Ontario

Ministry of Revenue
Corporations Tax
33 King Street West
PO Box 620
Oshawa ON L1H 8E9

2007 CT23 Corporations Tax and Annual Return

For taxation years commencing after December 31, 2004

Corporations Tax Act – Ministry of Finance (MOF)
Corporations Information Act – Ministry of Government Services (MGS)

This form is a combination of the Ministry of Finance (MOF) **CT23 Corporations Tax Return** and the Ministry of Government Services (MGS) **Annual Return**. Page 1 is a common page required for both Returns. For tax purposes, depending on which criteria the corporation satisfies, it must complete either the **Exempt from Filing (EFF)** declaration on page 2 or file the **CT23 Return** on pages 3-17. Corporations that **do not** meet the EFF criteria but **do** meet the Short-Form criteria, may request and file the **CT23 Short-Form Return** (see page 2).

The **Annual Return** (common page 1 and MGS Schedule A on pages 18 and 19, and Schedule K on page 20) contains non-tax information collected under the authority of the *Corporations Information Act* for the purpose of maintaining a public database of corporate information. This return must be completed by Ontario share-capital corporations or Foreign-Business share-capital corporations that have an extra-provincial licence to operate in Ontario.

Ministry Use

MGS Annual Return Required? *(Not required if already filed or Annual Return exempt. Refer to Guide)* [X] Yes [ ] No **Page 1 of 20**

Corporation's Legal Name *(including punctuation)*

TORONTO HYDRO-ELECTRIC SYSTEM LIMITED

Ontario Corporations Tax Account No. (MOF)
1800235

Mailing Address

14 CARLTON ST.

TORONTO
ON CA M5B 1K5

HYDRO PILS

This Return covers the Taxation Year
Start: year month day 2008-01-01
End: year month day 2008-12-31

Has the mailing address changed since last filed CT23 Return? [ ] Yes | Date of Change: year month day

Date of Incorporation or Amalgamation
year month day 1999-06-23

Registered/Head Office Address

14 CARLTON ST.

TORONTO
ON CA M5B 1K5

Toronto Hydro-Electric System Limited
EB-2009-0139
Exhibit R1
Tab 9
Schedule 33
Appendix E
Filed: 2009 Nov 30
(59 pages)

Ontario Corporation No. (MGS) 1362834

Location of Books and Records

14 CARLTON ST.

TORONTO
ON CA M5B 1K5

Canada Revenue Agency Business No.
If applicable, enter
89671 8327 RC0001

Name of person to contact regarding this CT23 Return	Telephone No.	Fax No.
BARRY PARKER	(416) 542-2895	(416) 542-2808

Jurisdiction Incorporated: Ontario

Address of Principal Office in Ontario *(Extra-Provincial Corporations only)* (MGS)

Ontario Canada

If not incorporated in Ontario, indicate the date Ontario business activity commenced and ceased:

Commenced: year month day

Former Corporation Name *(Extra-Provincial Corporations only)* [X] *Not Applicable* (MGS)

Ceased: year month day

[X] *Not Applicable*

Information on Directors/Officers/Administrators must be completed on MGS Schedule A or K as appropriate. If additional space is required for Schedule A, only this schedule may be photocopied. State number submitted (MGS). ▶

No. of Schedule(s): 2

Preferred Language / *Langue de préférence*
[X] English *anglais* [ ] French *français*

If there is **no change** to the Directors'/Officers'/Administrators' information previously submitted to MGS, please check (X) this box. Schedule(s) A and K are not required (MGS). ▶ [ ] No Change

Ministry Use

Certification (MGS)

I certify that all information set out in the **Annual Return** is true, correct and complete.

Name of Authorized Person *(Print clearly or type in full)*
PANKAJ SARDANA

Title: D [ ] Director O [X] Officer P [ ] Other individuals having knowledge of the Corporation's business activities

Note: Sections 13 and 14 of the *Corporations Information Act* provide penalties for making false or misleading statements or omissions.

CT23 Corporations Tax Return

Identification continued (for CT23 filers only)

Please check applicable (X) box(es) and complete required information.

Type of corporation

1

1 [X] Canadian-controlled Private (CCPC) all year (Generally a private corporation of which 50% or more shares are owned by Canadian residents.) (fed.s.125(7)(b))

2 [ ] Other Private

3 [ ] Public

4 [ ] Non-share Capital

5 [ ] Other *(specify)* ▼

(nearest percent)

Share Capital with full voting rights owned by Canadian Residents: 100 %

2

1 [ ] Family Farm corporation s.1(2)

2 [ ] Family Fishing corporation s.1(2)

3 [ ] Mortgage Investment corporation s.47

4 [ ] Credit Union s.51

5 [ ] Bank Mortgage subsidiary s.61(4)

6 [ ] Bank s.1(2)

7 [ ] Loan and Trust corporation s.61(4)

8 [ ] Non-resident corporation s.2(2)(a) or (b)

9 [ ] Non-resident corporation s.2(2)(c)

10 [ ] Mutual Fund corporation s.48

11 [ ] Non-resident owned Investment corporation s.49

12 [ ] Non-resident ship or aircraft under reciprocal agreement with Canada s.28(b)

14 [ ] Bare Trustee corporation

15 [ ] Branch of Non-resident s.63(1)

16 [ ] Financial institution prescribed by Regulation only

17 [ ] Investment Dealer

18 [ ] Generator of electrical energy for sale or producer of steam for use in the generation of electrical energy for sale

19 [X] Hydro successor, municipal electrical utility or subsidiary of either

20 [ ] Producer and seller of steam for uses other than for the generation of electricity

21 [ ] Insurance Exchange s.74.4

22 [ ] Farm Feeder Finance Co-operative corporation

23 [ ] Professional corporation (incorporated professionals only)

[ ] This is the first year filing after incorporation or an amalgamation (If checked, attach Ontario Schedule 24.)

[ ] Amended Return

[ ] Taxation year end change – Canada Revenue Agency approval required

[ ] Final taxation year up to dissolution *(Note: for discontinued businesses, see guide.)*

[ ] Final taxation year before amalgamation

[ ] The corporation has a floating fiscal year end

[ ] There has been a transfer or receipt of asset(s) involving a corporation having a Canadian permanent establishment outside Ontario

[ ] There was an acquisition of control to which subsection 249(4) of the federal *Income Tax Act* (ITA) applies since the previous taxation year

If checked, date control was acquired: year | month | day

[ ] The corporation was involved in a transaction where all or substantially all (90% or more) of the assets of a non-arm's length corporation were received in the taxation year and subsection 85(1) or 85(2) of the federal ITA applied to the transaction (If checked, attach Ontario Schedule 44.)

[ ] First year filing of a parent corporation after winding-up a subsidiary corporation(s) under section 88 of the federal ITA during the taxation year. (If checked, attach Ontario Schedule 24.)

[ ] Section 83.1 of the CTA applies (redirection of payments for certain electricity corporations)

Yes	No	
[ ]	[X]	Was the corporation inactive throughout the taxation year?
[X]	[ ]	Has the corporation's Federal T2 Return been filed with the Canada Revenue Agency?

Are you requesting a refund due to:

[ ]	[X]	the Carry-back of a Loss?
[ ]	[X]	an Overpayment?
[ ]	[X]	a Specified Refundable Tax Credit?
[ ]	[X]	Are you a member of a Partnership or Joint Venture?

Complete if applicable

Ontario Retail Sales Tax Vendor Permit no. (Use head office no.)

Ontario Employer Health Tax Account no. (Use head office no.)

Specify major business activity

ENERGY DISTRIBUTION

Allocation – If you carry on a business through a permanent establishment in a jurisdiction outside Ontario, you may allocate that portion of taxable income deemed earned in that jurisdiction to that jurisdiction (s.39) (Int.B. 3008).

DOLLARS ONLY

Net Income (loss) for Ontario purposes (per reconciliation schedule, page 15)	±	From	690	92,865,366 .
Subtract: Charitable donations	–		1	4,808 .
Subtract: Gifts to Her Majesty in right of Canada or a province and gifts of cultural property *(Attach schedule 2)*	–		2	.
Subtract: Taxable dividends deductible, per federal Schedule 3	–		3	4,787 .
Subtract: Ontario political contributions *(Attach Schedule 2A)* (Int.B. 3002R)	–		4	.
Subtract: Federal Part VI.1 tax . x 3	–		5	.
Subtract: Prior years' losses applied – Non-capital losses	–	From	704	.
Net capital losses (page 16) From 715 . x inclusion rate 50.000000 %	–		714	.
Farm losses	–	From	724	.
Restricted farm losses	–	From	734	.
Limited partnership losses	–	From	754	.
Taxable Income (Non-capital loss)	=		10	92,855,771 .

Addition to taxable income for unused foreign tax deduction for federal purposes + 11 .

Adjusted Taxable Income 10 + 11 (if 10 is negative, enter 11) = 20 92,855,771 .

Taxable Income

Number of Days in Taxation Year

From 10 (or 20 if applicable) 92,855,771 . x 30 100.0000 % Ontario Allocation x 12.5 % x (Days after Dec. 31, 2002 and before Jan. 1, 2004: 33 ___ ÷ Total Days 73 366) = + 29 .

From 10 (or 20 if applicable) 92,855,771 . x 30 100.0000 % Ontario Allocation x 14 % x (Days after Dec. 31, 2003: 34 366 ÷ Total Days 73 366) = + 32 12,999,808 .

Income Tax Payable (before deduction of tax credits) 29 + 32 = 40 12,999,808 .

Incentive Deduction for Small Business Corporations (IDSBC) (s.41)

If this section is not completed, the IDSBC will be denied.

Did you claim the federal Small Business Deduction (fed.s.125(1)) in the taxation year or would you have claimed the federal Small Business Deduction had the provisions of fed.s.125(5.1) not been applicable in the taxation year? (X) [X] Yes [ ] No

* Income from active business carried on in Canada for federal purposes (fed.s.125(1)(a))		50	93,919,004 .
Federal taxable income, less adjustment for foreign tax credit (fed.s.125(1)(b))	+ 51	94,013,196 .	
Add: Losses of other years deducted for federal purposes (fed.s.111)	+ 52	.	
Subtract: Losses of other years deducted for Ontario purposes (s.34)	– 53	.	
	=	94,013,196 . ▶ 54	94,013,196 .
Federal Business limit (line 410 of the T2 Return) for the year before the application of fed.s.125(5.1)		55	400,000 .

Ontario Business Limit Calculation

320,000 x (Days after Dec. 31, 2002 and before Jan. 1, 2004: 31 ___ ÷ ** 366) = + 46 .

400,000 x (Days after Dec. 31, 2003: 34 366 ÷ ** 366) = + 47 .

Business Limit for Ontario purposes 46 + 47 = 44 500,000 . x (Percentage of Federal Business limit (from T2 Schedule 23). Enter 100% if not associated.: 48 100.0000 %) = 45 500,000 .

Income eligible for the IDSBC From 30 100.0000 % ***Ontario Allocation x 56 500,000 . = 60 500,000 .
Least of 50 , 54 or 45

* ***Note:*** *Modified by s.41(6) and (7) for corporations that are members of a partnership. (Refer to Guide.)*

** ***Note:*** *Adjust accordingly for a floating taxation year and use 366 for a leap year.*

*** ***Note:*** *Ontario Allocation for IDSBC purposes may differ from* 30 *if Taxable Income is allocated to foreign jurisdictions. See special rules (s.41(4)).*

continued on Page 5

Income Tax *continued from Page 4*

Calculation of IDSBC Rate — 7 % x (Days after Dec. 31, 2002 and before Jan. 1, 2004: 31 / 73 Total Days 366) = + 89 .

8.5 % x (Days after Dec. 31, 2003: 34 / 366 ÷ 73 / 366 Total Days) = + 90 8.5000

IDSBC Rate for Taxation Year 89 + 90 = 78 8.5000

Claim — From 60 500,000 . x From 78 8.5000 % = 70 42,500 .

Corporations claiming the IDSBC must complete the Surtax section below if the corporation's taxable income (or if associated, the associated group's taxable income) is greater than the amount 500,000 in 114 below.

Surtax on Canadian-controlled Private Corporations (s.41.1)

Applies if you have claimed the Incentive Deduction for Small Business Corporations.

Associated Corporation - The Taxable Income of associated corporations is the taxable income for the taxation year ending on or before the date of this corporation's taxation year end.

***Taxable Income of the corporation** — From 10 (or 20 if applicable) + 80 92,855,771 .

If you are a member of an associated group (X) 81 X (Yes)

Name of associated corporation (Canadian & foreign) *(if insufficient space, attach schedule)*	Ontario Corporations Tax Account No. (MOF) (if applicable)	Taxation Year End	* Taxable Income (if loss, enter nil)
TORONTO HYDRO CORPORATION	1800236	2008-12-31	+ 82 .
TORONTO HYDRO ENERGY SERVICES INC.	1800382	2008-12-31	+ 83 .
1455948 Ontario Inc.	1800234	2008-12-31	+ 84 .

Aggregate Taxable Income 80 + 82 + 83 + 84 , etc. = 85 92,855,771 .

320,000 x (Days after Dec. 31, 2002 and before Jan. 1, 2004: 31 / 73 Total Days 366) = + 115 .

400,000 x (Days after Dec. 31, 2003: 34 366 ÷ 73 366 Total Days) = + 116 .

115 + 116 = 500,000 . — 114 500,000 .

(If negative, enter nil) = 86 92,355,771 .

Calculation of Specified Rate for Surtax — 4.6670 % x (Days after Dec. 31, 2002: 38 / 73 Total Days 366) = + 97 4.2500

From 86 92,355,771 . x From 97 4.2500 % = 87 3,925,120 .

From 87 3,925,120 . x From 60 500,000 . ÷ From 114 500,000 . = 88 3,925,120 .

Surtax Lesser of 70 or 88 = 100 42,500

* ***Note: Short Taxation Years*** – Special rules apply where the taxation year is less than 51 weeks for the corporation and/or any corporation associated with it.

continued on Page 6

Additional Deduction for Credit Unions (s.51(4)) *(Attach schedule 17)*

- - - - - - - - - - - 110 ________ .

Manufacturing and Processing Profits Credit (M&P) (s.43)

Applies to Eligible Canadian Profits from manufacturing and processing, farming, mining, logging and fishing carried on in Canada, as determined by regulations.

Eligible Canadian Profits from mining are the "resource profits from the mining operations", as determined for Ontario depletion purposes, after deducting depletion and resource allowances but excluding amounts from sale of Canadian resource property, rentals or royalties. If you are claiming this credit, attach a copy of Ontario schedule 27.

The whole of the active business income qualifies as Eligible Canadian Profits if: **a)** your active business income from sources other than manufacturing and processing, mining, farming, logging or fishing is 20% or less of the total active business income and **b)** the total active business income is $250,000 or less.

Eligible Canadian Profits		+	120	.
Subtract:	Income eligible for the Incentive Deduction for Small Business Corporations (IDSBC)	–	From 56	500,000 .
Add:	Adjustment for Surtax on Canadian-controlled private corporations			
	From 100 42,500 . ÷ From 30 100.0000 % (*Ontario Allocation) ÷ From 78 8.5000 % = 121 500,000 .			
Lesser of 56 or 121		+	122	500,000 .
120 – 56 + 122		=	130	.
Taxable Income		+	From 10	92,855,771 .
Subtract:	Income eligible for the Incentive Deduction for Small Business Corporations (IDSBC)	–	From 56	500,000 .
Add:	Adjustments for Surtax on Canadian-controlled private corporations	+	From 122	500,000 .
Subtract:	Taxable Income 10 92,855,771 X Allocation % to jurisdictions outside Canada	–	140	.
Subtract:	Amount by which Canadian and foreign investment income exceeds net capital losses	–	141	99,000 .
10 – 56 + 122 – 140 – 141		=	142	92,756,771 .

Claim

143 ________ . (Lesser of 130 or 142)	X From 30	100.0000 % (Ontario Allocation)	X 1.5 %	X Number of Days in Taxation Year: Days after Dec. 31, 2002 and before Jan. 1, 2004: 33 ____ ÷ Total Days 73 366	= +	154	.
143 ________ . (Lesser of 130 or 142)	X From 30	100.0000 % (Ontario Allocation)	X 2 %	X Days after Dec. 31, 2003: 34 366 ÷ Total Days 73 366	= +	156	.
M&P claim for taxation year 154 + 156					=	160	.

*** Note:** *Ontario Allocation for M&P Credit purposes may differ from* 30 *if Taxable Income is allocated to foreign jurisdictions. See special rules (s.43(1))*

Manufacturing and Processing Profits Credit for Electrical Generating Corporations

= 161 ________ .

Manufacturing and Processing Profits Credit for Corporations that Produce and Sell Steam for uses other than the Generation of Electricity

- - - - - - - - - - = 162 ________ .

Credit for Foreign Taxes Paid (s.40)

Applies if you paid tax to a jurisdiction outside Canada on foreign investment income (Int.B. 3001R). *(Attach schedule)* - 170 ________ .

Credit for Investment in Small Business Development Corporations (SBDC)

Applies if you have an unapplied, previously approved credit from prior years' investments in new issues of equity shares in Small Business Development Corporations. Any unused portion may be carried forward indefinitely and applied to reduce subsequent years' income taxes. (Refer to the former *Small Business Development Corporations Act*)

Eligible Credit 175 ________ . Credit Claimed 180 ________ .

Subtotal of Income Tax

40 – 70 + 100 – 110 – 160 – 161 – 162 – 170 – 180 - - - - = 190 12,999,808 .

continued on Page 7

Income Tax *continued from Page 6*

Specified Tax Credits *(Refer to Guide)*

Ontario Innovation Tax Credit (OITC) (s.43.3) ***Applies*** to scientific research and experimental development in Ontario.
Eligible Credit From 5620 OITC Claim Form *(Attach original Claim Form)* + 191

Co-operative Education Tax Credit (CETC) (s.43.4) ***Applies*** to employment of eligible students.
Eligible Credit From 5798 CT23 Schedule 113 *(Attach Schedule 113)* + 192 92,696

Ontario Film & Television Tax Credit (OFTTC) (s.43.5)
Applies to qualifying Ontario labour expenditures for eligible Canadian content film and television productions. Name of Production 204
Eligible Credit From 5850 of the Certificate of Eligibility issued by the Ontario Media Development Corporation (OMDC)
(Attach the original Certificate of Eligibility) + 193

Graduate Transitions Tax Credit (GTTC) (s.43.6) No. of Graduates From 6596
Applies to employment of eligible unemployed post secondary graduates, for employment commencing prior to July 6, 2004 and expenditures incurred prior to January 1, 2005. 194
Eligible Credit From 6598 CT23 Schedule 115 *(Attach Schedule 115)* + 195

Ontario Book Publishing Tax Credit (OBPTC) (s.43.7)
Applies to qualifying expenditures in respect of eligible literary works by eligible Canadian authors.
Eligible Credit From 6900 OBPTC Claim Form *(Attach **both** the original Claim Form and the Certificate of Eligibility)* + 196

Ontario Computer Animation and Special Effects Tax Credit (OCASE) (s.43.8)
Applies to labour relating to computer animation and special effects on an eligible production.
Eligible Credit From 6700 of the Certificate of Eligibility issued by the Ontario Media Development Corporation (OMDC)
(Attach the original Certificate of Eligibility) + 197

Ontario Business-Research Institute Tax Credit (OBRITC) (s.43.9)
Applies to qualifying R&D expenditures under an eligible research institute contract.
Eligible Credit From 7100 OBRITC Claim Form *(Attach original Claim Form)* + 198

Ontario Production Services Tax Credit (OPSTC) (s.43.10)
Applies to qualifying Ontario labour expenditures for eligible productions where the OFTTC has not been claimed.
Eligible Credit From 7300 of the Certificate of Eligibility issued by the Ontario Media Development Corporation (OMDC)
(Attach the original Certificate of Eligibility) + 199

Ontario Interactive Digital Media Tax Credit (OIDMTC) (s.43.11)
Applies to qualifying labour expenditures of eligible products for the taxation year.
Eligible Credit From 7400 of the Certificate of Eligibility issued by the Ontario Media Development Corporation (OMDC)
(Attach the original Certificate of Eligibility) + 200

Ontario Sound Recording Tax Credit (OSRTC) (s.43.12)
Applies to qualifying expenditures in respect of eligible Canadian sound recordings.
Eligible Credit From 7500 OSRTC Claim Form *(Attach **both** the original Claim Form and the Certificate of Eligibility)* + 201

Apprenticeship Training Tax Credit (ATTC) (s.43.13) No. of Apprentices From 5896
Applies to employment of eligible apprentices. 202 62
Eligible Credit From 5898 CT23 Schedule 114 *(Attach Schedule 114)* + 203 263,289

Other (specify) _____ + 203.1

Total Specified Tax Credits 191 + 192 + 193 + 195 + 196 + 197 + 198 + 199 + 200 + 201 + 203 + 203.1 = 220 355,985

Specified Tax Credits ***Applied to reduce Income Tax*** = 225 355,985

Income Tax 190 – 225 **OR Enter NIL if reporting Non-Capital Loss** *(amount cannot be negative)* = 230 12,643,823

To determine if the Corporate Minimum Tax (CMT) is applicable to your Corporation, see **Determination of Applicability** section for the CMT on **Page 8.** If CMT is not applicable, transfer amount in 230 to Income Tax in **Summary** section on **Page 17.**

OR

If CMT is not applicable for the current taxation year but your corporation has CMT Credit Carryovers that you want to apply to reduce income tax otherwise payable, then proceed to and complete the **Application of CMT Credit Carryovers** section part B, on **Page 8.**

Corporate Minimum Tax (CMT)

DOLLARS ONLY

Total Assets of the corporation + 240 2,506,140,859 .

Total Revenue of the corporation + 241 2,358,443,338 .

The above amounts include the corporation's and associated corporations' share of any partnership(s) / joint venture(s) total assets and total revenue.

If you are a member of an associated group (X) 242 X (Yes)

Name of associated corporation (Canadian & foreign) *(if insufficient space attach schedule)*	Ontario Corporations Tax Account No. (MOF) (if applicable)	Taxation Year End	Total Assets	Total Revenue
TORONTO HYDRO CORPORATION	1800236	2008-12-31	+ 243 2,185,212,000 .	+ 244 260,081,488 .
TORONTO HYDRO ENERGY SERVICES INC.	1800382	2008-12-31	+ 245 119,619,000 .	+ 246 32,188,516 .
1455948 Ontario Inc.	1800234	2008-12-31	+ 247 3,500,558 .	+ 248 .
Aggregate Total Assets	240 + 243 + 245 + 247 , etc.		= 249 4,814,472,417 .	
Aggregate Total Revenue	241 + 244 + 246 + 248 , etc.			= 250 2,650,713,342 .

Determination of Applicability

Applies if ***either*** Total Assets 249 exceeds $5,000,000 ***or*** Total Revenue 250 exceeds $10,000,000.

Short Taxation Years – Special rules apply for determining total revenue where the taxation year of the corporation or any associated corporation or any fiscal period of any partnership(s) / joint venture(s) of which the corporation or associated corporation is a member, is less than 51 weeks.

Associated Corporation – The total assets or total revenue of associated corporations is the total assets or total revenue for the taxation year ending on or before the date of the claiming corporation's taxation year end.

If CMT is applicable to current taxation year, complete section **Calculation: CMT** below and **Corporate Minimum Tax Schedule 101.**

Calculation: CMT *(Attach Schedule 101.)*

Gross CMT Payable – CMT Base — From Schedule 101 2136 85,097,800 . (If negative, enter zero) x From 30 100.0000 % (Ontario Allocation) X 4 % = 276 3,403,912 .

Subtract: Foreign Tax Credit for CMT purposes *(Attach Schedule)* – 277 .

Subtract: Income Tax – From 190 12,999,808 .

Net CMT Payable (If negative, enter Nil on Page 17.) = 280 -9,595,896 .

If 280 is less than zero and you do not have a CMT credit carryover, transfer 230 from **Page 7** to **Income Tax Summary, on Page 17.**

If 280 is less than zero and you have a CMT credit carryover, complete A & B below.

If 280 is greater than or equal to zero, transfer 230 to **Page 17** and transfer 280 to **Page 17, and to Part 4 of Schedule 101: Continuity of CMT Credit Carryovers.**

CMT Credit Carryover available From Schedule 101 — From 2333 .

Application of CMT Credit Carryovers

A. Income Tax (before deduction of specified credits) + From 190 12,999,808 .

Gross CMT Payable + From 276 3,403,912 .

Subtract: Foreign Tax Credit for CMT purposes – From 277 .

If 276 – 277 is negative, enter NIL in 290 = 3,403,912 . – 290 3,403,912 .

Income Tax eligible for CMT Credit = 300 9,595,896 .

B. Income Tax (after deduction of specified credits) + From 230 12,643,823 .

Subtract: CMT credit used to reduce income taxes – 310 .

Income Tax = 320 12,643,823 .

Transfer to page 17

If A & B apply, 310 ***cannot exceed the lesser of*** 230 , 300 ***and your CMT credit carryover available*** 2333 .

If only B applies, 310 ***cannot exceed the lesser of*** 230 ***and your CMT credit carryover available*** 2333 .

Capital Tax *(Refer to Guide and Int.B. 3011R)*

If your corporation is a Financial Institution (s.58(2)), complete lines 480 *and* 430 *on page 10 then proceed to page 13.*

If your corporation is not a member of an associated group and/or partnership and the Gross Revenue and Total Assets as calculated on page 10 in 480 *and* 430 *are both $3,000,000 or less, your corporation is exempt from Capital Tax for the taxation year, except for a branch of a non-resident corporation. A corporation that meets these criteria should disregard all other Capital Tax items (including the calculation of Taxable Capital). Enter NIL in* 550 *on page 12 and complete the return from that point. All other corporations must compute their Taxable Capital in order to determine their Capital Tax payable.*

Members of a partnership (limited or general) or a joint venture, must attach all financial statements of each partnership or joint venture of which they are a member. The Paid-up Capital of each corporate partner must include its share of liabilities that would otherwise be included if the partnership were a corporation. If Investment Allowance is claimed, Total Assets must be adjusted by adding the corporation's share of the partnership's Total Assets and by deducting investments in the partnership as it appears on the corporation's balance sheet, in addition to any other required adjustments (s.61(5)). Special rules apply to limited partnerships (Int.B. 3017R).

Any Assets and liabilities of a corporation that are being utilized in a joint venture must be included along with the corporation's other Assets and liabilities when calculating its Taxable Paid-up Capital.

Special rules and rates apply to Non-Resident corporations (s.63, s.64 and s.69(3)).

Paid-up Capital of Non-resident: Paid-up capital employed in Canada of a non-resident subject to tax by virtue of s.2(2)(a) or 2(2)(b), and whose **business is not carried on solely in Canada** is deemed to be the **greater** of (1) taxable Income in Canada divided by 8 percent or (2) total assets in Canada minus certain indebtedness in accordance with the provisions of s.63(1)(a) (Int.B. 3010).

Paid-up Capital

Paid-up capital stock (Int.B. 3012R and 3015R)	+	350	527,816,668
Retained earnings (if deficit, deduct) (Int.B. 3012R)	±	351	237,067,656
Capital and other surpluses, excluding appraisal surplus (Int.B.3012R)	+	352	12,757,392
Loans and advances *(Attach schedule)* (Int.B. 3013R)	+	353	1,309,672,205
Bank loans (Int.B. 3013R)	+	354	
Bankers acceptances (Int.B. 3013R)	+	355	
Bonds and debentures payable (Int.B. 3013R)	+	356	
Mortgages payable (Int.B. 3013R)	+	357	
Lien notes payable (Int.B. 3013R)	+	358	
Deferred credits (including income tax reserves, and deferred revenue where it would also be included in paid-up capital for the purposes of the large corporations tax) (Int.B. 3013R)	+	359	1,662,909
Contingent, investment, inventory and similar reserves (Int.B. 3012R)	+	360	
Other reserves not allowed as deductions for income tax purposes *(Attach schedule)* (Int.B. 3012R)	+	361	341,060,098
Share of partnership(s) or joint venture(s) paid-up capital *(Attach schedule(s))* (Int.B. 3017R)	+	362	
Subtotal	=	370	2,430,036,928
Subtract: Amounts deducted for income tax purposes in excess of amounts booked *(Retain calculations. Do not submit.)* (Int.B. 3012R)	–	371	
Deductible R & D expenditures and ONTTI costs deferred for income tax if not already deducted for book purposes (Int.B. 3015R)	–	372	
Total Paid-up Capital	=	380	2,430,036,928
Subtract: Deferred mining exploration and development expenses (s.62(1)(d)) (Int.B. 3015R)	–	381	
Electrical Generating Corporations Only – All amounts with respect to electrical generating assets, except to the extent that they have been deducted by the corporation in computing its income for income tax purposes for the current or any prior taxation year, that are deductible by the corporation under clause 11(10)(a) of the *Corporations Tax Act*, and the assets are used both in generating electricity from a renewable or alternative energy source and are qualifying property as prescribed by regulation	–	382	
Net Paid-up Capital	=	390	2,430,036,928

Eligible Investments *(Refer to Guide and Int.B. 3015R)*

Attach computations and list of corporation names and investment amounts. Short-term investments (bankers acceptances, commercial paper, etc.) are eligible for the allowance only if issued for a term of and held for 120 days or more prior to the year end of the investor corporation.

Bonds, lien notes and similar obligations, (similar obligations, e.g. stripped interest coupons, applies to taxation years ending after October 30, 1998)	+	402	
Mortgages due from other corporations	+	403	
Shares in other corporations (certain restrictions apply) *(Refer to Guide)*	+	404	
Loans and advances to unrelated corporations	+	405	
Eligible loans and advances to related corporations (certain restrictions apply) *(Refer to Guide)*	+	406	
Share of partnership(s) or joint venture(s) eligible investments *(Attach schedule)*	+	407	
Total Eligible Investments	=	410	

continued on Page 10

Total Assets (Int.B. 3015R) *DOLLARS ONLY*

Total Assets per balance sheet	+	420	2,506,140,859
Mortgages or other liabilities deducted from assets	+	421	
Share of partnership(s)/joint venture(s) total assets *(Attach schedule)*	+	422	
Subtract: Investment in partnership(s)/joint venture(s)	–	423	
Total Assets as adjusted	=	430	2,506,140,859
Amounts in 360 and 361 (if deducted from assets)	+	440	190,553,654
Subtract: Amounts in 371, 372 and 381	–	441	
Subtract: Appraisal surplus if booked	–	442	
Add or Subtract: Other adjustments (specify on an attached schedule)	±	443	
Total Assets	=	450	2,696,694,513

Investment Allowance (410 ÷ 450) x 390 — **Not to exceed** 410 = 460

Taxable Capital 390 – 460 = 470 2,430,036,928

Gross Revenue (as adjusted to include the share of any partnership(s)/joint venture(s) Gross Revenue) 480 2,358,443,338

Total Assets (as adjusted) From 430 2,506,140,859

Calculation of Capital Tax for all Corporations except Financial Institutions

Note: *This version (2007) of the CT23 may only be used for a taxation year that commenced after December 31, 2004.*

Financial Institutions use calculations on page 13.

Important: If the corporation is a family farm corporation, family fishing corporation or a credit union that is not a Financial Institution, complete only Section A below.

OR If the corporation is **not** a member of an associated group and/or partnership, complete Section B below, then review only the Capital Tax calculations in Section C on page 11, selecting and completing the one specific subsection (e.g. C3) that applies to the corporation.

OR If the corporation **is** a member of an associated group and/or partnership, complete Section B below and Section D on page 11, and if applicable, complete Section E or Section F on page 12. Note: if the corporation is a member of a connected partnership, please refer to the CT23 Guide for additional instructions before completing the Capital Tax section.

SECTION A

This section applies only if the corporation is a family farm corporation, a family fishing corporation or a credit union that is not a Financial Institution (Int.B. 3018).

Enter NIL in 550 on page 12 and complete the return from that point.

SECTION B

B1. Calculation of Taxable Capital Deduction (TCD)

Number of Days in Taxation Year

		Days after Dec. 31, 2004 and before Jan. 1, 2006		Total Days					
7,500,000	x	36	÷	73	366	= +	501		
		Days after Dec. 31, 2005 and before Jan. 1, 2007		Total Days					
10,000,000	x	37	÷	73	366	= +	502		
		Days after Dec. 31, 2006 and before Jan. 1, 2008		Total Days					
12,500,000	x	38	÷	73	366	= +	504		
		Days after Dec. 31, 2007		Total Days					
15,000,000	x	39 366	÷	73	366	= +	505	15,000,000	

Taxable Capital Deduction (TCD) 501 + 502 + 504 + 505 = 503 15,000,000

B2. This section applies to corporations to calculate the prorated capital tax rate.

Calculation of Capital Tax Rate

Number of Days in Taxation Year

		Days before Jan. 1, 2007		Total Days					
0.3 %	x	556	÷	73	366	= +	511		%
		Days after Dec. 31, 2006 and before Jan. 1, 2009		Total Days					
0.225 %	x	557 366	÷	73	366	= +	512	0.2250	%

Capital Tax Rate 511 + 512 = 516 0.2250 %

continued on Page 11

Capital Tax Calculation *continued from Page 10*

SECTION C

This section applies if the corporation is **not** a member of an associated group and/or partnership.

C1. If [430] and [480] on page 10 are both $3,000,000 or less, enter NIL in [550] on page 12 and complete the return from that point.

C2. If Taxable Capital in [470] is **equal to or less than the TCD** in [503], enter NIL in [550] on page 12 and complete the return from that point.

C3. If Taxable Capital in [470] **exceeds the TCD** in [503], complete the following calculation and transfer the amount from [523] to [543] on page 12, and complete the return from that point.

+ From [470] _____ •
− From [503] _____ •
= [471] _____ • x From [30] 100.0000 % (Ontario Allocation) x From [516] 0.2250 % (Capital Tax Rate) x [555] Days in taxation year 366 / 366 (366 if leap year) *If floating taxation year, refer to Guide.* = + [523] _____ • *Transfer to* [543] *on page 12 and complete the return from that point*

SECTION D

This section applies ONLY to a corporation that is a member of an associated group (excluding Financial Institutions and corporations exempt from Capital Tax) and/or partnership. You must check either [509] or [524] and complete this section before you can calculate your Capital Tax Calculation under either Section E or Section F.

D1. ☐ [509] (X if applicable)

All corporations that you are associated with do **not** have a permanent establishment in Canada.

If Taxable Capital [470] on page 10 is equal to or less than the TCD [503] on page 10, enter NIL in [550] on page 12 and complete the return from that point.

If Taxable Capital [470] on page 10 exceeds the TCD [503] on page 10, proceed to **Section E**, enter the TCD amount in [542] in Section E, and complete Section E and the return from that point.

D2. ☒ [524] (X if applicable)

One or more of the corporations that you are associated with **maintains** a permanent establishment in Canada.

You and your associated group may continue to allocate the TCD by completing the Calculation below. Or, the associated group **may file an election** under subsection 69(2.1) of the *Corporations Tax Act*, whereby total assets are used to allocate the TCD among the associated group. Once a ss.69(2.1) election is filed, all members of the group will then be required to file in accordance with the election and allocate a portion (portion is henceforth referred to as **Net Deduction**) of the capital tax effect relating to the TCD to each corporation in the group on the basis of the ratio that each corporation's total assets multiplied by its Ontario allocation is to the total assets of the group.

The total asset amounts and Ontario allocation percentages to be used for this calculation must be taken from each corporation's financial information from its last taxation year ending in the immediately preceding calendar year.

In addition, although each corporation in the associated group may deduct its Net Deduction amount as apportioned by the total asset formula, the group may, at the group's option, reallocate the group's total Net Deduction among the group on what ever basis the corporate group wishes, as long as the total of the reallocated amounts does not exceed the group's total Net Deduction amount originally calculated for the associated group.

D2. Calculation is on next page

continued on Page 12

Capital Tax Calculation *continued from Page 11*

DOLLARS ONLY

D2. Calculation Do **not** complete this calculation if ss.69(2.1) election is filed

Taxable Capital From 470 on page 10 - + From 470 _____

Determine aggregate taxable capital of an associated group (excluding financial institutions and corporations exempt from capital tax) and/or partnership having a permanent establishment in Canada

Names of associated corporations (excluding Financial Institutions and corporations exempt from Capital Tax) having a permanent establishment in Canada *(if insufficient space, attach schedule)*	Ontario Corporations Tax Account No. (MOF) (if applicable)	Taxation Year End	Taxable Capital
			+ 531
			+ 532
			+ 533

Aggregate Taxable Capital 470 + 531 + 532 + 533 , etc. - - - - - - - - - - - - - - - - = 540

If 540 above is equal to or less than the TCD 503 on page 10, the corporation's Capital Tax for the taxation year, is NIL.

Enter NIL in 523 in section E below, as applicable.

If 540 above is greater than the TCD 503 on page 10, the corporation must compute its share of the TCD below in order to calculate its Capital Tax for the taxation year under Section E below.

From 470 _____ ÷ From 540 _____ x From 503 _____ = 541

Transfer to 542 *in Section E below*

Ss.69(2.1) Election Filed

X 591 (X if applicable) **Election filed.** *Attach a copy of Schedule 591 with this CT23 Return.* Proceed to **Section F** below.

SECTION E

This section applies if the corporation **is** a member of an associated group and/or partnership whose total **aggregate** Taxable Capital 540 above, exceeds the TCD 503 on page 10.

Complete the following calculation and transfer the amount from 523 to 543, and complete the return from that point.

+	From 470	_____										
−	542	_____										
=	471	_____	x	From 30	100.0000 %	x	From 516	0.2250 %	x	555 366 / 366 * (366 if leap year)	= + 523	_____
					Ontario Allocation			Capital Tax Rate		Days in taxation year		

Total Capital Tax for the taxation year

Transfer to 543 *and complete the return from that point*

SECTION F

This section applies if a corporation is a member of an associated group and the associated group has filed a ss.69(2.1) election

+ From 470 2,430,036,928 x From 30 100.0000 % x From 516 0.2250 % - - - - - - - - = + 561 5,467,583

Ontario Allocation — Capital Tax Rate

− Capital tax deduction from 995 relating to **your corporation's** Capital Tax deduction, on Schedule 591 - - − From 995 33,749

= 562 5,433,834

Total Capital Tax for the taxation year

Capital Tax - - - - - - - - 562 5,433,834 x 555 366 / 366 * (366 if leap year) - - - - - = 563 5,433,834

Days in taxation year

Transfer to 543 *and complete the return from that point*

** If floating taxation year, refer to Guide.*

Capital Tax before application of specified credits - = 543 5,433,834

Subtract: Specified Tax Credits applied to reduce capital tax payable *(Refer to Guide)* - - - - - - - - - - - − 546

Capital Tax 543 − 546 *(amount cannot be negative)* - - - - - - - - - - - - - - - - - - = 550 5,433,834

Transfer to Page 17

continued on Page 13

Capital Tax *continued from Page 12*

Calculation of Capital Tax for Financial Institutions

1.1 Credit Unions only

For taxation years commencing **after May 4, 1999** enter NIL in 550 on page 12, and complete the return from that point.

1.2 Other than Credit Unions

(Retain details of calculations for amounts in boxes 565 and 570. Do not submit with this tax return.)

565 ________ x 567 ________ % x From 30 100.0000 % x 555 366 (Days in taxation year) / * 366 (366 if leap year) = + 569 ________

Lesser of adjusted Taxable Paid Up Capital and Basic Capital Amount in accordance with Division B.1 | Capital Tax Rate (1) *(Refer to Guide)* | Ontario Allocation

570 ________ x 571 ________ % x From 30 100.0000 % x 555 366 (Days in taxation year) / * 366 (366 if leap year) = + 574 ________

Adjusted Taxable Paid Up Capital in accordance with Division B.1 in excess of Basic Capital Amount | Capital Tax Rate (2) *(Refer to Guide)* | Ontario Allocation

Capital Tax for Financial Institutions – other than Credit Unions (before Section 2) 569 + 574 = 575 ________

** If floating taxation year, refer to Guide.*

2. Small Business Investment Tax Credit

(Retain details of eligible investment calculation and, if claiming an investment in CSBIF, retain the original letter approving the credit issued in accordance with the Community Small Business Investment Fund Act. Do not submit with this tax return.)

Allowable Credit for Eligible Investments – 585 ________

Financial Institutions: Claiming a tax credit for investment in Community Small Business Investment Fund (CSBIF)? (X) ☐ Yes

Capital Tax - Financial Institutions 575 – 585 = 586 ________

Transfer to 543 on Page 12

Premium Tax (s.74.2 & 74.3) *(Refer to Guide)*

(1) Uninsured Benefits Arrangements 587 ________ x 2 % = 588 ________
Applies to Ontario-related uninsured benefits arrangements.

(2) Unlicensed Insurance (enter premium tax payable in 588 and attach a detailed schedule of calculations. If subject to tax under (1) above, add both taxes together and enter total tax in 588.)
Applies to Insurance Brokers and other persons placing insurance for persons resident or property situated in Ontario with unlicensed insurers.

Deduct: Specified Tax Credits applied to reduce premium tax *(Refer to Guide)* – 589 ________

Premium Tax 588 – 589 = 590 ________
Transfer to page 17

DOLLARS ONLY

Reconcile net income (loss) for federal income tax purposes with net income (loss) for Ontario purposes if amounts differ

Net Income (loss) for federal income tax purposes, per federal T2 Schedule 1 ± 600 94,022,791 .
Transfer to Page 15

Add:

Federal capital cost allowance	+ 601	150,737,234 .
Federal cumulative eligible capital deduction	+ 602	1,003,152 .
Ontario taxable capital gain	+ 603	99,000 .
Federal non-allowable reserves. Balance beginning of year	+ 604	139,326,794 .
Federal allowable reserves. Balance end of year	+ 605	1 .
Ontario non-allowable reserves. Balance end of year	+ 606	147,413,621 .
Ontario allowable reserves. Balance beginning of year	+ 607	1 .
Federal exploration expenses (e.g. CEDE, CEE, CDE, COGPE)	+ 608	.
Federal resource allowance *(Refer to Guide)*	+ 609	.
Federal depletion allowance	+ 610	.
Federal foreign exploration and development expenses	+ 611	.
Crown charges, royalties, rentals, etc. deducted for Federal purposes *(Refer to Guide)*	+ 617	.

Management fees, rents, royalties and similar payments to non-arms' length non-residents ▼

Number of Days in Taxation Year

612 _____ . x 5 / 12.5 x [Days after Dec. 31, 2002 and before Jan. 1, 2004: 33 _____ ÷ Total Days: 73 366] =+ 633 _____ .

612 _____ . x 5 / 14 x [Days after Dec. 31, 2003: 34 366 ÷ Total Days: 73 366] =+ 634 _____ .

Total add-back amount for Management fees, etc. 633 + 634 = _____ . ▶ + 613 .

Federal Scientific Research Expenses claimed in year from line 460 of fed. form T661 excluding any negative amount in 473 from Ont. CT23 Schedule 161 + 615 3,183,275 .

Add any negative amount in 473 from Ont. CT23 Schedule 161 + 616 .

Federal allowable business investment loss + 620 .

Total of other items not allowed by Ontario but allowed federally *(Attach schedule)* + 614 .

Total of Additions 601 to 611 + 617 + 613 + 615 + 616 + 620 + 614 = 441,763,078 . ▶ 640 441,763,078 .
Transfer to Page 15

Deduct:

Ontario capital cost allowance (excludes amounts deducted under 675)	+ 650	150,737,234 .
Ontario cumulative eligible capital deduction	+ 651	1,003,152 .
Federal taxable capital gain	+ 652	99,000 .
Ontario non-allowable reserves. Balance beginning of year	+ 653	139,326,794 .
Ontario allowable reserves. Balance end of year	+ 654	1 .
Federal non-allowable reserves. Balance end of year	+ 655	147,413,621 .
Federal allowable reserves. Balance beginning of year	+ 656	1 .
Ontario exploration expenses (e.g. CEDE, CEE, CDE, COGPE) *(Retain calculations. Do not submit.)*	+ 657	.
Ontario depletion allowance	+ 658	.
Ontario resource allowance *(Refer to Guide)*	+ 659	.
Ontario current cost adjustment *(Attach schedule)*	+ 661	.
CCA on assets used to generate electricity from natural gas, alternative or renewable resources.	+ 675	.

Subtotal of deductions for this page 650 to 659 + 661 + 675 681 438,579,803 .
Transfer to Page 15

continued on Page 15

Reconcile net income (loss) for federal income tax purposes with net income (loss) for Ontario purposes if amounts differ

continued from Page 14

Net Income (loss) for federal income tax purposes, per federal Schedule 1 — From ± 600 94,022,791 •

Total of Additions on page 14 — From = 640 441,763,078 •

Sub Total of deductions on page 14 — From = 681 438,579,803 •

Deduct:

Ontario New Technology Tax Incentive (ONTTI) Gross-up
(***Applies*** only to those corporations whose Ontario allocation is less than 100% in the current taxation year.)

Capital Cost Allowance (Ontario) (CCA) on prescribed qualifying intellectual property deducted in the current taxation year — 662 •

ONTTI Gross-up deduction calculation:

Gross-up of CCA

From 662 • x 100 / From 30 100.0000 Ontario Allocation — From 662 • = 663 •

Workplace Child Care Tax Incentive (WCCT)
(***Applies*** to eligible expenditures incurred prior to January 1, 2005.)

Qualifying expenditures: 665 • x 30 % x 100 / From 30 100.0000 Ontario allocation = 666 •

Workplace Accessibility Tax Incentive (WATI)
(***Applies*** to eligible expenditures incurred prior to January 1, 2005.)

Qualifying expenditures: 667 • x 100 % x 100 / From 30 100.0000 Ontario allocation = 668 •

Number of Employees accommodated 669

Ontario School Bus Safety Tax Incentive (OSBSTI)
(***Applies*** to the eligible acquisition of school buses purchased after May 4, 1999 and before January 1, 2006.) *(Refer to Guide)*

Qualifying expenditures: 670 • x 30 % x 100 / From 30 100.0000 Ontario allocation = 671 •

Educational Technology Tax Incentive (ETTI)
(***Applies*** to eligible expenditures incurred prior to January 1, 2005.)

Qualifying expenditures: 672 • x 15 % x 100 / From 30 100.0000 Ontario allocation = 673 •

Ontario allowable business investment loss + 678 •

Ontario Scientific Research Expenses claimed in year in 477 **from Ont. CT23 Schedule 161** + 679 4,340,700 •

Amount added to income federally for an amount that was negative on federal form T661, line 454 or 455 (if filed after June 30, 2003) + 677 •

Total of other deductions allowed by Ontario *(Attach schedule)* + 664 •

Total of Deductions 681 + 663 + 666 + 668 + 671 + 673 + 678 + 679 + 677 + 664 = 442,920,503 • ▶ 680 442,920,503 •

Net income (loss) for Ontario Purposes 600 + 640 − 680 = 690 92,865,366 •

Transfer to Page 4

Continuity of Losses Carried Forward

DOLLARS ONLY

	Non-Capital Losses (1)	Total Capital Losses	Farm Losses	Restricted Farm Losses	Listed Personal Property Losses	Limited Partnership Losses (6)
Balance at Beginning of Year	700 (2)	710 (2)	720 (2)	730	740	750
Add: Current year's losses (7)	701	711	721	731	741	751
Losses from predecessor corporations (3)	702	712	722	732		752
Subtotal	703	713	723	733	743	753
Subtract: Utilized during the year to reduce taxable income	704 (2)	715 (2) (4)	724 (2)	734 (2) (4)	744 (4)	754 (4)
Expired during the year	705		725	735	745	
Carried back to prior years to reduce taxable income (5)	706 (2) to Page 17	716 (2) to Page 17	726 (2) to Page 17	736 (2) to Page 17	746	
Subtotal	707	717	727	737	747	757
Balance at End of Year	709 (8)	719	729	739	749	759

Analysis of Balance at End of Year by Year of Origin

Year of Origin (oldest year first) year month day	Non-Capital Losses	Non-Capital Losses of Predecessor Corporations	Total Capital Losses from Listed Personal Property only	Farm Losses	Restricted Farm Losses
800 9th preceding taxation year 2000-09-30	817 (9)	860 (9)		850	870
801 8th preceding taxation year 2001-09-30	818 (9)	861 (9)		851	871
802 7th preceding taxation year 2001-12-31	819 (9)	862 (9)		852	872
803 6th preceding taxation year 2002-12-31	820	830	840	853	873
804 5th preceding taxation year 2003-12-31	821	831	841	854	874
805 4th preceding taxation year 2004-12-31	822	832	842	855	875
806 3rd preceding taxation year 2005-12-31	823	833	843	856	876
807 2nd preceding taxation year 2006-12-31	824	834	844	857	877
808 1st preceding taxation year 2007-12-31	825	835	845	858	878
809 Current taxation year 2008-12-31	826	836	846	859	879
Total	829	839	849	869	889

Notes:

(1) Non-capital losses include allowable business investment losses, fed.s.111(8)(b), as made applicable by s.34.

(2) Where acquisition of control of the corporation has occurred, the utilization of losses can be restricted. See fed.s.111(4) through 111(5.5), as made applicable by s.34.

(3) Includes losses on amalgamation (fed.s.87(2.1) and s.87(2.11)) and/or wind-up (fed.s.88(1.1) and 88(1.2)), as made applicable by s.34.

(4) To the extent of applicable gains/income/at-risk amount only.

(5) Generally a three year carry-back applies. See fed.s.111(1) and fed.s.41(2)(b), as made applicable by s.34.

(6) Where a limited partner has limited partnership losses, attach loss calculations for each partnership.

(7) Include amount from 11 if taxable income is adjusted to claim unused foreign tax credit for federal purposes.

(8) Amount in 709 must equal total of 829 + 839.

(9) Include non-capital losses incurred in taxation years ending after March 22, 2004.

Request for Loss Carry-Back (s.80(16))

Applies to corporations requesting a reassessment of the return of one or more previous taxation years under s.80(16) with respect to one or more types of losses carried back.

- If, after applying a loss carry-back to one or more previous years, there is a balance of loss available to carry forward to a future year, it is the corporation's responsibility to claim such a balance for those years following the year of loss within the limitations of fed.s.111, as made applicable by s.34.
- Where control of a corporation has been acquired by a person or group of persons, certain restrictions apply to the carry-forward and carry-back provisions of losses under fed.s.111(4) through 111(5.5), as made applicable by s.34.
- Refunds arising from the loss carry-back adjustment may be applied by the Minister of Finance to amounts owing under **any Act administered by the Ministry of Finance.**
- Any late filing penalty applicable to the return for which the loss is being applied will not be reduced by the loss carry-back.
- The application of a loss carry-back will be available for interest calculation purposes on the day that is the latest of the following:
  1) the first day of the taxation year after the loss year,
  2) the day on which the corporation's return for the loss year is delivered to the Minister, or
  3) the day on which the Minister receives a request in writing from the corporation to reassess the particular taxation year to take into account the deduction of the loss.
- If a loss is being carried back to a **predecessor corporation**, enter the predecessor corporation's account number and taxation year end in the spaces provided under Application of Losses below.

