979	
E	Portion of "Retail" kWh delivered by distributor for Large Use Custom	2,593,568,077	2,563,099,523	2,592,278,433	2,685,071,953	2,604,690,458	1,255,949,186	
F	Net "Retail" kWh delivered by distributor (D)-(E)	22,907,419,212	23,792,586,646	22,971,042,952	23,146,263,827	22,687,431,422	10,864,184,793	
G	Loss Factor in distributor's system [(C)/(F)] non-Large Use Customer	1.0332	1.0335	1.0318	1.0298	1.0261	1.0357	**1.0314**
	Losses Upstream of Distributor's System							
H	**Supply Facility Loss Factor**	1.0045	1.0045	1.0045	1.0045	1.0045	1.0045	**1.0045**
I	**Total Loss Factor [(G)x(H)] non-Large Use Customers**	1.0379	1.0382	1.0365	1.0345	1.0307	1.0404	**1.0360**

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INTERROGATORY 52:

Reference(s): Exhibit N1, Tab 1, Schedule 1

Does THESL intend to update the Retail Transmission Service Rates to reflect any changes in provincial transmission rates that are effective January 1, 2010?

RESPONSE:

If a new provincial transmission rate comes into effect January 1, 2010, THESL can update the calculation of Retail Transmission Service Rates. Even if the retail rates are not updated, all differences between the wholesale amounts paid by THESL and the retail amounts collected from customers are recorded in variance accounts.

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INTERROGATORY 53:

Reference(s): Exhibit N1, Tab 1, Schedule 1, Table 1

THESL has applied to clear the December 2008 balances in the RTSR accounts independent of the proposed 2010 retail transmission rates. The proposed 2010 retail transmission rates are intended to only recover the 2010 uniform transmission rates.

a) Please update Table 1 to include the most recent months of data available.
b) What is the current 2009 year-to-date balance in these accounts if the balances at the end of December, 2008 (along with the interest on these amounts in 2009) are removed?
c) What does THESL propose to do with the balance in these accounts for the amounts accumulated after the end of December, 2008 and before the new RTSR rates are implemented? What is the current estimate of these amounts, assuming a May 1, 2010 implementation of the new rates?

RESPONSE:

a) Please see table in Appendix A of this Schedule. Note that these balances are principal only (not including carrying charges).

b) Assuming the amounts requested for disposition are approved, the balance in the accounts, including carrying charges, as of October 2009 would be +$2.6M in RSVA Network and -$0.1M in RSVA Connection.

c) Any balances remaining in this account will be cleared as part of a future filing. Differences between the retail transmission rates charged to customers and wholesale

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rates charged to THESL will continue to accumulate in this account. The forecasted balances in these accounts as of Apr 30, 2010 are found in Exhibit J1, Tab 2, Schedule 8. (-18.3M and -9.6M in the RSVA Network and RSVA Connection accounts respectively).

Table 1: Historical RSVA Principal Balances for Network and Connection Services ($ millions)

	Col. 1	Col. 2	Col. 4
1		**RSVA-Network**	**RSVA-Connection**
2	**Month**	**Balance**	**Balance**
3	Jan-07	0.1	(5.1)
4	Feb-07	1.0	(4.4)
5	Mar-07	0.7	(4.9)
6	Apr-07	(0.6)	(5.7)
7	May-07	0.2	(5.2)
8	Jun-07	1.2	(4.4)
9	Jul-07	1.3	(4.0)
10	Aug-07	2.3	(2.9)
11	Sep-07	3.9	(0.6)
12	Oct-07	3.2	(0.6)
13	Nov-07	2.4	(0.3)
14	Dec-07	(2.5)	(2.4)
15	Jan-08	(4.3)	(3.9)
16	Feb-08	(7.2)	(3.2)
17	Mar-08	(10.0)	(4.4)
18	Apr-08	(12.5)	(4.9)
19	May-08	(13.0)	(5.3)
20	Jun-08	(15.1)	(5.2)
21	Jul-08	(16.3)	(5.2)
22	Aug-08	(17.9)	(5.9)
23	Sep-08	(16.9)	(5.3)
24	Oct-08	(17.5)	(5.7)
25	Nov-08	(18.1)	(6.2)
26	Dec-08	(18.3)	(7.4)
27	Jan-09	(18.9)	(7.6)
28	Feb-09	(16.1)	(6.3)
29	Mar-09	(15.0)	(6.4)
30	Apr-09	(15.3)	(6.5)
31	May-09	(16.2)	(7.2)
32	Jun-09	(14.2)	(6.0)
33	Jul-09	(14.7)	(5.7)
34	Aug-09	(13.8)	(6.1)
35	Sep-09	(13.8)	(6.8)
36	Oct-09	(15.9)	(7.7)