Application of Losses

	Non-Capital Losses	Total Capital Losses	Farm Losses	Restricted Farm Losses
Total amount of loss	910	920	930	940
Deduct: Loss to be carried back to preceding taxation years and applied to reduce taxable income				
Predecessor Ontario Corporation's Tax Account No. (MOF) / Taxation Year Ending year month day				
i) 3rd preceding — 901 — 2005-12-31	911	921	931	941
ii) 2nd preceding — 902 — 2006-12-31	912	922	932	942
iii) 1st preceding — 903 — 2007-12-31	913	923	933	943
Total loss to be carried back	From 706	From 716	From 726	From 736
Balance of loss available for carry-forward	919	929	939	949

Summary

Income Tax	+ From 230 or 320	12,643,823 .	
Corporate Minimum Tax	+ From 280	.	
Capital Tax	+ From 550	5,433,834 .	
Premium Tax	+ From 590	.	
Total Tax Payable	= 950	18,077,657 .	
Subtract: Payments	– 960	20,422,301 .	
Capital Gains Refund (s.48)	– 965	.	
Qualifying Environmental Trust Tax Credit *(Refer to Guide)*	– 985	.	
Specified Tax Credits *(Refer to Guide)*	– 955	.	
Other, specify _____	–	.	
Balance	= 970	-2,344,644 .	
If payment due	Enclosed * 990	.	
If overpayment: Refund *(Refer to Guide)*	= 975	.	
Apply to (year month day) 2009-12-31	980	2,344,644 . *(Includes credit interest)*	

* Make your cheque (drawn on a Canadian financial institution) or a money order in Canadian funds, payable to the **Minister of Finance** and print your Ontario Corporation's Tax Account No. (MOF) on the back of cheque or money order. *(Refer to Guide for other payment methods.)*

Certification

I am an authorized signing officer of the corporation. I certify that this CT23 return, including all schedules and statements filed with or as part of this CT23 return, has been examined by me and is a true, correct and complete return and that the information is in agreement with the books and records of the corporation. I further certify that the financial statements accurately reflect the financial position and operating results of the corporation as required under section 75 of the *Corporations Tax Act*. The method of computing income for this taxation year is consistent with that of the previous year, except as specifically disclosed in a statement attached.

Name *(please print)*

PANKAJ SARDANA

Title

VICE-PRESIDENT

Full Residence Address

Signature 

Date June 30/09

Note: Section 76 of the *Corporations Tax Act* provides penalties for making false or misleading statements or omissions.

Attached Schedule with Total

Other reserves not allowed as deductions for income tax purposes (Attach schedule) (Int.B. 3012R)

Title RESERVES NOT DEDUCTED IN COMPUTING INCOME FOR THE YEAR

Description	Amount
POEB	146,147,000 00
TERMINATION ACCRUAL	1,005,475 00
INVENTORY OBSOLESCENCE RESERVE	261,146 00
NBV/UCC Difference (-ve entered in line 361)	
Opening per 2007 SRED return	165,974,844 00
Dep fixed assets per Schedule 1	149,019,007 00
CCA (exclude FMV bump)	-124,283,152 00
CEC Deduction (exclude FMV bump)	-104,513 00
Transition cost recovery	2,736,940 00
Transition cost recovery interest	418,752 00
Book amortization of financing fees	478,852 00
s.20(1)(e)	-390,538 00
Principal lease payments	-203,715 00
Total	341,060,098 00

Schedule A: Information on Ontario Corporations

(Corporations that are incorporated, continued or amalgamated under the *Ontario Business Corporations Act*)

MGS
Schedule A

To submit additional Director or Officer Information, please photocopy this page and attach the completed schedules with your return.

Identification

Corporation's Legal Name *(including punctuation)*	Ontario Corporation No. (MGS)	Date of Incorporation or Amalgamation (year month day)
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	1362834	1999-06-23

Director/Officer Information

Full Name and Address for Service

Last Name	First Name	Middle Name(s)
Rupert	William	

Street Number and Name: 60 Brule Gardens — Suite:

City/Town/Village	Province/State	Country	Postal/Zip Code
Toronto	ON	CA	M6S 4J2

Director

Are you a Resident Canadian? *(Applies to directors of business corporations only)*

[X] Yes [ ] No

Date Elected: year month day — 2008-12-01

Date Ceased: year month day —

Officer

State the appointment period for each of the following

	Date Appointed (year / month / day)	Date Ceased (year / month / day)
President		
Secretary		
Treasurer		
General Manager		
Other *(specify)*		

Other Titles *(please specify)*

- [ ] Chair
- [ ] Chair Person
- [ ] Chairman
- [ ] Chairwoman
- [ ] Vice-Chair
- [ ] Vice-President
- [ ] Assistant Secretary
- [ ] Assistant Treasurer
- [ ] Chief Manager
- [ ] Executive Director
- [ ] Managing Director
- [ ] Chief Executive Officer
- [ ] Chief Financial Officer
- [ ] Chief Information Officer
- [ ] Chief Operating Officer
- [ ] Chief Administrative Officer
- [ ] Comptroller
- [ ] Authorized Signing Officer
- [ ] Other (untitled)

Director/Officer Information

Full Name and Address for Service

Last Name	First Name	Middle Name(s)
King	Bob	

Street Number and Name: 175 Sheardown Drive — Suite:

City/Town/Village	Province/State	Country	Postal/Zip Code
Nobleton	ON	CA	L0G 1N0

Director

Are you a Resident Canadian? *(Applies to directors of business corporations only)*

[ ] Yes [ ] No

Date Elected: year month day —

Date Ceased: year month day —

Officer

State the appointment period for each of the following

	Date Appointed (year / month / day)	Date Ceased (year / month / day)
President		
Secretary		
Treasurer		
General Manager		
Other *(specify)*	2006-09-01	2008-12-31

Other Titles *(please specify)*

- [ ] Chair
- [ ] Chair Person
- [ ] Chairman
- [ ] Chairwoman
- [ ] Vice-Chair
- [ ] Vice-President
- [ ] Assistant Secretary
- [ ] Assistant Treasurer
- [ ] Chief Manager
- [ ] Executive Director
- [ ] Managing Director
- [ ] Chief Executive Officer
- [ ] Chief Financial Officer
- [ ] Chief Information Officer
- [X] Chief Operating Officer
- [ ] Chief Administrative Officer
- [ ] Comptroller
- [ ] Authorized Signing Officer
- [ ] Other (untitled)

Note: Sections 13 and 14 of the *Corporations Information Act* provide penalties for making false or misleading statements or omissions.

Schedule A: Information on Ontario Corporations

(Corporations that are incorporated, continued or amalgamated under the *Ontario Business Corporations Act*)

MGS
Schedule A

To submit additional Director or Officer Information, please photocopy this page and attach the completed schedules with your return.

Identification

Corporation's Legal Name *(including punctuation)*	Ontario Corporation No. (MGS)	Date of Incorporation or Amalgamation (year month day)
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	1362834	1999-06-23

Director/Officer Information

Full Name and Address for Service

Last Name	First Name	Middle Name(s)
Cullingworth	L. Ross	

Street Number and Name: 23 York Valley Crescent — Suite:

City/Town/Village	Province/State	Country	Postal/Zip Code
Willowdale	ON	CA	M2P 1A8

Director

Are you a Resident Canadian? *(Applies to directors of business corporations only)*

[X] Yes [ ] No

Date Elected: year month day — 1999-06-24

Date Ceased: year month day — 2008-11-30

Officer

State the appointment period for each of the following

	Date Appointed (year / month / day)	Date Ceased (year / month / day)
President		
Secretary		
Treasurer		
General Manager		
Other *(specify)*		

Other Titles *(please specify)*

- [ ] Chair
- [ ] Chair Person
- [ ] Chairman
- [ ] Chairwoman
- [ ] Vice-Chair
- [ ] Vice-President
- [ ] Assistant Secretary
- [ ] Assistant Treasurer
- [ ] Chief Manager
- [ ] Executive Director
- [ ] Managing Director
- [ ] Chief Executive Officer
- [ ] Chief Financial Officer
- [ ] Chief Information Officer
- [ ] Chief Operating Officer
- [ ] Chief Administrative Officer
- [ ] Comptroller
- [ ] Authorized Signing Officer
- [ ] Other (untitled)

Director/Officer Information

Full Name and Address for Service

Last Name	First Name	Middle Name(s)

Street Number and Name: — Suite:

City/Town/Village	Province/State	Country	Postal/Zip Code

Director

Are you a Resident Canadian? *(Applies to directors of business corporations only)*

[ ] Yes [ ] No

Date Elected: year month day

Date Ceased: year month day

Officer

State the appointment period for each of the following

	Date Appointed (year / month / day)	Date Ceased (year / month / day)
President		
Secretary		
Treasurer		
General Manager		
Other *(specify)*		

Other Titles *(please specify)*

- [ ] Chair
- [ ] Chair Person
- [ ] Chairman
- [ ] Chairwoman
- [ ] Vice-Chair
- [ ] Vice-President
- [ ] Assistant Secretary
- [ ] Assistant Treasurer
- [ ] Chief Manager
- [ ] Executive Director
- [ ] Managing Director
- [ ] Chief Executive Officer
- [ ] Chief Financial Officer
- [ ] Chief Information Officer
- [ ] Chief Operating Officer
- [ ] Chief Administrative Officer
- [ ] Comptroller
- [ ] Authorized Signing Officer
- [ ] Other (untitled)

Note: Sections 13 and 14 of the *Corporations Information Act* provide penalties for making false or misleading statements or omissions.

Corporate Minimum Tax (CMT)
CT23 Schedule 101

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOR)	Taxation Year End
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	1800235	2008-12-31

Part 1: Calculation of CMT Base

Banks – Net income/loss as per report accepted by Superintendent of Financial Institutions (SFI) under the Bank Act (Canada), adjusted so consolidation/equity methods are not used.

Life Insurance corporations – Net income/loss before Special Additional Tax as determined under s.57.1(2)(c) or (d)

Net Income/Loss (unconsolidated, determined in accordance with GAAP)				± 2100	76,133,874
Subtract (to the extent reflected in net income/loss):					
Provision for recovery of income taxes / benefit of current income taxes	+	2101			
Provision for deferred income taxes (credits) / benefit of future income taxes	+	2102			
Equity income from corporations	+	2103			
Share of partnership(s)/joint venture(s) income	+	2104			
Dividends received/receivable deductible under fed.s.112	+	2105	4,787		
Dividends received/receivable deductible under fed.s.113	+	2106			
Dividends received/receivable deductible under fed.s.83(2)	+	2107			
Dividends received/receivable deductible under fed.s.138(6)	+	2108			
Federal Part VI.1 tax paid on dividends declared and paid, under fed.s.191.1(1) ____ x 3	+	2109			
Subtotal	=		4,787 ▶	− 2110	4,787
Add (to extent reflected in net income/loss):					
Provision for current taxes / cost of current income taxes	+	2111	8,968,713		
Provision for deferred income taxes (debits) / cost of future income taxes	+	2112			
Equity losses from corporations	+	2113			
Share of partnership(s)/joint venture(s) losses	+	2114			
Dividends that have been deducted to arrive at net income per Financial Statements s.57.4(1.1) (excluding dividends under fed.s.137(4.1))	+	2115			
Subtotal	=		8,968,713 ▶	+ 2116	8,968,713
Add/Subtract:					
Amounts relating to s.57.9 election/regulations for disposals etc. of property, occuring before March 22, 2007, for current/prior years					
** Fed.s.85	+	2117		or − 2118	
** Fed.s.85.1	+	2119		or − 2120	
** Fed.s.97	+	2121		or − 2122	
** Amounts relating to amalgamations (fed.s.87) as prescribed in regulations for current/prior years	+	2123		or − 2124	
** Amounts relating to wind-ups (fed.s.88) as prescribed in regulations for current/ prior years	+	2125		or − 2126	
** Amounts relating to s.57.10 election/ regulations for replacement re fed.s.13(4), 14(6) and 44 for current/prior years	+	2127		or − 2128	
Interest allowable under ss.20(1)(c) or (d) of ITA to the extent not otherwise deducted in determining CMT adjusted net income				− 2150	
Capital gains on eligible donations of publicly-listed securities and ecologically sensitive land made after May 1, 2006 (to the extent reflected in net income/loss)				− 2155	
Subtotal (Additions)	=		▶	+ 2129	
Subtotal (Subtractions)	=		▶	− 2130	
** Other adjustments				± 2131	
Subtotal ± 2100 − 2110 + 2116 + 2129 − 2130 ± 2131				= 2132	85,097,800
** Share of partnership(s)/joint venture(s) **adjusted** net income/loss				± 2133	
Adjusted net income (loss) (if loss, transfer to 2202 in ***Part 2: Continuity of CMT Losses Carried Forward.***)				= 2134	85,097,800
Deduct: * CMT losses: pre-1994 Loss	+	From 2210			
* CMT losses: other eligible losses	+	2211			
	=		▶	− 2135	

* CMT losses applied cannot exceed adjusted net income or increase a loss

** *Retain calculations. Do not submit with this schedule.*

CMT Base	= 2136	85,097,800

Transfer to CMT Base on Page 8 of the CT23 or Page 6 of the CT8

Corporate Minimum Tax (CMT)

CT23 Schedule 101

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOR)	Taxation Year End
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	1800235	2008-12-31

Part 2: Continuity of CMT Losses Carried Forward

Balance at Beginning of year NOTES (1), (2) . . . . . + 2201

Add:
- Current year's losses . . . . . + 2202
- Losses from predecessor corporations on amalgamation that occurred before March 22, 2007 **NOTE (3)** . . . . . + 2203
- Losses from predecessor corporations on wind-up completed before March 22, 2007 **NOTE (3)** . . . . . + 2204

Amalgamation (X) 2205 ☐ Yes Wind-up (X) 2206 ☐ Yes

Subtotal . . . . . = ▶ + 2207

Adjustments (attach schedule) . . . . . ± 2208

CMT losses available 2201 + 2207 ± 2208 . . . . . = 2209

Subtract:
- Pre-1994 loss utilized during the year to reduce adjusted net income . . . . + 2210
- Other eligible losses utilized during the year to reduce adjusted net income **NOTE (4)** . . . . . + 2211
- Losses expired during the year . . . . . + 2212

Subtotal . . . . . = ▶ − 2213

Balances at End of Year NOTE (5) 2209 − 2213 . . . . . = 2214

Notes:

(1) Pre-1994 CMT loss (see s.57.1(1)) should be included in the balance at beginning of the year. Attach schedule showing computation of pre-1994 CMT loss.

(2) Where acquisition of control of the corporation has occurred, the utilization of CMT losses can be restricted. (see s.57.5(3) and s.57.5(7))

(3) Include and indicate whether CMT losses are a result of an amalgamation that occurred before March 22, 2007, to which fed.s.87 applies and/or a wind-up completed before March 22, 2007, to which fed.s.88(1) applies (see s.57.5(8) and s.57.5(9)). The continuation of CMT losses no longer applies for amalgamations and wind-ups that occur after March 21, 2007.

(4) CMT losses must be used to the extent of the lesser of the adjusted net income 2134 and CMT losses available 2209.

(5) Amount in 2214 must equal sum of 2270 + 2290.

(6) Include the lesser of the total investment losses of a predecessor corporation from an investment in another predecessor corporation that is controlled by the first predecessor corporation, and the total unused CMT losses of the other predecessor corporation.

(7) Include the lesser of the total investment losses of the parent corporation from its investment in the subsidiary corporation, and the total unused CMT losses of the subsidiary corporation.

Part 3: Analysis of CMT Losses Year End Balance by Year of Origin

For a pre-1994 loss, use the date of the last taxation year end before your corporation's first taxation year commencing after 1993.

	Year of Origin (oldest year first) year month day	CMT Losses of Corporation	CMT Losses of Predecessor Corporations
2240	9th preceding taxation year 2000-09-30	2260	2280
2241	8th preceding taxation year 2001-09-30	2261	2281
2242	7th preceding taxation year 2001-12-31	2262	2282
2243	6th preceding taxation year 2002-12-31	2263	2283
2244	5th preceding taxation year 2003-12-31	2264	2284
2245	4th preceding taxation year 2004-12-31	2265	2285
2246	3rd preceding taxation year 2005-12-31	2266	2286
2247	2nd preceding taxation year 2006-12-31	2267	2287
2248	1st preceding taxation year 2007-12-31	2268	2288
2249	Current taxation year 2008-12-31	2269	2289
Totals		2270	2290

The sum of amounts must equal amount in 2270 + 2290 = 2214.

Corporate Minimum Tax (CMT)
CT23 Schedule 101

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOR)	Taxation Year End
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	1800235	2008-12-31

Part 4: Continuity of CMT Credit Carryovers

Balance at Beginning of year NOTE (1) . . . . . + 2301

Add: Current year's CMT Credit (280 on page 8 of the CT23 or 347 on page 6 of the CT8. If negative, enter NIL) . . . . . + From 280 or 347

Gross Special Additional Tax **NOTE (2)** 312 on page 5 of CT8. (Life Insurance corporations only. Others enter NIL.) . . . . . + From 312

Subtract Income Tax (190 on page 6 of the CT23 or page 4 of the CT8) . . . . . − From 190

Subtotal (If negative, enter NIL) . . . . . = ▶ − 2305

Current year's CMT credit (If negative, enter NIL) 280 or 347 − 2305 . . . = ▶ + 2310

CMT Credit Carryovers from predecessor corporations **NOTE (3)** . . . . . + 2325

Amalgamation (X) 2315 ☐ Yes Wind-up (X) 2320 ☐ Yes

Subtotal 2301 + 2310 + 2325 . . . . . = 2330

Adjustments *(Attach schedule)* . . . . . ± 2332

CMT Credit Carryover available 2330 ± 2332 . . . . . = 2333

Transfer to Page 8 of the CT23 or Page 6 of the CT8

Subtract: CMT Credit utilized during the year to reduce income tax (310 on page 8 of the CT23 or 351 on page 6 of the CT8.) + From 310 or 351

CMT Credit expired during the year . . . . . + 2334

Subtotal . . . . . = ▶ − 2335

Balance at End of Year NOTE (4) 2333 − 2335 . . . . . = 2336

Notes:

(1) Where acquisition of control of the corporation has occurred, the utilization of CMT credits can be restricted. (see s.43.1(5))

(2) The CMT credit of life insurance corporations can be restricted. (see s.43.1(3)(b))

(3) Include and indicate whether CMT credits are a result of an amalgamation that occurred before March 22, 2007 to which fed.s.87 applies and/or a wind-up completed before March 22, 2007, to which fed.s.88(1) applies. (see s.43.1(4))

(4) Amount in 2336 must equal sum of 2370 + 2390 .

Part 5: Analysis of CMT Credit Carryovers Year End Balance by Year of Origin

	Year of Origin (oldest year first) year month day	CMT Credit Carryovers of Corporation	CMT Credit Carryovers of Predecessor Corporation(s)
2340	9th preceding taxation year 2000-09-30	2360	2380
2341	8th preceding taxation year 2001-09-30	2361	2381
2342	7th preceding taxation year 2001-12-31	2362	2382
2343	6th preceding taxation year 2002-12-31	2363	2383
2344	5th preceding taxation year 2003-12-31	2364	2384
2345	4th preceding taxation year 2004-12-31	2365	2385
2346	3rd preceding taxation year 2005-12-31	2366	2386
2347	2nd preceding taxation year 2006-12-31	2367	2387
2348	1st preceding taxation year 2007-12-31	2368	2388
2349	Current taxation year 2008-12-31	2369	2389
Totals		2370	2390

The sum of amounts 2370 + 2390 ***must equal amount in*** 2336 .

Corporate Minimum Tax (CMT)
CT23 Schedule 101 – Supporting Schedule

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOR)	Taxation Year End
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	1800235	2008-12-31

CMT Losses Carried Forward Workchart

(i) Continuity of Pre-1994 CMT Losses

	Corporation's Pre-1994 Loss	Predecessors' Pre-1994 Loss Amalgamation	Predecessors' Pre-1994 Loss Wind-Up
Date of the last tax year end before the corp's 1st tax year commencing after 1993			
Pre-1994 Loss (per schedule)			
Less: Claimed in prior taxation years commencing after 1993			
Pre-1994 Loss available for the current year			
Less: Deducted in the current year			
(max. = adj. net income for the year) Expired after 10 years			
Pre-1994 Loss Carryforward			

(ii) Continuity of Other Eligible CMT Losses – Filing Corporation (for losses occurring in tax years commencing after 1993)

	Year of Origin YYYY/MM/DD	Opening Balance	Adjustment	Deduction	Expired	Closing Balance
10th Prior Year	1999-09-30					
9th Prior Year	2000-09-30					
8th Prior Year	2001-09-30					
7th Prior Year	2001-12-31					
6th Prior Year	2002-12-31					
5th Prior Year	2003-12-31					
4th Prior Year	2004-12-31					
3rd Prior Year	2005-12-31					
2nd Prior Year	2006-12-31					
1st Prior Year	2007-12-31					
	Total					

Predecessor Corporations Only – Amalgamation

Indicate the amounts of eligible CMT losses from predecessor corporations. **Do not include** these amounts in the 'opening balance' of the Filing Corporation.

Year of Origin YYYY/MM/DD	Opening Balance	Add	Adjustment	Deduction	Expired	Closing Balance
1999-09-30						
2000-09-30						
2001-09-30						
2001-12-31						
2002-12-31						
2003-12-31						
2004-12-31						
2005-12-31						
2006-12-31						
2007-12-31						
Total						

Corporate Minimum Tax (CMT)
CT23 Schedule 101 – Supporting Schedule

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOR)	Taxation Year End
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	1800235	2008-12-31

CMT Losses Carried Forward Workchart (continued)

Predecessor Corporations Only – Wind-Up

Indicate the amounts of eligible CMT losses from predecessor corporations. **Do not include** these amounts in the 'opening balance' of the Filing Corporation.

Year of Origin YYYY/MM/DD	Opening Balance	Add	Adjustment	Deduction	Expired	Closing Balance
1999-09-30						
2000-09-30						
2001-09-30						
2001-12-31						
2002-12-31						
2003-12-31						
2004-12-31						
2005-12-31						
2006-12-31						
2007-12-31						
Total						

Corporate Minimum Tax (CMT)
CT23 Schedule 101 – Supporting Schedule

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOR)	Taxation Year End
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	1800235	2008-12-31

CMT Credit Carryovers Workchart

Filing Corporation

	Year of Origin YYYY/MM/DD	Opening Balance	Adjustment	Deduction	Expired	Closing Balance
10th Prior Year	1999-09-30					
9th Prior Year	2000-09-30					
8th Prior Year	2001-09-30					
7th Prior Year	2001-12-31					
6th Prior Year	2002-12-31					
5th Prior Year	2003-12-31					
4th Prior Year	2004-12-31					
3rd Prior Year	2005-12-31					
2nd Prior Year	2006-12-31					
1st Prior Year	2007-12-31					
	Total					

Predecessor Corporations Only – Amalgamation

Indicate the amounts of CMT credit carryovers from predecessor corporations. **Do not include** these amounts in the 'opening balance' of the Filing Corporation.

Year of Origin YYYY/MM/DD	Opening Balance	Add	Adjustment	Deduction	Expired	Closing Balance
1999-09-30						
2000-09-30						
2001-09-30						
2001-12-31						
2002-12-31						
2003-12-31						
2004-12-31						
2005-12-31						
2006-12-31						
2007-12-31						
Total						

Predecessor Corporations Only – Wind-Up

Indicate the amounts of CMT credit carryovers from predecessor corporations. **Do not include** these amounts in the 'opening balance' of the Filing Corporation.

Year of Origin YYYY/MM/DD	Opening Balance	Add	Adjustment	Deduction	Expired	Closing Balance
1999-09-30						
2000-09-30						
2001-09-30						
2001-12-31						
2002-12-31						
2003-12-31						
2004-12-31						
2005-12-31						
2006-12-31						
2007-12-31						
Total						

Ontario

Ministry of Revenue
Corporations Tax
33 King Street West
PO Box 620
Oshawa ON L1H 8E9

Paid-Up Capital: Loans and Advances

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	1800235	2008-12-31

Loans or Advances Credited or Advanced to Corporation
(includes accounts payable to related parties outstanding at the taxation year end for 120 days or more, and accounts payable to non-related parties outstanding for 365 days or more at the taxation year end)

Holdbacks	+	1,124,023
A/P BPP Rebate	+	9,362,774
Retailer CR Balances	+	
CR Balances - Service AR	+	8,887,897
Current portion - inducements	+	781,379
Current Portion - Deposits	+	15,981,602
Current Portion - Security Deposits	+	419,658
Lease inducement	+	1,853,499
Long-term Note - THC	+	422,287,784
Long-term Promissory Note - THC	+	490,115,478
Long-term Security Deposits	+	3,597,808
Long-term Deposits - Banner	+	25,290,629
Long-term Deposits - Interest	+	1,395,279
Regulatory Liability	+	13,832,151
Regulatory Liability	+	69,684,505
Short Term Note Payable - THC	+	245,057,739
	+	
	+	
	+	
	+	
	+	
	+	
	+	
Total *Transfer to* 353 *of the CT23*	=	1,309,672,205

Ontario

Ministry of Revenue
Corporations Tax
33 King Street West
PO Box 620
Oshawa ON L1H 8E9

Ontario Charitable Donations and Gifts

Schedule 2

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOR)	Taxation Year End
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	1800235	2008-12-31

- For use by a corporation to claim any of the following:
  - Charitable donations;
  - Gifts to Her Majesty in right of Ontario, to Ontario crown agencies, or to Ontario Crown foundations;
  - Gifts to Canada or a province;
  - Gifts of certified cultural property; or
  - Gifts of certified ecologically sensitive land.
- The donations and gifts are eligible for a five year carry-forward.
- Use this schedule to show a credit transfer following an amalgamation or wind-up of subsidiary as described under subsection 87(1) and 88(1) of the federal *Income Tax Act* (Canada).
- For donations and gifts made after March 22, 2004, subsection 34(1.1) of the *Corporations Tax Act* parallels subsection 110.1(1.2) of the *Income Tax Act* and provides as follows:
  - where a particular corporation has undergone a change of control, for taxation years that end on or after the change of control, no corporation can claim a deduction for a gift made by a particular corporation to a qualified donee before the change of control;
  - if a particular corporation makes a gift to a qualified donee pursuant to an arrangement under which both the gift and the change of control is expected, no corporation can claim a deduction for the gift unless the person acquiring control of the particular corporation is the qualified donee.
- For instructions on calculating additional deductions for eligible medical gifts made after March 18, 2007, please see the Revised Guide to the 2007 CT23 Corporations Tax and Annual Return. The deduction may be claimed in box 664 of Ontario Schedule 1.
- File one completed copy of this schedule with your CT23.

Part 1 – Charitable Donations

Charitable Donations at end of preceding taxation year			+	A
Deduct: Donations expired after 5 taxation years			−	B
Charitable donations at beginning of taxation year			=	C
Add: Donations transferred on amalgamation or wind-up of subsidiary	+	D		
Total current year charitable donations made	+	4,808 E		
Subtotal D + E	=	4,808	▶	4,808 F
Deduct: Adjustment for an acquisition of control (for donations made after March 22, 2004)			−	G
Total donations available **C + F – G**			=	4,808 H
Deduct: Amount applied against taxable income (amount **U**, Part 2)			−	4,808 U
Charitable donations closing balance			=	I

Part 2 – Maximum Deduction Calculation for Donations

Ontario net income for tax purposes multiplied by 75%			=	69,649,025 J
Ontario taxable capital gains arising in respect of gifts of capital property	+	K		
Ontario taxable capital gain in respect of deemed gifts of non-qualifying securities per subsection 40(1.01) ITA	+	L		

Note: *For credit unions the Ontario net income for tax purposes is the amount before the deduction of payments pursuant to allocations in proportion to borrowing and bonus interest.*

Add the lesser of:

1. The amount of the recapture of capital cost allowance in respect of charitable gifts — M
2. **The lesser of:**
   - 2a. Proceeds of dispositions less outlays and expenses — N
   - 2b. The capital cost — O
   - The lesser of **N** and **O** ▶ P
   - The lesser of **M** and **P** ▶ + Q
   - **Subtotal K + L + Q** = R
   - 25% X R = S

Maximum deduction allowable J + S	=	69,649,025 T
Claim for charitable donations (not exceeding the lesser of **H** from Part 1, **T** and net income for tax purposes)		4,808 U

Enter in 1 *of the CT23*

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOR)	Taxation Year End
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	1800235	2008-12-31

Part 3 – Gifts to Her Majesty in right of Ontario

For use by a corporation claiming gifts to Her Majesty in right of Ontario, to Ontario Crown Agencies, or to Ontario Crown Foundations.

Gifts to Ontario Crown Agency or Ontario Crown Foundation at end of the preceding taxation year	+		
Deduct: Gifts expired after 5 years	–		
Gifts to Ontario Crown Agency or Ontario Crown Foundation at the beginning of the taxation year	=		
Add: Gifts transferred on amalgamation or wind-up of a subsidiary	+		
Total current year gifts	+		
Subtotal	=		▶
Deduct: Adjustment for an acquisition of control (for gifts made after March 22, 2004)	–		
Total gifts available	=		
Deduct: Amount applied against taxable income [2] of the CT23	–		
Gifts to Ontario Crown Agency or Ontario Crown Foundation closing balance	=		

Foundation Name	Date of Donation	Amount $
Total gifts to Her Majesty in right of Ontario	=	

Part 4 – Maximum Deduction Calculation for Gifts to Her Majesty in Right of Ontario

Deduction is the lesser of:

1. Ontario Net Income before deductions of gifts after deducting charitable donations and gifts to Her Majesty in right of Canada or a province other than Ontario ..... 92,860,558 V
2. **Lesser of:**
   - 2a. Ontario Net Income for the taxation year ..... 92,865,366 W
   - 2b. Gifts made in the taxation year or any of the five preceding taxation years to Her Majesty in Right of Ontario, an Ontario Crown Agency or an Ontario Crown Foundation X
   - The lesser of **W** and **X** ..... ▶ Y

Maximum deduction allowable the lesser of **V** and **Y** ..... Z

Transfer to [2] *of the CT23*

Part 5 – Gifts to Canada or a province other than Ontario

Gifts to Canada or a province other than Ontario at the end of the preceding year	+		
Deduct: Gifts to Canada or a province other than Ontario expired after five taxation years	–		
Gifts to Canada or a province other than Ontario at the beginning of the taxation year	=		
Add: Gifts to Canada or a province other than Ontario transferred on amalgamation or wind-up of a subsidiary	+		
Total current year Gifts to Canada or a province other than Ontario *(Not applicable for gifts made after February 18, 1997, unless a written agreement was made before this date.)*	+		
Subtotal	=		▶
Deduct: Adjustment for an acquisition of control (for gifts made after March 22, 2004)	–		
Total gifts to Canada or a province other than Ontario available	=		
Deduct: Amount applied against taxable income	–		
Gifts to Canada or a province other than Ontario closing balance	=		

Ontario Charitable Donations and Gifts

Schedule 2

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOR)	Taxation Year End
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	1800235	2008-12-31

Part 6 – Gifts of certified cultural property

Gifts of certified cultural property at the end of the preceding taxation year	+		
Deduct: Gifts of certified cultural property expired after five years	−		
Gifts of certified cultural property at the beginning of the taxation year	=		
Add: Gifts of certified cultural property transferred on amalgamation or wind-up of a subsidiary	+		
Total current year gifts of certified cultural property	+		
Subtotal	=		▶
Deduct: Adjustment for an acquisition of control (for gifts made after March 22, 2004)	−		
Total gifts of certified cultural property available	=		
Deduct: Amount applied against taxable income	−		
Gifts of certified cultural property closing balance	=		

Part 7 – Gifts of certified ecologically sensitive land

Gifts of certified ecologically sensitive land at the end of the preceding taxation year	+		
Deduct: Gifts of certified ecologically sensitive land expired after five years	−		
Gifts of certified ecologically sensitive land at the beginning of the taxation year	=		
Add: Gifts of certified ecologically sensitive land transferred on amalgamation or wind-up of a subsidiary	+		
Total current year gifts of certified ecologically sensitive land	+		
Subtotal	=		▶
Deduct: Adjustment for an acquisition of control (for gifts made after March 22, 2004)	−		
Total gifts of certified ecologically sensitive land available	=		
Deduct: Amount applied against taxable income	−		
Gifts of certified ecologically sensitive land closing balance	=		

Part 8 – Analysis of balance by year of origin

Year of origin	Charitable donations	Gifts to Her Majesty in right of Ontario	Gifts to Canada or a province other than Ontario	Gifts of certified cultural property	Gifts of certified ecologically sensitive land
2007-12-31					
2006-12-31					
2005-12-31					
2004-12-31					
2003-12-31					
2002-12-31					
Totals					

Ontario

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Ontario Summary of Dispositions of Capital Property

2005 and later taxation years

Schedule 6

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	1800235	2008-12-31

- **For a corporation that has disposed of capital property or claimed an allowable business investment loss, or both, in the taxation year.**
- **This schedule may be used to make a designation under section 34(10) of the *Corporations Tax Act* provided the corporation has made a designation under paragraph 111(4) (e) of the *Income Tax Act* (Canada), if control of the corporation has been acquired by a person or group of persons.**

Part A: Designation under section 34(10) of the *Corporations Tax Act*

Complete part A if there are any dispositions shown on this schedule related to deemed dispositions designated under paragraph 111(4)(e) of the *Income Tax Act* (Canada) or section 34(10) of the *Corporations Tax Act*.

Property	Class #	Date of disposition YYYY/MM/DD	Proceeds of disposition	Adjusted cost base	Other adjustments	Designated amount	Gain or loss

Part B: Inter-provincial asset transfers

Complete part B if there was any disposition shown on the schedule as a result of a federal election under section 85 of the *Income Tax Act* (Canada) that transferred assets to a non-arm's length corporation with a permanent establishment in another Canadian jurisdiction.

Property	Class #	Corporation name of transferee/or	Date of disposition YYYY/MM/DD	Cost of asset in other jurisd.	Name of other jurisdiction	Allocation ratio to other jurisdictions	Ontario elected amount	Gain or loss
						%		
						%		
						%		
						%		

Part 1 – Shares

	1 Types of capital property			2 Date of acquisition YYYY/MM/DD	3 Date of disposition YYYY/MM/DD	4 Proceeds of disposition	5 Ontario adjusted cost base	6 Outlays and expenses	7 Ontario gain or (loss) (col. 4 less cols. 5 & 6)
	No. of shares	Name of corporation	Class of shares						
1									
								Totals	A

Schedule 6

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	1800235	2008-12-31

1 Types of capital property	2 Date of acquisition YYYY/MM/DD	3 Date of disposition YYYY/MM/DD	4 Proceeds of disposition	5 Ontario adjusted cost base	6 Outlays and expenses	7 Ontario gain or (loss) (col. 4 less cols. 5 & 6)

Part 2 – Real Estate *(Do not include losses on depreciable property)*

	Municipal address	2	3	4	5	6	7
1	124 Birmingham			384,000	186,000		198,000
2							

Totals 198,000 **B**

Part 3 – Bonds

	Face value	Maturity date YYYY/MM/DD	Name of issuer	2	3	4	5	6	7
1									

Totals **C**

Part 4 – Other properties *(Do not include losses on depreciable property)*

	Description	2	3	4	5	6	7
1							
2							

Totals **D**

Part 5 – Personal-use property

	Description of capital property	2	3	4	5	6	7
1							

Note: *Losses are not deductible*

Net gain or (loss) **E**

Part 6 – Listed personal property

	Description	2	3	4	5	6	7
1							

Deduct: Unapplied listed personal property losses from other years . . . . . –

Note: *Net listed personal property losses may only be applied against personal property gains.*

Net gain or (loss) **F**

Schedule 6

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	1800235	2008-12-31

Part 7 – Property qualifying for and resulting in an allowable business investment loss

	1 Name of small business corporation	Shares – enter 1 Debt – enter 2	2 Date of acquisition YYYY/MM/DD	3 Date of disposition YYYY/MM/DD	4 Proceeds of disposition	5 Ontario adjusted cost base	6 Outlays and expenses	7 Ontario loss (col. 4 less cols. 5 & 6)
1								
	Note: *Properties listed in Part 7 should not be included in any other Part of Schedule 6.*			**Totals**				

Net Loss **G**

Allowable business investment loss . . . . . **G** x 50 % = **G1**

Transfer to 678 *of the CT23 or CT8*

Determining capital gains and capital losses

Total of A to F (Do not include F if it is a loss)		198,000
Add: Amount (if any) of capital gain reserve opening balance from Schedule 13	+	
Capital gain dividend received in the year	+	
Subtotal	=	198,000
Deduct: Amount (if any) of capital gain reserve closing balance from Schedule 13	–	
Gain or Loss (excluding Allowable Business Investment Losses)	=	198,000 **H**

Determining taxable capital gains

Gain or Loss (excluding Allowable Business Investment Losses) . . . . . 198,000 **H**

Deduct:

Gain on donations (made to charities other than private foundations) of securities listed on a prescribed stock exchange

realized prior to May 2, 2006 . . . . . x 50 % –

realized after May 1, 2006 . . . . . –

Gain on donation of ecologically sensitive land

realized prior to May 2, 2006 . . . . . x 50 % –

realized after May 1, 2006 . . . . . –

Gains or Loss . . . . . 198,000 **I**

Include 100% of the losses in box 711 *of the CT23 or CT8*

Taxable capital gains . . . . . 198,000 **I** x 50 % = 99,000 **J**

Transfer to 603 *of the CT23 or CT8*

Ontario

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Ontario Capital Cost Allowance
Schedule 8

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	1800235	2008-12-31

Is the corporation electing under regulation 1101(5q)? 1 ☐ Yes 2 ☒ No

1 Class number	2 Ontario undepreciated capital cost at the beginning of the year (undepreciated capital cost at the end of the prior year's CCA schedule)	3 Cost of acquisitions during the year (new property must be available for use) See note 1 below	4 Net adjustments (show negative amounts in brackets)	5 Proceeds of dispositions during the year (amount not to exceed the capital cost)	6 Ontario undepreciated capital cost (column 2 plus column 3 or minus column 4 minus column 5)	7 50% rule (1/2 of the amount, if any, by which the net cost of acquisitions exceeds column 5) See note 2 below	8 Reduced undepreciated capital cost (column 6 minus column 7)	9 CCA rate %	10 Recapture of capital cost allowance	11 Terminal loss	12 Ontario capital cost allowance (column 8 multiplied by column 9; or a lower amount)	13 Ontario undepreciated capital cost at the end of the year (column 6 minus column 12)
1	1,277,746,231	2,928,171		93,000	1,280,581,402	1,417,586	1,279,163,816	4	0	0	51,166,553	1,229,414,849
8	37,188,513	9,027,907		0	46,216,420	4,513,954	41,702,466	20	0	0	8,340,493	37,875,927
10	13,999,801	7,549,332		198,693	21,350,440	3,675,320	17,675,120	30	0	0	5,302,536	16,047,904
12	5,246,311	18,829,022		0	24,075,333	9,414,511	14,660,822	100	0	0	14,660,822	9,414,511
17	7,836,756	4,746,301		0	12,583,057	2,373,151	10,209,906	8	0	0	816,792	11,766,265
2	448,947,979			0	448,947,979		448,947,979	6	0	0	26,936,879	422,011,100
	129,115,401		-29,271,655	0	99,843,746		99,843,746	0	0	0		99,843,746
45	2,949,996			0	2,949,996		2,949,996	45	0	0	1,327,498	1,622,498
13				0				N/A	0	0		
See schedule	365,956,321	234,061,223			600,017,544	117,030,612	482,986,932				42,185,661	557,831,883
Totals	2,288,987,309	277,141,956	-29,271,655	291,693	2,536,565,917	138,425,134	2,398,140,783				150,737,234	2,385,828,683

Note 1. Include any property acquired in previous years that has now become available for use. This property would have been previously excluded from column 3. List separately any acquisitions that are not subject to the 50% rule. See Regulation 1100(2) and (2.2) of the *Income Tax Act* (Canada).

Note 2. The net cost of acquisitions is the cost of acquisitions plus or minus certain adjustments from column 4.

Note 3. If the taxation year is shorter than 365 days, prorate the CCA claim.

Note 4. Ontario recapture should be included in net income after deducting the federal recapture and the Ontario terminal loss is deducted from net income after including the federal terminal loss.

Enter in boxes 650 . . . . 650 . . . . 650 on the CT23.

Ontario Capital Cost Allowance
Schedule 8

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	1800235	2008-12-31

1 Class number	2 Ontario undepreciated capital cost at the beginning of the year (undepreciated capital cost at the end of the prior year's CCA schedule)	3 Cost of acquisitions during the year (new property must be available for use) See note 1 below	4 Net adjustments (show negative amounts in brackets)	5 Proceeds of dispositions during the year (amount not to exceed the capital cost)	6 Ontario undepreciated capital cost (column 2 plus column 3 or minus column 4 minus column 5)	7 50% rule (1/2 of the amount, if any, by which the net cost of acquisitions exceeds column 5) See note 2 below	8 Reduced undepreciated capital cost (column 6 minus column 7)	9 CCA rate %	10 Recapture of capital cost allowance	11 Terminal loss	12 Ontario capital cost allowance (column 8 multiplied by column 9; or a lower amount)	13 Ontario undepreciated capital cost at the end of the year (column 6 minus column 12)
47	354,955,617	225,922,224		0	580,877,841	112,961,112	467,916,729	8	0	0	37,433,338	543,444,503
10.1	13,495			N/A	13,495		13,495	30	N/A	N/A	4,049	9,446
13	831,002			0	831,002		831,002	N/A	0	0	237,429	593,573
13	9,064,958			0	9,064,958		9,064,958	N/A	0	0	2,014,435	7,050,523
42	80,554			0	80,554		80,554	12	0	0	9,666	70,888
50	1,010,695	6,382,634		0	7,393,329	3,191,317	4,202,012	55	0	0	2,311,107	5,082,222
13		1,756,365		0	1,756,365	878,183	878,182	N/A	0	0	175,637	1,580,728
Totals	365,956,321	234,061,223			600,017,544	117,030,612	482,986,932				42,185,661	557,831,883

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Ontario Cumulative Eligible Capital Deduction

Schedule 10 Page 1 of 2

For taxation years 2002 and later

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	1800235	2008-12-31

- **For use by a corporation that has eligible capital property.**
- **A separate cumulative eligible capital account must be kept for each business.**

Part 1 – Calculation of current year deduction and carry-forward

Ontario Cumulative eligible capital – balance at end of preceding taxation year *(if negative, enter zero)* . . . . . = + 14,248,385 **A**

Add: Cost of eligible capital property acquired during the taxation year + 109,806 **B**

Other adjustments . . . . . + **C**

B + C . . . . . = 109,806 x 3 / 4 = 82,355 **D**

Non-taxable portion of a non-arm's length transferor's gain realized on the transfer of an eligible capital property to the corporation after December 20, 2002 . . . . . x 1 / 2 = – **E**

D minus E *(if negative, enter zero)* . . . . . = 82,355 ▷ + 82,355 **F**

Amount transferred on amalgamation or wind-up of subsidiary . . . . . + **G**

Subtotal A + F + G . . . . . = 14,330,740 **H**

Deduct: Ontario proceeds of sales (less outlays and expenses not otherwise deductible) from the disposition of all eligible capital property during the taxation year . . . . . + **I**

The gross amount of a reduction in respect of a forgiven debt obligation as provided for in subsection 80(7) of the *Income Tax Act* (Canada) . . . . . + **J**

Other adjustments . . . . . + **K**

I + J + K . . . . . = x 3 / 4 . . . . . = – **L**

Ontario cumulative eligible capital balance H minus L . . . . . = 14,330,740 **M**

*If **M** is negative, enter zero at line **Q** and proceed to **Part 2**, page 2.*

Cumulative eligible capital for a property no longer owned after ceasing to carry on that business . . . . . **N**

From **M** 14,330,740

From **N** –

Current year deduction **M minus N** . . . . . = 14,330,740 x 7 % = + 1,003,152 **O**

N + O . . . . . = 1,003,152 ▷ – 1,003,152 **P**

Note: *The maximum current year deduction is 7%. Any amount up to the maximum deduction of 7% may be claimed. For taxation years starting after December 21, 2000, the deduction may not exceed the maximum amount prorated for the number of days in the taxation year divided by 365 or 366 days.*

Enter amount in box 651 *of the CT23*

Ontario cumulative eligible capital - closing balance M minus P *(if negative, enter zero)* . . . . . = 13,327,588 **Q**

See page 2 - Part 2

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	1800235	2008-12-31

Part 2 – Amount to be included in income arising from disposition

Complete this part only if the amount at line M is negative.

Amount from line M above. *Show this as a positive amount; not negative.* . . . . . R

Total cumulative eligible capital deductions from income for taxation years beginning after June 30, 1988 . . . . . + 1

Total of all amounts which reduced cumulative eligible capital in the current or prior years under subsection 80(7) of the ITA . . . . . + 2

Total of cumulative eligible capital deductions claimed for taxation years beginning before July 1, 1988 . . . . . + 3

Negative balances in the cumulative eligible capital account that were included in income for taxation years beginning before July 1, 1988 . . . . . − 4

Deduct line 4 from line 3 *(if negative, enter zero)* . . . . . = ▷ + 5

Total lines 1 + 2 + 5 . . . . . = 6

Amounts included in income under paragraph 14(1)(b), as that paragraph applied to taxation years ending after June 30, 1988 and before February 28, 2000, to the extent that it is for an amount described at line **1** 7

Amounts at **Line Z** from Ontario Schedule 10 of previous taxation years ending after February 27, 2000
*(This will be **Line T** in earlier versions of this schedule.)* . . . . . + 8

Total lines 7 + 8 . . . . . = ▷ − 9

Deduct line 9 from line 6 *(if negative, enter zero)* . . . . . = ▷ − S

R minus S *(if negative, enter zero)* . . . . . = T

From Line **5** _____ x 1 / 2 . . . . . = − U

T minus U *(if negative, enter zero)* . . . . . = V

From **V** _____ x 2 / 3 . . . . . = W

Lesser of **R** and **S** . . . . . = + Z

Amount to be included in income W + Z . . . . . =

Ontario

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Ontario Continuity of Reserves
Schedule 13

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	1800235	2008-12-31

For use by a corporation to provide a continuity of all reserves claimed which are allowed for tax purposes.

Part 1 – Capital gains reserves

Description of property	Ontario balance at the beginning of the year $	Transfer on amalgamation or wind-up of subsidiary $	Add	Deduct	Ontario balance at the end of the year $
1					
Totals	**A**	**B**			**C**

The total capital gains reserve at the beginning of the taxation year **A** plus the total capital gains reserve transfer on amalgamation or wind-up of subsidiary **B**, should be entered on Schedule 6; and the total capital gains reserve at the end of the taxation year **C**, should also be entered on Schedule 6.

Part 2 – Other reserves

Description	Ontario balance at the beginning of the year $	Transfer on amalgamation or wind-up of subsidiary $	Add	Deduct	Ontario balance at the end of the year $
Reserve for doubtful debts					
Reserve for undelivered goods and services not rendered					
Reserve for prepaid rent					
Reserve for December 31, 1995 income					
Reserve for refundable containers					
Reserve for unpaid amounts					
Other tax reserves	1				1
Totals	**D** 1	**E**			**F** 1

The amount from **D** plus the amount from **E** should be entered in 607 of the CT23.

The amount from **F** should be entered in 654 of the CT23.

Part 3 – Continuity of non-deductible reserves

Reserve	Ontario opening balance	Transfers	Ontario additions	Ontario deductions	Other adjustments	Ontario closing balance
POEB	137,843,001		8,303,999			146,147,000
Inventory Obsolescence	491,872			230,726		261,146
Termination Accrual	991,921		13,554			1,005,475
Reserves from Part 2						
Totals	139,326,794		8,317,553	230,726		147,413,621

Enter in box 653 *of the CT23*

Enter in box 606 *of the CT23*

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Ontario Scientific Research and Experimental Development Expenditures
CT23 Schedule 161

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOR)	Taxation Year End
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	1800235	2008-12-31

This schedule is used to calculate Ontario Scientific Research and Experimental Development Expenditures (SR & ED). The rules used in the calculation of Ontario SR & ED follow the federal rules with the exception of the new Ontario measure introduced in the 2001 Ontario Budget and implemented in Bill 127 which received Royal Assent on December 5, 2001.

This schedule must be completed by all corporations performing qualified Ontario SR & ED in a **specified taxation year** or in the taxation year immediately preceding the first specified taxation year of the corporation and filed with the current CT23 or CT8. Other corporations may use this schedule, if they have claimed or are claiming a different SR & ED amount for Ontario than for federal income tax purposes.

- **Specified Taxation Year (STY)** is the taxation year of the corporation that begins after February 29, 2000 **and** ends before January 1, 2009.
- **Investment Tax Credit Amount (ITC)** means, in respect of a corporation for a taxation year, an amount deducted by the corporation for a preceding taxation year under subsection 127(5) or (6) of the *Income Tax Act* (Canada) (ITA).
- **Qualified Ontario SR & ED Expenditure (QORD)** means,
  - A. A qualified expenditure within the meaning of subsection 12(1) of the *Corporations Tax Act* (CTA) that is made or incurred by a corporation in a STY or in the taxation year immediately preceding the first STY of the corporation, or
  - B. An expenditure made or incurred by a partnership in a fiscal period that ends in a STY of a corporation if,
    - the corporation is member of the partnership at any time in the STY, and
    - the expenditure would be a qualified expenditure within the meaning of subsection 12(1) of the CTA if it were made by a corporation.
- **Ontario Allocation Factor (OAF)** has the meaning given to that expression by subsection 12(1) of the CTA.

- If a corporation includes a federal ITC amount in determining the amount of the Ontario pool of deductible SR & ED expenditures for a STY, the following amounts are adjusted by the OAF:
  - Amount of recaptured federal ITC relating to QORD for property disposed of in the preceding taxation year in 442 on page 2.
  - Amount of federal ITC relating to QORD claimed federally in the preceding taxation year(s) in 462 on page 2.
  - Amount of federal ITC relating to QORD allocated from partnerships in the current taxation year in 465 on page 2.

- Federal ITCs earned on shared-use equipment (SUE) reduce the capital cost of the property acquired for federal and Ontario income tax purposes in the taxation year after the taxation year in which the ITC is claimed federally. The amount of the federal ITC that relates to QORD on SUE is added to the SR & ED pool for Ontario purposes in the taxation year after the taxation year in which the ITC is claimed federally.

Ontario Scientific Research and Experimental Development Expenditures CT23 Schedule 161

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOR)	Taxation Year End
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	1800235	2008-12-31

Ontario Pool of Deductible SR & ED Expenditures for the current taxation year

Total allowable SR & ED expenditures (capital and current)
(From line 400 federal T661 (T2 SCH32)) . . . . . + 400 **4,340,700.**

Less: Government and non-government assistance
(From line 430 federal T661 (T2 SCH32)) . . . . . − 430

Preceding year's amount of federal ITC claimed for SR & ED
(From line 435 federal T661 (T2 SCH32)) . . . . . − 435 **1,157,425.**

Sale of SR & ED capital assets and other deductions
(From line 440 federal T661 (T2 SCH32)) . . . . . − 440

Amount of recaptured federal ITC (From line 453 federal T661 (T2 SCH32)) relating to QORD for property disposed of in the preceding taxation year 442

Gross-up for Ontario allocation factor From 442 ÷ 100.0000 % - - - = − 444
(From 30 of the CT23 or CT8)

Subtotal: 400 − 430 − 435 − 440 − 444 . . . . . = 445 **3,183,275.**

Add: Repayments of government and non-government assistance
(From line 445 federal T661 (T2 SCH32)) . . . . . + 446

SR & ED expenditure pool transferred on amalgamation or wind-up
(From line 452 federal T661 (T2 SCH32)) . . . . . + 452

Amount of federal ITC recaptured in the preceding taxation year
(From line 453 federal T661 (T2 SCH32)) . . . . . + 453

Preceding year's balance in pool of deductible Ontario SR & ED expenditures
(From 480 of the preceding taxation year) . . . . . + 460

Federal ITC relating to QORD **claimed** federally in the preceding taxation year(s) . . . . . + 462 **1,157,425.**
(From 575 on Page 3)

Amount of federal ITC relating to QORD allocated from partnerships in the current taxation year . . . . . + 465

Subtotal 462 + 465 . . . . . = 468 **1,157,425.**

Gross-up for Ontario allocation factor From 468 **1,157,425.** ÷ 100.0000 % - - - = + 470 **1,157,425.**
(From 30 of the CT23 or CT8)

Subtotal: 445 + 446 + 452 + 453 + 460 + 470

(If the amount in 473 is negative, enter zero, in 475, 477 and add 473 to 615 of the 2002 CT23 or CT8 or 616 of the 2003 or later CT23 or CT8. If the amount in 473 is positive, enter the amount in 475.) = 473 **4,340,700.**

Amount available for deduction . . . . . = 475 **4,340,700.**

Deduction claimed in the taxation year for Ontario
(Enter the SR & ED expenditure pool deduction claimed in the taxation year in 679 of the CT23 or CT8) . . . . − 477 **4,340,700.**

Ontario current taxation year closing balance in pool of deductible SR & ED expenditures 475 − 477 . . . . . = 480

(Transfer this amount to 460 as the carry forward amount for the next taxation year.)

Ontario Scientific Research and Experimental Development Expenditures
CT23 Schedule 161

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOR)	Taxation Year End
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	1800235	2008-12-31

Calculation of Preceding Taxation Year Amount and Account Balances - Federal ITC from SR & ED Expenditures relating to QORD.

- This page is used to calculate the amount of the federal ITC that relates to SR & ED performed in Ontario for certain taxation years and is used to increase the amount of the Ontario SR & ED pool on page 2.
- All amounts on this page are based on the preceding taxation year since the amount of the federal ITC that relates to QORD can only be used to increase the Ontario pool for SR & ED in the current taxation year if there was a federal ITC claimed for federal purposes in the preceding taxation year that related to QORD.
- **Do not include amounts** of federal ITCs that relate to QORD that were **allocated from a partnership.** These amounts are added to your SR & ED pool for Ontario in the taxation year that they are allocated from a partnership to a corporation, not in the year after they are claimed federally.

Opening Balance:

(Enter amount 590 from Schedule 161 of the preceding taxation year, if any) . . . . . + 500 .

Add: Amount of federal ITC earned, relating to QORD
(QORD portion of line 540 federal T2 SCH31 for the preceding taxation year) . . . . . + 510 1,157,425.

Amount of federal ITC earned, relating to QORD, transferred on amalgamation or wind-up
(QORD portion of line 530 federal T2 SCH31 for the preceding taxation year) . . . . . + 520 .

Subtotal: 500 + 510 + 520 . . . . . = 535 1,157,425.

Deduct: Amount of federal ITC, relating to QORD, claimed federally
(QORD portion of line 560 federal T2 SCH31 for the preceding taxation year) . . . . . + 540 1,157,425.

Amount of federal ITC, relating to QORD, carried back federally to a preceding taxation year(s)
(QORD portion of line P federal T2 SCH31 for the preceding taxation year) . . . . . + 550 .

A refund of federal ITC, relating to QORD, claimed federally
(QORD portion of line 610 federal T2 SCH31 for the preceding taxation year) . . . . . + 560 .

Amount of federal ITC, relating to QORD, deemed as a remittance of co-op corporations
(QORD portion of line 510 federal T2 SCH31 for the preceding taxation year) . . . . . + 570 .

Subtotal: 540 + 550 + 560 + 570 . . . . . = 575 1,157,425.

(Transfer this amount to 462 on Page 2)

Deduct: Amount of federal ITC, relating to QORD, expired per the ITA after 10 taxation years . . . . . .
(QORD portion of line 515 federal T2 SCH31 for the preceding taxation year) . . . . . − 580 .

Closing Balance: 535 − 575 − 580 . . . . . = 590 .

(Transfer this amount to 500 as the opening balance for the next taxation year.)

Ontario Scientific Research and Experimental Development Expenditures
CT23 Schedule 161

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOR)	Taxation Year End
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	1800235	2008-12-31

Continuity Schedule for Federal ITC relating to SR & ED Expenditures for the Preceding Taxation Year

- All amounts on this page are based on the preceding taxation year.
- Amounts on this page should tie into Part 12 of federal T2 SCH31 completed for the preceding taxation year.

Yr. of Origin (Oldest yr. first) yyyy mm dd	Opening Balance	Additions	Deductions (other than amounts that were allocated from a partnership)	Deductions (only amounts that were allocated from a partnership)	Closing Balance
1998-09-30					
1999-09-30					
2000-09-30					
2001-09-30					
2001-12-31					
2002-12-31					
2003-12-31					
2004-12-31					
2005-12-31					
2006-12-31					
2007-12-31		1,158,821	1,158,821		
Totals (see note 1, 2 and 3)	725	740 1,158,821	755 1,158,821	770	785

Notes:

1. The amount in [725] should equal the amount of the investment tax credit at the end of the preceding taxation year less line [515] in Part 12 of the federal T2 SCH31 for the preceding taxation year.
2. The amount in [785] should equal the closing balance in line [620] in Part 12 of the federal T2 SCH31 for the preceding taxation year.
3. It is important that the amounts in the deductions columns on this page correctly reflect the year of origin of the federal ITC claimed because only amounts relating to QORD can be used to increase the Ontario SR & ED pool.

Ontario Scientific Research and Experimental Development Expenditures
CT23 Schedule 161

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOR)	Taxation Year End
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	1800235	2008-12-31

Continuity Schedule for the Amount of Federal ITC from SR & ED Expenditures relating to QORD for the Preceding Taxation Year

- This page is required to record the amount of the ITC that relates to QORD by year of origin.
- All amounts on this page are based on the preceding taxation year.
- **Do not** include amounts of federal ITCs that relate to QORD that were **allocated from a partnership** (see text at the top of page 3).

Yr. of Origin (Oldest yr. first) yyyy mm dd	Opening Balance	Additions	Deductions	Closing Balance
2000-09-30				
2001-09-30				
2001-12-31				
2002-12-31				
2003-12-31				
2004-12-31				
2005-12-31				
2006-12-31				
2007-12-31		1,157,425	1,157,425	
Totals (see note 1 - 6)	825	840 1,157,425	855 1,157,425	870

Notes:

1. The amount in 825 should equal 500 on page 3.
2. The amount in 840 should equal the total of 510 and 520 on page 3.
3. The amount in 855 should equal 575 on page 3.
4. The amount in 870 should equal 590 on page 3.
5. Any deductions that are recorded in the deduction column on this page must be taken out of the same year of origin as indicated in the deduction column on page 4. These deductions must be related to QORD and must not have been allocated from a partnership.
6. The amount of federal ITC relating to QORD will expire if the federal ITC it relates to expires before it is claimed federally.

Ontario

Ministry of Revenue
Corporations Tax
33 King Street West
PO Box 620
Oshawa ON L1H 8E9

2008 Capital Tax Election of Associated Group Agreement for Allocation of Taxable Capital Deduction (TCD)

CT23 SCHEDULE 591

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	1800235	2008-12-31

The following associated group of corporations includes all the corporations in this associated group (excluding financial institutions and corporations exempt from capital tax) having a permanent establishment in Canada and are hereby making an election under subsection 69(2.1) of the *Corporation Tax Act* to allocate the tax effect of the group's taxable capital deduction (TCD) as calculated in section B1 on page 10 of the CT23 for all taxation years which end in the 2008 calendar year, based on each corporation's total assets and Ontario allocation factor from each corporation's last taxation year ending in the 2007 calendar year.

Applies to taxation years ending in the 2008 calendar year.

Corporation having a permanent establishment in Canada	Last taxation year ending in 2007 calendar year	Ontario Allocation **A**	Total Assets **T**	Net Deduction **A x TE x (T÷X) ND**	Allocation of Net Deduction **AND**
Corporation Tax Account Number (if applicable)	YEAR MONTH DAY				995
1800235	2007-12-31	100.0000	2,402,649,696	17,379	33,749
Corporation Name: TORONTO HYDRO-ELECTRIC SYSTEM LIMITED					
Tax Effect (TE) of Taxable Capital Deduction From CT23, Page 10, Section B: **TCD** 503 15,000,000 x **Capital Tax Rate** 516 0.225 **= TE** 33,750					
Corporation Tax Account Number (if applicable)	YEAR MONTH DAY				995
1800236	2007-12-31	100.0000	2,135,971,741	15,450	
Corporation Name: TORONTO HYDRO CORPORATION					
Tax Effect (TE) of Taxable Capital Deduction From CT23, Page 10, Section B: **TCD** 503 15,000,000 x **Capital Tax Rate** 516 0.225 **= TE** 33,750					
Corporation Tax Account Number (if applicable)	YEAR MONTH DAY				995
1800382	2007-12-31	100.0000	122,330,944	885	
Corporation Name: TORONTO HYDRO ENERGY SERVICES INC.					
Tax Effect (TE) of Taxable Capital Deduction From CT23, Page 10, Section B: **TCD** 503 15,000,000 x **Capital Tax Rate** 516 0.225 **= TE** 33,750					
Corporation Tax Account Number (if applicable)	YEAR MONTH DAY				995
1800234	2007-12-31	100.0000	4,884,266	35	
Corporation Name: 1455948 Ontario Inc.					
Tax Effect (TE) of Taxable Capital Deduction From CT23, Page 10, Section B: **TCD** 503 15,000,000 x **Capital Tax Rate** 516 0.225 **= TE** 33,750					

If insufficient space, attach list.

Total Assets of Associated Group having permanent establishments in Canada **X** 4,665,836,647 959

Total Net Deductions of Associated Group having permanent establishments in Canada . . . **TND** 33,749 994

Total Allocated Net Deductions of Associated Group having permanent establishments in Canada . . . . . **TAND** 33,749

Ontario

Ministry of Revenue
Corporations Tax
33 King Street West
PO Box 620
Oshawa ON L1H 8E9

Cooperative Education Tax Credit (CETC)
CT23 Schedule 113

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	1800235	2008-12-31

Instructions for completing the CETC Claim Form

- Enter the relevant details for each qualifying work placement, including the amount of tax credit.
- Your total tax credit for the taxation year is equal to the sum of the tax credits for each qualifying work placement.
- Enter the total tax credit claimed on line 192, page 7 of the CT23 Long, or page 4 of the CT23 Short, or page 4 of the CT8.
  - The maximum amount of credit that can be claimed in respect of each work placement is $1,000.
- Ensure you have the following documentation (Do not include with the form or tax return.):
  - a letter of certification from the Ontario college, university other post-secondary institution, containing information as specified by the Minister, stating that the student is enrolled in a qualifying education program; or
  - a voucher for leading-edge technology programs, other than an apprenticeship, stating that the educational program meets the definition of a qualifying program in leading-edge technology and that the work performed by that student during the work placement is in a related field.
- The credit is **considered government assistance** and is therefore **to be included in income** in the year the credit is claimed.

Summary of Co-operative Education Tax Credit Claimed

Complete a separate entry for each student work placement which ended during the corporation's taxation year. The tax credit is for co-op work placements and leading-edge technology work placements. A work placement is generally considered to be a full-time work assignment for up to 4 months in duration.

Example: If a corporation, with a December 31, 2001 taxation year end, hires an eligible student from September 1, 2001 until April 30, 2002, this would be considered 2 work placements. The first work placement is September 1, 2001 to December 31, 2001 and would be claimed in the 2001 taxation year. The second placement is January 1, 2002 to April 30, 2002 and must be claimed in the 2002 taxation year.

Qualifying Work Placements

Name of University/ College and Education Program	Name of Student	Social Insurance No. of Student	Work Placement Start and End Dates (year month day)	Eligible Costs of Placement (ECP)	* Credit Claimed (See notes below) (max. $1,000 per work placement)
Seneca	[redacted]	[redacted]	From 2008-09-02 To 2008-12-19	10,673	1,000
Georgian	[redacted]	[redacted]	From 2008-09-02 To 2008-12-19	12,139	1,000
See schedule			From To	1,119,007	90,696
			Totals	5774 1,141,819	5798 92,696

If insufficient space, attach schedule

Transfer to 192 ***on Page 7 of the CT23 Long or Page 4 of the CT23 Short, or Page 4 of the CT8***

Note: Enter corporation's salaries & wages paid in the preceding taxation year A $ 600,000 •

If A is $600,000 or greater use 10%. If A is $400,000 or less use 15%.

If A is over $400,000 but less than $600,000 use the following formula to calculate the rate:

Rate =.15 – [.05 (From A 600,000 • – $400,000) ÷ $200,000]

Indicate rate used: 10.0000 %. ***Credit claimed equals ECP multiplied by rate.**

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	1800235	2008-12-31

Qualifying Work Placements

Name of University/ College and Education Program	Name of Student	Social Insurance No. of Student	Work Placement Start and End Dates (year month day)	Eligible Costs of Placement (ECP)	Credit Claimed (max. $1,000 per work placement)
Georgian	[redacted]	[redacted]	From 2008-09-02 To 2008-12-19	12,434	1,000
Waterloo	[redacted]	[redacted]	From 2008-09-02 To 2008-12-19	8,877	888
University of T.O.	[redacted]	[redacted]	From 2008-09-08 To 2008-12-16	9,727	973
Brock	[redacted]	[redacted]	From 2008-08-28 To 2008-12-19	10,652	1,000
Georgian	[redacted]	[redacted]	From 2008-09-08 To 2008-12-19	12,434	1,000
Seneca	[redacted]	[redacted]	From 2008-08-25 To 2008-12-19	10,357	1,000
Waterloo	[redacted]	[redacted]	From 2008-09-02 To 2008-12-19	12,139	1,000
University of Toronto	[redacted]	[redacted]	From 2008-01-02 To 2008-04-30	10,673	1,000
George Brown	[redacted]	[redacted]	From 2008-01-02 To 2008-04-30	10,517	1,000
Georgian	[redacted]	[redacted]	From 2008-01-02 To 2008-04-30	12,139	1,000
Waterloo	[redacted]	[redacted]	From 2008-01-02 To 2008-04-30	12,139	1,000

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	1800235	2008-12-31

Qualifying Work Placements

Name of University/ College and Education Program	Name of Student	Social Insurance No. of Student	Work Placement Start and End Dates (year month day)	Eligible Costs of Placement (ECP)	Credit Claimed (max. $1,000 per work placement)
Georgian	[redacted]	[redacted]	From 2008-01-02 To 2008-04-30	12,139	1,000
Seneca	[redacted]	[redacted]	From 2008-01-02 To 2008-04-30	11,356	1,000
University of Toronto	[redacted]	[redacted]	From 2008-01-02 To 2008-04-30	11,673	1,000
Cenntennial	[redacted]	[redacted]	From 2008-01-02 To 2008-04-30	12,199	1,000
	[redacted]	[redacted]	From 2008-01-02 To 2008-04-30	9,250	925
Sheridan	[redacted]	[redacted]	From 2008-01-02 To 2008-04-30	12,397	1,000
Georgian	[redacted]	[redacted]	From 2008-01-02 To 2008-04-30	12,139	1,000
Sheridan	[redacted]	[redacted]	From 2008-01-02 To 2008-04-30	11,475	1,000
Sheridan	[redacted]	[redacted]	From 2008-01-02 To 2008-04-30	9,170	917
Seneca	[redacted]	[redacted]	From 2008-01-02 To 2008-04-30	13,988	1,000
Waterloo	[redacted]	[redacted]	From 2008-01-02 To 2008-04-30	12,955	1,000

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	1800235	2008-12-31

Qualifying Work Placements

Name of University/ College and Education Program	Name of Student	Social Insurance No. of Student	Work Placement Start and End Dates (year month day)	Eligible Costs of Placement (ECP)	Credit Claimed (max. $1,000 per work placement)
Seneca	[redacted]	[redacted]	From 2008-01-02 To 2008-04-30	12,072	1,000
Seneca	[redacted]	[redacted]	From 2008-01-02 To 2008-04-30	11,415	1,000
Georgian	[redacted]	[redacted]	From 2008-01-02 To 2008-04-25	12,574	1,000
Waterloo	[redacted]	[redacted]	From 2008-01-02 To 2008-04-30	13,303	1,000
Waterloo	[redacted]	[redacted]	From 2008-01-02 To 2008-04-30	13,452	1,000
Georgian	[redacted]	[redacted]	From 2008-01-02 To 2008-04-30	12,256	1,000
Waterloo	[redacted]	[redacted]	From 2008-01-02 To 2008-04-30	13,109	1,000
Waterloo	[redacted]	[redacted]	From 2008-01-02 To 2008-04-30	13,109	1,000
University of TO	[redacted]	[redacted]	From 2008-01-02 To 2008-05-02	11,888	1,000
Centennial College	[redacted]	[redacted]	From 2008-01-02 To 2008-04-30	13,452	1,000
Waterloo	[redacted]	[redacted]	From 2008-01-02 To 2008-04-30	13,111	1,000

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	1800235	2008-12-31

Qualifying Work Placements

Name of University/ College and Education Program	Name of Student	Social Insurance No. of Student	Work Placement Start and End Dates (year month day)	Eligible Costs of Placement (ECP)	Credit Claimed (max. $1,000 per work placement)
Georgian	[redacted]	[redacted]	From 2008-01-02 To 2008-04-30	12,863	1,000
Brock University	[redacted]	[redacted]	From 2008-01-02 To 2008-04-30	11,618	1,000
Humber College	[redacted]	[redacted]	From 2008-01-02 To 2008-05-02	11,618	1,000
Seneca	[redacted]	[redacted]	From 2008-01-02 To 2008-04-30	11,213	1,000
Sheridan	[redacted]	[redacted]	From 2008-01-02 To 2008-04-30	13,478	1,000
Waterloo	[redacted]	[redacted]	From 2008-01-02 To 2008-05-02	11,483	1,000
Seneca	[redacted]	[redacted]	From 2008-04-28 To 2008-08-22	11,483	1,000
McMaster	[redacted]	[redacted]	From 2008-05-05 To 2008-08-27	12,754	1,000
Georgian	[redacted]	[redacted]	From 2008-05-05 To 2008-08-29	12,754	1,000
Waterloo	[redacted]	[redacted]	From 2008-05-05 To 2008-08-29	12,600	1,000
University of TO	[redacted]	[redacted]	From 2008-05-05 To 2008-08-29	13,061	1,000

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	1800235	2008-12-31

Qualifying Work Placements

Name of University/ College and Education Program	Name of Student	Social Insurance No. of Student	Work Placement Start and End Dates (year month day)	Eligible Costs of Placement (ECP)	Credit Claimed (max. $1,000 per work placement)
Georgian			From 2008-05-05 To 2008-08-29	12,533	1,000
Waterloo			From 2008-05-05 To 2008-08-29	12,907	1,000
Waterloo			From 2008-05-05 To 2008-08-29	9,934	993
University of TO			From 2008-05-05 To 2008-08-29	11,484	1,000
George Brown			From 2008-05-05 To 2008-08-29	11,484	1,000
Waterloo			From 2008-05-05 To 2008-08-29	13,061	1,000
Centennial College			From 2008-05-05 To 2008-08-29	13,375	1,000
Waterloo			From 2008-05-05 To 2008-08-29	13,061	1,000
Waterloo			From 2008-05-05 To 2008-08-29	14,124	1,000
University of TO			From 2008-05-05 To 2008-08-29	11,602	1,000
Waterloo			From 2008-05-05 To 2008-08-29	13,829	1,000

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	1800235	2008-12-31

Qualifying Work Placements

Name of University/ College and Education Program	Name of Student	Social Insurance No. of Student	Work Placement Start and End Dates (year month day)	Eligible Costs of Placement (ECP)	Credit Claimed (max. $1,000 per work placement)
Waterloo	[redacted]	[redacted]	From 2008-05-05 To 2008-08-29	12,677	1,000
Centennial College	[redacted]	[redacted]	From 2008-01-02 To 2008-04-30	12,631	1,000
Centennial College	[redacted]	[redacted]	From 2008-05-01 To 2008-08-29	12,843	1,000
Waterloo	[redacted]	[redacted]	From 2008-01-02 To 2008-04-30	13,235	1,000
Waterloo	[redacted]	[redacted]	From 2008-09-02 To 2008-12-19	12,012	1,000
Georgian	[redacted]	[redacted]	From 2008-01-02 To 2008-04-30	13,174	1,000
Georgian	[redacted]	[redacted]	From 2008-09-02 To 2008-12-19	11,956	1,000
Mohawk	[redacted]	[redacted]	From 2008-01-02 To 2008-04-30	12,909	1,000
Mohawk	[redacted]	[redacted]	From 2008-05-01 To 2008-08-20	12,909	1,000
Mohawk	[redacted]	[redacted]	From 2008-08-21 To 2008-12-19	13,695	1,000
Mohawk	[redacted]	[redacted]	From 2008-01-03 To 2008-04-30	12,710	1,000

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	1800235	2008-12-31

Qualifying Work Placements

Name of University/ College and Education Program	Name of Student	Social Insurance No. of Student	Work Placement Start and End Dates (year month day)	Eligible Costs of Placement (ECP)	Credit Claimed (max. $1,000 per work placement)
Mohawk	[redacted]	[redacted]	From 2008-05-01 To 2008-08-30	13,033	1,000
Mohawk	[redacted]	[redacted]	From 2008-09-01 To 2008-12-19	12,064	1,000
Georgian	[redacted]	[redacted]	From 2008-01-02 To 2008-04-30	13,459	1,000
Georgian	[redacted]	[redacted]	From 2008-09-02 To 2008-12-19	12,216	1,000
Centennial College	[redacted]	[redacted]	From 2008-01-02 To 2008-04-30	13,012	1,000
Centennial College	[redacted]	[redacted]	From 2008-05-01 To 2008-08-31	13,231	1,000
University of TO	[redacted]	[redacted]	From 2008-05-05 To 2008-08-31	12,199	1,000
University of TO	[redacted]	[redacted]	From 2008-06-01 To 2008-12-19	12,199	1,000
Sheridan	[redacted]	[redacted]	From 2008-01-02 To 2008-04-30	13,605	1,000
Sheridan	[redacted]	[redacted]	From 2008-09-02 To 2008-12-19	12,347	1,000
University of TO	[redacted]	[redacted]	From 2008-01-21 To 2008-04-30	11,908	1,000

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	1800235	2008-12-31

Qualifying Work Placements

Name of University/ College and Education Program	Name of Student	Social Insurance No. of Student	Work Placement Start and End Dates (year month day)	Eligible Costs of Placement (ECP)	Credit Claimed (max. $1,000 per work placement)
University of TO	[redacted]	[redacted]	From 2008-08-27 To 2008-12-19	13,575	1,000
Sheridan	[redacted]	[redacted]	From 2008-01-02 To 2008-04-30	13,456	1,000
Sheridan	[redacted]	[redacted]	From 2008-09-09 To 2008-12-19	11,420	1,000
Waterloo	[redacted]	[redacted]	From 2008-01-02 To 2008-05-02	13,856	1,000
Waterloo	[redacted]	[redacted]	From 2008-09-08 To 2008-12-19	11,680	1,000
University of TO	[redacted]	[redacted]	From 2008-01-02 To 2008-04-30	12,797	1,000
University of TO	[redacted]	[redacted]	From 2008-05-02 To 2008-08-29	12,797	1,000
Georgian	[redacted]	[redacted]	From 2008-05-05 To 2008-08-30	12,571	1,000
Georgian	[redacted]	[redacted]	From 2008-09-01 To 2008-12-19	12,571	1,000
Georgian	[redacted]	[redacted]	From 2008-01-10 To 2008-04-30	12,344	1,000
Georgian	[redacted]	[redacted]	From 2008-09-02 To 2008-12-19	12,011	1,000

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	1800235	2008-12-31

Qualifying Work Placements

Name of University/ College and Education Program	Name of Student	Social Insurance No. of Student	Work Placement Start and End Dates (year month day)	Eligible Costs of Placement (ECP)	Credit Claimed (max. $1,000 per work placement)
Mohawk	[redacted]	[redacted]	From 2008-05-05 To 2008-08-30	12,766	1,000
Mohawk	[redacted]	[redacted]	From 2008-09-01 To 2008-12-19	12,766	1,000
Humber College	[redacted]	[redacted]	From 2008-05-05 To 2008-08-29	11,484	1,000
			From To		
			Totals	1,119,007	90,696

Ontario

Ministry of Revenue
Corporations Tax
33 King Street West
PO Box 620
Oshawa ON L1H 8E9

Apprenticeship Training Tax Credit (ATTC)

CT23 Schedule 114

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOR)	Taxation Year End
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	1800235	2008-12-31

nstructions for completing the ATTC Claim Form

- Enter the relevant details for each eligible apprentice, including the amount of tax credit.
- Your total tax credit for the taxation year is equal to the sum of the tax credits for each eligible apprentice.
- Enter the total tax credit claimed on line 203, page 7 of the CT23 Long, or page 4 of the CT23 Short, or page 4 of the CT8.
- Enter the total number of apprentices hired on line 202, page 7 of the CT23 Long, or page 4 of the CT23 Short, or page 4 of the CT8.
- Corporations are eligible for a 25% (30% in the case of corporations with payroll not exceeding $400,000) refundable tax credit on wages and salaries paid or payable for services performed after May 18, 2004 by an eligible apprentice during the first 36 months of an apprenticeship.
- The maximum amount of credit that can be claimed in respect of each eligible apprentice is $5,000 per year to a maximum of $15,000 over the first 36 months of the apprenticeship. The maximum annual tax credit of $5,000 is pro-rated for the number of days the apprentice was employed during the taxation year.
- The credit is *considered government assistance* and is therefore *to be included in income* in the year the credit is claimed.

Summary of Apprenticeship Training Tax Credit Claimed

Complete a separate entry for each eligible apprentice that is in a qualifying skilled trade and hired before January 1, 2012. This credit applies to **salaries and wages paid after May 18, 2004 and before January 1, 2015** to eligible apprentices during the first 36 months of an apprenticeship.

Example: A taxpayer, with a December 31, 2004 taxation year end, hires an otherwise eligible apprentice on June 1, 2004 at a salary of $3,500 per month. The taxpayer's salaries and wages in the preceding taxation year were $700,000. The credit claimed is the lesser of ***(1)** 25% of salaries paid to the apprentice during the period of employment (25% x $3,500 x 7 = $6,125), and ***(2)** $5,000 multiplied by the number of days the apprentice was employed during the taxation year, divided by the total number of days in the calendar year ($5,000 x 214/366 = $2,923). Hence, the credit claimed in the 2004 taxation year is $2,923.

Eligible Apprenticeship

Trade Code	Description of Apprenticeship Program	Apprentice Name and Social insurance No. (SIN)	Registration Date of Apprenticeship Contract or Training Agreement (year month day)	Contract or Agreement No.	Employment Period (year month day)	Eligible Expenditures (EE)	* Credit Claimed (see notes below)
434a	Lineworker	Name [redacted] SIN [redacted]	2006-03-29	D18139	From 2006-03-29 To 2008-12-31	71,658	5,000
434a	Lineworker	Name [redacted] SIN [redacted]	2006-03-29	D21607	From 2006-03-29 To 2008-12-31	66,342	5,000
	See schedule					3,273,945	253,289

insufficient space, attach schedule

Totals 5874 3,411,945 | 5898 263,289

Transfer to 203 *on Page 7 of the CT23 Long or Page 4 of the CT23 Short, or Page 4 of the CT8*

orporation's salaries & wages paid in the preceding taxation year A $ 600,000

- If A is $600,000 or greater use 25%.
- If A is $400,000 or less use 30%.
- If A is over $400,000 but less than $600,000 use the following formula to calculate the specified percentage:

  Specified percentage = .30 – [.05 (From A 600,000 – $400,000) ÷ $200,000]

dicate specified percentage used 25.0000 %

Credit claimed equals lesser of:

(1) EE multiplied by the specified percentage, and

(2) $5,000 x number of days the apprentice was employed in the taxation year
365 (366 if leap year)

otal Number of Apprentices . . . . . = 5896 62

Transfer to 202 *on Page 7 of the CT23 Long or Page 4 of the CT23 Short, or Page 4 of the CT8*

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	1800235	2008-12-31

Eligible Apprenticeship

Trade Code	Description of Apprenticeship Program	Apprentice Name and Social insurance No. (SIN)	Registration Date of Apprenticeship Contract or Training Agreement year month day	Contract or Agreement No.	Employment Period year month day	Eligible Expenditures (EE)	* Credit Claimed (see notes below)
434a	Lineworker	Name [redacted] SIN [redacted]	2006-03-29	D21608	From 2006-03-29 To 2008-12-31	82,212	5,000
434a	Lineworker	Name [redacted] SIN [redacted]	2006-03-29	D21609	From 2006-03-29 To 2008-12-31	69,563	5,000
434a	Lineworker	Name [redacted] SIN [redacted]	2006-03-29	D21610	From 2006-03-29 To 2008-12-31	73,265	5,000
434a	Lineworker	Name [redacted] SIN [redacted]	2006-03-29	D21611	From 2006-03-29 To 2008-12-31	71,098	5,000
434a	Lineworker	Name [redacted] SIN [redacted]	2006-03-29	D21612	From 2006-03-29 To 2008-12-31	83,250	5,000
434a	Lineworker	Name [redacted] SIN [redacted]	2006-03-29	D21613	From 2006-03-29 To 2008-12-31	73,151	5,000
434a	Lineworker	Name [redacted] SIN [redacted]	2006-03-29	D21614	From 2006-03-29 To 2008-12-31	16,756	4,189
434a	Lineworker	Name [redacted] SIN [redacted]	2006-03-29	D21615	From 2006-03-29 To 2008-12-31	29,591	5,000
434a	Lineworker	Name [redacted] SIN [redacted]	2006-03-29	D21616	From 2006-03-29 To 2008-12-31	77,960	5,000
434a	Lineworker	Name [redacted] SIN [redacted]	2006-03-29	D21617	From 2006-03-29 To 2008-12-31	70,094	5,000
434a	Lineworker	Name [redacted] SIN [redacted]	2006-03-29	D21618	From 2006-03-29 To 2008-12-31	78,889	5,000
434a	Lineworker	Name [redacted] SIN [redacted]	2006-03-29	D21619	From 2006-03-29 To 2008-12-31	81,073	5,000
434a	Lineworker	Name [redacted] SIN [redacted]	2006-03-29	D21620	From 2006-03-29 To 2008-12-31	69,552	5,000

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	1800235	2008-12-31

Eligible Apprenticeship

Trade Code	Description of Apprenticeship Program	Apprentice Name and Social insurance No. (SIN)	Registration Date of Apprenticeship Contract or Training Agreement year month day	Contract or Agreement No.	Employment Period year month day	Eligible Expenditures (EE)	* Credit Claimed (see notes below)
434a	Lineworker	Name [redacted] SIN [redacted]	2007-05-24	PA 6059	From 2007-05-24 To 2008-12-31	63,280	5,000
434a	Lineworker	Name [redacted] SIN [redacted]	2007-05-24	PA6060	From 2007-05-24 To 2008-12-31	65,563	5,000
434a	Lineworker	Name [redacted] SIN [redacted]	2007-05-24	PA6061	From 2007-05-24 To 2008-12-31	64,519	5,000
434a	Lineworker	Name [redacted] SIN [redacted]	2007-05-24	PA6062	From 2007-05-24 To 2008-12-31	63,120	5,000
434a	Lineworker	Name [redacted] SIN [redacted]	2007-05-24	PA6063	From 2007-05-24 To 2008-12-31	62,405	5,000
434a	Lineworker	Name [redacted] SIN [redacted]	2007-05-24	PA6064	From 2007-05-24 To 2008-12-31	64,987	5,000
434a	Lineworker	Name [redacted] SIN [redacted]	2007-05-24	PA6065	From 2007-05-24 To 2008-12-31	64,865	5,000
434a	Lineworker	Name [redacted] SIN [redacted]	2007-05-24	PA6066	From 2007-05-24 To 2008-12-31	71,724	5,000
434a	Lineworker	Name [redacted] SIN [redacted]	2007-05-24	PA6067	From 2007-05-24 To 2008-12-31	81,624	5,000
434a	Lineworker	Name [redacted] SIN [redacted]	2007-05-24	PA6068	From 2007-05-24 To 2008-12-31	64,553	5,000
434a	Lineworker	Name [redacted] SIN [redacted]	2007-05-24	PA6070	From 2007-05-24 To 2008-12-31	63,437	5,000
434a	Lineworker	Name [redacted] SIN [redacted]	2007-05-24	PA6071	From 2007-05-24 To 2008-12-31	66,232	5,000
434a	Lineworker	Name [redacted] SIN [redacted]	2007-05-24	PA6072	From 2007-05-24 To 2008-12-31	62,799	5,000

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	1800235	2008-12-31

Eligible Apprenticeship

Trade Code	Description of Apprenticeship Program	Apprentice Name and Social insurance No. (SIN)	Registration Date of Apprenticeship Contract or Training Agreement year month day	Contract or Agreement No.	Employment Period year month day	Eligible Expenditures (EE)	* Credit Claimed (see notes below)
434a	Lineworker	Name [redacted] SIN [redacted]	2007-05-24	PA6073	From 2007-05-24 To 2008-12-31	62,708	5,000
434a	Lineworker	Name [redacted] SIN [redacted]	2007-05-24	PA6074	From 2007-05-24 To 2008-12-31	62,968	5,000
434a	Lineworker	Name [redacted] SIN [redacted]	2007-05-24	PA6075	From 2007-05-24 To 2008-12-31	64,023	5,000
434a	Lineworker	Name [redacted] SIN [redacted]	2007-11-21	PB2183	From 2007-11-21 To 2008-12-31	61,678	5,000
434a	Lineworker	Name [redacted] SIN [redacted]	2007-11-21	PB2184	From 2007-11-21 To 2008-12-31	64,742	5,000
434a	Lineworker	Name [redacted] SIN [redacted]	2007-11-21	PB2185	From 2007-11-21 To 2008-12-31	64,963	5,000
434a	Lineworker	Name [redacted] SIN [redacted]	2007-11-21	PB2186	From 2007-11-21 To 2008-12-31	60,466	5,000
434a	Lineworker	Name [redacted] SIN [redacted]	2007-11-21	PB2187	From 2007-11-21 To 2008-12-31	60,988	5,000
434a	Lineworker	Name [redacted] SIN [redacted]	2007-11-21	PB2188	From 2007-11-21 To 2008-12-31	63,951	5,000
434a	Lineworker	Name [redacted] SIN [redacted]	2007-11-21	PB2189	From 2007-11-21 To 2008-12-31	63,248	5,000
434a	Lineworker	Name [redacted] SIN [redacted]	2007-11-21	PB2190	From 2007-11-21 To 2008-12-31	66,257	5,000
434a	Lineworker	Name [redacted] SIN [redacted]	2007-11-21	PB2192	From 2007-11-21 To 2008-12-31	63,463	5,000
434a	Lineworker	Name [redacted] SIN [redacted]	2007-11-21	PB2194	From 2007-11-21 To 2008-12-31	63,678	5,000

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	1800235	2008-12-31

Eligible Apprenticeship

Trade Code	Description of Apprenticeship Program	Apprentice Name and Social insurance No. (SIN)	Registration Date of Apprenticeship Contract or Training Agreement year month day	Contract or Agreement No.	Employment Period year month day	Eligible Expenditures (EE)	* Credit Claimed (see notes below)
434a	Lineworker	Name [redacted] SIN [redacted]	2007-11-21	PB2195	From 2007-11-21 To 2008-12-31	66,608	5,000
434a	Lineworker	Name [redacted] SIN [redacted]	2007-11-21	PB2196	From 2007-11-21 To 2008-12-31	61,535	5,000
434a	Lineworker	Name [redacted] SIN [redacted]	2007-11-21	PB2197	From 2007-11-21 To 2008-12-31	63,623	5,000
434a	Lineworker	Name [redacted] SIN [redacted]	2007-11-21	PB2198	From 2007-11-21 To 2008-12-31	64,804	5,000
434a	Lineworker	Name [redacted] SIN [redacted]	2007-11-21	PB2199	From 2007-11-21 To 2008-12-31	63,736	5,000
434a	Lineworker	Name [redacted] SIN [redacted]	2007-11-21	PB2200	From 2007-11-21 To 2008-12-31	62,359	5,000
434a	Lineworker	Name [redacted] SIN [redacted]	2008-08-12	PC3001	From 2008-08-12 To 2008-12-31	22,107	1,940
434a	Lineworker	Name [redacted] SIN [redacted]	2008-08-12	PC3002	From 2008-08-12 To 2008-12-31	21,790	1,940
434a	Lineworker	Name [redacted] SIN [redacted]	2008-08-12	PC3003	From 2008-08-12 To 2008-12-31	22,282	1,940
434a	Lineworker	Name [redacted] SIN [redacted]	2008-08-12	PC3004	From 2008-08-12 To 2008-12-31	22,364	1,940
434a	Lineworker	Name [redacted] SIN [redacted]	2008-08-12	PC3005	From 2008-08-12 To 2008-12-31	21,988	1,940
434a	Lineworker	Name [redacted] SIN [redacted]	2008-08-12	PC3006	From 2008-08-12 To 2008-12-31	21,919	1,940
434a	Lineworker	Name [redacted] SIN [redacted]	2008-08-12	PC3007	From 2008-08-12 To 2008-12-31	22,666	1,940

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	1800235	2008-12-31

Eligible Apprenticeship

Trade Code	Description of Apprenticeship Program	Apprentice Name and Social insurance No. (SIN)	Registration Date of Apprenticeship Contract or Training Agreement year month day	Contract or Agreement No.	Employment Period year month day	Eligible Expenditures (EE)	* Credit Claimed (see notes below)
434a	Lineworker	Name [redacted] SIN [redacted]	2008-08-12	PC3008	From 2008-08-12 To 2008-12-31	21,988	1,940
434a	Lineworker	Name [redacted] SIN [redacted]	2008-08-12	PC3009	From 2008-08-12 To 2008-12-31	22,478	1,940
434a	Lineworker	Name [redacted] SIN [redacted]	2008-08-12	PC3010	From 2008-08-12 To 2008-12-31	21,783	1,940
434a	Lineworker	Name [redacted] SIN [redacted]	2008-08-12	PC3011	From 2008-08-12 To 2008-12-31	22,595	1,940
434a	Lineworker	Name [redacted] SIN [redacted]	2008-08-12	PC3012	From 2008-08-12 To 2008-12-31	22,370	1,940
434a	Lineworker	Name [redacted] SIN [redacted]	2008-08-12	PC3013	From 2008-08-12 To 2008-12-31	22,335	1,940
434a	Lineworker	Name [redacted] SIN [redacted]	2008-08-12	PC3014	From 2008-08-12 To 2008-12-31	22,192	1,940
434a	Lineworker	Name [redacted] SIN [redacted]	2008-08-12	PC3015	From 2008-08-12 To 2008-12-31	21,728	1,940
					Totals	3,273,945	253,289

Canada Revenue Agency / Agence du revenu du Canada

T2 CORPORATION INCOME TAX RETURN

200

055 Do not use this area

This form serves as a federal, provincial, and territorial corporation income tax return, unless the corporation is located in Ontario (for tax years ending before 2009), Quebec, or Alberta. If the corporation is located in one of these provinces, you have to file a separate provincial corporation return.

Parts, sections, subsections, and paragraphs mentioned on this return refer to the federal *Income Tax Act*. This return may contain changes that had not yet become law at the time of printing.

Send one completed copy of this return, including schedules and the *General Index of Financial Information* (GIFI), to your tax centre or tax services office. You have to file the return within six months after the end of the corporation's tax year.

For more information see **www.cra.gc.ca** or Guide T4012, *T2 Corporation – Income Tax Guide*.

Toronto Hydro-Electric System Limited
EB-2009-0139, Exhibit R1, Tab 9
Schedule 33, Appendix F
Filed: 2009 Nov 30
(111 pages)

Identification

Business Number (BN) 001 89671 8327 RC0001

Corporation's name
002 TORONTO HYDRO-ELECTRIC SYSTEM LIMITED

Address of head office
Has this address changed since the last time you filed your T2 return? . . . . . 010 1 Yes [ ] 2 No [X]
(If **yes**, complete lines 011 to 018)
011 14 CARLTON ST.
012
City: 015 TORONTO
Province, territory, or state: 016 ON
Country (other than Canada): 017
Postal code/Zip code: 018 M5B 1K5

Mailing address (if different from head office address)
Has this address changed since the last time you filed your T2 return? . . . . . 020 1 Yes [ ] 2 No [X]
(If **yes**, complete lines 021 to 028)
021 c/o
022
023
City: 025
Province, territory, or state: 026
Country (other than Canada): 027
Postal code/Zip code: 028

Location of books and records
Has the location of books and records changed since the last time you filed your T2 return? . . . . . 030 1 Yes [ ] 2 No [X]
(If **yes**, complete lines 031 to 038)
031 14 CARLTON ST.
032
City: 035 TORONTO
Province,territory, or state: 036 ON
Country (other than Canada): 037
Postal code/Zip code: 038 M5B 1K5

040 **Type of corporation at the end of the tax year**
1 [X] Canadian-controlled private corporation (CCPC)
2 [ ] Other private corporation
3 [ ] Public corporation
4 [ ] Corporation controlled by a public corporation
5 [ ] Other corporation (specify, below)

If the type of corporation changed during the tax year, provide the effective date of the change. 043 _____ YYYY MM DD

To which tax year does this return apply?
Tax year start: 060 2008-01-01 YYYY MM DD
Tax year-end: 061 2008-12-31 YYYY MM DD

Has there been an acquisition of control to which subsection 249(4) applies since the previous tax year? . . . . . 063 1 Yes [ ] 2 No [X]
If **yes**, provide the date control was acquired . . . . . 065 _____ YYYY MM DD

Is the date on line 061 a deemed tax year-end in accordance with subsection 249(3.1)? . . . . . 066 1 Yes [ ] 2 No [X]

Is the corporation a professional corporation that is a member of a partnership? . . . . . 067 1 Yes [ ] 2 No [X]

Is this the first year of filing after:
Incorporation? . . . . . 070 1 Yes [ ] 2 No [X]
Amalgamation? . . . . . 071 1 Yes [ ] 2 No [X]
If **yes**, complete lines 030 to 038 and attach Schedule 24.

Has there been a wind-up of a subsidiary under section 88 during the current tax year? . . . . . 072 1 Yes [ ] 2 No [X]
If **yes**, complete and attach Schedule 24.

Is this the final tax year before amalgamation? . . . . . 076 1 Yes [ ] 2 No [X]

Is this the final return up to dissolution? . . . . . 078 1 Yes [ ] 2 No [X]

If an election was made under section 261, state the functional currency used . . . . . 079 _____

Is the corporation a resident of Canada?
080 1 Yes [X] 2 No [ ] If **no**, give the country of residence on line 081 and complete and attach Schedule 97.
081

Is the non-resident corporation claiming an exemption under an income tax treaty? . . . . . 082 1 Yes [ ] 2 No [X]
If **yes**, complete and attach Schedule 91.

If the corporation is exempt from tax under section 149, tick one of the following boxes:
085
1 [ ] Exempt under paragraph 149(1)(e) or (l)
2 [ ] Exempt under paragraph 149(1)(j)
3 [ ] Exempt under paragraph 149(1)(t)
4 [ ] Exempt under other paragraphs of section 149

Do not use this area

091	092	093	094	095	096
100					

Attachments

Financial statement information: Use GIFI schedules 100, 125, and 141.
Schedules – Answer the following questions. For each *Yes* response, **attach** to the T2 return the schedule that applies.

		Yes	Schedule
Is the corporation related to any other corporations?	150	X	9
Is the corporation an associated CCPC?	160	X	23
Is the corporation an associated CCPC that is claiming the expenditure limit?	161		49
Does the corporation have any non-resident shareholders?	151		19
Has the corporation had any transactions, including section 85 transfers, with its shareholders, officers, or employees, other than transactions in the ordinary course of business? Exclude non-arm's length transactions with non-residents	162		11
If you answered **yes** to the above question, and the transaction was between corporations not dealing at arm's length, were all or substantially all of the assets of the transferor disposed of to the transferee?	163		44
Has the corporation paid any royalties, management fees, or other similar payments to residents of Canada?	164		14
Is the corporation claiming a deduction for payments to a type of employee benefit plan?	165		15
Is the corporation claiming a loss or deduction from a tax shelter acquired after August 31, 1989?	166		T5004
Is the corporation a member of a partnership for which a partnership identification number has been assigned?	167		T5013
Did the corporation, a foreign affiliate controlled by the corporation, or any other corporation or trust that did not deal at arm's length with the corporation have a beneficial interest in a non-resident discretionary trust?	168		22
Did the corporation have any foreign affiliates during the year?	169		25
Has the corporation made any payments to non-residents of Canada under subsections 202(1) and/or 105(1) of the federal *Income Tax Regulations*?	170	X	29
Has the corporation had any non-arm's length transactions with a non-resident?	171		T106
For private corporations: Does the corporation have any shareholders who own 10% or more of the corporation's common and/or preferred shares?	173	X	50
Has the corporation made payments to, or received amounts from, a retirement compensation plan arrangement during the year?	172		
Is the net income/loss shown on the financial statements different from the net income/loss for income tax purposes?	201	X	1
Has the corporation made any charitable donations; gifts to Canada, a province, or a territory; gifts of cultural or ecological property; or gifts of medicine?	202	X	2
Has the corporation received any dividends or paid any taxable dividends for purposes of the dividend refund?	203	X	3
Is the corporation claiming any type of losses?	204		4
Is the corporation claiming a provincial or territorial tax credit or does it have a permanent establishment in more than one jurisdiction?	205		5
Has the corporation realized any capital gains or incurred any capital losses during the tax year?	206	X	6
i) Is the corporation claiming the small business deduction and reporting income from: a) property (other than dividends deductible on line 320 of the T2 return), b) a partnership, c) a foreign business, or d) a personal services business; or ii) is the corporation claiming the refundable portion of Part I tax?	207	X	7
Does the corporation have any property that is eligible for capital cost allowance?	208	X	8
Does the corporation have any property that is eligible capital property?	210	X	10
Does the corporation have any resource-related deductions?	212		12
Is the corporation claiming reserves of any kind?	213	X	13
Is the corporation claiming a patronage dividend deduction?	216		16
Is the corporation a credit union claiming a deduction for allocations in proportion to borrowing or an additional deduction?	217		17
Is the corporation an investment corporation or a mutual fund corporation?	218		18
Is the corporation carrying on business in Canada as a non-resident corporation?	220		20
Is the corporation claiming any federal or provincial foreign tax credits, or any federal or provincial logging tax credits?	221		21
Does the corporation have any Canadian manufacturing and processing profits?	227		27
Is the corporation claiming an investment tax credit?	231	X	31
Is the corporation claiming any scientific research and experimental development (SR&ED) expenditures?	232	X	T661
Is the total taxable capital employed in Canada of the corporation and its related corporations over $10,000,000?	233	X	
Is the total taxable capital employed in Canada of the corporation and its associated corporations over $10,000,000?	234	X	
Is the corporation claiming a surtax credit?	237		37
Is the corporation subject to gross Part VI tax on capital of financial institutions?	238		38
Is the corporation claiming a Part I tax credit?	242		42
Is the corporation subject to Part IV.1 tax on dividends received on taxable preferred shares or Part VI.1 tax on dividends paid?	243		43
Is the corporation agreeing to a transfer of the liability for Part VI.1 tax?	244		45
Is the corporation subject to Part II - Tobacco Manufacturers' surtax?	249		46
For financial institutions: Is the corporation a member of a related group of financial institutions with one or more members subject to gross Part VI tax?	250		39
Is the corporation claiming a Canadian film or video production tax credit refund?	253		T1131
Is the corporation claiming a film or video production services tax credit refund?	254		T1177
Is the corporation subject to Part XIII.1 tax? (Show your calculations on a sheet that you identify as Schedule 92.)	255		92

Attachments – continued from page 2

		Yes	Schedule
Did the corporation have any foreign affiliates that are not controlled foreign affiliates?	256		T1134-A
Did the corporation have any controlled foreign affiliates?	258		T1134-B
Did the corporation own specified foreign property in the year with a cost amount over $100,000?	259		T1135
Did the corporation transfer or loan property to a non-resident trust?	260		T1141
Did the corporation receive a distribution from or was it indebted to a non-resident trust in the year?	261		T1142
Has the corporation entered into an agreement to allocate assistance for SR&ED carried out in Canada?	262		T1145
Has the corporation entered into an agreement to transfer qualified expenditures incurred in respect of SR&ED contracts?	263		T1146
Has the corporation entered into an agreement with other associated corporations for salary or wages of specified employees for SR&ED?	264		T1174
Did the corporation pay taxable dividends (other than capital gains dividends) in the tax year?	265	X	55
Has the corporation made an election under subsection 89(11) not to be a CCPC?	266		T2002
Has the corporation revoked any previous election made under subsection 89(11)?	267		T2002
Did the corporation (CCPC or deposit insurance corporation (DIC)) pay eligible dividends, or did its general rate income pool (GRIP) change in the tax year?	268	X	53
Did the corporation (other than a CCPC or DIC) pay eligible dividends, or did its low rate income pool (LRIP) change in the tax year?	269		54

Additional information

Is the corporation inactive?	280	1 Yes	2 No X
Has the major business activity changed since the last return was filed? (enter **yes** for first-time filers)	281	1 Yes	2 No X

What is the corporation's major business activity? 282

(Only complete if **yes** was entered at line 281)

If the major business activity involves the resale of goods, show whether it is wholesale or retail 283 1 Wholesale 2 Retail

Specify the principal product(s) mined, manufactured, sold, constructed, or services provided, giving the approximate percentage of the total revenue that each product or service represents.

284	ELECTRICITY DISTRIB.	285 100.000 %
286		287 %
288		289 %

Did the corporation immigrate to Canada during the tax year?	291	1 Yes	2 No X
Did the corporation emigrate from Canada during the tax year?	292	1 Yes	2 No X
Do you want to be considered as a quarterly instalment remitter if you are eligible?	293	1 Yes	2 No

If the corporation was eligible to remit instalments on a quarterly basis for part of the tax year, provide the date the corporation ceased to be eligible 294 (YYYY MM DD)

If the corporation's major business activity is construction, did you have any subcontractors during the tax year? 295 1 Yes 2 No

Taxable income

Net income or (loss) for income tax purposes from Schedule 1, financial statements, or GIFI.		300		94,022,791 A
Deduct: Charitable donations from Schedule 2	311	4,808		
Gifts to Canada, a province, or a territory from Schedule 2	312			
Cultural gifts from Schedule 2	313			
Ecological gifts from Schedule 2	314			
Gifts of medicine from Schedule 2	315			
Taxable dividends deductible under section 112 or 113, or subsection 138(6) from Schedule 3	320	4,787		
Part VI.1 tax deduction *	325			
Non-capital losses of previous tax years from Schedule 4	331			
Net capital losses of previous tax years from Schedule 4	332			
Restricted farm losses of previous tax years from Schedule 4	333			
Farm losses of previous tax years from Schedule 4	334			
Limited partnership losses of previous tax years from Schedule 4	335			
Taxable capital gains or taxable dividends allocated from a central credit union	340			
Prospector's and grubstaker's shares	350			
Subtotal			9,595 ▶	9,595 B
Subtotal (amount A **minus** amount B) (if negative, enter "0")				94,013,196 C
Add: Section 110.5 additions or subparagraph 115(1)(a)(vii) additions		355		D
Taxable income (amount C **plus** amount D)		360		94,013,196
Income exempt under paragraph 149(1)(t)		370		
Taxable income for a corporation with exempt income under paragraph 149(1)(t) (line 360 **minus** line 370)				94,013,196 Z

* This amount is equal to 3 times the Part VI.1 tax payable at line 724.

Small business deduction

Canadian-controlled private corporations (CCPCs) throughout the tax year

Income from active business carried on in Canada from Schedule 7 . . . . . 400 93,919,004 A

Taxable income from line 360, **minus** 10/3 of the amount on line 632*, **minus** 3 times the amount on line 636**, and **minus** any amount that, because of federal law, is exempt form Part I tax . . . . . 405 94,013,196 B

Calculation of the business limit:

For all CCPCs, calculate the amount at line 4 below.

400,000 x (Number of days in the tax year after 2006 and before 2009 / Number of days in the tax year) 366/366 = ... 400,000 1

500,000 x (Number of days in the tax year after 2008 / Number of days in the tax year) ___/366 = ... ___ 2

Add amounts at lines 1 and 2 400,000 4

Business limit (see notes 1 and 2 below) . . . . . 410 400,000 C

Notes:
1. For CCPCs that are not associated, enter the amount from line 4 on line 410. However, if the corporation's tax year is less than 51 weeks, prorate the amount from line 4 by the number of days in the tax year divided by 365, and enter the result on line 410.
2. For associated CCPCs, use Schedule 23 to calculate the amount to be entered on line 410.

Business limit reduction:

Amount C 400,000 x 415 *** 5,008,903 / 11,250 D = ... 178,094,329 E

Reduced business limit (amount C **minus** amount E) (if negative, enter "0") . . . . . 425 ___ F

Small business deduction

Amount A, B, C, or F whichever is the least ___ x (Number of days in the tax year before January 1, 2008 / Number of days in the tax year) ___/366 x 16 % = ___ 5

Amount A, B, C, or F whichever is the least ___ x (Number of days in the tax year after December 31, 2007 / Number of days in the tax year) 366/366 x 17 % = ___ 6

Total of amounts 5 and 6 – enter on line 9 430 ___ G

* Calculate the amount of foreign non-business income tax credit deductible on line 632 without reference to the refundable tax on the CCPC's investment income (line 604) and without reference to the corporate tax reductions under section 123.4.

** Calculate the amount of foreign business income tax credit deductible on line 636 without reference to the corporate tax reductions under section 123.4.

*** **Large corporations**

- If the corporation is not associated with any corporations in both the current and the previous tax years, the amount to be entered at line 415 is: (Total taxable capital employed in Canada for the **prior year** minus $10,000,000) x 0.225%.
- If the corporation is not associated with any corporations in the current tax year, but was associated in the previous tax year, the amount to be entered at line 415 is: (Total taxable capital employed in Canada for the **current year** minus $10,000,000) x 0.225%
- For corporations associated in the current tax year, see Schedule 23 for the special rules that apply.

Resource deduction

Taxable resource income [as defined in subsection 125.11(1)] . . . . . 435 ___ H

Amount H ___ x (Number of days in the tax year in 2006 / Number of days in the tax year) ___/366 x 5 % = ___ I

Amount H ___ x (Number of days in the tax year in 2007 / Number of days in the tax year) ___/366 x 7 % = ___ J

Note: Resource deduction is no longer available for tax years starting after December 31, 2006.

Resource deduction – Total of amounts I and J . . . . . 438 ___ K
Enter amount K on line 10.

General tax reduction for Canadian-controlled private corporations

Canadian-controlled private corporations throughout the tax year

Taxable income from line 360				94,013,196	A
Lesser of amounts V and Y (line Z1) from Part 9 of Schedule 27			B		
Amount QQ from Part 13 of Schedule 27			C		
Taxable resource income from line 435			D		
Amount used to calculate the credit union deduction from Schedule 17			E		
Amount from line 400, 405, 410, or 425, whichever is the least			F		
Aggregate investment income from line 440			99,000 G		
Total of amounts B, C, D, E, F, and G			99,000 ▶	99,000	H
Amount A **minus** amount H (if negative, enter "0")				93,914,196	I

Amount I	93,914,196	x	Number of days in the tax year before January 1, 2008 / Number of days in the tax year		x 7 %	=		J
Amount I	93,914,196	x	Number of days in the tax year after December 31, 2007, and before January 1, 2009 / Number of days in the tax year	366 / 366	x 8.5 %	=	7,982,707	K
Amount I	93,914,196	x	Number of days in the tax year after December 31, 2008, and before January 1, 2010 / Number of days in the tax year		x 9 %	=		L
Amount I	93,914,196	x	Number of days in the tax year after December 31, 2009, and before January 1, 2011 / Number of days in the tax year		x 10 %	=		L1

General tax reduction for Canadian-controlled private corporations – Total of amounts J, K, L, and L1 . . . . . 7,982,707 M

Enter amount M on line 638.

General tax reduction

Do not complete this area if you are a Canadian-controlled private corporation, an investment corporation, a mortgage investment corporation, or a mutual fund corporation, and for tax years starting after May 1, 2006, any corporation with taxable income that is not subject to the corporation tax rate of 38%.

Taxable income from line 360 (for tax years starting after May 1, 2006, amount Z)					N
Lesser of amounts V and Y (line Z1) from Part 9 of Schedule 27			O		
Amount QQ from Part 13 of Schedule 27			P		
Taxable resource income from line 435			Q		
Amount used to calculate the credit union deduction from Schedule 17			R		
Total of amounts O, P, Q, and R			▶		S
Amount N **minus** amount S (if negative, enter "0")					T

Amount T		x	Number of days in the tax year before January 1, 2008 / Number of days in the tax year		x 7 %	=		U
Amount T		x	Number of days in the tax year after December 31, 2007, and before January 1, 2009 / Number of days in the tax year	366 / 366	x 8.5 %	=		V
Amount T		x	Number of days in the tax year after December 31, 2008, and before January 1, 2010 / Number of days in the tax year		x 9 %	=		W
Amount T		x	Number of days in the tax year after December 31, 2009, and before January 1, 2011 / Number of days in the tax year		x 10 %	=		W1

General tax reduction – Total of amounts U, V, W, and W1 X

Enter amount X on line 639.

Refundable portion of Part I tax

Canadian-controlled private corporations throughout the tax year

Aggregate investment income from Schedule 7 ..... 440 99,000 x 26 2 / 3 % = ... 26,400 A

Foreign non-business income tax credit from line 632 .....

Deduct:

Foreign investment income from Schedule 7 ..... 445 x 9 1 / 3 % = (if negative, enter "0") ▶ B

Amount A **minus** amount B (if negative, enter "0") ..... 26,400 C

Taxable income from line 360 94,013,196

Deduct:

Amount from line 400, 405, 410, or 425, whichever is the least .....

Foreign non-business income tax credit from line 632 ..... x 25 / 9 =

Foreign business income tax credit from line 636 ..... x 3 =

▶ 94,013,196

x 26 2 / 3 % = 25,070,186 D

Part I tax payable minus investment tax credit refund (line 700 **minus** line 780) 17,126,158

Deduct: Corporate surtax from line 600 .....

Net amount ..... 17,126,158 ▶ 17,126,158 E

Refundable portion of Part I tax – Amount C, D, or E, whichever is the least ..... 450 26,400 F

Refundable dividend tax on hand

Refundable dividend tax on hand at the end of the previous tax year 460 295,679

Deduct: Dividend refund for the previous tax year 465 295,679

▶ G

Add the total of:

Refundable portion of Part I tax from line 450 above 26,400

Total Part IV tax payable from Schedule 3 1,596

Net refundable dividend tax on hand transferred from a predecessor corporation on amalgamation, or from a wound-up subsidiary corporation 480

27,996 ▶ 27,996 H

Refundable dividend tax on hand at the end of the tax year – Amount G **plus** amount H 485 27,996

Dividend refund

Private and subject corporations at the time taxable dividends were paid in the tax year

Taxable dividends paid in the tax year from line 460 of Schedule 3 ..... 25,000,000 x 1 / 3 = 8,333,333 I

Refundable dividend tax on hand at the end of the tax year from line 485 above ..... 27,996 J

Dividend refund – Amount I or J, whichever is less (enter this amount on line 784) 27,996

Part I tax

Base amount of Part I tax – Taxable income (line 360 or amount Z, whichever applies) **multiplied** by 38.00 % . . . . . 550 35,725,014 A

Corporate surtax calculation

Base amount from line A above	35,725,014	1
Deduct:		
10 % of taxable income (line 360 or amount Z, whichever applies)	9,401,320	2
Investment corporation deduction from line 620 below		3
Federal logging tax credit from line 640 below		4
Federal qualifying environmental trust tax credit from line 648 below		5

For a mutual fund corporation or an investment corporation throughout the tax year, enter amount a, b, or c below on line 6, whichever is the least:

28.00 % of taxable income from line 360		a	
28.00 % of taxed capital gains		b	6
Part I tax otherwise payable (line A **plus** lines C and D **minus** line F)		c	

Total of lines 2 to 6	9,401,320	7
Net amount (line 1 **minus** line 7)	26,323,694	8

Corporate surtax*

Line 8 26,323,694 x (Number of days in the tax year before January 1, 2008 ____ / Number of days in the tax year 366) x 4 % = 600 ____ B

* The corporate surtax is zero effective January 1, 2008.

Recapture of investment tax credit from Schedule 31 . . . . . 602 ____ C

Calculation for the refundable tax on the Canadian-controlled private corporation's (CCPC) investment income (if it was a CCPC throughout the tax year)

Aggregate investment income from line 440		99,000	i
Taxable income from line 360	94,013,196		
Deduct:			
Amount from line 400, 405, 410, or 425, whichever is the least			
Net amount	94,013,196 ▶	94,013,196	ii

Refundable tax on CCPC's investment income – 6 2 / 3 % of whichever is less: amount i or ii . . . . . 604 6,600 D

Subtotal (**add** lines A, B, C, and D) 35,731,614 E

Deduct:

Small business deduction from line 430			9
Federal tax abatement	608	9,401,320	
Manufacturing and processing profits deduction from Schedule 27	616		
Investment corporation deduction	620		
Taxed capital gains 624			
Additional deduction – credit unions from Schedule 17	628		
Federal foreign non-business income tax credit from Schedule 21	632		
Federal foreign business income tax credit from Schedule 21	636		
Resource deduction from line 438			10
General tax reduction for CCPCs from amount M	638	7,982,707	
General tax reduction from amount X	639		
Federal logging tax credit from Schedule 21	640		
Federal political contribution tax credit	644		
Federal political contributions 646			
Federal qualifying environmental trust tax credit	648		
Investment tax credit from Schedule 31	652	1,221,429	
	Subtotal	18,605,456 ▶	18,605,456 F

Part I tax payable – Line E **minus** line F . . . . . 17,126,158 G

Enter amount G on line 700.

Summary of tax and credits

Federal tax

Part I tax payable	700	17,126,158
Part I.3 tax payable from Schedule 33, 34, or 35	704	
Part II surtax payable from Schedule 46	708	
Part III.1 tax payable from Schedule 55	710	
Part IV tax payable from Schedule 3	712	1,596
Part IV.1 tax payable from Schedule 43	716	
Part VI tax payable from Schedule 38	720	
Part VI.1 tax payable from Schedule 43	724	
Part XIII.1 tax payable from Schedule 92	727	
Part XIV tax payable from Schedule 20	728	
Total federal tax		17,127,754

Add provincial or territorial tax:

Provincial or territorial jurisdiction 750 ON
(if more than one jurisdiction, enter "multiple" and complete Schedule 5)

Net provincial or territorial tax payable (except Ontario [for tax years ending before 2009], Quebec, and Alberta)	760	
Provincial tax on large corporations (New Brunswick and Nova Scotia)	765	
Total tax payable	770	17,127,754 A

Deduct other credits:

Investment tax credit refund from Schedule 31	780	
Dividend refund	784	27,996
Federal capital gains refund from Schedule 18	788	
Federal qualifying environmental trust tax credit refund	792	
Canadian film or video production tax credit refund (Form T1131)	796	
Film or video production services tax credit refund (Form T1177)	797	
Tax withheld at source	800	
Total payments on which tax has been withheld	801	
Provincial and territorial capital gains refund from Schedule 18	808	
Provincial and territorial refundable tax credits from Schedule 5	812	
Tax instalments paid	840	17,099,758
Total credits	890	17,127,754 B

Refund code 894 1 Overpayment

Balance (line A **minus** line B)

If the result is negative, you have an **overpayment**.
If the result is positive, you have a **balance unpaid**.
Enter the amount on whichever line applies.

Generally, we do not charge or refund a difference of $2 or less.

Balance unpaid

Enclosed payment 898

Direct deposit request

To have the corporation's refund deposited directly into the corporation's bank account at a financial institution in Canada, or to change banking information you already gave us, complete the information below:

☐ Start ☐ Change information 910 Branch number

914 Institution number 918 Account number

If the corporation is a Canadian-controlled private corporation throughout the tax year, does it qualify for the one-month extension of the date the balance of tax is due? 896 1 Yes ☐ 2 No ☒

Certification

I, 950 SARDANA (Last name in block letters) 951 PANKAJ (First name in block letters) 954 VICE-PRESIDENT (Position, office, or rank)

am an authorized signing officer of the corporation. I certify that I have examined this return, including accompanying schedules and statements, and that the information given on this return is, to the best of my knowledge, correct and complete. I further certify that the method of calculating income for this tax year is consistent with that of the previous year except as specifically disclosed in a statement attached to this return.

955 2009/06/30 (Date (yyyy/mm/dd)) Signature of the authorized signing officer of the corporation 956 Telephone number

Is the contact person the same as the authorized signing officer? If **no**, complete the information below 957 1 Yes ☐ 2 No ☒

958 BARRY PARKER (Name in block letters) 959 (416) 542-2895 Telephone number

Language of correspondence – Langue de correspondance

Indicate your language of correspondence by entering **1** for English or **2** for French.
Indiquez votre langue de correspondance en inscrivant **1** pour anglais ou **2** pour français. 990 1

Schedule of Instalment Remittances

Name of corporation contact BARRY PARKER
Telephone number (416) 542-2895

Effective interest date	Description (instalment remittance, split payment, assessed credit)	Amount of credit
	instalments paid	37,522,059
	less amount transferred to CT-23 per SOA	-20,422,301

Total amount of instalments claimed (carry the result to line 840 of the T2 Return) 17,099,758 **A**

Total instalments credited to the taxation year per T9 17,099,758 **B**

Transfer

Account number	Taxation year end	Amount	Effective interest date	Description
From:				
To:				
From:				
To:				
From:				
To:				
From:				
To:				
From:				
To:				

Canada Revenue Agency / Agence du revenu du Canada

NET INCOME (LOSS) FOR INCOME TAX PURPOSES

SCHEDULE 1

Corporation's name	Business Number	Tax year end Year Month Day
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	89671 8327 RC0001	2008-12-31

- The purpose of this schedule is to provide a reconciliation between the corporation's net income (loss) as reported on the financial statements and its net income (loss) for tax purposes. For more information, see the T2 *Corporation Income Tax Guide*.
- Please provide us with the applicable details in the identification area, and complete the applicable lines that contain a numbered black box. You should report amounts in accordance with the Generally Accepted Accounting Principles (GAAP).
- Sections, subsections, and paragraphs referred to on this schedule are from the *Income Tax Act*.

Net income (loss) after taxes and extraordinary items per financial statements				76,133,874 A
Add:				
Provision for income taxes – current	101	8,968,713		
Interest and penalties on taxes	103	39,386		
Amortization of tangible assets	104	149,019,007		
Charitable donations and gifts from Schedule 2	112	4,808		
Taxable capital gains from Schedule 6	113	99,000		
Scientific research expenditures deducted per financial statements	118	2,358,495		
Non-deductible club dues and fees	120	243,398		
Non-deductible meals and entertainment expenses	121	290,060		
Non-deductible automobile expenses	122	62,556		
Tax reserves deducted in prior year from Schedule 13	125	1		
Reserves from financial statements – balance at the end of the year	126	147,413,621		
Subtotal of additions		308,499,045 ▶		308,499,045
Other additions:				
Capital items expensed	206	12,585		
Miscellaneous other additions:				
600 See attached	290	37,981,998		
Ontario Specified Tax Credits 355,985				
Total 355,985	293	355,985		
604				
Subtotal of other additions	199	38,350,568 ▶		38,350,568
Total additions	500	346,849,613 ▶		346,849,613
Deduct:				
Gain on disposal of assets per financial statements	401	130,384		
Capital cost allowance from Schedule 8	403	150,737,234		
Cumulative eligible capital deduction from Schedule 10	405	1,003,152		
Scientific research expenses claimed in year from Form T661	411	3,183,275		
Tax reserves claimed in current year from Schedule 13	413	1		
Reserves from financial statements – balance at the beginning of the year	414	139,326,794		
Subtotal of deductions		294,380,840 ▶		294,380,840
Other deductions:				
Miscellaneous other deductions:				
700 See attached	390	34,579,856		
704				
Total	394			
Subtotal of other deductions	499	34,579,856 ▶		34,579,856
Total deductions	510	328,960,696 ▶		328,960,696
Net income (loss) for income tax purposes – enter on line 300 of the T2 return				94,022,791

* For reference purposes only

T2 SCH 1 E (08)

Canada

Attached Schedule with Total

Line 401 – Gain on disposal of assets per financial statements

Title Line 401 – Gain on disposal of assets per financial statements

Description	Amount
Book gain on sale of vechicles	130,384 00
Total	130,384 00

Attached Schedule with Total

Line 290 – Amount for line 600

Title Line 290 – Amount for line 600

Explanatory note

Other additions to Schedule 1

Description	Amount
2008 LRAM recorded in 2008 actg but not legally entitled to	500,000 00
Transition cost recovery	2,736,940 00
Transition cost interest recovery	418,752 00
ARO accretion expense - not deductible for tax purposes	384,788 00
Deferred revenue - 12(1)(a) add back	1,662,909 00
Fixed asset capital contributions under 12(1)(x)	23,007,394 00
Lease inducements received - 12(1)(x)	100,000 00
Smart Meter revenue recorded as Reg assets, taxed in 2008	3,795,649 00
debt financing per book	478,852 00
Reversal of write down of dumb meters inventory, deducted for tax in 2007	249,506 00
Reversal of PILS Regulatory variance deducted for accounting	4,647,208 00
Total	37,981,998 00

Attached Schedule with Total

Line 390 – Amount for line 700

Title Line 390 – Amount for line 700

Explanatory note

Other deductions to Schedule 1

Description	Amount
13(7.4) election regarding contributed capital	23,007,394 00
13(7.4) Election Monogram Lease	100,000 00
Lease inducements amortization revenue	781,379 00
debt financing under 20(1)(e)	390,538 00
Principal lease payments	203,715 00
ARO payments deductible for tax purposes	462,762 00
Deferred revenue - 20(1)(m) deduct	1,662,909 00
Carrying charges recorded in 2007 deferred variance now approved by OEB	1,085,000 00
CDM OPEX recorded in 2008 deferred account, but deducted for tax in 2008	368,072 00
Smart Meter OPEX recorded as Reg Asset, taxed in 2008	1,022,727 00
2006 SRED ITC taxed in 2007 but recorded in 2008 accounting income	997,924 00
2007 Co-op/Apprentice Ont ITC taxed in 2007 recorded in 2008 actg income	238,697 00
AFUDC income that is not taxable	2,016,388 00
2007 LRAM/SSM recorded in 2008 acctg income but not legally entitled to	1,989,822 00
2007 LRAM carrying charge recorded in 08actg income not legally entitled to	212,414 00
Reversal of interest expenses that had been taxed in 2004	40,115 00
Total	34,579,856 00

Toronto Hydro Electric System Limited

Taxation year ended:	December 31, 2008
C.R.A. Bus#:	896718327 RC0001
MOF A/C#:	1800235

Election under subsection 13(7.4)

The company hereby elects under subsection 13(7.4) of the Income Tax Act to reduce the capital cost of depreciable property of class 13 and class 47 acquired in the taxation year by a total amount of $23,107,394 received in the taxation year in respect of that property that would otherwise be included in income under paragraph 12(1)(x).

Authorized Signing Officer

Canada Revenue Agency / Agence du revenu du Canada

SCHEDULE 2

CHARITABLE DONATIONS AND GIFTS

Name of corporation	Business Number	Tax year-end Year Month Day
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	89671 8327 RC0001	2008-12-31

- For use by corporations to claim any of the following:
  - charitable donations;
  - gifts to Canada, a province, or a territory;
  - gifts of certified cultural property;
  - gifts of certified ecologically sensitive land; or
  - additional deduction for gifts of medicine.
- The donations and gifts are eligible for a five-year carryforward.
- Use this schedule to show a credit transfer following an amalgamation or the wind-up of a subsidiary as described under subsections 87(1) and 88(1) of the *Income Tax Act*.
- For donations and gifts made after March 22, 2004, subsection 110.1(1.2) of the *Income Tax Act* provides as follows:
  - Where a particular corporation has undergone an acquisition of control, for tax years that end on or after the acquisition of control, no corporation can claim a deduction for a gift made by the particular corporation to a qualified donee before the acquisition of control
  - If a particular corporation makes a gift to a qualified donee pursuant to an arrangement under which both the gift and the acquisition of control is expected, no corporation can claim a deduction for the gift unless the person acquiring control of the particular corporation is the qualified donee.
- Under proposed changes, the eligible amount of a charitable gift is the amount by which the fair market value of the gift exceeds the amount of an advantage, if any, for the gift.
- Under proposed changes, a gift of medicine made after March 18, 2007, to qualifying organizations for activities outside of Canada, may be eligible for an additional deduction if the gift is an eligible medical gift. This additional deduction is calculated in Part 6.
- File one completed copy of this schedule with your *T2 Corporation Income Tax Return*.
- For more information, see the *T2 Corporation – Income Tax Guide*.

Part 1 – Charitable donations

Charity/Recipient	Amount ($100 or more only)
Daily Bread food bank	1,250
Canadian cancer society	380
Heart and Stroke Foundation	240
POGO Gala	2,868
Subtotal	4,738
Add: Total donations of less than $100 each	70
Total donations in current tax year	4,808

		Federal	Quebec	Alberta
Charitable donations at the end of the previous tax year				
Deduct: Charitable donations expired after five tax years	239			
Charitable donations at the beginning of the tax year	240			
Add:				
Charitable donations transferred on an amalgamation or the wind-up of a subsidiary	250			
Total current-year charitable donations made (enter this amount on line 112 of Schedule 1) 4,808	210			
Subtotal (line 250 **plus** line 210)		4,808	4,808	4,808
Deduct: Adjustment for an acquisition of control (for donations made after March 22, 2004)	255			
Total charitable donations available		4,808 A	4,808	4,808
Deduct: Amount applied against taxable income (cannot be more than amount K in Part 2) (enter this amount on line 311 of the T2 return)	260	4,808	4,808	4,808
Charitable donations closing balance	280			

Amounts carried forward – Charitable donations

Year of origin:		Federal	Quebec	Alberta
1st prior year	2007			
2nd prior year	2006			
3rd prior year	2005			
4th prior year	2004			
5th prior year	2003			
6th prior year *	2002			
Total (to line A)				

* These donations expired in the current year.

Part 2 – Calculation of the maximum allowable deduction for charitable donations

Net income for tax purposes* **multiplied** by 75 % ..... 70,517,093 B

Taxable capital gains arising in respect of gifts of capital property included in Part 1 ** 225 C

Taxable capital gain in respect of deemed gifts of non-qualifying securities per subsection 40(1.01) ..... 227 ..... D

The amount of the recapture of capital cost allowance in respect of charitable gifts ..... 230 .....

Proceeds of disposition, less outlays and expenses ** ..... E

Capital cost ** ..... F

Amount E or F, whichever is less ..... 235 .....

Amount on line 230 or 235, whichever is less ..... G

Subtotal (**add** amounts C, D, and G) ..... H

Amount H **multiplied** by 25 % I

Subtotal (amount B **plus** amount I) 70,517,093 J

Maximum allowable deduction for charitable donations (enter amount A from Part 1, amount J, or net income for tax purposes, whichever is less) ..... 4,808 K

* For credit unions, this amount is before the deduction of payments pursuant to allocations in proportion to borrowing and bonus interest.

** This amount must be prorated by the following calculation: eligible amount of the gift **divided by** the proceeds of disposition of the gift.

Part 3 – Gifts to Canada, a province, or a territory

Gifts to Canada, a province, or a territory at the end of the previous tax year .....

Deduct: Gifts to Canada, a province, or a territory expired after five tax years .... 339 .....

Gifts to Canada, a province, or a territory at the beginning of the tax year ..... 340 ..... ▶

Add: Gifts to Canada, a province, or a territory transferred on an amalgamation or the windup of a subsidiary ..... 350 .....

Total current-year gifts made to Canada, a province, or a territory * ..... 310 .....

Subtotal (line 350 **plus** line 310) .....

Deduct: Adjustment for an acquisition of control (for gifts made after March 22, 2004) ..... 355 .....

Total gifts to Canada, a province, or a territory available .....

Deduct: Amount applied against taxable income (enter this amount on line 312 of the T2 return). ..... 360 .....

Gifts to Canada, a province, or a territory closing balance ..... 380 .....

* Not applicable for gifts made after February 18, 1997, unless a written agreement was made before this date. If no written agreement exists, enter the amount on line 210 and complete Part 2.

Part 4 – Gifts of certified cultural property

		Federal	Quebec	Alberta
Gifts of certified cultural property at the end of the previous tax year				
Deduct: Gifts of certified cultural property expired after five tax years	439			
Gifts of certified cultural property at the beginning of the tax year	440			
Add: Gifts of certified cultural property transferred on an amalgamation or the windup of a subsidiary	450			
Total current-year gifts of certified cultural property	410			
Subtotal (line 450 **plus** line 410)				
Deduct: Adjustment for an acquisition of control (for gifts made after March 22, 2004)	455			
Total gifts of certified cultural property available				
Deduct: Amount applied against taxable income (enter this amount on line 313 of the T2 return)	460			
Gifts of certified cultural property closing balance	480			

Amount carried forward – Gifts of certified cultural property

Year of origin:		Federal	Quebec	Alberta
1st prior year	2007			
2nd prior year	2006			
3rd prior year	2005			
4th prior year	2004			
5th prior year	2003			
6th prior year *	2002			
Total				

* These donations expired in the current year.

Part 5 – Gifts of certified ecologically sensitive land

		Federal	Quebec	Alberta
Gifts of certified ecologically sensitive land at the end of the previous tax year				
Deduct: Gifts of certified ecologically sensitive land expired after five tax years	539			
Gifts of certified ecologically sensitive land at the beginning of the tax year	540			
Add: Gifts of certified ecologically sensitive land transferred on an amalgamation or the windup of a subsidiary	550			
Total current-year gifts of certified ecologically sensitive land	510			
Subtotal (line 550 **plus** line 510)				
Deduct: Adjustment for an acquisition of control (for gifts made after March 22, 2004)	555			
Total gifts of certified ecologically sensitive land available				
Deduct: Amount applied against taxable income (enter this amount on line 314 of the T2 return)	560			
Gifts of certified ecologically sensitive land closing balance	580			

Amounts carried forward – Gifts of certified ecologically sensitive land

Year of origin:		Federal	Quebec	Alberta
1st prior year	2007			
2nd prior year	2006			
3rd prior year	2005			
4th prior year	2004			
5th prior year	2003			
6th prior year *	2002			
Total				

* These donations expired in the current year.

Part 6 – Additional deduction for gifts of medicine

		Federal	Quebec	Alberta
Additional deduction for gifts of medicine at the end of the previous tax year				
Deduct: Additional deduction for gifts of medicine expired after five tax years	639			
Additional deduction for gifts of medicine at the beginning of the tax year	640			
Add: Additional deduction for gifts of medicine transferred on an amalgamation or the wind-up of a subsidiary	650			
Additional deduction for gifts of medicine for the current year:				
Proceeds of disposition	602	1	1	1
Cost of gifts of medicine	601	2	2	2
Subtotal (line 1 **minus** line 2)		3	3	3
Line 3 **multiplied** by 50 %		4	4	4
Eligible amount of gifts	600	5	5	5

Federal

A _____ x (B _____ / C) = Additional deduction for gifts of medicine for the current year **610** _____

Quebec

A _____ x (B _____ / C) = Additional deduction for gifts of medicine for the current year _____

Alberta

A _____ x (B _____ / C) = Additional deduction for gifts of medicine for the current year _____

where:

A is the **lesser** of line 2 and line 4

B is the eligible amount of gifts (line 600)

C is the proceeds of disposition (line 602)

		Federal	Quebec	Alberta
Subtotal (line 650 **plus** line 610)				
Deduct: Adjustment for an acquisition of control	655			
Total additional deduction for gifts of medicine available				
Deduct: Amount applied against taxable income (enter this amount on line 315 of the T2 return)	660			
Additional deduction for gifts of medicine closing balance	680			

Amounts carried forward – Additional deduction for gifts of medicine

Year of origin:		Federal	Quebec	Alberta
1st prior year	2007			
2nd prior year	2006			
3rd prior year	2005			
4th prior year	2004			
5th prior year	2003			
6th prior year *	2002			
Total				

* These donations expired in the current year.

Canada Revenue Agency / Agence du revenu du Canada

DIVIDENDS RECEIVED, TAXABLE DIVIDENDS PAID, AND PART IV TAX CALCULATION

SCHEDULE 3

Name of corporation	Business Number	Tax year end Year Month Day
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	89671 8327 RC0001	2008-12-31

- This schedule is for the use of any corporation to report:
  - non-taxable dividends under section 83;
  - deductible dividends under subsection 138(6);
  - taxable dividends deductible from income under section 112, subsection 113(2) and paragraphs 113(1)(a), (b) or (d); or
  - taxable dividends paid for purposes of a dividend refund.
- The calculations in this schedule apply only to private or subject corporations.
- Parts, sections, subsections, and paragraphs referred to on this schedule are from the federal *Income Tax Act.*
- A recipient corporation is connected with a payer corporation at any time in a taxation year, if at that time the recipient corporation:
  - controls the payer corporation, other than because of a right referred to in paragraph 251(5)(b); or
  - owns more than 10% of the issued share capital (with full voting rights), and shares that have a fair market value of more than 10% of the fair market value of all shares of the payer corporation.
- File one completed copy of this schedule with your *T2 Corporation Income Tax Return.*
- For more information, see the sections about Schedule 3 in the *T2 Corporation Income Tax Guide.*
- "X" under column A if dividend received from a foreign source (connected corporation only).
- "1" under column B if the payer corporation is connected.
- Enter in column F1, the amount of dividends received reported in column 240 that are eligible.
- Under column F2, enter the code that applies to the deductible taxable dividend.

Part 1 – Dividends received during the taxation year

Do not include dividends received from foreign non-affiliates.

	Name of payer corporation (Use only one line per corporation, abreviating its name if necessary) 200	A	Complete if payer corporation is connected: B 205	C Business Number 210	D Taxation year end of the payer corporation in which the sections 112/113 and subsection 138(6) dividends were paid YYYY/MM/DD 220	E Non-taxable dividend under section 83 230
1	Sun Life		2			
2			2			
					Total	

Note: If your corporation's taxation year end is different than that of the connected payer corporation, your corporation could have received dividends from more than one taxation year of the payer corporation. If so, use a separate line to provide the information for each taxation year of the payer corporation.

	F Taxable dividends deductible from taxable income under section 112, subsections 113(2) and 138(6), and paragraphs 113(1)(a), (b), or (d) 240	F1 Eligible dividends	F2	If payer corporation is not connected, leave these columns blank. G Total taxable dividends paid by connected payer corporation 250	H Dividend refund of the connected payer corporation 260	I Part IV tax before deductions F x 1 / 3 * 270
1	4,787	4,787	1			1,596
2						
Total (enter amount of column F on line 320 of the T2 return)						
	4,787	4,787				1,596 J

For dividends received from connected corporations: Part IV tax equals: Column F x Column H / Column G

* Life insurers are not subject to Part IV tax on subsection 138(6) dividends.
Public corporations (other than subject corporations) do not need to calculate Part IV tax.

Part 2 – Calculation of Part IV tax payable

Part IV tax before deductions (amount J in Part 1)		1,596
Deduct:		
Part IV.I tax payable on dividends subject to Part IV tax	320	
Subtotal		1,596
Deduct:		
Current-year non-capital loss claimed to reduce Part IV tax	330	
Non-capital losses from previous years claimed to reduce Part IV tax	335	
Current-year farm loss claimed to reduce Part IV tax	340	
Farm losses from previous years claimed to reduce Part IV tax	345	
Total losses applied against Part IV tax	x 1 / 3 =	
Part IV tax payable (enter amount on line 712 of the T2 return)	360	1,596

Part 3 – Taxable dividends paid in the taxation year for purposes of a dividend refund

	A Name of connected recipient corporation 400	B Business Number 410	C Taxation year end of connected recipient corporation in which the dividends in column D were received YYYY/MM/DD 420	D Taxable dividends paid to connected corporations 430
1	Toronto Hydro Corporation	89676 0725 RC0001	2008-12-31	25,000,000
2				

Note
If your corporation's taxation year end is different than that of the connected recipient corporation, your corporation could have paid dividends in more than one taxation year of the recipient corporation. If so, use a separate line to provide the information for each taxation year of the recipient corporation.

Total 25,000,000

Total taxable dividends paid in the taxation year to other than connected corporations	450	
Total taxable dividends paid in the taxation year for the purposes of a dividend refund (total of column D above plus line 450)	460	25,000,000

Part 4 – Total dividends paid in the taxation year

Complete this part if the total taxable dividends paid in the taxation year for purposes of a dividend refund (line 460 above) is different from the total dividends paid in the taxation year.

Total taxable dividends paid in the taxation year for the purposes of a dividend refund (from above)		25,000,000
Other dividends paid in the taxation year (total of 510 to 540)		
Total dividends paid in the taxation year	500	25,000,000
Deduct:		
Dividends paid out of capital dividend account	510	
Capital gains dividends	520	
Dividends paid on shares described in subsection 129(1.2)	530	
Taxable dividends paid to a controlling corporation that was bankrupt at any time in the year	540	
Subtotal	▶	
Total taxable dividends paid in the taxation year for purposes of a dividend refund		25,000,000

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SCHEDULE 6

SUMMARY OF DISPOSITIONS OF CAPITAL PROPERTY

Name of corporation	Business Number	Tax year-end Year Month Day
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	89671 8327 RC0001	2008-12-31

- For use by corporations that have disposed of capital property or claimed an allowable business investment loss, or both, in the tax year.
- Use this schedule to make a designation under paragraph 111(4)(e) of the federal *Income Tax Act,* if the control of the corporation has been acquired by a person or group of persons.

For more information, see the section called "Schedule 6, Summary of Dispositions of Capital Property" in the *T2 Corporation – Income Tax Guide.*

Designation under paragraph 111(4)(e) of the *Income Tax Act*

Are any dispositions shown on this schedule related to deemed dispositions designated under paragraph 111(4)(e)?

050 1 Yes ☐ 2 No ☒ If *Yes*, attach a statement specifying which properties are subject to such a designation.

Part 1 – Shares

	No. of shares 100	Name of corporation 105	Class of shares 106	Date of acquisition YYYY/MM/DD 110	Proceeds of disposition 120	Adjusted cost base 130	Outlays and expenses (dispositions) 140	Gain (or loss) (column 120 less cols. 130 and 140) 150	Foreign source
1									
				Totals					

Total adjustment under subsection 112(3) of the ITA to all losses identified in Part 1 160

Actual gain or loss from the disposition of shares (total of line 150 **plus** line 160) . . . . . **A**

Part 2 – Real estate – Do not include losses on depreciable property

	Municipal address 1 = Address 1 2 = Address 2 3 = City 4 = Province, Country, Postal Code and Zip Code or Foreign Postal Code 200	Date of acquisition YYYY/MM/DD 210	Proceeds of disposition 220	Adjusted cost base 230	Outlays and expenses (dispositions) 240	Gain (or loss) (column 220 less cols. 230 and 240) 250	Foreign source
1	124 Birmingham		384,000	186,000		198,000	
2							
	Totals		384,000	186,000		198,000	**B**

Part 3 – Bonds

	Face value 300	Maturity date 305	Name of issuer 307	Date of acquisition YYYY/MM/DD 310	Proceeds of disposition 320	Adjusted cost base 330	Outlays and expenses (dispositions) 340	Gain (or loss) (column 320 less cols. 330 and 340) 350	Foreign source
1									
				Totals					**C**

Part 4 – Other properties – Do not include losses on depreciable property

	Description 400	Date of acquisition YYYY/MM/DD 410	Proceeds of disposition 420	Adjusted cost base 430	Outlays and expenses (dispositions) 440	Gain (or loss) (column 420 less cols. 430 and 440) 450	Foreign source
1							

Part 4 – Other properties – Do not include losses on depreciable property

	Description 400	Date of acquisition YYYY/MM/DD 410	Proceeds of disposition 420	Adjusted cost base 430	Outlays and expenses (dispositions) 440	Gain (or loss) (column 420 less cols. 430 and 440) 450	Foreign source
2							
	Totals						D

Part 5 – Personal-use property (Do not include listed personal property)

	Description 500	Date of acquisition YYYY/MM/DD 510	Proceeds of disposition 520	Adjusted cost base 530	Outlays and expenses (dispositions) 540	Gain only (column 520 less cols. 530 and 540) 550	Foreign source
1							
	Note: Losses are not deductible **Totals**						E

Part 6 – Listed personal property

	Description 600	Date of acquisition YYYY/MM/DD 610	Proceeds of disposition 620	Adjusted cost base 630	Outlays and expenses (dispositions) 640	Gain (or loss) (column 620 less cols. 630 and 640) 650	Foreign source
1							
	Totals						

Note: Net listed personal property losses may only be applied against listed personal property gains

Subtract: Unapplied listed personal property losses from other years 655

Amount from line 655 is from line 530 in Part 5 of Schedule 4

Net gains (or losses) F

Part 7 – Determining allowable business investment losses

Property qualifying for and resulting in an allowable business investment loss

	Name of small business corporation 900	Shares, enter 1; debt, enter 2 905	Date of acquisition YYYY/MM/DD 910	Proceeds of disposition 920	Adjusted cost base 930	Outlays and expenses (dispositions) 940	(Loss)(column 920 less cols. 930 and 940) 950	Foreign source
1								
	Note: Properties listed in Part 7 should not be included in any other parts of Schedule 6 **Totals**							G

Allowable business investment losses . . . . . Amount G _____ x 50 % = _____ H

Enter amount H on line 406 of Schedule 1

Part 8 – Determining capital gains or losses

Total of amounts A to F (do not include F if the amount is a loss) . . . . . 198,000 I

Add: Foreign source

Capital gains dividend received in the year . . . . . 875 _____ J ☐

Capital gains reserve opening balance (from Schedule 13) . . . . . 880 _____ K

Subtotal (**add** amounts I, J, and K) 198,000 L

Deduct: Capital gains reserve closing balance (from Schedule 13) . . . . . 885 _____ M

Capital gains or losses (amount L minus amount M) 890 198,000

Part 9 – Determining taxable capital gains and total capital losses

Capital gains or losses (amount from line 890 above) . . . . . 198,000 N

Deduct the following gains that are included in the amount N:

Gain on donation of a share, debt obligation, or right listed on a designated stock exchange and other amounts under paragraph 38(a.1) of the *Income Tax Act*

realized prior to May 2, 2006 . . . . . x 50 % = O — Foreign source ☐

realized after May 1, 2006 . . . . . P — Foreign source ☐

Subtotal: O **plus** P **895**

Gain on donation of ecologically sensitive land . . . . . .

realized prior to May 2, 2006 . . . . . x 50 % = Q — Foreign source ☐

realized after May 1, 2006 . . . . . R — Foreign source ☐

Subtotal: Q **plus** R **896**

Exempt portion of the gain on the donation of securities arising from the exchange of a partnership interest under paragraph 38(*a.3*) . . . . . R-2 — Foreign source ☐

Total: line 895 plus line 896 plus R-2 S

Amount N minus amount S . . . . . 198,000 T

Total capital losses: If amount T is a loss, enter it on line 210 of Schedule 4

Taxable capital gains: If amount T is a gain, enter it on this line and multiply . . . . . 198,000 x 50 % = 99,000 U

Enter amount U on line 113 of Schedule 1

T2 SCH 6 E (08)

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SCHEDULE 7

CALCULATION OF AGGREGATE INVESTMENT INCOME AND ACTIVE BUSINESS INCOME

Name of corporation	Business Number	Tax year end Year Month Day
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	89671 8327 RC0001	2008-12-31

- This schedule is for the use of Canadian-controlled private corporations to calculate:
  - aggregate investment income and foreign investment income for the purpose of determining the refundable portion of Part I tax, as defined in subsection 129(4) of the *Income Tax Act;*
  - specified partnership income for members of one or more partnership(s); and
  - income from an active business carried on in Canada for the small business deduction.
- For more information, see the sections called "Small Business Deduction" and "Refundable Portion of Part 1 Tax" in the *T2 Corporation – Income Tax Guide*.

Part 1 and Part 2 – Aggregate and foreign investment income calculation

	Canadian investment income	Foreign investment income	Aggregate investment income	
Eligible portion of taxable capital gains included in the income for the year before taking into account the capital gains reserve (federal) of Schedule 13	99,000		99,000	A1
Reserve's eligible portion (addition/deduction)				A2
Eligible portion of taxable capital gains included in the income for the year after taking into account the capital gains reserve (federal) of Schedule 13 (total of amounts A1 and A2)	99,000	001	002 99,000	A
Eligible portion of allowable capital losses for the year (including allowable business investment losses)		009	012	B
Net capital losses of other years claimed on line 332 on the T2 return			022	C
Total of amounts B and C				D
Amount A **minus** amount D (if negative, enter "0")	99,000		99,000	E
Total income from property (in box 32 include income from a specified investment business carried on in Canada other than income from a source outside Canada)				
Taxable dividends	4,787		4,787	
Other property income				
Total income from property	4,787	019	032 4,787	F
Exempt income		029	042	G
Amounts received from NISA Fund No. 2 (AGRI) that were included in computing the corporation's income for the year			052	H
Taxable dividends deductible (total of Column F on Schedule 3)	4,787	049	062 4,787	I
Business income from an interest in a trust that is considered property income under paragraph 108(5)(a)		059	072	J
Total of amounts G, H, I, and J	4,787		4,787	K
Amount F **minus** amount K				L
Total of amount E **plus** amount L	99,000		99,000	M
Total losses from property (in box 82 include losses from a specified investment business carried on in Canada other than a loss from a source outside Canada)		069	082	N
Amount M **minus** amount N (if negative, enter "0")	99,000	079 L	092 O 99,000	

Note: The aggregate investment income is the aggregate world source income.

Enter amount L, foreign investment income, on line 445 of the T2 return.
Enter amount O, aggregate investment income, on line 440 of the T2 return.

Net taxable dividends	Canadian	Foreign	Total
Taxable dividends deducted per schedule 3	4,787		4,787
Less: Expenses related to such dividends			
Total expenses			
Net taxable dividends	4,787		4,787

Part 3 – Specified partnership income

A	B	C
Partnership name 200	Total income (loss) of partnership from an active business 300	Corporation's share of amount in column B 310

D	E	F	G	H	I
Adjustments [add prior-year reserves under subsection 34.2(5), and deduct expenses incurred to earn partnership income, including any reserve under subsection 34.2(4)] 315	Corporation's income (loss) of the partnership (column C **plus** column D) 320	Number of days in the partnership's fiscal period 325	Prorated business limit (column C ÷ column B) × [business limit* × (column F ÷ 365)] (if column C is negative, enter "0")** 330	Column E **minus** column G (if negative, enter "0")	Lesser of columns E and G (if column E is negative, enter "0") 340
Total 350				**Total** 385	360

Corporation's losses for the year from an active business carried on in Canada (other than as a member of a partnership) – enter as a positive amount 370

Specified partnership loss of the corporation for the year – enter as a positive amount (total of all negative amounts in column E) . . 380

Total of lines 370 and 380 . . . . . ▶ J

Amount at line 385 or line J, whichever is less 390

Specified partnership income (line 360 **plus** line 390) 400

* Use one of the following business limits to calculate column G, whichever applies:

- $400,000 if the corporation's tax year ends in 2007 or 2008;
- $500,000 if the corporation's tax year ends after 2008.

** When a partnership carries on more than one business, one of which generates income and another of which realizes a loss, the loss is not netted against the partnership's income.

Part 4 – Determination of partnership income

Corporation's share of partnership income from active businesses carried on in Canada after deducting related expenses – from line 350 above (if the net amount is negative, enter "0" on line O) . . . . . K

Add: Specified partnership loss (from line 380 above) L

Subtotal M

Deduct: Specified partnership income (from line 400 above) . . . . . N

Partnership income (enter on line S below) . . . . . 450 O

Part 5 – Income from active business carried on in Canada

Net income for income tax purposes from line 300 of the T2 return			94,022,791	P
Deduct: Foreign business income after deducting related expenses*	500			
Taxable capital gains **minus** allowable capital loss – amount A **minus** amount B* (page 1)**		99,000		
Net property income = amount F **minus** amount G, H, and N* (page 1)		4,787 Q		
Personal services business income after deducting related expenses*	520			
		103,787 ▶	103,787	
		Net amount	93,919,004	R
Deduct: Partnership income (line 450 above)				S
Income from active business carried on in Canada (enter on line 400 of the T2 return – if negative, enter "0")			93,919,004	T

* If negative, **add** instead of **subtracting**.
**This amount may only be negative to the extent of any allowable business investment losses.

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SCHEDULE 8

CAPITAL COST ALLOWANCE (CCA)

Name of corporation	Business Number	Tax year end Year Month Day
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	89671 8327 RC0001	2008-12-31

For more information, see the section called "Capital Cost Allowance" in the *T2 Corporation Income Tax Guide*.

Is the corporation electing under regulation 1101(5q)? 101 1 Yes ☐ 2 No ☒

	1 Class number (See Note) 200	Description	2 Undepreciated capital cost at the beginning of the year (undepreciated capital cost at the end of last year) 201	3 Cost of acquisitions during the year (new property must be available for use)* 203	4 Net adjustments** 205	5 Proceeds of dispositions during the year (amount not to exceed the capital cost) 207	6 50% rule (1/2 of the amount, if any, by which the net cost of acquisitions exceeds column 5)*** 211	7 Reduced undepreciated capital cost	8 CCA rate % 212	9 Recapture of capital cost allowance (line 107 of Schedule 1) 213	10 Terminal loss (line 404 of Schedule 1) 215	11 Capital cost allowance (column 7 **multiplied** by column 8; or a lower amount) (line 403 of Schedule 1)**** 217	12 Undepreciated capital cost at the end of the year (column 6 **plus** column 7 **minus** column 11) 220
1	1		1,277,746,231	2,928,171		93,000	1,417,586	1,279,163,816	4	0	0	51,166,553	1,229,414,849
2	8		37,188,513	9,027,907		0	4,513,954	41,702,466	20	0	0	8,340,493	37,875,927
3	10		13,999,801	7,549,332		198,693	3,675,320	17,675,120	30	0	0	5,302,536	16,047,904
4	12		5,246,311	18,829,022		0	9,414,511	14,660,822	100	0	0	14,660,822	9,414,511
5	17		7,836,756	4,746,301		0	2,373,151	10,209,906	8	0	0	816,792	11,766,265
6	2		448,947,979			0		448,947,979	6	0	0	26,936,879	422,011,100
7		CWIP	129,115,401		-29,271,655	0		99,843,746	0	0	0		99,843,746
8	45	computer hardware	2,949,996			0		2,949,996	45	0	0	1,327,498	1,622,498
9	13					0			N/A	0	0		
10	47	ELECTRICITY DISTRIBUTION EQ	354,955,617	225,922,224		0	112,961,112	467,916,729	8	0	0	37,433,338	543,444,503
11	10.1	TOYOTA	13,495			N/A		13,495	30	N/A	N/A	4,049	9,446
12	13	2006 Additions	831,002			0		831,002	N/A	0	0	237,429	593,573
13	13	2007 additions	9,064,958			0		9,064,958	N/A	0	0	2,014,435	7,050,523
14	42	Fibre	80,554			0		80,554	12	0	0	9,666	70,888
15	50	Computers acquired after March	1,010,695	6,382,634		0	3,191,317	4,202,012	55	0	0	2,311,107	5,082,222
16	13	lease		1,756,365		0	878,183	878,182	N/A	0	0	175,637	1,580,728
		Total	2,288,987,309	277,141,956	-29,271,655	291,693	138,425,134	2,398,140,783				150,737,234	2,385,828,683

Note: Class numbers followed by a letter indicate the basic rate of the class taking into account the additional deduction allowed. Class 1a: 4% + 6% = 10% (class 1 to 10%), class 1b: 4% + 2% = 6% (class 1 to 6%).

* Include any property acquired in previous years that has now become available for use. This property would have been previously excluded from column 3. List separately any acquisitions that are not subject to the 50% rule, see Regulation 1100(2) and (2.2).

** Include amounts transferred under section 85, or on amalgamation and winding-up of a subsidiary. See the *T2 Corporation Income Tax Guide* for other examples of adjustments to include in column 4.

*** The net cost of acquisitions is the cost of acquisitions (column 3) plus or minus certain adjustments from column 4. For exceptions to the 50% rule, see Interpretation Bulletin IT-285, *Capital Cost Allowance – General Comments*.

**** If the tax year is shorter than 365 days, prorate the CCA claim. Some classes of property do not have to be prorated. See the *T2 Corporation Income Tax Guide* for more information.

T2 SCH 8 (06)

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SCHEDULE 9

RELATED AND ASSOCIATED CORPORATIONS

Name of corporation	Business Number	Tax year end Year Month Day
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	89671 8327 RC0001	2008-12-31

This schedule is to be completed by a corporation having one or more of the following:
- related corporation(s)
- associated corporations(s)

	Name 100	Country of residence (if other than Canada) 200	Business Number (Canadian corporation only) (see note 1) 300	Relationship code (see note 2) 400	Number of common shares owned 500	% of common shares owned 550	Number of preferred shares owned 600	% of preferred shares owned 650	Book value of capital stock 700
1.	TORONTO HYDRO CORPORATION		89676 0725 RC0001	1					
2.	TORONTO HYDRO ENERGY SERVIC		89674 7128 RC0003	3					
3.	1455948 Ontario Inc.		88651 7614 RC0001	3					

Note 1: Enter "NR" if a corporation is not registered.
Note 2: Enter the code number of the relationship that applies from the following order: 1 – Parent 2 – Subsidiary 3 – Associated 4 – Related, but not associated.

T2 SCH 9(99)

Canada

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SCHEDULE 10

CUMULATIVE ELIGIBLE CAPITAL DEDUCTION

Name of corporation	Business Number	Tax year end Year Month Day
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	89671 8327 RC0001	2008-12-31

- For use by a corporation that has eligible capital property. For more information, see the *T2 Corporation Income Tax Guide*.
- A separate cumulative eligible capital account must be kept for each business.

Part 1 – Calculation of current year deduction and carry-forward

Cumulative eligible capital - Balance at the end of the preceding taxation year (if negative, enter "0") 200 14,248,385 A

Add:

Cost of eligible capital property acquired during the taxation year 222 109,806

Other adjustments 226

Subtotal (line 222 plus line 226) 109,806 x 3 / 4 = 82,355 B

Non-taxable portion of a non-arm's length transferor's gain realized on the transfer of an eligible capital property to the corporation after December 20, 2002 . . 228 x 1 / 2 = C

amount B minus amount C (if negative, enter "0") 82,355 ▶ 82,355 D

Amount transferred on amalgamation or wind-up of subsidiary . . . . . 224 E

Subtotal (add amounts A, D, and E) 230 14,330,740 F

Deduct:

Proceeds of sale (less outlays and expenses not otherwise deductible) from the disposition of all eligible capital property during the taxation year . . . . . 242 G

The gross amount of a reduction in respect of a forgiven debt obligation as provided for in subsection 80(7) . . . . . 244 H

Other adjustments . . . . . 246 I

(add amounts G,H, and I) x 3 / 4 = 248 J

Cumulative eligible capital balance (amount F minus amount J) . . . . . 14,330,740 K

(if amount K is negative, enter "0" at line M and proceed to Part 2)

Cumulative eligible capital for a property no longer owned after ceasing to carry on that business 249

amount K 14,330,740

less amount from line 249

Current year deduction . . . . . 14,330,740 x 7.00 % = 250 1,003,152 *

(line 249 plus line 250) (enter this amount at line 405 of Schedule 1) 1,003,152 ▶ 1,003,152 L

Cumulative eligible capital – Closing balance (amount K minus amount L) (if negative, enter "0") . . . . . 300 13,327,588 M

* You can claim any amount up to the maximum deduction of 7%. The deduction may not exceed the maximum amount prorated by the number of days in the taxation year divided by 365.

Part 2 – Amount to be included in income arising from disposition

(complete this part only if the amount at line K is negative)

Amount from line K (show as positive amount)				N
Total of cumulative eligible capital (CEC) deductions from income for taxation years beginning after June 30, 1988	400		1	
Total of all amounts which reduced CEC in the current or prior years under subsection 80(7)	401		2	
Total of CEC deductions claimed for taxation years beginning before July 1, 1988	402		3	
Negative balances in the CEC account that were included in income for taxation years beginning before July 1, 1988	408		4	
Line 3 minus line 4 (if negative, enter "0")		▶	5	
Total of lines 1, 2 and 5			6	
Amounts included in income under paragraph 14(1)(b), as that paragraph applied to taxation years ending after June 30, 1988 and before February 28, 2000, to the extent that it is for an amount described at line 400			7	
Amounts at line T from Schedule 10 of previous taxation years ending after February 27, 2000			8	
Subtotal (line 7 plus line 8)	409	▶	9	
Line 6 minus line 9 (if negative, enter "0")		▶		O
Line N minus line O (if negative, enter "0")				P
Line 5 _____ x 1 / 2 =				Q
Line P minus line Q (if negative, enter "0")				R
Amount R _____ x 2 / 3 =				S
Amount N or amount O, whichever is less				T
Amount to be included in income (amount S plus amount T) (enter this amount on line 108 of Schedule 1)	410			

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SCHEDULE 13

CONTINUITY OF RESERVES

Name of corporation	Business Number	Tax year end Year Month Day
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	89671 8327 RC0001	2008-12-31

- For use by corporations to provide a continuity of all reserves claimed which are allowed for tax purposes.
- References to parts, sections, subsections, paragraphs, and subparagraphs are from the federal *Income Tax Act*.
- File one completed copy of this schedule with the corporation's *T2 Corporation Income Tax Return*.
- For more information, see the *T2 Corporation Income Tax Guide*.

Part 1 – Capital gains reserves

	Description of property 001	Balance at the beginning of the year $ 002	Transfer on amalgamation or wind-up of subsidiary $ 003	Add $	Deduct $	Balance at the end of the year $ 004
1						
	Totals	008	009			010

The total capital gains reserve at the beginning of the taxation year plus the total capital gains reserve transfer on amalgamation or wind-up of subsidiary should be entered on line 880, and the total capital gains reserve at the end of the taxation year, should be entered on line 885 of Schedule 6.

Part 2 – Other reserves

Description	Balance at the beginning of the year $	Transfer on amalgamation or wind-up of subsidiary $	Add $	Deduct $	Balance at the end of the year $
Reserve for doubtful debts ☐	110	115			120
Reserve for undelivered goods and services not rendered ☐	130	135			140
Reserve for prepaid rent ☐	150	155			160
Reserve for December 31, 1995 income ☐	170	175			180
Reserve for refundable containers ☐	190	195			200
Reserve for unpaid amounts ☐	210	215			220
Other tax reserves ☐	230 1	235			240 1
Totals	270 1	275			280 1

Enter "X" in the column above if the tax reserve has also been reported on the corporation's financial statements. This allows offsetting entries on Schedule 1, resulting in a zero effect on net income for tax purposes.

The amount from line 270 plus the amount from line 275 should be entered on line 125 of Schedule 1 as an addition.
The amount from line 280 should be entered on line 413 of Schedule 1 as a deduction.

T2 SCH 13 E (99)

Canada

Continuity of financial statement reserves (not deductible)

Financial statement reserves (not deductible)

	Description	Balance at the beginning of the year	Transfer on amalgamation or wind-up of subsidiary	Add	Deduct	Balance at the end of the year
1	POEB	137,843,001		8,303,999		146,147,000
2	Inventory Obsolescence	491,872			230,726	261,146
3	Termination Accrual	991,921		13,554		1,005,475
4						
	Reserves from Part 2 of Schedule 13					
	Totals	139,326,794		8,317,553	230,726	147,413,621

The total opening balance plus the total transfers should be entered on line 414 of Schedule 1 as a deduction.
The total closing balance should be entered on line 126 of Schedule 1 as an addition.

Canada Revenue Agency / Agence du revenu du Canada

SCHEDULE 23

AGREEMENT AMONG ASSOCIATED CANADIAN-CONTROLLED PRIVATE CORPORATIONS TO ALLOCATE THE BUSINESS LIMIT

- For use by a Canadian-controlled private corporation (CCPC) to identify all associated corporations and to assign a percentage for each associated corporation. This percentage will be used to allocate the business limit for purposes of the small business deduction. Information from this schedule will also be used to determine the date the balance of tax is due and to calculate the reduction to the business limit.
- An associated CCPC that has more than one tax year ending in a calendar year, is required to file an agreement for each tax year ending in that calendar year.

Column 1: Enter the legal name of each of the corporations in the associated group. Include non-CCPCs and CCPCs that have filed an election under subsection 256(2) of the *Income Tax Act* (ITA) not to be associated for purposes of the small business deduction.

Column 2: Provide the Business Number for each corporation (if a corporation is not registered, enter "NR").

Column 3: Enter the association code that applies to each corporation:

1 – Associated for purposes of allocating the business limit (unless code 5 applies)

2 – CCPC that is a "third corporation" that has elected under subsection 256(2) not to be associated for purposes of the small business deduction

3 – Non-CCPC that is a "third corporation" as defined in subsection 256(2)

4 – Associated non-CCPC

5 – Associated CCPC to which code 1 does not apply because of a subsection 256(2) election made by a "third corporation"

Column 4: Enter the business limit for the year of each corporation in the associated group. The business limit is computed at line 4 on page 4 of each respective corporation's T2 return.

Column 5: Assign a percentage to allocate the business limit to each corporation that has an association code 1 in column 3. The total of all percentages in column 5 cannot exceed 100%.

Column 6: Enter the business limit allocated to each corporation by multiplying the amount in column 4 by the percentage in column 5. Add all business limits allocated in column 6 and enter the total at line A. Ensure that the total at line A falls within the range for the calendar year to which the agreement applies:

Calendar year	Acceptable range
2004	$225,001 to $250,000
2005	$250,001 to $300,000
2006	maximum $300,000
2007	$300,001 to $400,000
2008	maximum $400,000
2009	$400,001 to $500,000

If the calendar year to which this agreement applies is after 2009, ensure that the total at line A does not exceed $500,000.

Allocating the business limit

Date filed (do not use this area) . . . . . 025 — Year Month Day

Enter the calendar year to which the agreement applies . . . . . 050 — Year: 2008

Is this an amended agreement for the above-noted calendar year that is intended to replace an agreement previously filed by any of the associated corporations listed below? . . . . . 075 — 1 Yes ☐ 2 No ☒

	1 Names of associated corporations 100	2 Business Number of associated corporations 200	3 Association code 300	4 Business limit for the year (before the allocation) $	5 Percentage of the business limit % 350	6 Business limit allocated* $ 400
1	TORONTO HYDRO-ELECTRIC SYSTEM LIMITEI	89671 8327 RC0001	1	400,000	100.0000	400,000
2	TORONTO HYDRO CORPORATION	89676 0725 RC0001	1	400,000		
3	TORONTO HYDRO ENERGY SERVICES INC.	89674 7128 RC0003	1	400,000		
4	1455948 Ontario Inc.	88651 7614 RC0001	1	400,000		
				Total	100.0000	400,000 A

Business limit reduction under subsection 125(5.1) of the ITA

The business limit reduction is calculated in the small business deduction area of the T2 return. One of the factors used in this calculation is the "Large corporation amount" at line 415 of the T2 return. If the corporation is a member of an associated group** of corporations in the current tax year, the amount at line 415 of the T2 return is equal to 0.225% x (A - $10,000,000) where, "A" is the total of taxable capital employed in Canada*** of each corporation in the associated group for its last tax year ending in the preceding calendar year.

* Each corporation will enter on line 410 of the T2 return, the amount allocated to it in column 6. However, if the corporation's tax year is less than 51 weeks, prorate the amount in column 6 by the number of days in the tax year divided by 365, and enter the result on line 410 of the T2 return.

  Special rules apply if a CCPC has more than one tax year ending in a calendar year and is associated in more than one of those years with another CCPC that has a tax year ending in the same calendar year. If the tax year straddles January 1, 2007, the business limit for the second (or subsequent) tax year(s) will be equal to the lesser of the business limit that would have been determined for the first tax year ending in the calendar year, if $400,000 was used in allocating the amounts among associated corporations and the business limit determined for the second (or subsequent) tax year(s) ending in the same calendar year. Otherwise, the business limit for the second (or subsequent) tax year(s) will be equal to the lesser of the business limit determined for the first tax year ending in the calendar year and the business limit determined for the second (or subsequent) tax year(s) ending in the same calendar year.

** The associated group includes the corporation filing this schedule and each corporation that has an "association code" of 1 or 4 in column 3.

*** "Taxable capital employed in Canada" has the meaning assigned by subsection 181.2(1) or 181.3(1) or section 181.4 of the ITA.

T2 SCH 23 (08)

Canada

Canada Revenue Agency / Agence du revenu du Canada

SCHEDULE 29

PAYMENTS TO NON-RESIDENTS

Name of corporation	Business Number	Tax year end Year Month Day
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	89671 8327 RC0001	2008-12-31

- A corporation that makes payments or credits amounts to non-residents under subsections 202(1) and 105(1) of the *Income Tax Regulations* has to file the applicable information return.
- The corporation has to complete the information below for all amounts paid or credited to non-residents that are listed in Note 1. If the total amount paid or credited is less than $100, you do not have to complete the information for that payee.

	Name (list each payee separately) 100	Address 200	Payment code (see note 1) 300	Amount $ 400
1	DOBLE ENGINEERING COMPANY	85 WALNUT STREET WATERTOWN MA US 02472	02	16,414
2	HANNON ELECTRIC COMPANY	1605 WAYNESBURG DRIVE SE CANTON OH US 44707	09	2,815
3	SKILLPATH SEMINARS	PO BOX 997 MISSION KS US 662010997	09	57
4	BLOOMBERG L.P.	731 LEXINGTON AVENUE NEW YORK NY US 10022	02	3,721
5	SCHWEITZER ENGINEERING LAB, INC	2350 NE HOPKINS COURT PULLMAN WA US 991635603	09	44,215
6	Navigant Consulting Inc.	1717 Arch Street Suite 4800 Philadelphia PA US	02	62,048
7	Architecting-the-Enterprise Ltd.	Aston Court Kinsmead Business Park High Wycombe Bucks GB 111LA	09	11,896
8	DevonWay Inc.	2828 Corbett Ave Suite 216 Portland OR US 972014815	09	7,229
9	Easy i	PO Box 1665 El Segundo United States CA US 90245	09	41,000
10	Electric Utility Consultants Inc.	5555 Preserve Drive Greenwood Village United States CO US 80121	09	2,194

	Name (list each payee separately) 100	Address 200	Payment code (see note 1) 300	Amount $ 400
11	London Economics	717 Atlantic Avenue Suite 1A Boston United States MA US 02111	09	28,595
12	Novinium Inc	22019 70th Ave Kent United States WA US 98032	09	250,121
13	Robert Jones & Associates	54 Knob Hill Orchard Park United States NY US 14127	09	18,068
14	Telvent USA Inc.	1496 Paysphere Circle Chicago United States IL US 60674	09	13,757
15	The Brattle Group	44 Brattle Street Cambridge United States MA US 021383736	09	3,161
16	Bouillon Integrated Systems	34734 Pilot Point Road NE Kingston United States WA US 98346	09	40,500

Note 1: Enter the applicable payment code in column 300:

1 – Royalties
2 – Rents
3 – Management fees/commissions
4 – Technical assistance fees
5 – Research and development fees
6 – Interest
7 – Dividends
8 – Film payments: – motion picture film, or
– a film or video tape for use in connection with television
9 – Other services

T2 SCH 29 (99)

Canada

Canada Revenue Agency / Agence du revenu du Canada

SCHEDULE 31

INVESTMENT TAX CREDIT – CORPORATIONS

General information

1. For use by a corporation that during a tax year:
   - earned an investment tax credit (ITC);
   - is claiming a deduction against its Part I tax payable;
   - is claiming a refund of credit earned during the current tax year;
   - is claiming a carryforward of credit from previous tax years;
   - is transferring a credit following an amalgamation or wind-up of a subsidiary, as described under subsections 87(1) and 88(1) of the federal *Income Tax Act;*
   - is requesting a credit carryback; or
   - is subject to a recapture of ITC.
2. References to parts, sections, and subsections on this schedule are from the federal *Income Tax Act* and the federal *Income Tax Regulations.* References to interpretation bulletins and information circulars are to the latest versions.
3. The ITC is eligible for a three-year carryback (if not deductible in the year earned). It is also eligible for a twenty-year carryforward for credits earned in tax years that end after 1997 and a ten-year carryforward for credits earned in tax years that end before 1998. The apprenticeship job creation tax credit can only be carried back to tax years that end after May 1, 2006.
4. Investments or expenditures, as defined in subsection 127(9) and Part XLVI of the federal *Income Tax Regulations*, that earn the ITC are:
   - qualified property (Parts 4 to 7);
   - qualified expenditures that are part of the SR&ED qualified expenditure pool (Parts 8 to 17). Complete and file Form T661, *Scientific Research and Experimental Development (SR&ED) Expenditures Claim*;
   - pre-production mining expenditures (Parts 18 to 20);
   - apprenticeship job creation expenditures (Parts 21 to 23); and
   - child care spaces expenditures (Parts 24 to 28).
5. Attach a completed copy of this schedule with the *T2 Corporation Income Tax Return.*
6. For more information on ITCs, see the section called "Investment Tax Credit" in the *T2 Corporation – Income Tax Guide*, Information Circular IC 78-4, *Investment Tax Credit Rates,* and its related Special Release. Also, see Interpretation Bulletin IT-151, *Scientific Research and Experimental Development Expenditures.*
7. For information on SR&ED, see Interpretation Bulletin IT-151, *Scientific Research and Experimental Development Expenditures*; Information Circular 86-4, *Scientific Research and Experimental Development*; Pamphlet T4052, *An Introduction to the Scientific Research and Experimental Development Program*; and T4088, *Guide to Form T661 Scientific Research and Experimental Development (SR&ED) Expenditures Claim.*

Detailed information

1. For the purpose of this schedule, **"investment"** means:
   The capital cost of the property (excluding amounts added by an election under section 21), determined without reference to subsections 13(7.1) and 13(7.4), minus the amount of any government or non-government assistance that the corporation has received, is entitled to receive, or can reasonably be expected to receive for that property when it files the income tax return for the year in which the property was acquired.
2. An ITC deducted or refunded in a tax year for a depreciable property, other than a depreciable property deductible under paragraph 37(1)(b), reduces the capital cost of that property in the next tax year. It also reduces the undepreciated capital cost of that class in the next tax year. An ITC for SR&ED deducted or refunded in a tax year will reduce the balance in the pool of deductible SR&ED expenditures and the adjusted cost base (ACB) of an interest in a partnership in the next tax year. An ITC from pre-production mining expenditures deducted in a tax year reduces the balance in the pool of deductible cumulative Canadian exploration expenses in the next tax year.
3. Property acquired has to be "available for use" before a claim for an ITC can be made.
4. Expenditures for SR&ED and capital costs for a property qualifying for an ITC must be identified by the claimant on Form T661 and Schedule 31 no later than 12 months after the claimant's income tax return is due for the tax year in which the expenditures or capital costs were incurred.
5. Partnership allocations – Subsection 127(8) provides for the allocation of the amount that may reasonably be considered to be a partner's share of the ITCs of the partnership at the end of the fiscal period of the partnership. An allocation of ITCs is generally considered to be the partner's reasonable share of the ITCs if it is made in the same proportion in which the partners have agreed to share any income or loss and if section 103 of the Act is not applicable for the agreement to share any income or loss. For more information, see Interpretation Bulletin IT-151. Special rules apply to specified and limited partners.
6. For SR&ED expenditures made after February 22, 2005, the expression "in Canada" includes the "exclusive economic zone" (as defined in the *Oceans Act* to generally consist of an area that is within 200 nautical miles from the Canadian coastline), including the airspace, seabed and subsoil for that zone. For SR&ED expenditures made before February 23, 2005, the expression "in Canada" generally includes the 12 nautical mile territorial sea.

Name of corporation	Business Number	Tax year-end Year Month Day
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	89671 8327 RC0001	2008-12-31

Part 1 – Investments, expenditures and percentages

	Specified percentage
Investments	
Qualified property acquired primarily for use in Newfoundland and Labrador, Prince Edward Island, Nova Scotia, New Brunswick, the Gaspé Peninsula, or a prescribed offshore region	10 %
Expenditures	
If you are a Canadian-controlled private corporation (CCPC) throughout the tax year, this percentage may apply to the portion that you claim of the SR&ED qualified expenditure pool that does not exceed your expenditure limit (see Part 10)	35 %
Note: If your current year's qualified expenditures are more than the corporation's expenditure limit (see Part 10), the excess is eligible for an ITC calculated at the 20 % rate.	
If you are a corporation that is not a CCPC throughout the current tax year that incurred qualified expenditures for SR&ED in any area in Canada after 1995	20 %
If you are a taxable Canadian corporation that incurred pre-production mining expenditures after 2004:	10 %
If you paid salary and wages to apprentices in the first 24 months of their apprenticeship contract for employment after May 1, 2006	10 %
If you incurred eligible expenditures after March 18, 2007, for the creation of licensed child care spaces for the children of your employees and, potentially, for other children	25 %

Part 2 – Determination of a qualifying corporation

Is the corporation a qualifying corporation? 101 1 Yes ☐ 2 No ☒

For the purpose of a refundable ITC, a **qualifying corporation** is defined under subsection 127.1(2). The corporation has to be a CCPC throughout the current tax year and the taxable income (before any loss carrybacks) for its previous tax year cannot be more than its qualifying income limit for the particular tax year. If the corporation is associated with any other corporations during the tax year, the total of the taxable incomes of the corporation and the associated corporations (before any loss carrybacks), for their last tax year ending in the previous calendar year, cannot be more than their qualifying income limit for the particular tax year.

Note: A CCPC calculating a refundable ITC for tax years ending after March 22, 2004, is considered to be associated with another corporation if it meets any of the conditions in subsection 256(1), except where:

- one corporation is associated with another corporation solely because one or more persons own shares of the capital stock of both corporations; and
- one of the corporations has at least one shareholder who is not common to both corporations.

If you are a **qualifying** corporation, you will earn a **100%** refund on your share of any ITCs earned at the 35% rate on qualified **current** expenditures for SR&ED, up to the allocated expenditure limit. The 100% refund does not apply to qualified **capital** expenditures eligible for the 35% credit rate. They are only eligible for the **40%** refund.

Some CCPCs that are not qualifying corporations may also earn a 100% refund on their share of any ITCs earned at the 35% rate on qualified current expenditures for SR&ED, up to the allocated expenditure limit. The expenditure limit can be determined in Part 10. The 100% refund does not apply to qualified capital expenditures eligible for the 35% credit rate. They are only eligible for the 40% refund.

The 100% refund will not be available to a corporation that is an **excluded corporation** as defined under subsection 127.1(2). A corporation is an excluded corporation if, at any time during the year, it is a corporation that is either controlled by (directly or indirectly, in any manner whatever) or is related to:

a) one or more persons exempt from Part I tax under section 149;

b) Her Majesty in right of a province, a Canadian municipality, or any other public authority; or

c) any combination of persons referred to in a) or b) above.

Part 3 – Corporations in the farming industry

Complete this area if the corporation is making SR&ED contributions

Is the corporation claiming a contribution in the current year to an agricultural organization whose goal is to finance SR&ED work (for example, check-off dues)? 102 1 Yes ☐ 2 No ☒

If **yes**, complete Schedule 125, *Income Statement Information*, to identify the type of farming industry the corporation is involved in. For more information on Schedule 125, see the *Guide to the General Index of Financial Information (GIFI) for Corporations.* Enter contributions on line 350 of Part 8.

QUALIFIED PROPERTY

Part 4 – Eligible investments for qualified property from the current tax year

CCA* class number 105	Description of investment 110	Date available for use 115	Location used (province) 120	Amount of investment 125

*CCA: capital cost allowance

Total investment – enter in formula on line 240 in Part 5

Part 5 – Calculation of current-year credit and account balances – ITC from investments in qualified property

ITC at the end of the previous tax year

Deduct:

Credit deemed as a remittance of co-op corporations 210

Credit expired* 215

Subtotal ▶

ITC at the beginning of the tax year 220

Add:

Credit transferred on amalgamation or wind-up of subsidiary 230

ITC from repayment of assistance 235

Total current-year credit: total of column 125 _____ x 10 % = 240

Credit allocated from a partnership 250

Subtotal ▶

Total credit available

Deduct:

Credit deducted from Part I tax (enter on line B1 in Part 30) 260

Credit carried back to the previous year(s) (from Part 6) A

Credit transferred to offset Part VII tax liability 280

Subtotal ▶

Credit balance before refund B

Deduct:

Refund of credit claimed on investments from qualified property (from Part 7) 310

ITC closing balance of investments from qualified property 320

* The credit expires after 20 tax years if it was earned in a tax year ending after 1997 and 10 tax years if it was earned in a tax year ending before 1998.

Part 6 – Request for carryback of credit from investments in qualified property

	Year	Month	Day		
1st previous tax year				Credit to be applied	901
2nd previous tax year				Credit to be applied	902
3rd previous tax year				Credit to be applied	903

Total (enter on line A in Part 5)

Part 7 – Calculation of refund for qualifying corporations on investments from qualified property

Current-year ITCs (total of lines 240 and 250 in Part 5) C

Credit balance before refund (amount B from Part 5) D

Refund (40 % of amount C or D, whichever is less) E

Enter amount E or a lesser amount on line 310 in Part 5 (also enter it on line 780 of the T2 return if the corporation does not claim an SR&ED ITC refund).

Name of corporation	Business Number	Tax year-end Year Month Day
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	89671 8327 RC0001	2008-12-31

SR&ED

Part 8 – Qualified expenditures for SR&ED

Current expenditures (including contributions to agricultural organizations for SR&ED)*	350	5,465,314
Capital expenditures	360	23,452
Repayments made in the year (from line 560 on Form T661)	370	
Total (this must equal the amount from line 570 on Form T661)*	380	5,488,766

* Do not file form T661 if you are only claiming contributions made to agricultural organizations for SR&ED.

Part 9 – Components of the SR&ED expenditure limit calculation

Part 9 only applies if the corporation is a CCPC throughout the current tax year.

Note: A CCPC that calculates SR&ED expenditure limit for tax years ending after March 22, 2004, is considered to be associated with another corporation if it meets any of the conditions in subsection 256(1), except where:

- one corporation is associated with another corporation solely because one or more persons own shares of the capital stock of the corporation; and
- one of the corporations has at least one shareholder who is not common to both corporations.

Is the corporation associated with another CCPC for the purpose of calculating the SR&ED expenditure limit? 385 1 Yes [X] 2 No [ ]

Complete lines 390, 395 and 398, if you answered **no** to the question at line 385 above or if the corporation is not associated with any other corporations (the amounts for associated corporations will be determined on Schedule 49).

a) Enter your taxable income for the previous tax year* (prior to any loss carry-backs applied). 390

b) Enter your reduced business limit** for the current tax year* (this amount cannot be more than the amount at line 4 on page 4 of the T2 return). 395

c) Enter your taxable capital employed in Canada for the previous tax year minus $10 million. If this amount is nil or negative, enter "0". If this amount is over $40 million, enter $40 million. 398

* If either of the tax years referred to at line 390 or 395 is less than 51 weeks, multiply the taxable income or the business limit by the following result: 365 divided by the number of days in these tax years. For details on the expression "Reduced business limit," see line 652 of the *T2 Corporation – Income Tax Guide*.

** If the corporation is claiming only a portion of the business limit from line 4 on page 4 of the T2 return because of its association with other corporations, calculate your reduced business limit as if the corporation was not associated in the current tax year. Enter the result at line 395.

Part 10 – Calculation of SR&ED expenditure limit for a CCPC throughout the current tax year

For stand-alone corporations:

Calculation 1: tax year ends before February 26, 2008.
[($6,000,000 minus (10 x (line 390 from Part 9 or $400,000, whichever is more))) x ((line 395 from Part 9) divided by line 4 on page 4 of the T2 return)]

Calculation 2: tax year starts after February 26, 2008.
[($7,000,000 minus (10 x (line 390 from Part 9 or $400,000, whichever is more))) x (($40,000,000 minus line 398 from Part 9) divided by $40,000,000)]

Calculation 3: tax year includes February 26, 2008.
AA + [(BB minus AA) x (CC divided by DD)] where,

AA = [($6,000,000 minus (10 x (line 390 from Part 9 or $400,000, whichever is more))) x ((line 395 from Part 9) divided by line 4 on page 4 of the T2 return)];

BB = [($7,000,000 minus (10 x (line 390 from Part 9 or $400,000, whichever is more))) x (($40,000,000 minus line 398 from Part 9) divided by $40,000,000)];

CC = number of days in the tax year after February 25, 2008;

DD = number of days in the tax year.

Enter the amount from Calculation 1, 2 or 3, whichever is applicable *G

For associated corporations:

If associated, the allocation of the SR&ED expenditure limit as provided on Schedule 49 400 *H

Where the tax year of the corporation is less than 51 weeks, calculate the amount of the expenditure limit as follows:

Line G or H x (Number of days in the tax year / 365) 366 = I

Your SR&ED expenditure limit for the year (enter the amount from line G, H, or I, whichever applies) 410

* Amount G or H cannot be more than $3,000,000 ($2,000,000 if tax year ending before February 26, 2008).

Part 11 – Calculation of investment tax credits on SR&ED expenditures

Enter whichever is less: current expenditures (line 350 from Part 8) or the expenditure limit (line 410 from Part 10)*	420		x	35 %	=		J
Line 350 minus line 410 (if negative, enter "0")	430	5,465,314	x	20 %	=	1,093,063	K
Line 410 minus line 350 (if negative, enter "0")			L				
Enter whichever is less: capital expenditures (line 360 from Part 8) or line L above*	440		x	35 %	=		M
Line 360 minus line L (if negative, enter "0")	450	23,452	x	20 %	=	4,690	N

Repayments (amount from line 370 in Part 8)

If a corporation makes a repayment of any government or non-government assistance, or contract payments that reduced the amount of qualified expenditures for ITC purposes, the amount of the repayment is eligible for a credit at the rate that would have applied to the repaid amount. Enter the amount of the repayment on the line that corresponds to the appropriate rate.

	460		x	35 %	=		
	480		x	20 %	=		
				Total		▶	O

Current-year SR&ED ITC (total of lines J, K, M, N, and O; enter on line 540 in Part 12) 1,097,753

* For corporations that are not CCPCs throughout the year, enter "0" on lines J and M.

Part 12 – Calculation of current-year credit and account balances – ITC from SR&ED expenditures

ITC at the end of the previous tax year				
Deduct:				
Credit deemed as a remittance of co-op corporations	510			
Credit expired*	515			
Subtotal			▶	
ITC at the beginning of the tax year			520	
Add:				
Credit transferred on amalgamation or wind-up of subsidiary	530			
Total current-year credit	540	1,097,753		
Credit allocated from a partnership	550			
Subtotal		1,097,753	▶	1,097,753
Total credit available				1,097,753
Deduct:				
Credit deducted from Part I tax (enter on line B2 in Part 30)	560	1,097,753		
Credit carried back to the previous year(s) (from Part 13)			P	
Credit transferred to offset Part VII tax liability	580			
Subtotal		1,097,753	▶	1,097,753
Credit balance before refund				Q
Deduct:				
Refund of credit claimed on expenditures of SR&ED (from Part 14 or 15, whichever applies)			610	
ITC closing balance on SR&ED			620	

* The credit expires after 20 tax years if it was earned in a tax year ending after 1997 and 10 tax years if it was earned in a tax year ending before 1998.

Part 13 – Request for carryback of credit from SR&ED expenditures

	Year	Month	Day			
1st previous tax year				Credit to be applied	911	
2nd previous tax year				Credit to be applied	912	
3rd previous tax year				Credit to be applied	913	
				Total (enter on line P in Part 12)		

Name of corporation	Business Number	Tax year-end Year Month Day
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	89671 8327 RC0001	2008-12-31

Part 14 – Calculation of refund of ITC for qualifying corporations – SR&ED

Complete this part only if you are a qualifying corporation as determined at line 101.

Is the corporation an excluded corporation as defined under subsection 127.1(2)? . . . . . 650 1 Yes ☐ 2 No ☒

Credit balance before refund (amount Q from Part 12) . . . . . R

Current-year ITC (lines 540 plus 550 from Part 12 **minus** line O from Part 11) S

Refundable credits (amount R or S, whichever is less)* . . . . . T

Amount J from Part 11 . . . . . U

Subtract: Amount T or U, whichever is less V

Net amount (if negative, enter "0") . . . . . W

Amount W x 40 % X

Add: Amount V . . . . . Y

Refund of ITC (amounts X **plus** Y – enter this, or a lesser amount, on line 610 in Part 12) . . . . . Z

Enter the total of lines 310 from Part 5 and 610 from Part 12 on line 780 of the T2 return.

* If you are also an excluded corporation [as defined in subsection 127.1(2)], this amount must be multiplied by 40%. Claim this, or a lesser amount, as your refund of ITC on line Z.

Part 15 – Calculation of refund of ITC for CCPCs that are not qualifying or excluded corporations – SR&ED

Complete this box only if you are a CCPC that is not a qualifying or excluded corporation as determined in Part 2.

Credit balance before refund (amount Q from Part 12) . . . . . AA

Amount J from Part 11 . . . . . BB

Subtract: Amount AA or BB, whichever is less CC

Net amount (if negative, enter "0") . . . . . DD

Amount M from Part 11 . . . . . EE

Amount DD or EE, whichever is less x 40 % . . . . . FF

Add : Amount CC above . . . . . GG

Refund of ITC (amounts FF **plus** GG) . . . . . HH

Enter HH, or a lesser amount, on line 610 in Part 12 and also on line 780 of the T2 return.

RECAPTURE – SR&ED

Part 16 – Calculating the recapture of ITC for corporations and corporate partnerships – SR&ED

You will have a recapture of ITC in a year when **all** of the following conditions are met:

- you acquired a particular property in the current year or in any of the 20 previous tax years, if the credit was earned in a tax year ending after 1997, or in any of the 10 previous tax years, if the credit was earned in a tax year ending before 1998;
- you claimed the cost of the property as a qualified expenditure for SR&ED on Form T661;
- the cost of the property was included in calculating your ITC or was the subject of an agreement made under subsection 127(13) to transfer qualified expenditures; and
- you disposed of the property or converted it to commercial use after February 23, 1998. This condition is also met if you disposed of or converted to commercial use a property that incorporates the particular property previously referred to.

Note:

The recapture **does not apply** if you disposed of the property to a non-arm's length purchaser who intended to use it all or substantially all for SR&ED. When the non-arm's length purchaser later sells or converts the property to commercial use, the recapture rules will apply to the purchaser based on the historical ITC rate of the original user.

You will report a recapture on the T2 return for the year in which you disposed of the property or converted it to commercial use. In the following tax year, add the amount of the ITC recapture to the SR&ED expenditure pool.

If you have more than one disposition for calculations 1 and 2, complete the columns for each disposition for which a recapture applies, using the calculation formats below.

Calculation 1 – If you meet all of the above conditions

	Amount of ITC you originally calculated for the property you acquired, or the original user's ITC where you acquired the property from a non-arm's length party, as described in the note above **700**	Amount calculated using ITC rate at the date of acquisition (or the original user's date of acquisition) on either the proceeds of disposition (if sold in an arm's length transaction) or the fair market value of the property (in any other case) **710**	Amount from column 700 or 710, whichever is less
1.			

Subtotal (enter this amount on line LL in Part 17) ||

Calculation 2 – Only if you transferred all or a part of the qualified expenditure to another person under an agreement described in subsection 127(13); otherwise, enter nil at line JJ in Part 16.

A	B	C
Rate percentage that the transferee used in determining its ITC for qualified expenditures under a subsection 127(13) agreement **720**	Proceeds of disposition of the property if you dispose of it to an arm's length person; or, in any other case, enter the fair market value of the property at conversion or disposition **730**	Amount, if any, already provided for in Calculation 1 (This allows for the situation where only part of the cost of a property is transferred under a subsection 127(13) agreement.) **740**

Name of corporation	Business Number	Tax year-end Year Month Day
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	89671 8327 RC0001	2008-12-31

Part 16 – Calculating the recapture of ITC for corporations and corporate partnerships – SR&ED (continued)

Calculation 2 (continued) – Only if you transferred all or a part of the qualified expenditure to another person under an agreement described in subsection 127(13); otherwise, enter nil on line JJ below.

D Amount determined by the formula **(A x B) - C**	E ITC earned by the transferee for the qualified expenditures that were transferred 750	F Amount from column D or E, whichever is less

Subtotal (enter this amount on line MM in Part 17) _____ JJ

Calculation 3

As a member of the partnership, you will report your share of the SR&ED ITC of the partnership after the SR&ED ITC has been reduced by the amount of the recapture. If this amount is a positive amount, you will report it on line 550 in Part 12 on page 5. However, if the partnership does not have enough ITC otherwise available to offset the recapture, then the amount by which reductions to ITC exceed additions (the excess) will be determined and reported on line KK below.

Corporate partner's share of the excess of SR&ED ITC (amount to be reported on line NN in Part 17) 760 _____ KK

Part 17 – Total recapture of SR&ED investment tax credit

Recaptured ITC for calculation 1 from line II in Part 16 . . . . . _____ LL

Recaptured ITC for calculation 2 from line JJ in Part 16 above . . . . . _____ MM

Recaptured ITC for calculation 3 from line KK in Part 16 above . . . . . _____ NN

Total recapture of SR&ED investment tax credit – Add lines LL, MM and NN . . . . . _____ OO

Enter amount OO at line A1 in Part 29.

PRE-PRODUCTION MINING

Part 18 – Pre-production mining expenditures

Exploration information

A mineral resource that qualifies for the credit means a mineral deposit from which the principal mineral to be extracted is diamond, a base or precious metal deposit, or a mineral deposit from which the principal mineral to be extracted is an industrial mineral that, when refined, results in a base or precious metal.

In column 800, list all minerals for which pre-production mining expenditures have taken place in the tax year.

List of minerals 800

For each of the minerals reported in column 800 above, identify each project, mineral title, and mining division where title is registered. If there is no mineral title, identify the project and mining division only.

Project name 805	Mineral title 806	Mining division 807

Pre-production mining expenditures *

Pre-production mining expenditures that the corporation incurred in the tax year for the purpose of determining the existence, location, extent, or quality of a mineral resource in Canada:

Prospecting	810		PP
Geological, geophysical, or geochemical surveys	811		QQ
Drilling by rotary, diamond, percussion, or other methods	812		RR
Trenching, digging test pits, and preliminary sampling	813		SS

Pre-production mining expenditures incurred in the tax year for bringing a new mine in a mineral resource in Canada into production in reasonable commercial quantities and incurred before the new mine comes into production in such quantities:

Clearing, removing overburden, and stripping	820		TT
Sinking a mine shaft, constructing an adit, or other underground entry	821		UU

Other pre-production mining expenditures incurred in the tax year:

Description 825	Amount 826

Add amounts at column 826 ▶ _____ VV

Total pre-production mining expenditures (add amounts PP to VV) 830 _____

Deduct: Total of all assistance (grants, subsidies, rebates, and forgivable loans) or reimbursements that the corporation has received or is entitled to receive in respect of the amounts referred to at line 830 above . . . . . 832 _____

Excess (line 830 minus line 832) (if negative, enter "0") _____ WW

Add: Repayments of government and non-government assistance . . . . . 835 _____ XX

Pre-production mining expenditures (amount WW plus amount XX) . . . . . _____ YY

* A pre-production mining expenditure is defined under subsection 127(9) and does not include an amount renounced under subsection 66(12.6).

Name of corporation	Business Number	Tax year-end Year Month Day
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	89671 8327 RC0001	2008-12-31

Part 19 – Calculation of current-year credit and account balances – ITC from pre-production mining expenditures

ITC at the end of the previous tax year . . . . . _____

Deduct:

Credit deemed as a remittance of co-op corporations . . . . . 841 _____

Credit expired* . . . . . 845 _____

Subtotal _____ ▶ _____

ITC at the beginning of the tax year . . . . . 850 _____

Add:

Credit transferred on amalgamation or wind-up of subsidiary . . . . . 860 _____

Expenditures from line YY in Part 18 . . . . . 870 _____ x 10 % = ... 880 _____

Total credit available . . . . . _____

Deduct:

Credit deducted from Part I tax (enter on line B3 in Part 30) . . . . . 885 _____

Credit carried back to the previous year(s) (from Part 20) . . . . . _____ CCC

Subtotal _____ ▶ _____

ITC closing balance from pre-production mining expenditures . . . . . 890 _____

* The credit expires after 20 tax years if it was earned in a tax year ending after 1997 and 10 years if it was earned in a tax year ending before 1998.

Part 20 – Request for carryback of credit from pre-production mining expenditures

	Year	Month	Day			
1st previous tax year				. . . . . Credit to be applied	921	_____
2nd previous tax year				. . . . . Credit to be applied	922	_____
3rd previous tax year				. . . . . Credit to be applied	923	_____

Total (enter on line CCC in Part 19) _____

APPRENTICESHIP JOB CREATION

Part 21 – Calculation of total current-year credit – ITC from apprenticeship job creation expenditures

If you are a related person as defined under subsection 251(2), has it been agreed in writing that you are the only employer who will be claiming the apprenticeship job creation tax credit for this tax year for each apprentice whose contract number (or social insurance number or name) appears below? (If not, you cannot claim the tax credit.) . . . . . 611 1 Yes ☐ 2 No ☐

For each apprentice in their first 24 months of the apprenticeship, enter the apprenticeship contract number registered with Canada, or a province or territory, under an apprenticeship program designed to certify or license individuals in the trade. For the province, the trade must be a Red Seal trade. If there is no contract number, enter the social insurance number (SIN) or the name of the eligible apprentice. Also enter the name of the eligible trade, the eligible salary and wages* payable for employment after May 1, 2006, and 10% of this amount. Then enter the lesser of 10% of eligible salary and wages **or** $2,000.

	A Contract number (SIN or name of apprentice) 601	B Name of eligible trade 602	C Eligible salary and wages* 603	D Column C x 10 % 604	E Lesser of column D or $ 2,000 605
1.	D18139	Lineworker	71,658	7,166	2,000
2.	D21607	Lineworker	66,342	6,634	2,000
3.	D21608	Lineworker	82,212	8,221	2,000
4.	D21609	Lineworker	69,563	6,956	2,000
5.	D21610	Lineworker	73,265	7,327	2,000
6.	D21611	Lineworker	71,098	7,110	2,000
7.	D21612	Lineworker	83,250	8,325	2,000
8.	D21613	Lineworker	73,151	7,315	2,000
9.	D21614	Lineworker	16,756	1,676	1,676
10.	D21615	Lineworker	29,591	2,959	2,000
11.	D21616	Lineworker	77,960	7,796	2,000
12.	D21617	Lineworker	70,094	7,009	2,000
13.	D21618	Lineworker	78,889	7,889	2,000
14.	D21619	Lineworker	81,073	8,107	2,000
15.	D21620	Lineworker	69,552	6,955	2,000
16.	PA6059	Lineworker	63,280	6,328	2,000
17.	PA6060	Lineworker	65,563	6,556	2,000
18.	PA6061	Lineworker	64,520	6,452	2,000
19.	PA6062	Lineworker	63,120	6,312	2,000
20.	PA6063	Lineworker	62,406	6,241	2,000
21.	PA6064	Lineworker	64,987	6,499	2,000
22.	PA6065	Lineworker	64,836	6,484	2,000
23.	PA6066	Lineworker	71,724	7,172	2,000
24.	PA6067	Lineworker	81,624	8,162	2,000
25.	PA6068	Lineworker	64,553	6,455	2,000
26.	PA6070	Lineworker	63,437	6,344	2,000
27.	PA6071	Lineworker	66,232	6,623	2,000
28.	PA6072	Lineworker	62,799	6,280	2,000
29.	PA6073	Lineworker	62,708	6,271	2,000
30.	PA6074	Lineworker	62,968	6,297	2,000
31.	PA6075	Lineworker	64,023	6,402	2,000
32.	PB2183	Lineworker	61,678	6,168	2,000
33.	PB2184	Lineworker	64,742	6,474	2,000
34.	PB2185	Lineworker	64,963	6,496	2,000
35.	PB2186	Lineworker	60,466	6,047	2,000
36.	PB2187	Lineworker	60,988	6,099	2,000
37.	PB2188	Lineworker	63,951	6,395	2,000
38.	PB2189	Lineworker	63,248	6,325	2,000
39.	PB2190	Lineworker	66,258	6,626	2,000
40.	PB2192	Lineworker	63,463	6,346	2,000
41.	PB2194	Lineworker	63,678	6,368	2,000
42.	PB2195	Lineworker	66,608	6,661	2,000
43.	PB2196	Lineworker	61,535	6,154	2,000
44.	PB2197	Lineworker	63,623	6,362	2,000

	A Contract number (SIN or name of apprentice) 601	B Name of eligible trade 602	C Eligible salary and wages* 603	D Column C x 10 % 604	E Lesser of column D or $ 2,000 605
45.	PB2198	Lineworker	64,804	6,480	2,000
46.	PB2199	Lineworker	63,736	6,374	2,000
47.	PB2200	Lineworker	62,359	6,236	2,000
48.	PC3001	Lineworker	22,108	2,211	2,000
49.	PC3002	Lineworker	21,790	2,179	2,000
50.	PC3003	Lineworker	22,282	2,228	2,000
51.	PC3004	Lineworker	22,364	2,236	2,000
52.	PC3005	Lineworker	21,987	2,199	2,000
53.	PC3006	Lineworker	21,918	2,192	2,000
54.	PC3007	Lineworker	22,666	2,267	2,000
55.	PC3008	Lineworker	21,988	2,199	2,000
56.	PC3009	Lineworker	22,478	2,248	2,000
57.	PC3010	Lineworker	21,783	2,178	2,000
58.	PC3011	Lineworker	22,595	2,260	2,000
59.	PC3012	Lineworker	22,370	2,237	2,000
60.	PC3013	Lineworker	22,334	2,233	2,000
61.	PC3014	Lineworker	22,192	2,219	2,000
62.	PC3015	Lineworker	21,728	2,173	2,000
63.					

Total current-year credit (enter at line 640) 123,676

* Net of any other government or non-government assistance received or to be received.

Part 22 – Calculation of current-year credit and account balances – ITC from apprenticeship job creation expenditures

ITC at the end of the previous tax year

Deduct:

Credit deemed as a remittance of co-op corporations 612

Credit expired after 20 tax years 615

Subtotal ▶

ITC at the beginning of the tax year 625

Add:

Credit transferred on amalgamation or wind-up of subsidiary 630

ITC from repayment of assistance 635

Total current-year credit (total of column 605) 640 123,676

Credit allocated from a partnership 655

Subtotal 123,676 ▶ 123,676

Total credit available 123,676

Deduct:

Credit deducted from Part I tax (enter on line B4 in Part 30) 660 123,676

Credit carried back to the previous year(s) (from Part 23) DDD

Subtotal 123,676 ▶ 123,676

ITC closing balance from apprenticeship job creation expenditures 690

Part 23 – Request for carryback of credit from apprenticeship job creation expenditures

Carryback of this credit is restricted to tax years ending after May 1, 2006.

	Year	Month	Day	
1st previous tax year				Credit to be applied 931
2nd previous tax year				Credit to be applied 932
3rd previous tax year				Credit to be applied 933

Total (enter on line DDD in Part 22)

Name of corporation	Business Number	Tax year-end Year Month Day
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	89671 8327 RC0001	2008-12-31

CHILD CARE SPACES

Part 24 – Eligible child care spaces expenditures

Enter the eligible expenditures that the corporation incurred after March 18, 2007, to create licensed child care spaces for the children of the employees and, potentially, for other children. The corporation is not a child care services business. The eligible expenditures include:

- the cost of depreciable property (other than specified property); and
- the specified child care start-up expenditures;

acquired or incurred only to create new child care spaces at a licensed child care facility.

Cost of depreciable property from the current tax year

	CCA* class number 665	Description of investment 675	Date available for use 685	Amount of investment 695
1.				

Total cost of depreciable property from the current tax year **715** _____ EEE

Add: Specified child care start-up expenditures from the current tax year . . . . . **705** _____ FFF

Total gross eligible expenditures for child care spaces (line 715 **plus** line 705) . . . . . _____ GGG

Deduct: Total of all assistance (including grants, subsidies, rebates, and forgivable loans) or reimbursements that the corporation has received or is entitled to receive in respect of the amounts referred to at line GGG) . . . . . **725** _____ HHH

Excess (amount GGG **minus** amount HHH) (if negative, enter "0") _____ III

Add: Repayments of government and non-government assistance . . . . . **735** _____ JJJ

Total eligible expenditures for child care spaces (amount III **plus** amount JJJ) . . . . . **745** _____

* CCA: capital cost allowance

Part 25 – Calculation of current-year credit – ITC from child care spaces expenditures

The credit is equal to 25% of eligible child care spaces expenditures incurred after March 18, 2007, to a maximum of $10,000 per child care space created in a licensed child care facility.

Eligible expenditures (line 745)			x	25 %	=	KKK
Number of child care spaces	755		x $	10,000	=	LLL
ITC from child care spaces expenditures (amount KKK or LLL, whichever is less)						MMM

Part 26 – Calculation of current-year credit and account balances – ITC from child care spaces expenditures

ITC at the end of the previous tax year			
Deduct:			
Credit deemed as a remittance of co-op corporations	765		
Credit expired after 20 tax years	770		
Subtotal		▶	
ITC at the beginning of the tax year	775		
Add:			
Credit transferred on amalgamation or wind-up of subsidiary	777		
Total current-year credit (amount MMM above)	780		
Credit allocated from a partnership	782		
Subtotal		▶	
Total credit available			
Deduct:			
Credit deducted from Part I tax (enter on line B5 in Part 30)	785		
Credit carried back to the previous year(s) (from Part 27)		NNN	
Subtotal		▶	
ITC closing balance from child care spaces expenditures	790		

Part 27 – Request for carryback of credit from child care space expenditures

	Year	Month	Day			
1st previous tax year	2007	12	31	Credit to be applied	941	
2nd previous tax year	2006	12	31	Credit to be applied	942	
3rd previous tax year	2005	12	31	Credit to be applied	943	
				Total (enter on line NNN in Part 26)		

Name of corporation	Business Number	Tax year-end Year Month Day
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	89671 8327 RC0001	2008-12-31

RECAPTURE – CHILD CARE SPACES

Part 28 – Calculating the recapture of ITC for corporations and corporate partnerships – Child care spaces

The ITC will be recovered against the taxpayer's tax otherwise payable under Part I of the Act if, at any time within 60 months of the day on which the taxpayer acquired the property:

- the new child care space is no longer available; or
- property that was an eligible expenditure for the child care space is:
  - disposed of or leased to a lessee; or
  - converted to another use.

If the property disposed of is a child care space, the amount that can reasonably be considered to have been included in the original ITC (paragraph 127(27.12)(a)) . . . . . 792 _____ ZZZ

In the case of eligible expenditures (paragraph 127(27.12)(b)), the lesser of:

The amount that can reasonably be considered to have been included in the original ITC . . 795 _____

25% of either the proceeds of disposition (if sold in an arm's length transaction) or the fair market value (in any other case) of the property . . . . . 797 _____

Amount from line 795 or line 797, whichever is less . . . . . _____ OOO

Corporate partnerships

As a member of the partnership, you will report your share of the child care spaces ITC of the partnership after the child care spaces ITC has been reduced by the amount of the recapture. If this amount is a positive amount, you will report it on line 782 in Part 26 on page 13. However, if the partnership does not have enough ITC otherwise available to offset the recapture, then the amount by which reductions to ITC exceed additions (the excess) will be determined and reported on line PPP below.

Corporate partner's share of the excess of ITC 799 _____ PPP

Total recapture of child care spaces investment tax credit – Add lines ZZZ, OOO, and PPP
Enter amount QQQ on line A2 in Part 29. . . . . _____ QQQ

Part 29 – Total recapture of investment tax credit

Recaptured SR&ED ITC from line OO in Part 17 . . . . . _____ A1

Recaptured child care spaces ITC from line QQQ in Part 28 above . . . . . _____ A2

Total recapture of investment tax credit – Add lines A1 and A2
Enter amount A3 on line 602 of the T2 return. . . . . _____ A3

Part 30 – Total ITC deducted from Part I tax

ITC from investments in qualified property deducted from Part I tax (from line 260 in Part 5) . . . . . _____ B1

ITC from SR&ED expenditures deducted from Part I tax (from line 560 in Part 12) 1,097,753 B2

ITC from pre-production mining expenditures deducted from Part I tax (from line 885 in Part 19) . . . . . _____ B3

ITC from apprenticeship job creation expenditures deducted from Part I tax (from line 660 in Part 22) 123,676 B4

ITC from child care space expenditures deducted from Part I tax (from line 785 in Part 26) . . . . . _____ B5

Total ITC deducted from Part I tax (add lines B1, B2, B3, B4, and B5) 1,221,429 B6
Enter amount B6 at line 652 of the T2 return.

Summary of Investment Tax Credit Carryovers

Continuity of investment tax credit carryovers

CCA class number 99 Cur. or cap. R&D for ITC

Current year

	Addition current year (A)	Applied current year (B)	Claimed as a refund (C)	Carried back (D)	ITC end of year (A-B-C-D)
	1,097,753	1,097,753			

Prior years

Taxation year	ITC beginning of year (E)	Adjustments (F)	Applied current year (G)	ITC end of year (E-F-G)
2007-12-31				
2006-12-31				
2005-12-31				
2004-12-31				
2003-12-31				
2002-12-31				
2001-12-31				
2001-09-30				
2000-09-30				
1999-09-30				*
1998-09-30				
1997-09-30				
1996-09-30				
1995-09-30				
1994-09-30				
1993-09-30				
1992-09-30				
1991-09-30				
1990-09-30				
1989-09-30				*
Total				

B+C+D+G **Total ITC utilized** 1,097,753

* The **ITC end of year** includes the amount of ITC expired from the 10th preceding year if it is before January 1, 1998, or the amount of ITC expired from the 20th preceding year if it is after December 31, 1997. Note that this credit will only expire at the beginning of the subsequent fiscal period. Consequently, this amount will be posted on line 215, 515, 615, 770 or 845, as applicable, in Schedule 31 of the subsequent fiscal year.

Summary of Investment Tax Credit Carryovers

Continuity of investment tax credit carryovers

CCA class number 97 Apprenticeship job creation ITC

Current year

Addition current year (A)	Applied current year (B)	Claimed as a refund (C)	Carried back (D)	ITC end of year (A-B-C-D)
123,676	123,676			

Prior years

Taxation year	ITC beginning of year (E)	Adjustments (F)	Applied current year (G)	ITC end of year (E-F-G)
2007-12-31				
2006-12-31				
2005-12-31				
2004-12-31				
2003-12-31				
2002-12-31				
2001-12-31				
2001-09-30				
2000-09-30				
1999-09-30				*
1998-09-30				
1997-09-30				
1996-09-30				
1995-09-30				
1994-09-30				
1993-09-30				
1992-09-30				
1991-09-30				
1990-09-30				
1989-09-30				*
Total				

B+C+D+G **Total ITC utilized** 123,676

* The **ITC end of year** includes the amount of ITC expired from the 10th preceding year if it is before January 1, 1998, or the amount of ITC expired from the 20th preceding year if it is after December 31, 1997. Note that this credit will only expire at the beginning of the subsequent fiscal period. Consequently, this amount will be posted on line 215, 515, 615, 770 or 845, as applicable, in Schedule 31 of the subsequent fiscal year.

Canada Revenue Agency / Agence du revenu du Canada

SCHEDULE 50

SHAREHOLDER INFORMATION

Name of corporation	Business Number	Tax year end Year Month Day
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	89671 8327 RC0001	2008-12-31

All private corporations must complete this schedule for any shareholder who holds 10% or more of the corporation's common and/or preferred shares.

		Provide only one number per shareholder				
	Name of shareholder (after name, indicate in brackets if the shareholder is a corporation, partnership, individual, or trust) 100	Business Number 200	Social insurance number 300	Trust number 350	Percentage common shares 400	Percentage preferred shares 500
1	TORONTO HYDRO CORPORATION	89676 0725 RC0001			100.000	
2						
3						
4						
5						
6						
7						
8						
9						
10						

Canada Revenue Agency / Agence du revenu du Canada

SCHEDULE 53

GENERAL RATE INCOME POOL (GRIP) CALCULATION

Name of corporation	Business Number	Tax year-end Year Month Day
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	89671 8327 RC0001	2008-12-31

On: 2008-12-31

- If you are a Canadian-controlled private corporation (CCPC) or a deposit insurance corporation (DIC), use this schedule to determine the general rate income pool (GRIP).
- When an eligible dividend was paid in the tax year, file a completed copy of this schedule with your *T2 Corporation Income Tax Return*. Do not send your worksheets with your return, but keep them in your records in case we ask to see them later.
- Subsections referred to in this schedule are from the *Income Tax Act*.
- Subsection 89(1) defines the terms eligible dividend, excessive eligible dividend designation, general rate income pool, and low rate income pool.

Eligibility for the various additions

Answer the following questions to determine the corporation's eligibility for the various additions:

2006 addition

1. Is this the corporation's first taxation year that includes January 1, 2006? ☐ Yes ☒ No
2. If not, what is the date of the taxation year end of the corporation's first year that includes January 1, 2006? Enter the date and go directly to question 4 2006-12-31
3. During that first year, was the corporation a CCPC or would it have been a CCPC if not for the election of subsection 89(11) ITA? ☒ Yes ☐ No
   If the answer to question 3 is yes, complete Part 5.

Change in the type of corporation

4. Was the corporation a CCPC during its preceding taxation year? ☒ Yes ☐ No
5. Corporations that become a CCPC or a DIC ☐ Yes ☒ No
   If the answer to question 5 is yes, complete Part 4.

Amalgamation (first year of filing after amalgamation)

6. Corporations that were formed as a result of an amalgamation ☐ Yes ☒ No
   If the answer to question 6 is yes, answer questions 7 and 8. If the answer is no, go to question 9.
7. Was one or more of the predecessor corporations neither a CCPC nor a DIC? ☐ Yes ☐ No
   If the answer to question 7 is yes, complete Part 4.
8. Was one or more of the predecessor corporation a CCPC or a DIC during the taxation year that ended immediately before amalgamation? ☐ Yes ☐ No
   If the answer to question 8 is yes, complete Part 3.

Winding-up

9. Corporations that wound-up a subsidiary ☐ Yes ☒ No
   If the answer to question 9 is yes, answer questions 10 and 11. If the answer is no, go to Part 1.
10. Was the subsidiary neither a CCPC nor a DIC during its last taxation year? ☐ Yes ☐ No
    If the answer to question 10 is yes, complete Part 4.
11. Was the subsidiary a CCPC or a DIC during its last taxation year? ☐ Yes ☐ No
    If the answer to question 11 is yes, complete Part 3.

Part 1 – Calculation of general rate income pool (GRIP)

GRIP at the end of the previous tax year			100	229,233,543 A
Taxable income for the year (DICs enter "0")*	110	94,013,196 B		
Income for the credit union deduction* (amount E in Part 3 of Schedule 17)	120			
Amount on line 400, 405, 410, or 425 of the T2 return, whichever is less*	130			
Subtotal (**add** lines 120 and 130)		▶		C
For a CCPC, aggregate investment income (line 440 of the T2 return)*		99,000 D		
Line B **minus** line C (if negative enter "0")		94,013,196 E		
Amount from line D or E, whichever is less	140	99,000 F		
Income taxable at the general corporate rate (line B **minus** lines C and F)	150	93,914,196		
After-tax income (line 150 **multiplied by** 68 %)			190	63,861,653 G
Eligible dividends received in the tax year	200	4,787		
Dividends deductible under section 113 received in the tax year	210			
Subtotal (**add** lines 200 and 210)		4,787 ▶		4,787 H
GRIP addition:				
Becoming a CCPC (line PP from Part 4)	220			
Post-amalgamation (total of lines EE from Part 3 and lines PP from Part 4)	230			
Post-wind-up (total of lines EE from Part 3 and lines PP from Part 4)	240			
Subtotal (**add** lines 220, 230, and 240)		▶	290	I
Subtotal (**add** lines A, G, H, and I)				293,099,983 J
Eligible dividends paid in the previous tax year	300			
Excessive eligible dividend designations made in the previous tax year	310			
Note: If becoming a CCPC (subsection 89(4) applies), enter "0" on lines 300 and 310.				
Subtotal (line 300 **minus** line 310)		▶		K
GRIP before adjustment for specified future tax consequences (line J **minus** line K) (amount can be negative)			490	293,099,983
Total GRIP adjustment for specified future tax consequences to previous tax years (amount W from Part 2)			560	
GRIP at the end of the tax year (line 490 **minus** line 560)			590	293,099,983

Enter this amount on line 160 on Schedule 55.

* **Note:** For lines 110, 120, 130 and D, the income amount is the amount before considering specified future tax consequences. This phrase is defined in subsection 248(1). It includes the deduction of a loss carryback from subsequent tax years, a reduction of Canadian exploration expenses and Canadian development expenses that were renounced in subsequent tax years (e.g., flow-through share renunciations), reversals of income inclusions where an option is exercised in subsequent tax years, and the effect of certain foreign tax credit adjustments.

Part 2 – GRIP adjustment for specified future tax consequences to previous tax years

Complete this part if the corporation's taxable income of any of the previous three tax years took into account the specified future tax consequences defined in subsection 248(1) from the current tax year. Otherwise, enter "0" on line 560 or leave it blank.

First previous tax year 2007-12-31

Taxable income before specified future tax consequences from the current tax year		130,804,395 J1	
Enter the following amounts before specified future tax consequences from the current tax year:			
Income for the credit union deduction (amount E in Part 3 of Schedule 17)	K1		
Amount on line 400, 405, 410, or 425 of the T2 return, whichever is less	L1		
Aggregate investment income (line 440 of the T2 return)	1,086,271 M1		
Subtotal (**add** lines K1, L1, and M1)	1,086,271 ▶	1,086,271 N1	
Subtotal (line J1 **minus** line N1) (if negative, enter "0")		129,718,124 ▶	129,718,124 O1

Part 2 – GRIP adjustment for specified future tax consequences to previous tax years (continued)

Future tax consequences that occur for the current year Amount carried back from the current year to a prior year					
Non-capital loss carry-back (paragraph 111 (1)(a) ITA)	Capital loss carry-back	Restricted farm loss carry-back	Farm loss carry-back	Other	Total carrybacks

Taxable income after specified future tax consequences P1

Enter the following amounts after specified future tax consequences:

Income for the credit union deduction (amount E in Part 3 of Schedule 17) . . . Q1

Amount on line 400, 405, 410, or 425 of the T2 return, whichever is less R1

Aggregate investment income (line 440 of the T2 return) S1

Subtotal (**add** lines Q1, R1, and S1) ▶ T1

Subtotal (line P1 **minus** line T1) (if negative, enter "0") ▶ U1

Subtotal (line O1 **minus** line U1) (if negative, enter "0") V1

GRIP adjustment for specified future tax consequences to first previous tax year (line V1 **multiplied by** 68 %) . . . **500**

Second previous tax year 2006-12-31

Taxable income before specified future tax consequences from the current tax year 147,794,981 J2

Enter the following amounts before specified future tax consequences from the current tax year:

Income for the credit union deduction (amount E in Part 3 of Schedule 17) . . . K2

Amount on line 400, 405, 410, or 425 of the T2 return, whichever is less L2

Aggregate investment income (line 440 of the T2 return) 583,769 M2

Accelerated tax reduction (line 637 of T2 return) **multiplied by 100/7** . . . . . .

Subtotal (**add** lines K2, L2, and M2) 583,769 ▶ 583,769 N2

Subtotal (line J2 **minus** line N2) (if negative, enter "0") 147,211,212 ▶ 147,211,212 O2

Future tax consequences that occur for the current year Amount carried back from the current year to a prior year					
Non-capital loss carry-back (paragraph 111 (1)(a) ITA)	Capital loss carry-back	Restricted farm loss carry-back	Farm loss carry-back	Other	Total carrybacks

Taxable income after specified future tax consequences P2

Enter the following amounts after specified future tax consequences:

Income for the credit union deduction (amount E in Part 3 of Schedule 17) . . . Q2

Amount on line 400, 405, 410, or 425 of the T2 return, whichever is less R2

Aggregate investment income (line 440 of the T2 return) S2

Accelerated tax reduction (line 637 of T2 return) **multiplied by 100/7** . . . . . .

Subtotal (**add** lines Q2, R2, and S2) ▶ T2

Subtotal (line P2 **minus** line T2) (if negative, enter "0") ▶ U2

Subtotal (line O2 **minus** line U2) (if negative, enter "0") V2

GRIP adjustment for specified future tax consequences to second previous tax year (line V2 **multiplied by** 68 %) **520**

Part 2 – GRIP adjustment for specified future tax consequences to previous tax years (continued)

Third previous tax year 2005-12-31

Taxable income before specified future tax consequences from the current tax year J3

Enter the following amounts before specified future tax consequences from the current tax year:

Income for the credit union deduction (amount E in Part 3 of Schedule 17) . . . K3

Amount on line 400, 405, 410, or 425 of the T2 return, whichever is less L3

Aggregate investment income (line 440 of the T2 return) M3

Accelerated tax reduction (line 637 of T2 return) **multiplied by 100/7** . . . . . .

Subtotal (**add** lines K3, L3, and M3) ▶ N3

Subtotal (line J3 **minus** line N3) (if negative, enter "0") ▶ O3

Future tax consequences that occur for the current year Amount carried back from the current year to a prior year					
Non-capital loss carry-back (paragraph 111 (1)(a) ITA)	**Capital loss carry-back**	**Restricted farm loss carry-back**	**Farm loss carry-back**	**Other**	**Total carrybacks**

Taxable income after specified future tax consequences P3

Enter the following amounts after specified future tax consequences:

Income for the credit union deduction (amount E in Part 3 of Schedule 17) . . . Q3

Amount on line 400, 405, 410, or 425 of the T2 return, whichever is less R3

Aggregate investment income (line 440 of the T2 return) S3

Accelerated tax reduction (line 637 of T2 return) **multiplied by 100/7** . . . . . .

Subtotal (**add** lines Q3, R3, and S3) ▶ T3

Subtotal (line P3 **minus** line T3) (if negative, enter "0") ▶ U3

Subtotal (line O3 **minus** line U3) (if negative, enter "0") V3

GRIP adjustment for specified future tax consequences to third previous tax year (line V3 **multiplied by** 68 %) . . . 540

Total GRIP adjustment for specified future tax consequences to previous tax years:
(**add** lines 500, 520, and 540) (if negative, enter "0") . . . . . W

Enter amount W on line 560.

Part 3 – Worksheet to calculate the GRIP addition post-amalgamation or post-wind-up (predecessor or subsidiary was a CCPC or DIC in its last tax year)

nb. 1 Post amalgamation . . . ☐ Post wind-up . . . . . ☐

Complete this part when there has been an amalgamation (within the meaning assigned by subsection 87(1)) or a wind-up (to which subsection 88(1) applies) and the predecessor or subsidiary corporation was a CCPC or DIC in its last tax year. In the calculation below, **corporation** means a predecessor or a subsidiary. The last tax year for a predecessor corporation was its tax year that ended immediately before the amalgamation and for a subsidiary corporation was its tax year during which its assets were distributed to the parent on the wind-up.

For a post-wind-up, include the GRIP addition in calculating the parent's GRIP at the end of its tax year that immediately follows the tax year during which it receives the assets of the subsidiary.

Complete a separate worksheet for **each** predecessor and **each** subsidiary that was a CCPC or DIC in its last tax year. Keep a copy of this calculation for your records, in case we ask to see it later.

Corporation's GRIP at the end of its last tax year . . . . . AA

Eligible dividends paid by the corporation in its last tax year . . . . . BB

Excessive eligible dividend designations made by the corporation in its last tax year CC

Subtotal (line BB **minus** line CC) ▶ DD

GRIP addition post-amalgamation or post-wind-up (predecessor or subsidiary was a CCPC or DIC in its last tax year)
(line AA **minus** line DD) . . . . . EE

After you complete this calculation for each predecessor and each subsidiary, calculate the total of all the EE lines. Enter this total amount on:

- line 230 for post-amalgamation; or
- line 240 for post-wind-up.

Part 4 – Worksheet to calculate the GRIP addition post-amalgamation, post-wind-up (predecessor or subsidiary was not a CCPC or DIC in its last tax year), or the corporation is becoming a CCPC

nb. 1 Corporation becoming a CCPC . . . . . ☐ Post amalgamation . . . . . ☐ Post wind-up . . . . . ☐

Complete this part when there has been an amalgamation (within the meaning assigned by subsection 87(1)) or a wind-up (to which subsection 88(1) applies) and the predecessor or subsidiary was not a CCPC or DIC in its last tax year. Also, use this part for a corporation becoming a CCPC. In the calculation below, **corporation** means a corporation becoming a CCPC, a predecessor, or a subsidiary.

For a post-wind-up, include the GRIP addition in calculating the parent's GRIP at the end of its tax year that immediately follows the tax year during which it receives the assets of the subsidiary.

Complete a separate worksheet for **each** predecessor and **each** subsidiary that was not a CCPC or a DIC in its last tax year. Keep a copy of this calculation for your records, in case we ask to see it later.

Cost amount to the corporation of all property immediately before the end of its previous/last tax year . . . . . _____ FF

The corporation's money on hand immediately before the end of its previous/last tax year . . . . . _____ GG

Unused and unexpired losses at the end of the corporation's previous/last tax year:

Non-capital losses	_____	
Net capital losses	_____	
Farm losses	_____	
Restricted farm losses	_____	
Limited partnership losses	_____	
Subtotal	_____ ▶	_____ HH

Subtotal (**add** lines FF, GG, and HH) _____ II

All the corporation's debts and other obligations to pay that were outstanding immediately before the end of its previous/last tax year . . . . . _____ JJ

Paid up capital of all the corporation's issued and outstanding shares of capital stock immediately before the end of its previous/last tax year . . . . . _____ KK

All the corporation's reserves deducted in its previous/last tax year . . . . . _____ LL

The corporation's capital dividend account immediately before the end of its previous/last tax year . . . . . _____ MM

The corporation's low rate income pool immediately before the end of its previous/last tax year . . . . . _____ NN

Subtotal (**add** lines JJ, KK, LL, MM, and NN) _____ ▶ _____ OO

GRIP addition post-amalgamation or post-wind-up (predecessor or subsidiary was not a CCPC or DIC in its last tax year), or the corporation is becoming a CCPC (line II **minus** line OO) (if negative, enter "0") . . . . . _____ PP

After you complete this worksheet for each predecessor and each subsidiary, calculate the total of all the PP lines. Enter this total amount on:

- line 220 for a corporation becoming a CCPC;
- line 230 for post-amalgamation; or
- line 240 for post-wind-up.

Canada Revenue Agency / Agence du revenu du Canada

SCHEDULE 55

PART III.1 TAX ON EXCESSIVE ELIGIBLE DIVIDEND DESIGNATIONS

Name of corporation	Business Number	Tax year-end Year Month Day
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	89671 8327 RC0001	2008-12-31

Do not use this area

- Every corporation resident in Canada that pays a taxable dividend (other than a capital gains dividend within the meaning assigned by subsection 130.1(4) or 131(1)) in the tax year must file this schedule.
- Canadian-controlled private corporations (CCPC) and deposit insurance corporations (DIC) must complete Part 1. All other corporations must complete Part 2.
- Every corporation that has paid an eligible dividend must also file Schedule 53, *General Rate Income Pool (GRIP) Calculation,* or Schedule 54, *Low Rate Income Pool Calculation (LRIP)*; whichever is applicable.
- File the completed schedules with your *T2 Corporation Income Tax Return* no later than six months from the end of the tax year.
- Parts, subsections, and paragraphs mentioned in this schedule refer to the *Income Tax Act*.
- Subsection 89(1) defines the terms eligible dividend, excessive eligible dividend designation, general rate income pool (GRIP), and low rate income pool (LRIP).
- The calculations in Part 1 and Part 2 do not apply if the excessive eligible dividend designation arises from the application of paragraph (c) of the definition of excessive eligible dividend designation in subsection 89(1). This paragraph applies when an eligible dividend is paid to artificially maintain or increase the GRIP or to artificially maintain or decrease the LRIP.

Part 1 – Canadian-controlled private corporations and deposit insurance corporations

Taxable dividends paid in the tax year **not included** in Schedule 3			
Taxable dividends paid in the tax year **included** in Schedule 3		25,000,000	
Total taxable dividends paid in the tax year	100	25,000,000	
Total eligible dividends paid in the tax year	150		
GRIP at the end of the year (line 590 on Schedule 53) (if negative, enter "0")	160	293,099,983	
Excessive eligible dividend designation (line 150 **minus** line 160)			A
Part III.1 tax on excessive eligible dividend designations – CCPC or DIC (line A **multiplied** by 20%)	x 20 %	190	

Enter the amount from line 190 at line 710 of the T2 return.

Part 2 – Other corporations

Taxable dividends paid in the tax year **not included** in Schedule 3			
Taxable dividends paid in the tax year **included** in Schedule 3			
Total taxable dividends paid in the tax year	200		
Total excessive eligible dividend designations in the tax year (line A of Schedule 54)			B
Part III.1 tax on excessive eligible dividend designations – Other corporations (line B **multiplied** by 20%)	x 20 %	290	

Enter the amount from line 290 at line 710 of the T2 return.

Canada Revenue Agency / Agence du revenu du Canada

CLAIM FOR SCIENTIFIC RESEARCH AND EXPERIMENTAL DEVELOPMENT (SR&ED) CARRIED OUT IN CANADA

Prepared without audit from information supplied by the taxpayer.

- Use this form to claim SR&ED carried out in Canada during the year. File it with your return of income.
- If you are filing a T2 corporation return of income, place this form on top of the return so that we can identify your SR&ED claim quickly.
- Use a separate form to support SR&ED expenditures incurred by each partnership of which you are a partner.
- Use Guide T4088, *Claiming Scientific Research and Experimental Development Expenditures*, to help you fill out this form. You can also consult our Web site at **www.cra.gc.ca/sred/** for an online help guide.
- If the SR&ED was performed in the province of Newfoundland and Labrador, Nova Scotia, New Brunswick, Québec, Ontario, Manitoba, Saskatchewan, or British Columbia, or in the Yukon Territory, you may be entitled to a provincial or territorial tax credit.
- Complete schedules A, B, C, D, E and F, if they apply to your situation.
- Prepare and retain schedules to support the breakdown for each expenditure claimed in this form and on the required attachments.
- On this form, references to the Act are to the *Income Tax Act*. References to the Regulations are to the *Income Tax Regulations*.
- All the information requested in this form including the attachments, schedules and any other document supporting your expenditures is prescribed information. You have to file the information that applies to your claim, along with Schedule T2SCH31 or Form T2038(IND), within 12 months of the filing-due date of your return of income for the year you incurred the expenditures. If you do not meet this reporting deadline, we may reject your claim.

Part 1 – General Information

Name of claimant
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED

Claimant's business address and postal code
14 CARLTON STREET
TORONTO M5B 1K5
Claimant's Web site (if available)
http://www.

Business Number, social insurance number, or partnership identification number
89671 8327 RC0001

Return for tax year from: 2008-01-01 (Year Month Day) to: 2008-12-31 (Year Month Day)

100 Name of contact person
BARRY PARKER

105 Telephone number/extension
(416) 542-2895

110 Fax number
(416) 542-2808

130 Is this the first time you are claiming for SR&ED?
1 Yes [ ] 2 No [X]

132 If not, when was the last claim? Year 2007

142 Is the claim filed for a partnership? 1 Yes [ ] 2 No [X]

145 If *yes*, what is the name of the partnership?

150 Percentage of SR&ED investment tax credits allocated from the partnership %

155 Name of the person or firm who prepared this claim
Deloitte & Touche LLP

Certification and Election

I certify that I have examined the information provided on this form, and on the related schedules and attachments and it is true, correct, and complete.

I elect (choose) to use the following method to calculate my SR&ED expenditures and related investment tax credits (ITC) for the year. I understand that my election (choice) is irrevocable for this year.

160 I elect to use the proxy method under clause 37(8)(a)(ii)(B) 1 Yes [X]

162 I choose to use the traditional method 1 Yes [ ]

165 PANKAJ SARDANA
Name of authorized signing officer of the corporation, authorized partner, or individual

Signature

170 June 30/09
Date

For Canada Revenue Agency use only

490 **491** **492**

T661 E (07)

Canada

Part 2 – Scientific or Technological Project Information

Provide the information requested in Step 1 on separate sheets of paper for each project, and attach them to this form. If you have more than 20 projects, you only need to provide project descriptions for the 20 that are largest in term of dollar value. For step 2, provide the information requested on this form and complete Schedule E. For more information, see Guide T4088, *Claiming Scientific Research and Experimental Development.*

Step 1 – Detailed project description

Identify each of the projects you are claiming and use questions A to E below to help you provide the information we need to process your claim. If the project is continuing from last year and the objective has not changed or been achieved, you can use the same information that you provided last year for questions A, B and C. Include sufficient information to show how your project work meets the requirements of the SR&ED Program.

We recommend that you read Guide T4088 before you answer questions A to E. This will help you understand the type of information the Canada Revenue Agency needs to process your claim and will reduce or eliminate the need for you to submit more information. It will also help you avoid preparing unnecessary information. Most projects can be described in four pages or less. It would be helpful to take into account whether your project involved experimental development work or scientific research work, because the eligibility requirements for these are different. In general, **experimental development** work is done either in or outside a laboratory in order to achieve a technological advancement for creating new, or improving existing materials, devices, products, or processes. Scientific research work is done mostly in a laboratory setting to obtain new scientific knowledge.

A. **Scientific or technological objectives** – What is the scientific or technological objective of your project? Does this project involve scientific research or experimental development?

B. **Technology or knowledge base or level** – If your project work is mostly experimental development, what were the technological limitations of the products or processes before you started your project? If your project work is mostly scientific research, what was the extent of existing scientific knowledge in this area?

C. **Scientific or technological advancement** – What advancement in technology is being sought? What were the problems or challenges that could not be solved using commonly available techniques requiring you to seek an advance in the underlying technology to achieve the objective in A above? or what was the new scientific knowledge sought in your work? To what field of science or technology would the advance contribute?

D. **Description of work in the tax year** – Describe the work, including experiments and analyses, that you did in this tax year to achieve the technological or scientific objectives above. If all or part of the work that you are claiming was performed by contractors, include a description of the work performed on your behalf by the contractors or a copy of the statement of work from the contract.

E. **Supporting information** – What technical records or documents generated over the course of the work, such as records of trials, test results, progress and final reports, minutes of meetings, employee activity records, prototypes, and new products, are available to support your claim?

Step 2 – Project summary information

Total number of projects you are claiming in this tax year. **200** 8

If you received an amount under the Industrial Research Assistance Program (IRAP) for SR&ED type work, please indicate the amount you received. **206**

Complete Schedule E to provide a list of all SR&ED projects for which you are claiming expenditures this year.

Part 3 – Summary of SR&ED Expenditures (nearest dollar)

Step 1 – Allowable SR&ED expenditures for SR&ED carried out in Canada

SR&ED portion of salary or wages of employees directly engaged in SR&ED:			
• employees other than specified employees	300	+	1,916,811
• specified employees (do not include bonuses or remuneration based on profits) (see guide)	305	+	
Amounts deemed incurred in the year under subsection 78(4) (salary or wages)	310	+	
Unpaid amounts deemed not incurred in the year under subsection 78(4) 315			
Cost of materials consumed in the prosecution of SR&ED	320	+	
Cost of materials transformed in the prosecution of SR&ED	325	+	
SR&ED contracts performed on your behalf (complete Schedule F):			
• arm's length contracts	340	+	2,400,437
• non-arm's length contracts	345	+	
Lease costs of equipment used:			
• all or substantially all (90% of the time or more) for SR&ED	350	+	
• primarily (more than 50% but less than 90% of the time) for SR&ED. Enter only 50% of the lease costs if you use the proxy method. If you use the traditional method, enter "0".	355	+	
Overhead or other expenditures (enter "0" if you use the proxy method)	360	+	
Subtotal (add lines 300 to 360; do not add line 315)	365	=	4,317,248
Third-party payments (complete Schedule A)	370	+	
Total current SR&ED expenditures (add lines 365 and 370)	380	=	4,317,248
Capital expenditures (for ASA equipment, see guide)	390	+	23,452
Total allowable SR&ED expenditures (add lines 380 and 390)	400	=	4,340,700

Step 2 – Pool of deductible SR&ED expenditures

Amount from line 400			4,340,700
less			
• government and non-government assistance for expenditures included on line 400	430	–	
• SR&ED ITC claimed last year (other than ITC on shared-use equipment)	435	–	1,157,425
• sale of SR&ED capital assets (see guide) and other deductions	440	–	
add			
• previous year's ending balance in the pool of deductible SR&ED expenditures	450	+	
• amount of ITC recaptured in the preceding tax year	453	+	
• adjustments to the pool of deductible expenditures (complete Schedule B, Section 1)	454	+	
Amount available for deduction (If the amount is negative, enter "0" and add to income in the year)	455	=	3,183,275
Deduction claimed in the year	460	–	3,183,275
Current year's balance of deductible SR&ED expenditures applicable to future years (line 455 minus line 460)	470	=	

Step 3 – Qualified SR&ED expenditures for ITC purposes

Enter the breakdown between current and capital expenditures for ITC purposes.

		Current Expenditures		Capital Expenditures
Total expenditures for SR&ED (from lines 380 and 390)	492	4,317,248	496	23,452
add				
• unpaid amounts (other than salaries or wages) from previous years that were paid in the year under subsection 127(26)	500 +			
• prescribed proxy amount (complete Schedule D); enter "0" if you use the traditional method	502 +	1,148,066		
• expenditures on shared-use-equipment (See Note 1)			504 +	
• qualified expenditures transferred to you (from Form T1146)	508 +		510 +	
less				
• government and non-government assistance, and contract payments	534 –		536 –	
• amounts from lines 552 and 554 of Schedule B, Section 2	552 –		554 –	
• amounts from lines 555 and 556 of Schedule C	555 –		556 –	
Subtotal	557 =	5,465,314	558 =	23,452
SR&ED qualified expenditure pool (add lines 557 and 558)			559 =	5,488,766
add				
• Repayments of assistance and contract payments made in the year			560 +	
Total SR&ED expenditures that qualify for ITC purposes (add lines 559 and 560)*			570 =	5,488,766

*To claim an ITC on this amount, you must complete Schedule T2SCH31 – *Investment Tax Credit – Corporation*, or Form T2038(IND), *Investment Tax Credit (Individuals)*, whichever applies.

Note 1

The expenditure is deemed to be 1/4 of the capital cost of the equipment. Certain adjustments may be required if the equipment was purchased from a non-arm's length supplier (see the explanations for lines 522 and 524 in the guide).

Part 4 – Background Information

This information is used to administer the SR&ED program.

Expenditures for SR&ED performed by you (line 400 minus lines 340, 345, and 370) **605** 1,940,263

A. Sources of funds for SR&ED

From the total you entered on line 605, estimate the percentage of distribution of the sources of funds for SR&ED performed within your organization

		Canadian (%)		Foreign (%)
Internal	600	100.000		
Parent companies, subsidiaries, and affiliated companies	602		604	
Federal grants (do not include funds or tax credits from SR&ED tax incentives)	606			
Federal contracts	608			
Provincial funding	610			
SR&ED contract work performed for other companies on their behalf	612		614	
Other funding (e.g., universities, foreign governments)	616		618	

B. Business personnel

Total number of employees **630** 1,552

SR&ED personnel (full-time SR&ED staff, plus full-time equivalent for staff engaged part-time in this activity):

Scientists and engineers	632	17	Technologists and tehnicians	634	
Managers and administrators	636		Other technical supporting staff	638	

C. Nature of SR&ED work

From the total you entered on line 605, estimate the approximate distribution of your SR&ED effort:

Basic research (no specific application in view)	650		Applied research (specific practical application in view)			652		
Development of new:	product	654	1.000	process	656	68.000	technical services	658	
Improvement to existing:	product	660	15.000	process	662	16.000	technical services	664	

D. Specialized field of research

Indicate, if applicable, the percentage of the amount on line 605 attributed to the following fields of research:

Software development	670		Biotechnology	672		Environmental protection	674	

Complete Claim Checklist

To speed up the processing of your claim, make sure you have:

1. Used the current version of Form T661 if you are filing a current-year claim	X
2. Signed the "Certification and Election" section in Part 1 of Form T661	X
3. Indicated the method you have chosen for reporting your SR&ED expenditures in fields 160 or 162 of Part 1	X
4. Provided a summary of information for each project, with a breakdown of expenditures (labour, materials and contracts) as per Schedule E	X
5. Submitted a detailed project description of your 20 largest projects in terms of their dollar value	X
6. Retained documents prepared to support the SR&ED expenditures claimed in Part 3. If you forget to claim an expenditure, you have up to 12 months after the filing-due date of your tax return for the year to submit an amended Form T661	X
7. Completed Part 4 - Background Information	X
8. Completed schedule A, B, C, D, E and F, if they apply to your situation, and attached to form T661	X
9. Filed a completed Schedule T2SCH31, *Investment Tax Credit – Corporations*, or Form T2038 (IND), *Investment Tax Credit (Individuals)*, to claim ITCs on your qualified SR&ED expenditures	X

All the information requested in this form including the attachments, schedules and any other document to support your expenditures is prescribed information. You have to file the information that applies to your claim, along with Schedule T2SCH31 or Form T2038(IND), within 12 months of the filing-due date of your Income tax return for the year you incurred the expenditures. If you do not meet this reporting deadline, your claim may be rejected.

Schedule A – Third-Party Payments for SR&ED

You must complete a Schedule A for each third-party payment for SR&ED (attach to Form T661)

Schedule B – Special Situations (attach to Form T661).

Section 1 – Adjustments to the pool of deductible SR&ED expenditures incurred in Canada

• Repayments of government and non-government assistance (include only the repayments of assistance that previously reduced the deductible SR&ED expenditure pool)	445	+	
• SR&ED expenditure pool transfer from amalgamation or wind-up	452	+	
Total (add lines 445 and 452)	454	=	

Report on line 454 in Part 3, Step 2 of Form T661

Section 2 – Adjustments to the qualified SR&ED expenditures for ITC purposes

		Current Expenditures		Capital Expenditures
• Unpaid amounts (other than salary or wages on line 315) deemed not to be incurred in the year under subsection 127(26)	520	–		
• Current expenditures for SR&ED contract paid or payable to, or for the benefit of a person or partnership that is not a taxable supplier in respect of the expenditures	528	–		
• Prescribed expenditures (Section 2902 of the *Regulations*)	530	–	532	–
• Other deductions (see guide)	548	–	550	–
Total (add lines 520, 528, 530, and 548, also add lines 532 and 550)	552	=	554	=

Report on lines 552 and 554 respectively in Part 3, Step 3 of Form T661

Schedule C – Non-Arm's Length Transactions (attach to Form T661).

Adjustments to the qualified SR&ED expenditures for ITC purposes

		Current Expenditures		Capital Expenditures
• Purchases of goods and services from non-arm's length suppliers (except for shared-use-equipment) (see note 1)	522	–	524	–
• Expenditures for non-arm's length SR&ED contracts (from line 345)	526	–		
• Assistance allocated to you (from Form T1145)	538	–	540	–
• Qualified expenditures you transferred (from Form T1146)	544	–	546	–
Total (add lines 522, 526, 538, and 544, also add lines 524, 540, 546)	555	=	556	=

Report on line 555 and 556 respectively in Part 3, Step 3 of Form T661

Note 1

Subsections 127(11.6) to (11.8) provide rules for determining a taxpayer's expenditures to services rendered by, or property acquired from, a non-arm's length supplier. On line 522, enter the difference, if any, between the amount included in your SR&ED expenditure pool for the purchases of goods and services from non-arm's length suppliers and the expenditure's deemed amount under subsection 127(11.6) (read the Guide).

T661 Schedule D – Calculation of Salary Base and Prescribed Proxy Amount

If you are using the proxy method, complete this calculation table and attach it to Form T661.

This table will help you to calculate the prescribed proxy amount (PPA) to enter on line 502 of Form T661. You can only claim a PPA if you elected in Part 1 of Form T661 (line 160) to use the proxy method for the year.

The PPA is 65% of the salary base determined in Section A. The salary base is the total of salary or wages paid to and incurred for the employees directly engaged in SR&ED in Canada during the year.

Special rules apply for specified employees. Calculate your salary base in Section A, the PPA in Section B, and the salary or wages of specified employees eligible to be included in the salary base in Section C.

Section A – Salary base

Salary or wages of employees directly engaged in SR&ED, other than specified employees (from line 300)	810	+	1,916,811
Less:			
Remuneration based on profits, bonuses, and taxable benefits under sections 6 and 7 of the Act, included on line 810 above	812	–	150,556
Subtotal (line 810 minus line 812)	814	=	1,766,255
Plus:			
Total salary or wages of specified employees directly engaged in SR&ED (per Section C, total of column 6 below)	816	+	
Salary base (total of lines 814 and 816)	818	=	1,766,255

Section B – Prescribed Proxy Amount

Calculate 65 % of the salary base per line 818	820	=	1,148,066

Report the PPA on line 502 of Part 3, Step 3 of Form T661.

In certain situations, an overall cap on the PPA may limit the amount otherwise determined (see Table 7 in the guide).

Section C – Determining the salary or wages of specified employees

Special rules apply to restrict the amount of salary or wages of specified employees that you can include in the salary base. Use the chart below to calculate this amount.

850	852	854	856		858	860
Column 1	**Column 2**	**Column 3**	**Column 4**	**Column 4a**	**Column 5****	**Column 6**
Name of specified employee	Total salary or wages for the year (SR&ED and non-SR&ED)*	Percentage of time spent on SR&ED in Canada (maximum 75%)	Amount in column 2 multiplied by percentage in column 3	Number of days in taxation year employed (maximum 365 days)	2.5 x A x B ÷365	Amount in column 4 or 5, whichever amount is less
Total (enter total of column 6 amounts on line 816 in Section A above).						

* Do not include bonuses, remuneration based on profits, or taxable benefits under sections 6 and 7 of the *Act*.

** **A** is the year's maximum pensionable earnings (section 18 of the *Canada Pension Plan*) for the calendar year in which your tax year ends. The year's maximum pensionable earnings for 2008 are $44, 900 (total $44, 900 x 2.5 = $112, 250), for 2007 are $43,700 (total $43,700 x 2.5 = $109,250), for 2006 they are $42,100 (total $42,100 x 2.5 = $105,250), and for 2005 they are $41,100 (total $41,100 x 2.5 = $102,750).

B is the number of days in the taxation year that you employ the individual.

T661 Schedule E – List of all SR&ED projects claimed in the year (attach to Form T661)

For each project you are claiming, provide the following information using the table below. Expenditures should be recorded and allocated on a project basis.

210 Project identification: code or name	212 Start date (yyyy/mm/dd)	214 Finish date (yyyy/mm/dd) Actual or expected	216 Total labour expenditures in tax year	218 Total expenditures of materials in tax year	220 Total contract expenditures in tax year
1. THESL-2	2006-01-01	2008-12-31	313,851		164,491
2. THESL-3	2006-01-01	2008-12-31	325,353		94,100
3. THESL-4	2007-01-01	2008-12-31	101,320		36,690
4. THESL-5	2008-09-01	2008-12-31	52,257		5,180
5. THESL-6	2008-04-01	2008-12-31	38,983		130,380
6. THESL-7	2004-06-01	2010-12-31	1,032,820		1,918,407
7. THESL-9	2007-01-01	2009-09-30	45,941		23,985
8. Intercon Interface	2008-10-01	2008-12-31	6,286		27,203
		Total	1,916,811		2,400,436

Use copies of this schedule if you have more than 50 projects and attach them to Form T661.

T661 Schedule F – Arm's Length and Non-Arm's Length SR&ED Contracts (attach to Form T661)

Complete this schedule only if the total dollar amount per contractor for the year is greater than $30,000. If necessary, use copies of this schedule and attach them to Form T661.

Section A – Number of contractors for whom you have to report and provide details in Sections B and C

Arm's length contractors (complete section B below)	10 **900**
Non-arm's length contractors (complete section C below)	**920**

Section B – Complete this section for each arm's length contractor

902 Name of contractor	**904** Contractor's Business No. or GST Registration No.	**906** Number of contracts per contractor	**908** Total dollar amount per contractor greater than $30,000	**910** Project code for expenditures claimed in the year (if available)	**912** Total contract expenditures in tax year
Afsan Services Inc.	132893439	1	92,705	THESL-7	92,705
Axia Software Corporation	853269967	1	90,000	THESL-2	90,000
CSI Consulting Inc.	893558148	1	763,300	THESL-7, Int Interfc	488,830
Delphi Group	127612125	1	130,380	THESL-6	130,380
Int3s Inc.	803502673	1	160,000	THESL-7	160,000
Kinectrics Inc.	864020920	1	78,880	THESL-2, 3, 5	78,880
Navigant Consulting, Ltd.	883101511	1	36,690	THESL-4	36,690
Procom Consultants Group Ltd.	875984874	1	1,161,876	THESL-7, Int Interfc	1,093,611
Scroggie Creek Consulting Inc.	889527289	1	69,291	THESL-2	69,291
Simon Boughton and Associates Inc.	R895089449RT	1	89,115	THESL-7	89,115
The total of column 912 is included in the total of line 340 in Part 3, Step 1 of Form T661.				**Total**	2,329,502

Section C – Complete this section for each non-arm's length contractor

922 Name of contractor	**924** Contractor's Business No. or GST Registration No.	**926** Number of contracts per contractor	**928** Total dollar amount per contractor greater than $30,000	**930** Project code for expenditures claimed in the year (if available)	**932** Total contract expenditures in tax year
The total of column 932 is included in the total of line 345 in Part 3, Step 1 of Form T661.				**Total**	

Project Ref: THES-02
Project Title: Electric power system reliability planning and performance improvement

Start Date: January 2006
End Date (Anticipated): December 2008

Project Leaders: Thor Hjartarson, P.Eng. and Peter Lo, P.Eng.

Background to the Project:
This project has carried over from THESL's last claim made for 2006. The general content of the applicable project description is still valid for the 2007 and 2008 claims.

The electricity supply industry uses standard metrics for service and reliability tracking. In mid-2002, targets for two of those metrics, SAIDI and SAIFI, were established. They were 73 minutes and 1.54 outages per customer for SAIDI and SAIFI respectively. The prior year and subsequent year actual figures are shown below and reflect both the impact of (1) THESL's efforts to maximise the potentials benefits from its annual spend of approximately $100 million in capital and O&M, and (2) factors and events beyond THESL's control. The valves indicate that system & service reliability is still a concern for THESL.

Year	2001	Target	2002	2003	2004	2005	2006
SAIDI	77.3	**73.0**	81.1	79.8	66.0	70.2	74.4
SAIFI	1.87	**1.54**	1.59	1.90	1.59	1.81	2.06

Going into 2007, THESL's Asset Management Division (AMD) was working on the development of:
- More useful asset life cycle modeling tools that deliver quantifiable results when applied
- Its response to the recommendations in the 2006 evaluation report on THESL's medium voltage cable system, and
- Techniques that use Wiebull statistical methods and the Reliability Assessment Module (RAM) add-on to the CYMDIST S/W tool for better reliability analysis and predictive capability.

A. Technological Objectives:
This project involves analysis and experimental development, in the field of electrical engineering in general, and in the modelling of (1) the impact of capital and O&M spending on electric power system reliability as a whole, and (2) component & feeder reliability with a view to improving performance, in particular.

The specific objectives for the project going into 2007 were to:
- Keep participating in (1) the consortium funding Phase 2 of an effort to develop – using aging asset life cycle curves – a robust methodology and S/W simulation tool to facilitate making better decisions for replacement & maintenance at an asset category level, and (2) an interest group for distribution assets life cycle management
- Decide whether or not to proceed with (1) cable injection pilots to determine if this approach is a viable option for life extension versus replacement, and (2) investigating the pros and cons of using partial discharge testing of directly buried cable as a means of assessing & evaluating its condition
- Continue exploring the applicability of Weibull statistical methods and the RAM add-on to the CYMDIST simulation tool for network asset reliability analysis and prediction

- Create and develop a disaggregated tree trimming modeling (TTM) tool based on the analysis of past spending /tree related outage data to forecast the reliability impacts of future expenditures – and hence manage outages that arise from tree/vegetation causes – and implement the results for the next round of 3-year contracts for tree trimming in the field
- Assess and evaluate (1) the applicability of a new S/W tool that was identified as potentially suitable for THESL to use to improve its planning methodology for asset management, and (2) how risk management can be embedded in the asset management planning methodology, and
- Participate fully in the THESL-wide effort to review on a monthly basis the worst performing feeder/feeders experiencing sustained interruptions.

B. Technology or Knowledge Base Level:
Up until mid-2006, THESL had been investigating top-down, rational methods of establishing the potential impact of spending intended to improve its overall service and reliability performance. An accepted standard practice has not been established in the electric power supply industry on how this should be done, despite the widespread use of the SAIDI and SAIFI metrics across the industry, both internally in many utilities, and also to compare & contrast performance between utilities of similar size and geographic customer densities.

For its reliability project optimization tool (ROPT), a tree-trimming model (TTM) and a cable reliability model (CRM) developments of prior years, THESL had been using the services of a specialist contractor. But despite this expert help, progress with ROPT, TTM and CRM was disappointing. The results to this point in time did not appear to justify the effort involved. The TTM model, however, was the exception as its application – within a very limited number of utilities – had been beneficial as the relationship between spending on tree trimming, and the subsequent incidence of outages due to vegetation related causes seems to be more amenable to modelling techniques.

Predicting U/G cable reliability was another area in which THESL's and the industry standard practice was not established. Some individual utilities in North America had taken steps to create cable condition monitoring programmes to facilitate making future decisions about cable repair, rejuvenation and replacement. However such efforts, to which THESL did not have access, were still reasonably rare. It did retain an external expert in 2006 to conduct an assessment of its underground cable system, but it still was considering what action to take on this report's recommendation going into 2007.

From its prior year participation in the consortium funding the model using aging asset life cycle curves, and the interest group on distribution assets life cycle management, THESL had some understanding of alternative models to ROPT and CRM. Whether or not the new models that may emerge will be viable and lead to spending decisions that result in improved reliability performance remains to be seen. The same applies to the use of Wiebull statistical techniques and of the RAM for reliability analysis and prediction.

THESL's asset management planning methodology was known to have gaps within the steps involved in each stage, and limited integration between the stages of the processes for reactive planning and short & long term planning. Another deficiency was how well it incorporated risk management considerations. Installing a new S/W tool, even when it has been customized to suit THESL's requirements might be part of the solution, but it also might not. The only way to find out is to carry out a small scale pilot implementation. While a S/W based approach might help embed risk management considerations in the

planning methodology, making modifications to existing practice to directly include risk factors might be a more effective way of making progress.
Identifying feeders with poor and unacceptable performance, and reviewing & assessing the reasons why, on a monthly basis, are essential steps in the overall drive for better performance. What is important that emerges from such practices is the know-how to steadily reduce the numbers of feeders experiencing sustained interruptions.

C. Technological Advancements:

- A model based on ageing asset life cycle curves that is useable by THESL to determine where and how the available funding should be spent to result in improvements to aggregate level service and reliability metrics
- A technical strategy to encompass condition monitoring, directly buried cable rehabilitation by a specific method, and replacement, as appropriate to deal with THESL's underground system that is aging and experiencing increased failure rates in its cables
- The method and practices by which Wiebull statistical techniques and the RAM tool should be part of the Asset Management Division's standard practice
- An enhanced reliability modelling capability in the tree-trimming area by adapting/ modifying as required an existing tree-trimming model shell so that it can predict the reliability of our feeders and fault numbers caused by tree & vegetation growth
- The knowledge needed to eliminate the gaps and integration issues with the existing asset management planning methodology, and to incorporate risk management considerations, and
- The know-how to reduce the number of feeders that make it on to the rolling monthly list of worst performing feeder and feeders experiencing sustained interruptions.

To make the above advances, THESL appreciated at the outset that it would have to overcome a number of challenges and issues. One way of doing so is to participate in consortium sponsored development activities and interest groups, where the retained contractor has the primary responsibility for issues resolution.

As has already been mentioned in the T/KBL section, experience in what it wanted to achieve was not commonly available to THESL. While it was aware that a single specialist subcontractor might have valid proprietary know-how, one issue was how adaptable and applicable might this specialist experience be to THESL's situation. For example, could the subcontractor's existing software shell for a TTM readily accommodate the particular constraints and limitations that might arise in THESL's situation? In addition, it is one thing to build a tool for a single application, but THESL's intent was that it be used on an ongoing basis, and be capable of being routinely updated from the databases of its existing software applications. For ongoing use, the tool also had to have its predictability of reliability performance improvement confirmed from an actual trial in which the preferred set of projects and spending were physically implemented and the resulting impacts on SAIDI and SAIFI analysed, assessed and evaluated. If only poor correlation was found to exist between predicted improvements and actual results, the utility and validity of the modelling tool would be open to question and even possibly refuted. Simply put, if there is no proven bang for the buck from using the tool on a routine basis, then THESL's efforts would only be regarded as an academic exercise, after the fact.

During the course of the work project team performed over the two years, examples of the type of issues and challenges it faced were as follows:

- Would the model and S/W tool developed for the consortium deliver real benefits for THESL?

- How many, if any, cable injection trials should be performed, which variants of the technology should be included, and which feeders should be selected?
- What type of diagnostic testing is available for assessing the condition of THEL's U/G cables and which technique(s) is/are to be preferred?
- In completing the trials with Wiebull methods and RAM, how should the issues of poor quality and missing data be handled? Are these methods and tool suitable for analysis the failure data of all categories of assets or just a few?
- What limitations and constraints might arise from our adoption, modification and customization of a model shell TTM as a reliability predictive tool for use in the tree trimming & vegetation area?
- Should the pilot implementation trial of the new S/W tool – perceived to be suitable for improving the planning methodology used for asset management – reveal serious functional & other deficiencies, how much reliance should be placed on running enhancements and new modules under development to resolve these concerns?
- Are risk considerations better incorporated & integrated into the existing planning methodology or dealt with in a modular fashion?
- For conducting analysis on feeders with poor performance, is outage reporting detailed enough and of good and consistent quality?

D. Description of Work in this Taxation Year:
January 2007 through December 2007

Over the first 9 months of the year, the project team continued to represent THESL in a consortium that was funding development of Phase 2 of an effort that was using life cycle modelling to improve asset management practice with respect to repair/replace decisions. It was in progress going into the year as Phase one was completed in September 2006. A web-based simulation model that incorporated failure curve data for different asset classes was under development in Phase 2 by the contractor retained by the consortium. The exercise was completed in September, but no decision was made on conducting and in-house trial using the new prototype tool.

Over the year project team members also participated in the interest group on distribution assets life cycle management led by an industry association.

What to do about the recommendations made in the report prepared by a third party expert in 2006 from his evaluation of THESL's medium voltage cable system was subject to internal discussion for most of the year. The consensus on the technical direction to pursue emerged by the end of the year. It was one of selective implementation. Pilot trials of cable injection, a technique that can only be used once, to prolong cable life would be carried out in 2008.

Some work was done in the first half of the year to extend the work that had been done in 2006 into asset failure rate analysis using Weibull statistical methods, but data issues and other priorities for the available staff resources limited the progress that was made. The same applied to the pilot study into probabilistic reliability analysis, started in the September 2006 and that was in progress going into 2007. It was using the Reliability Assessment Module (RAM) add-on to the CYMDIST simulation package

The work from prior years on developing a tree trimming model (TTM) – to improve system reliability from better planning and execution of trimming activities – was re-started early in the year. A subcontractor was retained to assist with the analysis of the available historical data. Since August 2004, trimming had been carried out on a substation by substation basis with costs and dates being tracked by

individual feeder. The contractor was to configure a TTM for THESL and use it to produce a three-year trim list to be included in the 2007 Tree Trimming RFQ for the next round of trimming activities to be performed in the field. Out of THESL's approximately 1,700 feeders in total, 927 were classified as 'trim-able' feeders and were included in the analysis. Criteria were developed for excluding the effect of storm days on the outage data, when these events were identified by the project team. The analysis and the TTM configuration development work were complete in July and the results were included in the tender documentation prepared for engaging qualified contractors for the next set of 3-year trimming contracts.

With the basic TTM established, the contractor involved was asked to study and analyse what could be done to make improvements to the vegetation management program, the system construction design standards and system operations to place the system on a 'storm-hardened' basis. This study was also completed before the end of the year, when its recommendations were still under review.

The same contractor was also retained to undertake a review of an important related area, that of trouble call reporting, available from the new outage management system that went live at the end of 2006. Good reporting in this area is also important to the analysis of poor performing feeders discussed below. The trouble call reporting review was completed before the end of the year.

In the fall, a new sub-project was started to evaluate the potential of a new S/W tool – known as REVEAL – as means of upgrading THESL's activity planning methodology for reactive response, short term and long term planning of its asset portfolio. It was reported to be a potential "umbrella" reporting tool that would be of overall benefit to THESL. The intent was to investigate whether or not it would support or replace existing S/W tools and fill the gaps that were known to exist between some of the stages of the overall asset management planning process. This effort continued through the end of the year and into 2008.

A new initiative was launched by THESL during the year. It was the monthly review/assessment and evaluation of the Worst Performing Feeder (WPF) and Feeders Experiencing Sustained Interruptions, i.e. seven or more, (FESI-7). Project team members participated in this effort, as it was a means of focussing system reliability improvement activities where they were likely to have the most impact. In any month it was estimated that only 50 to 60 feeders – out of a total population, as noted already, of about 1,700 – contributed about 40% to the SAIDI index for that month. On an annual basis, the number of feeders contributing the same amount to the same performance index was estimated to be only110.

January 2008 through December 2008

The work with the evaluation & assessment of a pilot implementation of the Reveal S/W tool for planning methodology improvements that was started last fall continued over the first few months of the year. As the effort progressed, the team ended up concluding that:

- The REVEAL tool did not fit well with reactive response and long term planning practice and only helped in certain areas of short term planning
- While it addressed part of THESL's top priorities for planning overall, its implementation would likely create new issues
- Product quality did not meet THESL's expectations
- Clear evidence was not found to support a finding that using REVEAL would improve and advance THESL's practice in the areas of asset life cycle planning, project prioritization, and project portfolio optimization

- As a new tool, REVEAL was not commercially mature, and has several new modules still under development. Its full implementation would be risky for the Asset Management Division, and
- Re-engineering the existing integrated asset management model was preferred as the best option for moving forward and improving THESL's planning methodology.

In May, management concurred with the team's recommendation to not purchase and install the REVEAL S/W tool.

Results from the application of the TTM – used for the first time in 2007 – were analyzed during the year to find out whether the new approach to vegetation management was working and had actually reduced tree/conductor contacts. The data clearly showed that the statics for 2007 were better than those for 2006, and that 2008's were better than 2007's. The trend in the data was encouraging and would likely be followed in 2009, when another analysis would be performed for the next round of vegetation management contracts.

In the fall, as part of an exercise to update its 10 year capital expenditure plan, the project team decided to improve how it handles risk in its asset replacement planning. It wanted risks to be recognized and integrated in a more holistic way than was done by the current standard practice. A specialist US-based consulting firm (whose costs are excluded from the claim) was retained to assist with the methodology development. It was first applied to the direct buried cables asset class and the results captured by in-house S/W tools developed using standard packages. This work continued through the balance of the year and into 2009 as more asset classes were covered.

Following additional internal discussions in the first few months of the year, AMD got approval to undertake two pilots using cable injection for extending the life of directly buried cable. This option to replacement has been used elsewhere in the industry, but it had never been examined in depth by THESL until the current year. The project team decided to undertake two pilot trials, each one on different feeder in the same area. The length of cable to be treated was about 9km for each trial. Different qualified contractors with significant experience of cable injection were selected. They would use their own process, equipment, methods and practices to perform the injection of their own silicone based product. After completing the necessary preparation, the first trial was started in August and was completed before the end of the year. The second trial started in November and would continue in 2009.

In the last half of the year, the project team also began exploring other methods of investigating the health of THESL's underground cables. The cable testing method of most interest was that of partial discharge (PD), which is a discharge that does not completely bridge the space between two electrodes or conductors. Much desk top research was performed in addition to holding extended discussions with specialist contractors who used this technique as part of their cable related services. Two team members attended specialized training as preparation for a pilot PD cable testing trial in 2009.

As per last year, the project team's continued participating in the WPF and FESI-7 activities. Some work was also undertaken with regard to feeder automation and automation restoration. An area in North York was selected as a location for a feeder automation pilot, as it had ten feeders in the FESI-7 category. A proposal was submitted in November by a qualified vendor to participate in the intended pilot for feeder automation, but no decision had been taken by the end year as to whether the pilot would proceed or not in 2009. If it does proceed, it might be undertaken as part of the Smart Grid development, the topic of claim project #4.

The final activity undertaken during the year and completed was to prepare an addition to THESL's emergency plan (EP). The Ontario Energy Board mandates that every LDC in Ontario has one and keeps it up to date. THESL's EP was deficient in that it did not cover Level 4 events or incidents. These events/ incidents have very low probability of occurrence. But when they do occur, they have extremely serious consequences. The same contractor who provided support for the reliability improvement efforts was retained to assist with this work that was lead by the Grid Health Department.

Status at the end of December 2008

The project was still in progress. Several of the improvement initiatives worked on in 2008 carry over into 2009. While some progress has been made from an overall system aggregate reliability perspective, as the performance indices shown in the table below confirms – data in red reflect target values are shown first in the columns for 2007 & 2008 – further development activities will still be needed to sustain and perhaps improve these values as THESL's network assets continue to age and a substantial proportion remain in service beyond their initial presumed design lives.

Year	2001	Target	2002	2003	2004	2005	2006	2007	2008
SAIDI	77.3	**73.0**	81.1	79.8	66.0	70.2	74.4	78.0/81.0	85.0/74.4
SAIFI	1.87	**1.54**	1.59	1.90	1.59	1.81	2.06	2.20/2.01	2.30/1.75

E. Supporting Information:

- Project binders, working papers and files on, for example the tree trimming model, distribution storm hardening, trouble call reporting and emergency planning improvements. Specific examples follow.
- Asset Life Cycle Analysis Model: Steering Committee Status Review and Demonstration, 8pp presentation, May 2007
- "Tree Trimming Analysis and Recommendations", June 2007
- Two pages of summary data on tree related outages for 2006, 2007 and 2008, undated
- REVEAL S/W tool, Final Decision Presentation, May 2008
- "Cable Injection for extending the life of direct buried cable", 20pp, AMD internal presentation, February 2009
- "Cable Testing by Partial Discharge", 10pp, AMD internal presentation, March 2009

Key Costing Notes:

Key people:	• Thor Hjartarson, P.Eng., Manager System Reliability Planning, Team co-lead • Peter Lo, P.Eng. Supervisor, Component Reliability Section, System Reliability Planning Department, Team co-lead • Ben Sheng, P.Eng., Engineer, Component Reliability Section, System Reliability Department, Team member • Joshua Wong, E.I.T., Engineer, Component Reliability Section, System Reliability Planning Department, Team member • Mathias Ng, Co-op Student, Component Reliability Section, System Reliability Planning Department, Team member • Don Pernerowski, Asset strategy Consultant, Component Reliability Section, System Reliability Planning, Team member • Ramaesh Chadadh, Acting Supervisor, Long Term Planning Section, System Reliability Planning Department, Team member • Rob Otal, Engineer, LTP Section, System Reliability Planning, Team member

	• Billah Khan, Engineer, Feeder Reliability Planning Section, System Reliability Planning Department, Team member • Vjeko Skific, Technician 2, FRP Section, SRP Dept., Team member • Rory Calhoun, Technician 1, Standards and Planning Dept, Team member
Subcontractors	• Scroggie Creek Consulting Inc for consulting services related to the development of a tree trimming model, system storm hardening, model shell supply, trouble call reporting review, and a level 4 event addition to THESL's emergency plan • Axia Software Corporation for Reveal S/W tool pilot trial • CEATI for Distribution Assets LCM Interest Group participation • Kinetrics Inc for training in using partial discharge testing techniques for assessing U/G cable condition • CYME International T&D Inc. for CYMDISTRAM2 & other S/W tool services

Project Ref:	THES-03
Project Title:	Power system capacity planning, and assets, equipment & apparatus development & improvement
Start Date:	January 2006
End Date (Anticipated):	December 2008
Project Leaders:	Dave Jutla, P.Eng. and Angelo Boschetti, P.Eng.

Background to the Project:
This project has been carried over from THESL's last claim made for its 2006FY. The general content of the applicable 2006FY project description is still valid for the 2007FY & 2008FY claims. Responsibility for the development of technical policy & strategy, system reliability planning, capacity planning, and equipment and material standards & specifications has been assigned within THESL to its Asset Management Division (AMD). Within AMD, the lead groups are the Capacity Planning Department and the System Reliability Planning Department.

Going into 2007, THESL's AMD had development activities in progress. They were:
- A pilot installation/second field trial with modular design composite poles for carrying O/H system conductors and related equipment
- An O/H transformer smart metering pilot, and
- Assessments of the interconnection requirements for, and the potential impact of a handful of proposed larger distributed generating units, for which applications had been received, on THESL's network infrastructure and its performance.

As well as the above efforts, this report covers additional development activities that were either started in 2007 or 2008. These additional efforts were as follows:
- An extension of the asset condition assessment efforts completed in 2006
- A series of investigations into equipment and other item failures
- Field trials with new candidate equipment/apparatus, and
- Studies to increase bulk supply capacity to, and transformer capacity in downtown Toronto.

A. Technological Objectives:
This project involves analysis and experimental development, in the field of electrical engineering in general, and in areas of power system capacity planning and system assets, equipment & apparatus in particular.

The objectives were to:
- Assess whether or not the use of a new modular design composite pole was a technically viable solution in some locations in the overhead areas of the distribution system, e.g. in urban rear lots
- Develop preferred approaches to, and techniques for O/H and U/G transformer metering
- Increase understanding of the technical requirements for, and the impact of integrating units of distributed generation within the THESL distribution system
- Apply the asset condition assessment know-how gained last year to create asset health indices, to assess URD equipment condition, and update the 10-year plan
- Determine why a series of failures occurred with specific items of equipment and accessories, such as O/H transformers, a cable splice, etc.

- Establish from field trials how well new candidate items of equipment and apparatus qualify for approval as acceptable in terms of meeting standard technical specifications
- Gain increased understanding of the main options and key variables in the quest to increase supply capacity to, and transformer capacity at a specific location in downtown Toronto, and
- Continue contributing funding for industry association/consortium sponsored development activities in problem areas of interest to THESL.

B. Technology or Knowledge Base Level:
Over the years THESL has successfully used poles of a variety of materials such as pressure treated wood, concrete and steel to carry the overhead conductors and related equipment & apparatus. Well established pole designs in those different materials have their own set of advantages and disadvantages. Everything else being equal, wooden pole use dominates O/H systems applications, primarily due to their cost. For use in rear lots in dense, urban locations, where access for construction is a problem, the integral nature of wooden poles does not facilitate their installation. Modular designed steel poles are also used, but typically just for transmission system applications. Modular designed composite material poles are not in general use, and THESL had no prior experience with them. When a supplier approached THESL with a new design of a composite pole, made from glass fibre & resins, that it was hoping it could make available commercially, THESL concluded in mid-2004 that an investigation into its potential for use in niche applications, like in the rear lots in urbanized locations, was appropriate. This work then began with a review of the prospective supplier's technical specifications, of test data, and of assessing potential applications through an initial 1-pole field trial at a service centre.

Smart metering of residential customers' electricity usage over time was becoming better established going into 2007, and was well on the way to being the standard practice across the industry. But smart metering of transformers was still in its infancy. However, the project team had made a start in 2006 by addressing the design requirements for smart metering of O/H-mounted transformers. A prototype enclosure design had been agreed and a set of samples had been ordered for delivery in 2007, when the intent was to carry out a field trial pilot.

Small distributed generation (DG) units located within THESL's service were already connected to THESL's network going into 2007. They are going to multiply in the years ahead. Requests for larger unit interconnection have already been made. These units have to be integrated into a network that has been designed for 1-way flow of electrical power, and so might give rise to unexpected operating and other issues. Network stability and damage avoidance – both to the third party DG and THESL's own assets – are two potential areas of concern. While THESL's level of knowledge of the implications of DG was growing, the fact that it had entered negotiations in 2006 to have a DG penetration study done in 2007 is a strong indicator that it needed to know more. (See technical report #4.) In the interim, the project team still had to deal with the applications it had and would receive from the larger unit proponents on a case-by-case basis.

The project team had benefitted from the asset condition assessment efforts undertaken on its behalf by a specialist contractor. This knowledge would be the starting point for its efforts in 2007 to extend its application and refine its 10-year plan.

Technical lessons are learned from failure investigations when the mechanism and mode of failure can be diagnosed, understood and potentially replicated. It is not always possible to determine why a failure occurred because of the consequential damage caused by the failure/fault event. Underground cable

faults/failures are a case in point. Nevertheless, making an effort to determine why cables have failed is still worthwhile because of the importance of these assets to reliability performance.

Suppliers of new equipment and apparatus - designed and built to utility industry requirements and specifications - are constantly bringing those items to the attention of THESL. New equipment can be approved based on the supplier's technical specifications, the test data, performance guarantees and warranties, coupled with the supplier's reputation in the industry and prior demonstrated technical competence. However, even if a supplier meets all of those qualifying criteria, it is still better to undertake small scale field trials as pilots and assess the results, before general adoption takes place because of the consequences of non-acceptable performance of the new items.

Participating in the funding of industry association or consortium sponsored development is a well established and effective practice in the electricity supply industry. Common and generic problems are worked on and the advances made are shared by the funding contributors. Each contributor gains access to more new information than it otherwise would for its available funding. THESL has taken advantage of this mechanism in the past, has done so again in 2008, and very probably will do so in future.

C. Technological Advancements:

- An improved construction technique for the O/H system in specific locations – such as in rear lots in urban areas – from the routine use of modular designed composite poles
- A methodology and detailed design configurations, procedures and practices to implement smart metering for both O/H and U/G distribution transformers
- Comprehensive understanding of the impacts on THESL's distribution system of the integration of multiple units of distributed generation of larger capacity, and of how any potentially adverse impacts, say on system operation, control and protection, can either be eliminated or mitigated
- A set of asset health indices, and an upgraded 10-year plan that takes asset condition into account
- Increased understanding of the reasons and causes of equipment and apparatus failures and the options available to prevent their re-occurrence
- Confirmation whether or not an item meets all performance expectations during a pilot field trial, and
- A conceptual design for increased bulk electricity supply to, and transformer capacity in a specific location in downtown Toronto that can be taken into and through detailed design.

At the start of 2007 and during the course of carrying out the project activities, THESL staff appreciated that they would have to overcome a number of problems, unknowns, challenges, obstacles and issues. Examples are:

- How durable would a composite pole be under THESL's loading and climatic conditions, and how much longer would it last than a wooden pole? How much improvement in urban rear lot construction would result from the adoption of composite poles? Are any other potential applications for composite poles technically feasible?
- How should smart meters be configured for reading the power supplied to a group of customers from (1) an O/H transformer, and (2) a pad-mounted transformer? How should a smart meter be located and mounted to ensure it is secure. Should the same smart meter as the one that was used for residential customers be retained? Or should different meters and communications techniques be employed?
- Is there any limit to the amount of DG that can be connected to a sub-station? What is the preferred arrangement for substation/feeder/larger DG unit connection? How do 2-way power flows affect the

performance of the existing protection and control arrangements? With a larger DG unit that is basically off-grid, can the THESL system handle the transient power flows when the DG goes down?

- What form should health indices take and how should they be determined and applied? What approach and method should be used to incorporate asset condition considerations into the 10-year plan?
- How can failure mode & mechanism along with root cause be determined with any certainty? Is it possible to replicate the failure mode? For a series of failures with the same item, is the failure mode the same each time? What conclusions can be drawn when contradictory interpretations of the available evidence are plausible?
- What length of time should a field trial last and how many items should be included? How important is it in a particular field trial to predetermine criteria for passing the trial? To what extent should item performance be monitored, and item inspections be made during the trial? Will the full range of operating and ambient conditions be experienced during the trial period?
- How many options are available, point to point, for the supply route? What technical criteria are appropriate to assess each route option? With a very small site for a U/G transformer station, what are the implications for station configuration and for equipment specification? How should station operation and anticipated maintenance requirements impact the conceptual design?

D. Description of Work in this Taxation Year:
January 2007 through December 2007

With regard to the second field trial with composite poles – using a set of seven 45ft poles of modular design at a location in Scarborough – that had been planned last year, the site work was done in the first two months of the year. Thereafter no further development activities were performed with composite poles. A decision on whether or not they should become an item in the engineering standards for use in designated situations was not made. Periodic monitoring of the conditions of the poles in the first and second trials would continue in the future.

For O/H transformer smart metering, the subcontractor, who had been retained to design and build a prototype enclosure or box for the smart meter for trial purposes, completed his assignment and delivered the boxes early in the year. They were held in storage for the balance of the year as no further progress was made in terms of the selection of the specific meter and communications methods to use, creating the necessary standard design engineering specification and drawings to install the meters, and then beginning a trial.

The efforts to understand the higher level impacts and consequences of the integration of distributed generation (DG) units into the THESL system - that was in progress at the end of 2006 - has been included with claim project #4, because, at the system level, it has been perceived to be a component of Smart Grid developments. However, Capacity Planning Department staff continued to assess and evaluate individual applications from proponents of DG unit facilities that were seeking interconnection with THESL's network. In 2007, there were seven significant schemes (i.e. >1MW) on the table, three of which had been approved, not to mention many smaller residential ones whose interconnection requirements could be routinely processed.

For each of the four proposed DG units, whose interconnection & impact was still under review, they all had different issues. For example, at one of the proposed DG unit locations, capacity exceeded the permissible limit based on the short circuit MVA of the nearest substation. In addition, the infrastructure between the station and the site was non-existent. A second required a current limiting device or CLIP

and also raised quality of power issues. For another, which would basically take the proponent off the grid, fibre optic linked, microprocessor based controls were going to be involved. With another additional proposed DG interconnection request, the capacity involved was too big for THESL to handle and had to be addressed by Hydro One.

Based on the work done on asset condition assessment (ACA) last year, the project team extended it and developed its own set of asset health indices. With that accomplished, it undertook a detailed assessment of the equipment associated with the URD portion of THESL's network. With the benefit of the work that had been completed last year and this year, the team also made draft amendments to the 10-year plan to accommodate what it had learned about ACA. The subcontractor who had carried out the original ACA work was asked to review the draft amendments for the 10-year plan, in order to check that the ACA implications had been properly handled. The base plan had originally been prepared before the ACA exercise was completed in 2006.

Several equipment failures were investigated during the year to establish probable modes & causes and what actions to take to try to prevent any re-occurrence. This work included:

- Several failures of overhead transformers from the same manufacturer. The symptoms were burnt out secondary bushings. The manufacturer was involved in resolving the issue and a preliminary detailed report into the failures was prepared. Other utilities were involved as well, as they had used the same equipment. Probable cause was ultimately assigned to the specification of the metal used to make the secondary bushing. Work on the issue extended into 2008.
- A pre-molded splice that failed in November. For this one a specialist subcontractor was retained to assist and perform related testing
- Failures of pad-mounted switchgear supplied by one manufacturer. In these cases the issue was that the transformers were rated for 25kV – as per US requirements – and were being used at the line voltage on the THESL system of 27.6kV system. As using equipment at 25kV in 27.6kV line voltage systems in Canada is not an unknown practice, the conclusion was that in the case of the particular item involved there must have been no margin left in the performance envelope of its original design. Contact was made with other LDCs to determine if they had similar experience. Following the failures and assessing the situation, a decision was made to source more suitable alternative equipment with the proper rating, and
- Several failures were experienced with ScadaMate switches of a particular type. The units failing were the less sophisticated R1 type. The cause of the failure was determined to originate from the lighting arrestor, whose attaching bolts had not been properly tightened.

As an addition to the above work, the same specialist contractor, who assisted with the failure analysis, was requested to assist the project team with the development of an improved standard that would apply when temporary grounds have to be made.

As well as the composite pole trial already, other field trials were held with particular makes of fault current indicators (FCI) and different makes of pad-mounted switchgear. The FCIs were installed in what were deemed to be the worse locations possible. The pad-mounted switchgear items were of different designs, one being a dead front type with SF6 gas insulation, and the other of regular design, non-gas insulated. Solid dielectric switchgear was considered for a pilot field trial as well. But it did not proceed because this type of switchgear did not meet THESL's required fault current rating.

Because of concerns with the supply situation for the downtown core of Toronto, the project team also began studying the possibility of a third point of supply. A specialist contractor was retained to assist with this effort, which was jointly performed with Hydro One personnel. The concept was to link Leaside Transformer Station owned by Hydro One with the THESL station at Birch junction with an O/H ->U/G->O/G arrangement that would take advantage of under-utilized O/H capacity, with the 115kV cable, which would be owned by Hydro One. Six or seven potential routings were identified during the year, and the appropriate analyses were made.

Due to increased loading in the downtown area a new transformer station was going to be needed at Bremner Road. Preliminary planning for it began, and would continue in 2008. It was to be an all underground station. A key constraint was the small size of the available site.

January 2008 through December 2008
For smart metering of transformers, there was still no progress with regard to pole mounted transformers. However, a decision was made in March to proceed with a pilot with URD transformers. It would use metering on mini-pad mounted transformers. For Phase 1 of the project, a jointly funded approach was used with a specialist supplier who you provide the in-kind hardware/software. The meters were different from the smart meters used with residential customers. PLC communications methods were used. Ten meters were installed in an area where the transformers fed single family homes and apartments. The trial went live in early October. At the end of the year, sufficient experience had been gained to conclude that the objectives for Phase 1A with the pad-mounts had been met. They were for:

- Safe, quick installation
- A compact device with no maintenance
- Readily accessible hourly data – kWh, V, A, °C
- High accuracy, and
- Easily identifiable gaps in the energy balance.

The intent, going into 2009, was that a Phase1B trial using smart meters with five submersible transformers would be held next, with perhaps extended monitoring capabilities being included such as water sensors. Phase 2, intended for later on in 2009, was planned to address how transformer smart metering could be integrated with residential smart metering.

While the focus of DG development efforts was still with the picture covered in technical report #4 under the umbrella of Smart Grid, the project team still dealt with the issues raised by applications for interconnection of the larger DG units on an as needed basis.

The equipment failure investigation work continued over the year. As already noted in the 2007 discussion, resolving the overhead transformer issue continued over 2008. Two failures were recorded during the year with oil filled single phase submersible transformers out of a population of eight on field trial. A subcontractor was retained to assist with the investigation, to perform forensic engineering and issue a summary report as to probable cause(s). Factors identified as contributing to the failure were dis-similar metals (Cu/Al) used for the primary/secondary connections and drips of water. Failures were also encountered with the FCIs that were installed as part of a field trial at the end of 2007. Corrosion was to blame. Although all of the FCIs showed the effects of corrosion, only the worst ones which were non-functional were removed. Give this results, a second pilot with FCIs from a different supplier was contemplated, but not implemented before the end of 2008.

The most significant failure experienced during the year was with an explosion that occurred in a vault in August. It had serious consequences. To assist with the investigation at the site, a specialist contractor was retained to participate in the forensic engineering work that had to be done and bring fresh insights into the possible cause(s). Although the vault equipment was severely damaged, further evaluation and assessment of its condition was undertaken at its OEM supplier's facilities once it had been taken there from the site of the incident. The final report on the investigation had not been completed by the end of 2008.

The field trials with the pad-mounted switch gear that were initiated last year continued over this year. A new candidate item, an FCI from a different manufacture, was identified as a candidate for a pilot trial, but it did not get launched before the end of the year.

Development activities with the third bulk supply route to serve downtown Toronto continued on an intermittent basis all year. The same applies to the design development of the new transformer station that was needed for downtown Toronto. By the end of the year, the conceptual design for the route and the new station were still in progress.

During the year the project team renewed its participation in special interest groups on power quality, and life cycle management of substation apparatus and equipment.

Status at the end of December 2008
The project was still in progress.

E. Supporting Information:

- Files and working papers for all sub-projects active in 2007 and 2008
- Distribution Asset Strategy 2006-2015, a document created in 2005
- "Pad mounted distribution transformer monitoring pilot", 7pp draft presentation, March 2009

Key Costing Notes:

Key people:	• Dave Jutla, P.Eng., Manager, Capacity Planning, AMD, Team co-lead • Angelo Boschetti, P.Eng., Leader, Stations P&P, Capacity Planning, AMD, Team co-lead • John Petras, P.Eng., Manager, Distribution Grid Health, Team member • Cosmo Picassi, Supervisor, Standards & Material, Team member • Peter Lo, P.Eng. Supervisor, Component Reliability Planning, System Reliability Planning, AMD, Team Member • Ben Sheng, P.Eng., Eng. Specialist, CRP, SRP, AMD, Team member • Mathias Ng, Co-op Student, CRP, SRP, AMD, Team member • Peter Baroutis, Engineer, Capacity Planning, AMD, Team member • Henry Quach, Engineer, Capacity Planning, AMD, Team member • Chung Hung Ngai, Engineer, Capacity Planning, AMD, Team member • Tat Chu, Engineer, LRP, SRP, AMD Team member • Stan Kleniewski, SP Technician 2, Standards & Material, AMD, Team member • Don Pernerowski, Staff Specialist, System Reliability Planning, Team member • Geetha Daniell, Engineer, Standards & Materials, Team member • Rory Calhoun, S&P Technician, Standards & Materials, AMD, Team member

Subcontractors	• Kinetrics Inc. for consulting engineering services in connection with ACA & Distribution Strategy 2006-2015, Temporary Ground Std., and a series of failure investigations, e.g. pad mounted switches, a splice, ScadaMate switches, a vault explosion, and transformers • CEA Technologies Inc. for participation fees in its interest groups on LC Management of Substation Equipment & Apparatus , and Power Quality • Navigant Consulting Inc. for undertaking "A 3rd point of supply" study

Project Ref:	THES-04
Project Title:	Developing & applying Smart Grid concepts, techniques, methodologies and related equipment
Start Date:	January 2007
End Date (Anticipated):	December 2008
Project Leaders:	Thor Hjatarson, Peter Lo and Joshua Wong

Background to the Project:
This project is a new one for the 2007FY and 2008FY claims.

By the end of 2006, THESL staff had already started exploring the topics covered by the "Smart Grid" (SG) label. It is on that combines:

- Intelligent equipment that monitors its own health and is self-restoring from the widespread use of sensors, and intelligent electronic devices
- Advanced communications through networks that are robust, high speed, with high band and 2-way capabilities from customers to the grid control centre
- Centralized monitoring and control utilizing integrated data bases for customer information, for asset records including their geographic locations, for the management of outages, for grid operations and for making any physical changes to the grid infrastructure
- Widespread use of distributed generation (DG), and potentially some electrical energy storage, and
- Informed and intelligent operators and customers with respect to their use of electricity and of the assets employed for its local generation, distribution and storage.

In sum, an SG is one that supports the 2-way flows of electricity, and data & information.

While the forgoing is a generally accept statement of the capabilities that a SG must encompass, there was no generally accepted definition – used by all stakeholders of local distribution companies (LDC) – of an SG at the end of 2006. However, THESL had improvement initiatives underway in most of the above bulleted characteristics of an SG. Without formally recognizing so, THESL had started out on the journey to transition to an SG oriented LDC. In addition, going into 2007, the Asset Management Division of THESL was contemplating retaining the expertise of the University of Toronto's Department of Electrical and Computer Engineering to investigate the impacts of widespread use of DG in its service area.

This report describes the SG related activities that the project team performed over 2007 & 2008 to clarify what the transition to a complete SG would mean for THESL, and to pursue specific initiatives that were necessary to continue on the journey towards full implementation, such as investigating the impacts of DG on its existing network arrangements.

A. Technological Objectives:
This project involves applied research and experimental development, in the field of electrical engineering in general, and more specifically in the technology of designing, implementing, operating and maintaining an SG for distributing both bulk and local DG supplies of electrical energy, and potentially storing them, in a manner that is effective, efficient and environmentally sustainable.

The objectives of THESL's staff for the project were to:

- Investigate and assess the applicability of different types & capabilities of SG systems and equipment – either currently commercially available or at a prototype stage – to permit the evaluation of current practices and communications with a view to establishing a set of preferred concepts, techniques and methodologies covering all these systems & equipment that THESL could then implement
- Facilitate more reliable distribution service with reduced outages and quicker response times
- Enable the integration of renewable sources of electricity production, DG, and electricity storage to the fullest extent
- Make more efficient use of the existing electrical energy infrastructure and reduce electrical energy losses,
- Empower customers to participate in increasing numbers in conservation and demand response programs, and
- Have made significant progress in the transition to a SG by 2015.

It was recognized at the outset that to meet its objectives that THESL project staff would need to work with suppliers of systems and services, as well as other utility LDCs that might also be pursuing similar objectives.

B. Technology or Knowledge Base Level:
At the end of 2006, THESL had some of the components and elements of a SG in place or under development. These items included:

- Distribution applications such as a Geographical Information System (GIS) for distribution network modelling of electrical & civil infrastructure, an Outage Management System (OMS) to facilitate service restoration as quickly as possible, and a Mobile Workforce Management System (MWM) to improve line crew utilization
- System Control Centre applications such as a Distribution Managements System and a SCADA System with Remote Terminal Units (RTU) and Intelligent Electronic Devices (IED)
- Some station automation (increasing at the rate of 6 per year) and some feeder automation, i.e. 658 remote switches on 298 feeders out of a total of 1,600 feeders, with 39% having fault sensing
- Smart meters with around 150,000 in place out of a total of about 650,000 to be installed for automated meter reading (AMR) and the planned introduction of time-of-use (TOU) rates, as well as transformer smart metering pilots
- Several DG programmes being implemented both from THESL's own efforts and through contracting with third parties, such as net metering, and the Standard Offer Program for embedded generators for renewable supplies with a premium price for solar photovoltaic DG units, and
- Conservation & Demand Management (CDM) programs of various kinds (including peakSAVER AC for load control), line loss reduction, and more efficient lighting replacement programs grouped under a powerWISE umbrella brand.

While progress had been made with foregoing individual initiatives, such as the smart meter implementation documented in this claim's project #7 technical report, an integrated approach to, and plan for moving to, and implementing a fully functioning SG was conspicuous by its absence. Such an approach and plan was necessary to prevent any of the initiatives listed proceeding in technical directions that might result in difficulties or even the impossibility of integrating at a later date.

C. Technological Advancement:

- The capability to deploy and implement a range of SG concepts and technologies across THESL's existing distribution network to transition it to one that has a fully intelligent infrastructure with:
  - Compatible, durable and reliable equipment with built-in sensing, monitoring and fault diagnostic capabilities
  - Fail-safe, fast, high band-width, 2-way advanced communications
  - CDM programs, AMR and TOU rates in place to facility and motivate customers to consume electricity as wisely as possible for supply system wide benefits, and
  - Unrestricted capability to accommodate DG and energy storage.

At the start of the project and during the course of carrying out its activities, THESL staff appreciated that they would have to resolve a number of problems, unknowns, challenges and issues. They included:

- How should a SG be defined in THESL's context and what enabling technologies should be included under the SG umbrella
- With its existing aging infrastructure, were there any limits that need to be place on DG in its service area until the existing obsolete assets can be replaced with "smarter" assets
- What is the permissible depth of penetration of DG units of different kinds, subject to CSA C22.3 No. 9, in THESL's existing network
- Are there any preferred locations in the existing network where DG units should be coupled or connected
- What are the impacts of any permissible depth of penetration of DG units on the existing protection arrangements, designed and installed with 1-way flow in mind
- How can remedial or new technical approaches &equipment with different configurations and modes of operation mitigate any adverse impacts of new DG units on the existing protection arrangements
- For central and downtown Toronto, what specific DG technologies should be preferred for existing system additions, and
- What areas should be chosen for priority implementation to complement what is already being done with the mass introduction of smart meters.

D. Description of Work in this Taxation Year:
January 2007 through December 2007

From its preliminary work undertaken in the prior year, the project team started early in the year to prepare a roadmap that would be used to guide the transition to a full SG infrastructure for THESL. This activity would continue through September with a first draft document issued for review in June/July. Desk top research was undertaken to establish (1) the stare-of-the-art in the technologies involved, (2) the actual and proposed SG-like innovations available in Canada, North America and elsewhere, (3) the context of the current electrical energy market in Ontario (4) the principal drivers for SG efforts and what their impact had been to date on the related development work either undertaken or still in progress by THESL staff. From the data collected and analysed, a 10-step process was proposed for the continued deployment of SG concepts, techniques, methodologies & related equipment.

In parallel with the development of the SG roadmap, the project team retained personnel from the Department of Electrical and Computing Engineering of the University of Toronto to conduct a study into the permissible depth of penetration of DG in the THESL network. The first phase looked at the

implications from seven proposed sites for DG units that would use synchronous machines. These units would not export reactive power to the THESL network, and would first supplied their local load before exporting power via a feeder or set of feeders into the THESL system through a substation.

The maximum depth of penetration for each feeder/set of feeders for each location was established by looking at (1) cable ampacity for the most critical power flow scenario, (2) voltage drop for the most critical power flow scenario, and (3) maximum short circuit levels of TS busses corresponding to the total installed capacity of all the DG units and all large motors connected to the feeder. Based on the calculations and using different power factor conditions and short circuit MVA values/load conditions/fault types, evaluations of DG impact on cable ampacity and voltage drop, on short circuit current, and on relay protection were all undertaken.

The studies for the impacts for DG at each of the seven locations showed that:

- Based on the existing design of THESL substations, the permissible installed capacity at each site was limited by the short circuit MVA at the corresponding THESL station bus. If a DG unit is directly connected to the bus without transformers this criteria is even more marked
- The maximum net power for export from the DG site to the THESL network is determined by the cable ampacity limit of the corresponding path, and
- Each proposed addition of DG units had to be analysed individually as the location, unit sizing and related characteristic on the THESL network adjacent to the site were all highly specific.

The second phase of the U of T study looked at evaluating the impact of integrating electronically coupled photo-voltaic (PV) DG units within the THESL network. The cases examined were connections to:

- Three types of residential/industrial 27.6kV feeders, that were representative of actual feeder configurations in service
- A mainly industrial 27.6kV feeder
- A 13.8kV feeder, and
- A 4kV feeder connected to a 27.6kV industrial feeder.

The methodology for the evaluation and assessment used in the phase 2 work was similar to that of the first phase. The work done showed PV DG units were only limited from a practical perspective by the cable ampacity of the corresponding path when large conventional synchronous DG units were also connected to the same feeder. It further confirmed that relay protection settings needed to be modified in cases where a substantial number of PV DG units is installed.

As the high level U of T study was being completed, an Integrated Power System Plan (IPSP) was filed in August with the Ontario Energy Board by the Ontario Power Authority (OPA). This plan covered the projected needs of downtown and central Toronto, specifically commenting on additional area supply capacity, infrastructure renewal, and greater supply diversity to mitigate low probability high impact events. It also indicated that because of the existing 2-path bulk supply system configuration for feeding the downtown and central Toronto, that this area was vulnerable to deficiencies in supply of up to 300MW in the event of the loss of one of the two paths.

As a consequence of the IPSP filing, and the work that had already been completed – which suggested that there may be room for up to 300MV of DG, in unit sizes of 10MW or less, in the combine 2-path system – the project team realized that much more detailed work on DG penetration would be need to be

undertaken. Consideration of what exactly should be done continued on an intermittent basis through the end of the fiscal year and into 2009.

January 2008 through December 2008

In the first quarter of the year the project team was active intermittently because of the need to attend to other development priorities. The level of activities picked up more significantly in late April and May.

The Ontario Smart Grid Form was set up in May by the IESO. Along with Hydro One and several other LDCs in Ontario, THESL was invited to participate in the Forum as one of its 10 members. The vision for the Forum was that it would guide:

- A co-ordinated approach across the electricity transmission and distribution sector
- Identify and mitigate the technology risks with SG implementations
- Develop preliminary capital investment plans, and
- The creation of a supportive regulatory framework.

The Forum had a deadline to report by the end of the year. To perform its tasks, the Forum established working groups on which the project team members served. The working groups performed desk top research, analysed the state-of-the-art with respect to SG and undertook specific research tasks. In essence, from its work the Forum defined a SG as a modern electrical system that "Uses sensors, monitoring, communication, automation and computers to improve the flexibility, security, reliability, efficiency and safety of the electricity system".

By the end of the year, the Forum's working groups and the project team's participation in them was complete, but the Forum's final report was still under preparation

With regard to the DG aspects of SG, the project team concluded at the end of the first quarter that a more detailed study was needed with a focus on downtown and central areas of Toronto, in concert with the regulatory authority mandate, the Ontario Power Authority (OPA). A memorandum of understanding was signed with the OPA on the 1st of June. The project team proceeded to develop a detailed scope of work for the services required. These services included:

- Characterization of DG technologies for central and downtown Toronto including commercial potential, reliability and operating experience, including the profiling of at least nine identified specific technologies
- Comparison of DG technology performance and experience in other urban areas, and
- Identification of technical performance, operating constraints and related approval issues in the City of Toronto.

Following the issue of a formal RFP for the comprehensive DG study on 1st August, a subcontractor was retained in early September. The contractor began work immediately. In October a DG Consulting Services Legal Agreement was signed between THESL, the selected contractor and the OPA, who would jointly share the costs of the external contractor. The study was expected to be completed by the end of April 2009.

Status at the end of December 2008

At the end of 2008, the project was still in progress. In 2009, THESL was anticipating increasing the staff resources allocated to the project after the expected release of the final report from the Ontario Smart

Grid Forum in February 2009. In addition to the report, new legislation (the anticipated "The Green Energy Act") was expected to be tabled early in 2009. It was expected to have a significant impact on the development of the THESL SG.

E. Supporting Information:

- Working papers and files on all aspects of SG including correspondence with partners & suppliers, kept by various members of the overall project team
- "Smart Grid Architecture with Changing Infrastructure" 35pp presentation, for Electrical Power Symposium, IEEE Ottawa Section, November 2006
- "Roadmap to Smart Grid Infrastructure" First Draft , June 2007, and Final Version September 2007
- "Permissible Depth of Penetration of DG in the Toronto Hydro System", Phase A and B Reports, April and June 2007, Department of Electrical and Computer Engineering, University of Toronto
- Scope of Services Required for detailed study of the DG potential in central and downtown Toronto, 5pp, Appendix B of RFP, 1st August, 2008
- DG Potential Study, status presentation, 11pp and preliminary report, 17th & 18th, December 2008

Key Costing Notes:

Key people:	• Thor Hjartarson, P.Eng., Manager, System Reliability Planning, AMD, Team co-lead • Peter Lo, P.Eng., Supervisor, Component Reliability, System Reliability Planning, Team co-lead • Joshua Wong, Engineer & Smart Grid Lead, Systems Reliability Planning, Team co-lead • Quan Tran, P.Eng., Former Supervisor, LT Planning, System Reliability Planning, Team member • Ramesh Chadha, P.Eng., Acting Supervisor, LT Planning, System Reliability Planning, AMD, Team member • Peter Baroutis, P.Eng., Engineer, Capacity Planning, AMD, Team member
Subcontractors:	• University of Toronto's Department of Electrical and Computer Engineering for an investigation into the permissible depth of penetration of DG in the Toronto Hydro system • Navigant Consulting for a detailed investigation and assessment of the DG potential and opportunities in the City of Toronto, with a specific focus on the central and downtown areas

Toronto Hydro Electric System Limited
SR&ED Technical Submission – 2008
Safety equipment – Arc flash assessments & protective clothing

Project Ref:	THES-05
Project Title:	Safety equipment – Arc flash assessments & protective clothing
Start Date:	September 2008
End Date (Anticipated):	December 2008
Project Leaders:	Jim Trgachef and Glenn Kuzmich

Background to the Project:
This project is a new one started in 2008. One reason it was begun was because fire protection (FP) clothing requirements for working near energized electrical apparatus have to be upgraded.

In prior years, THESL had implemented FP clothing provisions for all work situations & places then identified as being in the Category 2 level of hazards and risks. With new Electrical & Utility Safety Association (E&USA) rule changes in the offing, it became evident in the spring that THESL would have to:

- Identify all work situations/environments that fell into the Category 4 level of hazards and risks
- Conduct arc flash assessments for all such situations to confirm such risks and mitigate them if possible
- Affix warning labels on the equipment and apparatus involved, and
- Create new work instruction that mandated all personnel working in such environments be clothed appropriately, i.e. in FP4 rated materials.

A. Technological Objective:
This project involves experimental development, in the fields of electrical & mechanical engineering in general, and of personal safety equipment performance and requirements in particular.

The objective was to: (1) establish an approach to conduct arc flash assessments for all work situations/environments and places identified as being in the Category 4 level of hazards and risks, and for which such assessment will be mandatory, and (2) determine what FP clothing personnel should wear while working in all Category 4 locations.

B. Technology or Knowledge Base Level:
As noted already in the Background section, THESL has a complete understanding of FP2 work situations/environment requirements and is fully compliant with regard to all the provisions involved, including its supply of FP2 rated clothing for its construction, operations and maintenance crews. It did not have any clothing for its crews that met the FP4 rating, and would have to acquire these items to be in compliance when the new regulations came into effect.

Within its Asset Management Division, THESL has engineering staff with some understanding of the principles of arc flash assessment. But they had never applied such knowledge in the context of requirements for personal safety equipment. Similar or lower levels of understanding existed in other areas such as the Environment, Health and Safety Department, which had the primary responsibility to determine the type and nature of the FP4 rated clothing that THESL would use.

With its current diffuse knowledge base that needed to be upgraded, THESL concluded the best way to proceed was with a multi-disciplinary project team to examine the implications of the forthcoming

regulations, identify the full requirements to be compliant and the gaps between them and the current situation, and to develop and implement the necessary solutions.

The project team recognized at the outset that it might need to draw on outside expertise in the area of arc flash assessments, and for testing candidate materials and products that might be suitable for use in FP4 work environments.

C. Technological Advancement Sought:

- Complete understanding of work situations where FP4 rated clothing is mandatory for all employees, and
- A preferred clothing solution that has to be worn while work is underway in these work situations, as well as a method of labelling equipment to provide a visual reminder of the safe working distances that apply, whenever wearing FP4 rated clothing is mandatory.

D. Description of Work in this Taxation Year:
January 2008 through December 2008
The project team of representatives from all stakeholder Departments – including five to six construction supervisors – was selected prior to the summer. From then through the fall, preliminary reviews and preparatory activities were undertaken. From the fall through the end of the year regular team meetings were held to decide the details of the work to be done, assign responsibilities to get it done, and to review progress and issues. Some preliminary arc flash assessments were conducted, but the team felt that it needed more training in this particular field to perform such work in a more effective and efficient manner. It was arranged and provided by a specialist contractor in November.

With regard to FP4 clothing, the basic dilemma with all FP rated clothing was acknowledged, i.e. should the FP property characteristic be a treatment after the garment is made, or should it be inherent in the fabric used to make the garment. The two approaches that evolved from the project team's work to meet the FP4 requirements were: 1) layering, i.e. using FP2 rated clothing, and 2) full suiting with material rated FP4. No testing of either approach with candidate materials was undertaken before the end of the year, but plans were made to carry out such work in 2009.

Status at Project or Period End:
The project was still in progress. In 2009 it was anticipated a lab testing programme would be undertaken. In addition, a field trial to test the wear-ability of possibly upgrading the existing orange tee shirt worn by crew personnel to one made from specialized material that has inherent FP properties was also under consideration.

E. Supporting Information:

- Working paper files, including team meeting minutes

Key Costing Notes:

Key people:	• Jim Trgachef, Supervisor, ex- Stds & Policy, now Connections West, Team co-lead • Glenn Kuzmich, EH&S Consultant, Team co-lead • Francis Szto, Acting Manager, Stds & Policy Planning, Team member • Angie Melillo, EH&S Consultant, Team member • Kal Sarkar, Engineer, Stds Planning Department, AMD, Team member

Contractor	• Kinetrics Inc. for directly related training for four team members in arc flash engineering in November 2008

Toronto Hydro Electric System Limited
SR&ED Technical Submission – 2008
Environmental footprint – Developing a methodology to reduce emissions and their impacts

Project Ref: THES-06
Project Title: Developing a methodology to establish the current environmental footprint and how to reduce emissions and their impacts

Start Date: April 2008
End Date (Anticipated): December 2008

Project Leader: Jennifer Reynolds

Background to the Project:
This project is a new one for the 2008FY claim. It was started in response to the adoption, in July 2007, by the Council of the City of Toronto of its Climate Change, Clean Air and Sustainable Energy Action Plan. This plan has reduction targets for Green House Gasses (GHG) emissions and smog. The major GHG are carbon dioxide, methane, nitrous oxide and three groups of fluorinate gases (sulphur hexafluoride, hydrofluorocarbons and perfluorocarbons).

As Toronto Hydro is owned by the City, and committed to environmental leadership, it concluded that it must develop a detailed understanding of its own GHG emissions, of how they can be reduced, of the target potential for their reduction, and of the timelines required to deliver significant reductions in its current level of these emissions. A multi-disciplinary team of internal staff was established to investigate and carry out the necessary activities.

A. Technological Objectives:
This project involves applied research and experimental development, in the field of environmental services engineering in general, and more specifically in the technology of GHG emission source identification and quantification in order to effect reductions in the levels of emissions.

The objectives for the project were to:

- Investigate, identify and inventory all the sources of emissions from THESL's facilities and operations
- Establish for each source of emissions the potential for reductions in level of emissions and the technical direction to follow, along with an applicable timeline, to realize those potential reductions so that THESL meets, as a minimum, the City of Toronto's overall reduction targets and timelines
- Develop a specific plan and schedule for THESL to use for implementation to secure significant improvements in its current environmental footprint, and
- Determine a target year by which THESL can become operationally carbon neutral.

It was recognized at the outset that to meet its objectives that THESL project staff would benefit from working with a supplier of subject matter expertise and services.

B. Technology or Knowledge Base Level:
In prior years, THESL had implemented a number of initiatives to reduce its energy demand and consumption on a standalone, facility-by-facility basis. These efforts included a number of retrofits that are well established standard practice, such as lighting improvements, and included more innovative pilot projects such as the photo-voltaic solar panel installation on the roof of the Service Centre at 500 Commissioners Street. THESL staff had also developed and implemented a number of initiatives under

its Conservation and Demand Management (CDM) Programme that were targeted for adoption by its customers.

All of the foregoing referenced items had energy demand and use reduction as their focus. While energy demand and use reduction does have distinct benefits for the environment, directly and explicitly reducing environmental impacts in general and GHG emissions in particular had never previously be the primary objective of any of THESL's development initiatives.

This project represents THESL's first attempt to develop a holistic approach to establish its overall level of emissions and to determine what targets it should set to effect substantial reductions in its current volumes of emissions.

C. Technological Advancement:

- The capability to create current situation environmental footprints and the means by which significant improvement can be made in them towards a goal of achieving a 'carbon neutral' position
- More comprehensive understanding of the role and contributions to GHG emissions of the current:
    - Portfolio of buildings and facilities
    - Vehicle fleet
    - Distribution system assets and apparatus with sulphur hexafluoride insulting gas, and
    - Distribution system line losses.

At the start of the project and during the course of carrying out its activities, the project team appreciated that they would have to resolve a number of problems, unknowns, challenges and issues. They included:

- To what extent could past work in energy demand and use reduction provide data for baseline development?
- Should indirect emission sources be included in the baseline data?
- What level of investigation and detail was appropriate, particular for secondary sources of emissions?
- How should increasing levels of penetration of distributed generation within its service area, particularly in co-gen facilities in which Toronto Hydro has an ownership interest, be handled?
- What GHG emissions and smog reduction targets are technically feasible & affordable over the next five to ten years?
- For sulphur hexafluoride leaks from electrical apparatus, what options are available for their management and reduction?
- What quantifiable impact on GHG emission levels is available from reducing facilities space and designing all new space to LEED platinum standards?
- How 'green' can the fleet become, and what technical options are available to make it 'greener'?

D. Description of Work in this Taxation Year:
January 2008 through December 2008

Following completion of project planning to select team members and an external consultant as a project facilitator, the project really got going in May. A series of workshops were held to develop an inventory of emissions sources and related KPI for each source type identified. Baseline data was gathered and process maps generated. For each area of interest from an emissions perspective - facilities, fleet, system

losses and fugitive releases of sulphur hexafluoride from gas insulated equipment - working groups were established to qualify and quantify emission levels in the own particular area.

From analyses of the baseline data gathered, the working groups developed recommendations and targets for reduction in each area and timelines for achieving those targets. As the preliminary results from each area were reviewed they were subject to challenge by internal subject matter experts to make sure that their attainment was not technically impossible, and that the timelines associated with each target, while accepted as demanding, were not overly so. These activities were not complete by the end of the year.

Status at the end of December 2008
At the end of 2008, the project was still in progress.

E. Supporting Information:
- Working papers and files kept by various members of the overall project team
- Environmental Footprint Strategy, Management Report to the Board of Directors, 22pp presentation, May 14th, 2009

Key Costing Notes:

Key people:	• Jennifer Reynolds, Manager Community Involvement, Team lead • David Ethier, Product Manager/Energy Solutions Analyst, THESI, Team member • William Begley, Account Representative, THESI, Team member • Ramesh Chadha, Acting Supervisor, LTP, System Reliability Planning, AMD, Team member • Peter Lo, Supervisor, Component Reliability Planning, System Reliability Planning, AMD, Team member • Robert Glavanov, Co-ordinator Trans. Capacity, Capacity Planning, AMD, Team member
Subcontractor:	• Delphi Group to facilitate workshops and group meetings an participate in methodology development

Project Ref:	THES-07
Project Title:	Developing & applying smart metering systems, techniques and methodologies
Start Date:	June 2004
End Date (Anticipated):	December 2010
Project Leaders:	Steve MacDonald, John Xu, and Perry Bitterman

Background to the Project:
This project has been carried over from the 2006FY claim. The general content of the technical reports for 2006FY claim project #7 on smart metering is still relevant to this year's claimed activities.

By the end of 2006, approximately 196,000 smart meters had been installed, primarily in the Scarborough and Etobicoke districts of THESL's service area.

To undertake small scale trials of software modifications and additions that were needed to process the automatic meter readings, a test area was established in the north east of the service area. The smart meters can hold up to 24 meter readings daily which would be transferred to the collector on a regular basis. How frequently register checks will be made to upload data still had to be decided, and should be before the fall of 2007. The configuration used in test area included a Cisco switch which was to be used, via modems, to interrogate 48 collectors in order to register each meter.

The first attempt to perform automatic meter reading with the test area of approximately 24,000 meters was made in December 2006. The results were good, but not great. Further trials would be necessary in 2007.

Initial consideration had also been given to special communication arrangements for specific customers, such as 250 school locations with their own Ethernet, but physical trials were deferred until 2007.

At the end of 2006, further experimentation and trials with smart meter methods and systems development were planned for 2007. These trials were to include ones with the Wi-Fi communications network, a web presentation tool that customers could access to check their meter reading status in real time, and other aspects of the system software such as spot correlations. Many other system enhancements were also underway at this time in preparation for time-of-use billing.

All the smart meters installed to the end of December 2006 were not being read and controlled on a remote, automatic basis. Manual meter reading for billing purposes was expected to continue until the fall of 2007. Following the first automatic meter reads, the cut-over to live billing was being targeted for October 2007, subject to satisfactory status of other system modifications. In addition, a decision still had to be made on how to address the smart metering requirements in the central core of THESL's service area, i.e. downtown Toronto, as many meters in this area were below grade, and were often housed in secure steel cabinets.

A. Technological Objectives:
This project involves experimental development, in the field of electrical engineering in general, and more specifically in the technology of metering electricity at the individual customer level, and then processing readings for billing customers.

The objectives of THESL's staff for the project were to:

- Investigate and assess the applicability of different types & capabilities of smart meters – either currently commercially available or at a prototype stage – to permit the evaluation of metering practice, communications, and settlement, with a view to establishing a preferred methodology covering all these areas that THESL could then implement
- Implement smart metering with a preferred methodology for the service area wide introduction to approximately 650,000 to 700,000 customers at the rate of approximately 20,000 per month, and
- Have all smart metering systems fully functional & operational for residential customers in the THESL service area by the end of 2010.

It was recognized at the outset that to meet its objectives that THESL project staff would need to work with suppliers of smart meters and services, as well as other utilities that might also be pursuing similar objectives.

B. Technology or Knowledge Base Level:
Metering practice at the end of 2003 was well established in THESL for all classes of customers and was still predominantly accomplished with manually read consumption meters. Meters were available that could be read automatically at preset intervals. However, at that time only a few local distribution companies (LDC's) in the industry, not including THESL, were assessing & evaluating smart meter functionality & utility through conducting field trials using the meters available from different manufacturers. Although it had conducted meter trials in the past, THESL had none in process at any time in 2003.

From mid-2004 onwards, THESL staff participated actively in electricity supply industry working groups established to develop the technical requirements for smart metering, the strategy & planning for industry adoption of smart metering, and the management of smart meter data respectively. At the same time, THESL had its own multi-functional team begin work on smart metering, and the IT infrastructure to support smart metering implementation. The internal team started in early fall, and quickly decided that it would need to conduct field trials to explore (1) the functionality and performance of the commercially available 'smart' meters, and (2) the communications and data processing that would likely arise when the trial meters and their data were interfaced with THESL's normal operating systems. From its desk top research, THESL was aware that there were significant technical differences between the meters supplied by different manufacturers. Planning for a six month trial with one type of meter began. It was well advanced by the end of 2004, by which time consideration was also being given to holding trials with three other types of smart meters, as per the explanations already provide at the end of the section on project background.

During 2005 and 2006, the project team made progress in developing its understanding and capabilities in smart metering from:

- Holding a series pilot trials with different kinds of meters and communications technologies on a small scale to explore performance and reliability issues

- Establishing the minimum technical criteria and performance requirements, in conjunction with representatives from other members of the Coalition of Large Distributors
- Developing tools and techniques to facilitate the mass deployment of smart meters, and
- Selecting a preferred, specific smart meter product and communications method for the mass deployment of smart meters for its retail customers, and then commencing this deployment in the summer of 2006.

But as noted in the background section, communications and other issues were still outstanding at the end of 2006. Further development activities had to be performed to facilitate their resolution and to further enhance THESL's capabilities in this area.

C. Technological Advancement:

- The capability to deploy smart meters - as ultimately specified functionally and defined by the OEB - across the THESL distribution network for automated meter reading of all residential customers, with seamless & reliable end-to-end data communications for settlement and billing purposes.

At the start of the project and during the course of carrying out its activities, THESL staff appreciated that they would have to resolve a number of problems, unknowns, challenges and issues. In prior years they included:

- Should currently commercially available 'smart' meters be used for pilot trials or should THESL staff work with a supplier to develop a prototype meter that meets all of THESL's requirements – including for example 2-way communications with the meter, meters that can be read and re-programmed remotely – which might not be currently commercially available?
- What methods of communication should be used, e.g. telephone lines, wireless, power line carrier, for smart meter trials? Should a combination be used, for example, to deal with inside meter mounting locations? Should the communications methods be custom engineered to suit different geographic locations within the THESL service area?
- Based on pilot trial experience with a few hundred meters, how should mass deployment of a preferred smart metering system be implemented? Should one preferred smart metering system be implemented for all sections of THESL's service area, including the downtown core?
- How would THESL modify its settlement and billing software systems to facilitate the pilot field trials of smart meters? Should THESL create a separate IT support system for the smart meter trials before modifying any code within its existing billing and settlement systems as they are currently configured? What changes in existing systems – used with bi-monthly manual meter readings – were needed for processing smart meter readings and for generating customer bills when the mass deployment went live?

For 2007 and 2008, the issues, challenges and obstacles faced were as follows:

- How robust would all the assumptions incorporated in the design and configuration of THESL's approach to and design of its smart metering system prove to be, when all the S/W tools were integrated and subjected to comprehensive trials?

  Smart metering on an entity wide basis at the LDC level was a brand new concept. During system design and development many assumptions had to be made in order to move forward and meet an aggressive target timeline for implementation. These assumptions could only be verified, or system modifications made, from the results of full scale trials. These trials had to be of the

integrated system – from automated meter reading to customer bill creation – when all the back-office S/W tools were in place.

- Would data migration performance be an issue or bottleneck when data is transferred routinely from a legacy system such as the Customer Information System into new S/W tools specifically created for smart meter readings data?

  For the 3+ order of magnitude increase in meter readings data (from that handling in past practice), all the new S/W tools could be either acquired or created with this volume increase in mind. For customer bill generation, however, especially for a time-of-use tariff structure, interfacing with the legacy Customer Information System was essential. As there were time limitations on how long data transfers could take, trials and tests would be necessary to determine whether or not data migration met the demanding performance criteria that had been deemed essential.

- Would the initial versions of all new S/W tools perform satisfactorily, or would new versions have to be created and tested before overall performance was deemed acceptable so that automated meter readings data could be used routine for accurate bill generation?

  Apart from the legacy Customer Information System, all the S/W tools used for smart metering would be new to THESL. Without exception they would all go through evolutionary development as a result of the trials that were performed, regardless of whether they were created by the project team or acquired from third parties and customized to suit.

- What security issues might emerge when a security review and audit is performed either by third parties or non-project participant from THESL?

  For all LDCs, revenue generation is driven by meter readings. In implementing the smart metering technology - with automated readings and bill generation - that it helped develop, it was of primary importance to the project team that the highest practical level of data security protection was incorporated. How well this intent was met could only be determined from a security review and audit.

- Will the start of customer bill creation using automated meter readings data result in the need to impose a higher standard on both meter reading and communication capabilities and data monitoring than those deemed acceptable before going 'live'?

  Performing trials and tests on a 'dry' basis, without any consequences apart from failure to perform, to ensure a successful automated read rate of at least 98% to comply with OEB requirements is one thing. But when smart meter readings are being used for automatic bill generation, the 98% level deem acceptable without any actual experience might not be good enough, especially when time-of-use pricing is introduced for residential customers. When the smart meter system is 'live' intensive scrutiny of misreads during field trials will be needed to understand the reasons why they are occurring and to determine if the 98% level is the appropriate minimum target for a successful implementation of the technology.

D. Description of Work in this Taxation Year:
January 2007 through December 2007

The automatic meter reading trials, which started at the end of 2006, continued over the first half of the year. Each meter reading is uploaded to a collector using wireless communication. From the collector it is passed along to the Meter Automation System (MAS) over dedicated telephone lines. The MAS S/W was acquired from the same US based subcontractor, who supplied the meters and the collectors. Initial trials started with version 4.2.

Over the year, various S/W patches and enhancements were made by the subcontractor involved with smart metering (SM) for residential customers, both to the S/W residing in the smart meters it supplied, and the data management S/W for the whole system (MAS), including one major upgrade to the latter. From Version 4.2 the project team went through 4.7 to 5.0 during the year. All the patches, enhancements and the major upgrade had to be used in trials by the project team, and any emerging issues addressed, as part of their implementation process. Some of the upgrade patches did not work for THESL's smart metering system configuration.

During the year the year the project team was able to get to 95% and then 98% successful reads for over 90,000 meters. As more meters were brought on board for automated reading, additional trials were held to make sure that reading performance did not degrade. If it did, the team had to investigate and resolve the issues on an iterative basis until the 98% target was attained for the increased volume of meters being covered.

As the trials with installed automated meters and MAS progressed, other facets of the processing of the meter readings data were worked on in parallel. The overall system configuration that was developed to store and manipulate the meter readings data involved several S/W tools. Most of them were new, and they had to be integrated for the overall smart metering project objectives were to be met. The details are as follows:

The Operations Data Store (ODS) takes data from MAS – interval data, register reads and event logs. It was supplied by another US subcontractor. The data is processed and stored into the Oracle database of ODS and aggregated to a time-of-use (TOU) time bucket on electricity consumption. Upon billing request from the CIS system, it will automatically provide the required billing data. The meter reads data is also supplied to a web application to provide customer access for reviewing their consumption and usage patterns.

The Customer Information System (CIS) was already in operation. It required upgrading/interfacing with the smart meter readings data. These improvements were carried out by the project team (internal staff and contract employees) supported by a US based subcontractor. Data extraction on service delivery points (SDP) and other meter information was developed for ODS data synchronization.

An Enterprise Service Bus (ESB) was created to be the link between ODS and CIS. It was developed internally using open source code. Initially Mule ESB was selected and the data transfer function between ODS and CIS was prepared. It was also used to transfer data form ODS/CIS to an externally hosted we pilot made accessible to a maximum of 50,000 customers. The data was transferred to the host site on a daily basis through ESB and ftp. Firewall configuration and testing were required before the application went live.

As data migration performance did become a bottleneck when bringing all CIS meter assets to ODS, the team had to redesign its initial approach to import data geo-code by geo-code.

Despite the intensive discussions with specific customers – like the local school board with its 250 locations and its own Ethernet arrangements – about using alternative communications methods (and most likely different types of SMs from the one being used for mass implementation), no physical trials were carried out during the year with different techniques.

For the SM requirements for the central core of THESL's service area, the potential issues anticipated with below grade meter locations, meters housed in secure steel cabinets did not materialize as smart meter installations progressed. Any issues that did arise were resolved through deploying more collectors. A set of SMs of a different type, a model with an antenna, had been acquired, in case they might be needed, but were not used for any residential customers.

The creation and integration of all the S/W tools for SM automated readings processing was ready for trials as a whole by the end of November. The intent was to use it as a trial and test environment for following six months. From that point onwards manual meter reading was discontinued once a smart meter had been commissioned and its automated reading tested capability confirmed. Although bill processing would be performed by the integrated system for the meters being read automatically, this was done solely with the existing rate/tariff structure.

By the end of the year, a cumulative total of approximately 416,000 smart meters had been installed. Of this number about 200,000 could be read automatically to the 98% level in a reliable and consistent manner.

January 2008 through December 2008
As per last year, the main focus for development activities with SM in the year was in making improvements to the performance of all the S/W tools that were an essential component of THESL SM technology development and implementation.

Over the year, various S/W patches and enhancements continued to be made, both to the S/W residing in the meter, and to the first stage of the S/W for data management (MAS). A second major upgrade to MAS, Version 6.0, that allows MAS to work with the new type of meter REX2 and Collector firmware 4.1, was implemented. Even with this latest version, the project team still had concerns over its performance. The THESL application was the largest ever attempted by the specialist subcontractor involved. The project team considered that the application size was "stressing" the code. At the end of the year, the expectation was that a new release of the MAS tool, version 6.2, would be available and implemented in 2009. It is available using a 64-bit structure that removes a 2GB memory block limitation embedded in earlier versions. If so, the S/W tool might have higher performance capabilities.

During the year, a subset of meter reads data held in ODS was supplied to the IESO's MDM/R system for the integration test. ODS itself was upgraded to version 5.5.

The billing function for both conventional tiered billing and TOU billing was developed for data from MAS/ODS, and fully tested so as to avoid any negative impacts on the existing billing and the customer service functions. TOU billing development was started and initially tested before the end of 2008. It would continue to be a major focus of development & comprehensive trials and testing in 2009.

With regard to the ESB S/W tool, it was redeveloped into a JBoss ESB platform. This effort also involved a Linux OS conversion from Suse to Redhat. The same upgrade also applied to the ODS system. In addition, the web pilot was brought in house. The servers, network and data presentation were all redone as well a voice response/talking enhancement that was labeled the "Anita" development.

To link with MDM/R run by the IESO, an interface was developed internally using a S/W tool know as 'Cleo VL Trader'. It works in combination with ESB and the Oracle database to transfer basic meter/SDP, meter reads, and billing requests to the IESO, and receives billing data and reports back from the IESO. The ODS vendor developed an engine for this ODS data extraction. The interface was tested and is pending agreement on some specific data transfer standards for implementation planed for 2009.

A GIS tool, MapInfo, was used to map all the SM hardware in the field, taking this information from MAS. Once in place, it proved to be an invaluable tool to analyze problems with meter reads and other issues, as the whole SM system had to be developed to meet prescribed performance standards once it was running under high volume operating conditions.

Other issues that had to be addressed during the year were dealing with 'stranded' residential customers that had been initially bypassed during mass installations in their geographic area, e.g. because they had a 400A service, or an existing meter base that was incompatible with the smart meters being installed. Two fires at customer premises also had to be investigated. Cable TV connection box arrangements were a potentially contributory factor.

Developing the approach for implementing SM for medium and large C&I customers was also started before the end of 2008 and is, after the TOU billing development, the 2nd major focus for 2009.

Status at the end of December 2008
At the end of 2008, approximately 550,000 SMs had been installed and 337,000 were being read automatically every day. For each meter, a total of 25 readings were being collected, one each hour and one total. All customer bill preparation - for the meters that were being automatically read - was being performed using the automated readings, but when a pilot trial with time-of-use rates might be held still had to be decided.

While the focus in the development of SM capabilities up to this point had been on residential customer metering, the focus for 2009 was going to be on SM for large commercial & industrial customers. For them, a different configuration was going to be involved and different meters and communication methods explored. Options being contemplated included wireless, use of outside antennas or repeaters to boost signal strength.

E. Supporting Information:
- Multiple files and working papers on all aspects of smart metering held by each team member that includes correspondence with partners & suppliers, kept by various members of the overall project team. Relevant examples are provided below
- "Functional specifications for an advanced metering infrastructure (AMI)", OEB draft document, October 2005 (Was finalized by March 2006)
- Elster Smart Meter Pilot Project Report, October 2005, 13pp + Appendices
- Smart Meters Program Charter, December 5th, 2006

- Master Test Plan, April 12th, 2007
- Risk watch list, November 22nd, 2007
- Smart Meters Phase 3 Program Charter, April 2nd, 2008
- AMI-MAS THESL & Elster Consolidated Action Item Log thro' October 2007
- Production Transition Strategy presentation, October 31st, 2007
- Smart Meters Program – Project status report presentation, December 31st 2008
- MDM/R Issues presentation, February 23rd , 2009

Key Costing Notes:

Key people:	• Steve MacDonald, Manager, Metering Technology, Team Co-Lead • John Xu, Project Leader, Systems Delivery, Team Co-Lead • Robert Cappadocia, Team lead - MAS, IT Department, Team member • Wayne Copp, MAS – Collector SME, IT Department, Team member • Sharon Nakashima, MAS Operator, IT Department, Team member • Muhammad Razzak, Enterprise Architect, IT Department, Team member • Sarah Sha, Developer/Analyst – CIS Settlement, IT Dept., Team member • Matvei Fradin, Senior Developer, IT Dept, Team member • Mary D'Ambrosio, Team lead – testing, IT Dept., Team member • Huma Razzak, Team lead – Web presentation, IT Dept., Team member • Athina Charalambides, Business Tester, Team member in 2008 • Mirjana Djuric, Project Manager – Web tool, Team member in 2008 • Karen France, Business Project Manager, Team member in 2008 • Linvor McKoy, Technical Clerk, Team member in 2008
Contractors:	• Afsan Services Inc. for the supply of two qualified personnel to work on the team over the two years • CSI Consulting Inc. for the supply of five qualified personnel to work on the team over the two years • Int3s Inc. for the supply of qualified personnel to work on the team over 2008 • Procom Consultants Group Ltd. for the supply of 18 qualified personnel over the two years • Sapphire for the supply of one qualified person to work on the teak over 2008 • Simon Boughton and Associates Inc. for the supply of one qualified person to work on the team over the two years

Project Ref:	THES-09
Project Title:	Developing & applying systems, techniques and methodologies for high voltage metering
Start Date:	January 2007
End Date (Anticipated):	September 2009
Project Leaders:	David Grant, P.Eng. and Frank Pignataro, P.Eng.

Background to the Project:
This project is a new one for the 2007FY. However, in the 2006FY claim, the technical report for project #3 included development activities associated with high voltage metering as these activities at the time were being led by staff from the Asset Management Division. These activities were still in progress at the end of the 2006FY. As responsibility was re-assigned to the Metering Operations Department, the continuing development work has now been included in this claim project.

The initial driver for THESL to develop its expertise in high voltage metering was the opening of the wholesale electricity market in 2002 when the responsibility for wholesale metering operations was transferred from Hydro One to the Metered Market Participant. All LDC participants became the metering services provider for many metered points previously handle by Hydro One.

The emphasis with the wholesale metering work was on the development of site specific loss adjustment factors and improving the calculation procedure to establish these figures and secure IESO approval. As the site specifics were different in each case, each site taken over by THESL had to be handled separately. Work on the wholesale metering would continue in 2007.

A. Technological Objective:
This project involves experimental development, in the field of electrical engineering in general, and more specifically in the technology of metering electricity at the high voltage (HV) level

The objectives were to develop a cost effective solution to upgrade the non-compliant metering in the downtown core of THESL's service area by introducing IESO Market Compliant High Voltage (HV) metering on the Hydro One owned transmission lines supplying THESL.

If an innovative approach and solution could be developed, approved & implemented, it had the potential to:

- reduce significantly the number of registered meter points
- avoid substantial future costs for upgrading of existing transformer stations, switchgear, IT, and meters
- eliminate the need to separate currently summed meter points and add IT
- streamline daily data collection requirements and the data and invoice validation processes, and
- remove many transformer station (TS) access concerns.

It was recognized at the outset that to meet its objectives that THESL staff would need to work with suppliers of associated equipment and services.

B. Technology or Knowledge Base Level:
At the start of the project, metering at the high voltage level was not part of THESL's standard practice. THESL has traditionally not been involved with HV metering as its bulk supplies of electricity were delivered at 27.8kV or 13.8kV. HV metering expertise is available in the electric power sector, but for THESL to access this know-how it would need to partner with a competent entity or agency.

HV metering is considered expensive, but it is practical and economical where an upstream HV metering location "captures" the load of several downstream LV metered locations. However ,to show that the proposed new arrangements for HV metering is revenue neutral when related to the existing non-compliant arrangements, the project team would have to develop a methodology to adjust the demand at each existing station in a manner that produces the same result as if each station was still metered individually.

The intent, once the methodology was developed, was for it to be used until the next rate submission, at which time a new methodology would be established for transmission rates. The existing metering would be left in place for use by THESL and Hydro One.

C. Technological Advancement:
It is the capability and knowledge to design, develop and implement an HV metering configuration that includes 14 new proposed HV meters. These HV meters would eliminate the need to upgrade the existing metering at the 23 downstream TSs, that represent 84 existing HV designated metering points (DMPs), and when brought to full Market Rule Compliance would involve approximately 146 LV meter installations.

Implementing the proposed new HV metering configuration is estimated to cost approximately one third of the cost to bring all of the existing 84 DMPs up to the standard required for full open Market Rule Compliance. Proceeding with the latter option would involve major station rebuild work.

At the start of the project and during the course of carrying out its activities, THESL staff appreciated that they would have to resolve a number of problems, unknowns, challenges and issues. They included:

- Just how a high voltage metering configuration could be developed and implemented that would be 100% equivalent/revenue neutral with respect to the original arrangements used by Hydro One
- What S/W tools could be used to facilitate the determine the loss adjustment factors that had to be established for each specific locations and used to support an improved HV metering configuration that would be revenue neutral, and
- How detailed should the explanation of the project team's methodology be, and how much technical data and supporting analyses & calculations will be need to be submitted to the IESO to support full compliance with its regulations and revenue neutrality condition before approval to implement is received.

D. Description of Work in this Taxation Year:
January 2007 through December 2007
The activities in progress at the end of last year in the area of wholesale/high voltage metering developments continued throughout the year. As per last year, the emphasis with the wholesale metering portion of the work was to continue with the development of site specific loss adjustment factors and improving the calculation procedure to establish these figures and secure IESO approval. As the site circumstance specifics were different in each case, each site taken over by THESL had to be handled

separately. Associated with the work done, a series of meetings were held with the IESO Revenue Metering Sub-Committee, and also the IESO Metering Technical Panel. To facilitate performing the development activities the project team used S/W tools initially MS Excel and then Matlab/Matpower. The choice of the first tool was deliberate in order to test the practicality and validity of determining and modelling the HV line losses using only MS Excel. Although the activities performed tested the operating limits of MS Excel and the desktop PC's with analysis files often exceeding 100 megabytes, the work was a success. The more sophisticated software (Matlab/Matpower) was then used to model larger sections of the transmission network within THESL's service territory.

Based on the work done in the prior and current year, THESL's HV Metering Proposal, developed by the project team, is to install 6 - 230kV meters at Sheppard TS, and 8 - 115kV meters at Manby TS. These meters would capture the load of 23 downstream TSs, mainly in the downtown core and in the Scarborough area.

Hydro One undertook a formal assessment for wholesale revenue metering concept developed by the project team and prepared an implementation cost estimate. The joint effort addressed how to "bulk meter" a large portion of THESL's supply by installing 6 meter points on the 230 kV circuit from Sheppard TS, and 8 meter points on the 115 kV circuit from Manby TS. It was completed in June.

January 2008 through December 2008
Work on the wholesale/HV metering in progress last year continued in 2008. Following additional meetings with the IESO Revenue Metering Sub-Committee, and also the IESO Metering Technical Panel, IESO approval was finally secured in July 2008, with the implementation of IESO Market Manual 3: Metering, Part 3.10: Transmission Grid - High Voltage Metering. (See the following web reference for more details - http://www.ieso.com/imoweb/metering/metering.asp) In addition to the S/W packages used last year, a more advance speciality S/W tool (PSS®E) for transmission system load flow modeling was acquired and first used in September. Final work on refinement of the loss adjustment factors and the diversity adjustment factors will continue into 2009.

Using transmission line and transformer data provided by the project team, the subcontractor prepared a base case power flow model representing THESL's 220 and 118 kV system. The system is normally operated as three separate networks with open switches at certain locations defined by THESL staff. Hence, a single power flow solution of the three separate networks will determine the line losses and power imports into the THESL system at the interconnection points. The project team has the flexibility to manually change the switching configuration of the network in the power flow model using the data editing capability of the new S/W tool.

Real and reactive power loads supplied to step-down transformers at the 220 kV and 118 kV substations are represented using metered readings. In order to facilitate the loss calculations at regular intervals, the project team has provided a data file, in Excel workbook format, consisting of one set of readings for each 15 minute interval. Data for a full year consist of 35,040 sets of readings.

The power flow model was prepared for use with Version 31 of the PSS®E power flow software. The basic network model is stored in a binary saved case file for easy retrieval.

A Python language macro was prepared for reading one set of load data at the metering points, assigning those as loads at the corresponding bus sections in the power flow model, performing a power flow

solution, computing the transmission losses on each 220 and 118 kV line segment as well as the power import at each of the three interconnection points and outputting all the numbers to an Excel workbook.

Status at the end of December 2008
It was still in progress. The intent was to complete both the HV metering development in 2009.

E. Supporting Information:
- Working papers and files including calculations and subcontractor reports

Key Costing Notes:

Key people:	• David Grant, Manager, Metering Operations Dept. (MOD), Team lead • Phil Dubeski, Staff Specialist & SME - Adjustments and Settlement, Team member • Jennifer Li, Co-op student, Team member, January thro' April 2007 • Bob Hodgson, Supervisor & SME – Metering, Team member • Frank Pignataro, Project Coordinator, MOD, Team member • Colleen Richmond, Staff specialist & SME - Regulatory Affairs, Team member
Subcontractor:	• Siemens Canada Limited for the speciality S/W (PSS®E) for power flow modeling and an automated sub-routine to facilitate determining loss & diversity adjustment factors

Project identification and title: P01 Identity Access Management – INTERCON Interface

SR&ED Project Start Date: October 2008

SR&ED Project End Date: December 2008

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What Technological Advancements were attempted?

Objective: Develop a data exchange protocol to bridge a physical access system with an identity access management system.

Advance: Developed a prototype using SPML conventions which enables data exchange between physical access system INTERCON and Oracle Identity Manager.

What obstacles had to be overcome?

-The physical access system, INTERCON was a black box with no API and a data model that was not compatible with the Oracle data model we were developing for identity access management.

-We discovered that the physical access system was on its own closed network with no connectivity to our network.

-We wished to integrate a card based access data model with a person based identity access data model. The card based data model was restrictive because there was no concept a person entity, just card numbers with physical access rules.

-We wished to use a standard data exchange protocol but the INTERCON system did not have this capability.

What was the work performed in the fiscal year?

-Analyzed three different markup languages (XACML – Extensible Access Control, SAML – Security Assertion and SPML – Services Provisioning) as a viable solution for data exchange between the INTERCON system and Oracle Identity Manager. Although these were industry standards they were not developed for use in this context. It was necessary for us to extend SPML so that we could develop a prototype.

-Engaged INTERCON to develop a mechanism using SPML conventions for data exchange.

-Developed a prototype and proceeded with a proof of concept for data exchange between Oracle Identity Manager and INTERCON.
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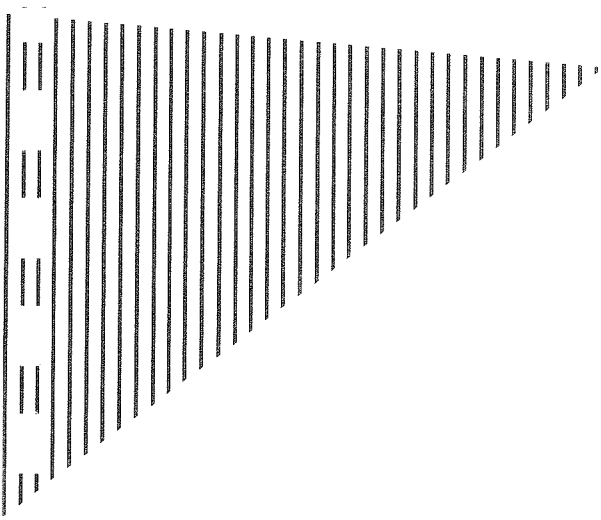
Toronto Hydro-Electric System Limited
EB-2009-0139
Exhibit R1
Tab 9
Schedule 33
Schedule G
Filed: 2009 Nov 30
(37 pages)

Financial Statements

Toronto Hydro-Electric System Limited

DECEMBER 31, 2008



ERNST & YOUNG

Quality In Everything We Do

Financial Statements

Toronto Hydro-Electric System Limited

DECEMBER 31, 2008

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AUDITORS' REPORT

To the Shareholder of
Toronto Hydro-Electric System Limited

We have audited the balance sheet of **Toronto Hydro-Electric System Limited** ["LDC"] as at December 31, 2008 and the statements of income, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of LDC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of LDC as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Canada,
February 24, 2009.

Toronto Hydro-Electric System Limited

BALANCE SHEETS

[in thousands of dollars]

As at December 31	2008 $	2007 $
ASSETS		
Current		
Cash and cash equivalents	199,811	144,646
Accounts receivable, net of allowance for doubtful accounts *[note 16[b]]*	137,833	154,237
Unbilled revenue	261,737	273,868
Payments in lieu of corporate taxes receivable	12,195	9,651
Inventories *[note 5]*	5,069	4,546
Prepaid expenses	2,311	1,269
Total current assets	618,956	588,217
Property, plant and equipment, net *[note 6]*	1,786,892	1,743,204
Intangible assets, net *[note 7]*	66,218	61,842
Regulatory assets *[note 8]*	26,213	18,553
Other assets *[note 9]*	7,862	484
Total assets	2,506,141	2,412,300
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current		
Accounts payable and accrued liabilities	283,325	274,692
Current portion of other liabilities *[note 10]*	17,382	18,648
Deferred revenue	1,663	2,463
Current portion of promissory note payable to related party *[notes 11 and 20]*	245,058	-
Total current liabilities	547,428	295,803
Long-term liabilities		
Long-term note payable to related party *[notes 11 and 20]*	422,288	421,876
Long-term promissory note payable to related party *[notes 11 and 20]*	490,115	735,173
Post-employment benefits *[note 12]*	146,147	137,843
Regulatory liabilities *[note 8]*	83,516	59,151
Other liabilities *[note 13]*	2,251	3,108
Asset retirement obligations *[note 14]*	6,470	7,523
Customers' advance deposits	30,283	25,314
Total long-term liabilities	1,181,070	1,389,988
Total liabilities	1,728,498	1,685,791
Commitments and contingencies *[notes 21 and 22]*		
Shareholder's equity		
Share capital *[note 19]*	527,817	527,817
Retained earnings	237,069	185,935
Contributed surplus	12,757	12,757
Total shareholder's equity	777,643	726,509
Total liabilities and shareholder's equity	2,506,141	2,412,300

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF INCOME

[in thousands of dollars]

Year ended December 31	2008 $	2007 $
Revenues		
Sale of electricity	2,322,552	2,283,615
Other income	26,995	37,239
	2,349,547	2,320,854
Costs		
Purchased power	1,869,557	1,841,121
Operating expenses	182,363	172,407
Depreciation and amortization	149,019	137,020
	2,200,939	2,150,548
Income before interest, other and provision for payments in lieu of corporate taxes	148,608	170,306
Interest income	8,897	8,141
Interest expense		
Long-term notes	(69,548)	(73,187)
Other interest	(2,854)	1,058
Other	-	1,698
Income before provision for payments in lieu of corporate taxes	85,103	108,016
Provision for payments in lieu of corporate taxes *[note 18]*	8,969	42,395
Net income	76,134	65,621

STATEMENTS OF RETAINED EARNINGS

[in thousands of dollars]

Year ended December 31	2008 $	2007 $
Retained earnings, beginning of year	185,935	145,508
Net income	76,134	65,621
Related party transfer of assets	-	(194)
Dividends *[note 19]*	(25,000)	(25,000)
Retained earnings, end of year	237,069	185,935

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

[in thousands of dollars]

Year ended December 31	2008 $	2007 $
OPERATING ACTIVITIES		
Net income	76,134	65,621
Adjustments for non-cash items		
Depreciation and amortization	149,019	137,020
Net change in other assets and liabilities	(3,440)	(8,217)
Post-employment benefits	8,304	15,499
Gain on disposals of property, plant and equipment	-	(1,698)
Changes in non-cash working capital balances		
Decrease in accounts receivable	16,404	37,604
Decrease (increase) in unbilled revenue	12,131	(47,571)
Decrease (increase) in inventories	(523)	987
Increase in prepaid expenses	(954)	(299)
Increase in accounts payable and accrued liabilities	8,633	30,860
Decrease in deferred revenue	(800)	(2,235)
Increase in current portion of other liabilities	171	500
Net cash provided by operating activities	265,079	228,071
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(179,965)	(256,262)
Purchase of intangible assets	(25,747)	(24,713)
Net change in regulatory assets and liabilities	16,705	64,081
Proceeds on disposal of property, plant and equipment	599	1,845
Net cash used in investing activities	(188,408)	(215,049)
FINANCING ACTIVITIES		
Increase (decrease) in customers' advance deposits	3,694	(433)
Repayment of capital lease liability	(200)	(334)
Dividends paid *[note 19]*	(25,000)	(25,000)
Net cash used in financing activities	(21,506)	(25,767)
Net increase (decrease) in cash and cash equivalents during the year	55,165	(12,745)
Cash and cash equivalents, beginning of year	144,646	157,391
Cash and cash equivalents, end of year	199,811	144,646
Supplementary cash flow information		
Total interest paid	70,174	72,811
Payments in lieu of corporate taxes	15,730	54,940

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS
[all tabular amounts in thousands of dollars]

December 31, 2008

1. INCORPORATION

On June 23, 1999, Toronto Hydro-Electric System Limited ["LDC"] was incorporated under the Business Corporations Act (Ontario). The incorporation was required in accordance with the provincial government's *Electricity Act, 1998*. LDC is a wholly-owned subsidiary of Toronto Hydro Corporation [the "Corporation"].

Under the terms of By-law No. 374-1999 of the City of Toronto ["Transfer By-law"] made under section 145 of the *Electricity Act, 1998* and in accordance with continuity of interest accounting, the former Toronto Hydro-Electric Commission and the City of Toronto [the "City"] transferred, at book value, their assets and liabilities [effective July 1, 1999] and employees [effective January 1, 2000] associated with electricity distribution to LDC in consideration for the issuance of equity securities of LDC and long-term notes payable to the City.

The equity securities of LDC were subsequently transferred by the City to the Corporation in consideration for the issuance of equity securities of the Corporation to the City.

The book value of the assets transferred at July 1, 1999 was $1,548,048,000.

LDC distributes electricity to customers located in the City and it is subject to rate regulation. LDC is also engaged in the delivery of Conservation and Demand Management ["CDM"] activities.

2. REGULATION

In April 1999, the government of Ontario initiated a restructuring of Ontario's electricity industry. The restructuring was intended, among other things, to facilitate competition in the generation and sale of electricity, to protect the interests of consumers with respect to prices and the reliability and quality of electricity service and to promote economic efficiency in the generation, transmission and distribution of electricity.

The Ontario Energy Board [the "OEB"] has regulatory oversight of electricity matters in the Province of Ontario. The *Ontario Energy Board Act, 1998* sets out the OEB's authority to issue a distribution licence which must be obtained by owners or operators of a distribution system in Ontario. The OEB prescribes licence requirements and conditions including, among other things, specified accounting records, regulatory accounting principles, separation of accounts for separate businesses and filing process requirements for rate-setting purposes.

The OEB's authority and responsibilities include the power to approve and fix rates for the transmission and distribution of electricity, the power to provide continued rate protection for rural and remote electricity customers and the responsibility for ensuring that electricity distribution companies fulfill obligations to connect and service customers.

LDC is required to charge its customers for the following amounts (all of which, other than the distribution rate, represent a pass through of amounts payable to third parties):

[i] *Distribution Rate.* The distribution rate is designed to recover the costs incurred by LDC in delivering electricity to customers and the OEB-allowed rate of return. Distribution rates are regulated by the OEB and typically comprise a fixed charge and a usage-based (consumption) charge.

The volume of electricity consumed by LDC's customers during any period is governed by events largely outside LDC's control (principally sustained periods of hot or cold weather which increase the consumption of electricity and sustained periods of moderate weather which decrease the consumption of electricity).

[ii] *Electricity Price and Related Rebates.* The electricity price and related rebates represent a pass through of the commodity cost of electricity.

[iii] *Retail Transmission Rate.* The retail transmission rate represents a pass through of wholesale costs incurred by distributors in respect of the transmission of electricity from generating stations to local areas. Retail transmission rates are regulated by the OEB.

[iv] *Wholesale Market Service Charge.* The wholesale market service charge represents a pass through of various wholesale market support costs. Retail rates for the recovery of wholesale market service charges are regulated by the OEB.

3. ELECTRICITY DISTRIBUTION RATES

In connection with the restructuring of Ontario's electricity industry in 1999, the OEB had authorized electricity distributors to adjust their distribution rates to incorporate a market-based rate of return of 9.88% on the deemed debt to equity structure of LDC of 65:35. The adjustment was being phased in over three adjustment periods to lessen the rate impact on customers. Effective on each of December 1, 2000 and March 1, 2002, the OEB authorized LDC to increase its distribution rates to allow for the recovery of additional annual revenue of $39,800,000.

In March 2005, LDC received approval from the OEB to increase distribution rates to recover $39,800,000, representing the third and final adjustment necessary to achieve a market-based rate of return of 9.88%. The rate increase was effective as of April 1, 2005 and subjected LDC to a financial commitment to invest $39,800,000 in CDM activities by September 2007.

In April 2006, the OEB approved a decrease in the distribution rates of LDC for the period May 1, 2006 to April 30, 2007 representing a revenue reduction of approximately $57,956,000, including the new regulatory treatment for revenues relating to smart meters *[note 8]*. The methodology used by the OEB to establish the distribution rates was based on, among other things, a rate base of $1,861,000,000, a deemed debt to equity structure of 65:35 and an allowed market-based rate of return of 9%. The OEB also allowed for the recovery of regulatory assets related to prior years' pension costs and OEB fees and reduced the allowable interest rate recoverable on related party debt including the outstanding promissory note between LDC and the Corporation from 6.8% to 5% per annum.

In December 2006, the OEB announced the establishment of a multi-year electricity distribution rate-setting plan for Local Distribution Companies for the years 2007 to 2010. To streamline the process for approving distribution rates and charges, the OEB issued guidelines along with an Incentive Regulation Model to be used to calculate 2007 rate adjustments. The guidelines effectively adjusted Base Distribution Rates for inflation less a productivity factor. Pursuant to that adjustment, on April 12, 2007, the OEB approved an increase in LDC's distribution rates for the period May 1, 2007 to April 30, 2008 representing an estimated revenue increase of approximately $1,900,000.

NOTES TO FINANCIAL STATEMENTS
[all tabular amounts in thousands of dollars]

December 31, 2008

On May 15, 2008, the OEB issued its decision regarding LDC's electricity distribution rates application for 2008, 2009 and 2010. In its decision, the OEB provided final approval for 2008 base distribution revenue requirement and rate base of $473,000,000 and $1,968,900,000, respectively. The allowable market-based rate of return percentage for LDC was set at 8.57% by the OEB for 2008. The OEB's decision also provides for an option for a mechanistic adjustment based on the then-prevailing incentive regulation mechanism, for 2010. It should be noted that the deemed debt to equity structure of LDC was modified to 62.5% debt and 37.5% equity for 2008 and to 60% debt and 40% equity for 2009 thereafter.

In its decision on LDC's rate application for 2008, 2009 and 2010, the OEB found that 100% of the net after-tax gains on the sale of certain LDC properties should be deducted from the revenue requirement recovered through distribution rates. The OEB deemed this amount to be $10,300,000 [the "deemed amount"]. On June 16, 2008, LDC filed an appeal with the Divisional Court of Ontario [the "Divisional Court"] seeking to overturn the gain on sale aspects of the OEB decision and also sought and obtained a stay order with respect to the deduction of the deemed amount from the revenue requirement recovered through rates. LDC expects that the appeal will be heard by the Divisional Court in 2009.

On December 15, 2008, LDC applied to the OEB to recover Lost Revenue Adjustment Mechanism ["LRAM"] and Shared Savings Mechanism ["SSM"] amounts related to CDM programs undertaken in 2007. The total of the recovery sought is $3,700,000.

On December 15, 2008, LDC applied to the OEB to refund to customers amounts related to the unanticipated extension for three months of rate riders that were to have expired April 30, 2008. The rate riders were extended by the OEB at LDC's request to avoid rate instability prior to the implementation of 2008 rates as of August 1, 2008. In total, the extension produced excess collection of $7,700,000, which together with interest is proposed to be refunded to customers commencing May 1, 2009.

The continuing restructuring of Ontario's electricity industry and other regulatory developments, including current and possible future consultations between the OEB and interested stakeholders, may affect the distribution rates and other permitted recoveries in the future.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of LDC have been prepared in accordance with Canadian generally accepted accounting principles ["GAAP"], including accounting principles prescribed by the OEB in the handbook "Accounting Procedures Handbook for Electric Distribution Utilities" ["AP Handbook"], and reflect the significant accounting policies summarized below:

a) Regulation

The following regulatory treatments have resulted in accounting treatments which differ from Canadian GAAP for enterprises operating in an unregulated environment:

NOTES TO FINANCIAL STATEMENTS
[all tabular amounts in thousands of dollars]

December 31, 2008

Regulatory Assets and Liabilities

In accordance with Canadian Institute of Chartered Accountants ["CICA"] Accounting Guideline 19 "Disclosures by Entities Subject to Rate Regulation" ["AcG-19"], certain costs and variance account balances deemed to be "regulatory assets" or "regulatory liabilities" are reflected separately on LDC's balance sheet until the manner and timing of disposition is determined by the OEB *[note 8]*.

Payments in lieu of corporate taxes

LDC is exempt from tax under the *Income Tax Act (Canada)* ["ITA"] and the *Corporations Tax Act (Ontario)*, if not less than 90% of its capital is owned by the Corporation, a Municipal Electricity Utility ["MEU"], and not more than 10% of its income is derived from activities carried on outside the municipal geographical boundaries of the City.

LDC is a MEU for purposes of the Payments In Lieu of Corporate Taxes ["PILs"] regime contained in the *Electricity Act, 1998*. The *Electricity Act, 1998* provides that a MEU that is exempt from tax under the ITA and the *Corporations Tax Act (Ontario)* is required to make, for each taxation year, a PILs, to the Ontario Electricity Financial Corporation in an amount equal to the tax that it would be liable to pay under the ITA and the *Corporations Tax Act (Ontario)* if it were not exempt from tax.

The PILs regime came into effect on October 1, 2001, at which time LDC was deemed to have commenced a new taxation year for purposes of determining the respective liabilities for PILs. The differences between the financial statement carrying value and tax basis of assets and liabilities were accounted for by LDC under the taxes payable method of accounting applied in accordance with recommendations of the CICA and the OEB.

Under the taxes payable method, no provisions are made for future income taxes as a result of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. When unrecorded future income taxes become payable, it is expected that they will be included in the rates approved by the OEB and recovered from the customers of the regulated business at that time.

Contributions in aid of construction

Capital contributions received from outside sources are used to finance additions to property, plant and equipment of LDC. According to the AP Handbook, capital contributions received are treated as a "credit" to property, plant and equipment. The amount is subsequently amortized by a charge to accumulated amortization and a credit to amortization expense at an equivalent rate to that used for the depreciation of the related property, plant and equipment.

Allowance for funds used during construction

Commencing January 1, 2007, LDC prospectively adopted Article 410 of the AP Handbook, which provides for the inclusion of an Allowance for Funds Used During Construction ["AFUDC"] when capitalizing construction-in-progress assets, until such time as the asset is substantially complete. A concurrent credit of the same amount is made to the interest expense account when the allowance is capitalized. The interest rate for capitalization as prescribed by the OEB, for the period from January 1 to June 30, 2007, was 4.72%, from July 1, 2007 to June 30,

2008, was 5.18%, and from July 1, 2008 to December 31, 2008, was 5.43%, and is applied to the balance of the construction-in-progress assets on a simple interest basis. Prospectively, AFUDC is included in property, plant and equipment and construction-in-progress for financial reporting purposes, charged to operations through depreciation over the service life of the related assets and recovered through future revenue.

b) Cash and cash equivalents

Cash and cash equivalents include cash in bank accounts and short-term investments, with terms to maturity of 90 days or less from their date of acquisition.

c) Inventories

Effective January 1, 2008, LDC adopted CICA Handbook Section 3031 – "Inventories" which is based on the International Accounting Standards Board's International Accounting Standard 2 and replaced existing CICA Handbook Section 3030. Under this new standard, inventories are required to be measured at the lower of cost and net realizable value and any items considered to be major future components of property, plant and equipment are to be transferred to property, plant and equipment. The new standard also provides updated guidance on the appropriate methods of determining cost and the impact of any write-downs to net realizable value. The implementation of this standard did not have any impact on LDC's results of operations.

Inventories consist primarily of maintenance and construction materials. LDC has retrospectively reclassified all major future components of its electricity distribution system infrastructure from inventory to property, plant and equipment. Once capitalized, these items are not amortized until they are put into service. Inventories are carried at the lower of cost and net realizable value, with cost determined on an average cost basis net of a provision for obsolescence.

d) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost and are removed from the accounts at the end of their estimated average service lives, except in those instances where specific identification allows their removal at retirement or disposition. Gains or losses at retirement or disposition of such assets are credited or charged to "Other" in the statement of income.

In the event that facts and circumstances indicate that property, plant and equipment may be impaired, an evaluation of recoverability is performed. For purposes of such an evaluation, the estimated future undiscounted cash flows associated with the asset are compared to the carrying amount of the asset to determine if a write-down is required. The impairment loss is measured as the amount by which the carrying amount of the asset exceeds its fair value.

NOTES TO FINANCIAL STATEMENTS
[all tabular amounts in thousands of dollars]

December 31, 2008

Depreciation is provided on a straight-line basis over the estimated service lives at the following annual rates:

Buildings	1.7% to 10.0%
Stations	2.9% to 5.0%
Distribution lines	2.5% to 4.0%
Transformers	3.3% to 4.0%
Meters	2.9% to 6.7%
Other capital assets	6.7% to 12.5%
Communications	10.0% to 20.0%
Computer hardware	20.0% to 25.0%
Rolling stock	12.5% to 33.3%
Equipment and tools	10.0%

Construction in progress includes assets not currently in use which are not depreciated.

e) Intangible assets

Intangible assets, which lack physical substance, are stated at cost. Amortization is provided on a straight-line basis over their estimated useful service lives at the following annual rates:

Land rights	2.0%
Computer software	14.0% to 33.0%
Capital contributions	4.0%

Software in development includes assets not currently in use which are not amortized.

f) Workplace Safety and Insurance Act

LDC is a Schedule 1 employer for workers' compensation under the Workplace Safety and Insurance Act ["WSIA"]. As a Schedule 1 employer, LDC is required to pay annual premiums into an insurance fund established under the WSIA and recognizes expenses based on funding requirements.

g) Revenue recognition

Revenues from the sale of electricity are recorded on a basis of cyclical billings and also include unbilled revenues accrued in respect of electricity delivered but not yet billed.

In May 2007, LDC entered into CDM agreements with the Ontario Power Authority ["OPA"] for the period from 2007 to 2010. The revenues and costs associated with these programs are accounted for using the net basis of accounting, while any performance fees are recognized as the related CDM programs are delivered.

Revenues from LRAM and SSM are recognized as related programs are delivered and measurable.

Other income, which includes revenues from electricity distribution related services, is recognized as the services are rendered.

h) Financial instruments

At inception, all financial instruments which meet the definition of a financial asset or financial liability are to be recorded at fair value, unless fair value cannot be reliably determined. Depending on the nature of the financial instrument, revenues, expenses, gains and losses would be reported in either net income or other comprehensive income. Subsequent measurement of each financial instrument will depend on the balance sheet classification elected by LDC. The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between willing parties.

LDC classifies its financial instruments as follows and uses the following methods and assumptions to estimate the fair value of each class of financial instruments for which carrying amounts are included in the balance sheet:

- Cash is classified as "Assets Held-for-Trading" and is measured at fair value. The carrying amount approximates fair value because of the short maturity.
- Cash equivalents, comprising short-term investments, are classified as "Held-to-Maturity Investments" and are measured at amortized cost, which, upon initial recognition, is considered equivalent to fair value. The carrying amounts approximate fair value because of the short maturity of these instruments.
- Accounts receivable are classified as "Loans and Receivables" and are measured at amortized cost, which, upon initial recognition, is considered equivalent to fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method. The carrying amounts approximate fair value because of the short maturity of these instruments.
- Accounts payable and accrued liabilities are classified as "Other Financial Liabilities" and are initially measured at their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method. The carrying amounts approximate fair value because of the short maturity of these instruments.
- Long-term debts are classified as "Other Financial Liabilities" and are initially measured at their fair value. The carrying amounts are measured at amortized cost, based on an initial fair value as determined at the time using quoted market price for similar debt instruments. The fair value of the long-term debt is calculated by discounting the related cash flows at the estimated yield to maturity of similar debt instruments *[note 16]*.

Effective January 1, 2008, LDC adopted CICA Handbook Sections 3862 – "Financial Instruments – Disclosures" and 3863 – "Financial Instruments – Presentation", which establish the requirement of disclosure of risks associated with both recognized and unrecognized financial instruments and the management of those risks. The adoption of these standards did not have any impact on LDC's results of operations or financial position *[note 16]*.

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i) Capital disclosures

Effective January 1, 2008, LDC adopted CICA Handbook Section 1535 – "Capital Disclosures" which requires disclosure of LDC's objectives, policies and processes for managing capital as well as its compliance with any external capital requirements. The implementation of this standard did not have any impact on LDC's results of operations or financial position. The resulting disclosures from implementation are presented below *[note 15]*.

j) Employee future benefits

Pension plan

LDC provides a pension plan for its full-time employees through the Ontario Municipal Employees Retirement System ["OMERS"]. OMERS is a multi-employer, contributory, defined benefit pension plan established in 1962 by the Province for employees of municipalities, local boards and school boards in Ontario. Both participating employers and employees are required to make plan contributions based on participating employees' contributory earnings. LDC recognizes the expense related to this plan as contributions are made.

Employee future benefits other than pension

Employee future benefits other than pension provided by LDC include medical and life insurance benefits, and accumulated sick leave credits. These plans provide benefits to employees when they are no longer providing active service. Employee future benefit expense is recognized in the period in which the employees render services on an accrual basis.

The accrued benefit obligations and current service cost are calculated using the projected benefit method prorated on service and based on assumptions that reflect management's best estimate. The current service cost for a period is equal to the actuarial present value of benefits attributed to employees' services rendered in the period. Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment. The excess of the net actuarial gains (losses) over 10% of the accrued benefit obligation is amortized into expense over the average remaining service period of active employees to full eligibility. The effects of a curtailment gain or loss are recognized in income in the year of the event giving rise to the curtailment. The effects of a settlement gain or loss are recognized in the period in which a settlement occurs.

k) Customers' advance deposits

Customers' advance deposits are cash collections from customers to guarantee the payment of energy bills. The customers' advance deposits liability includes interest credited to the customers' deposit accounts, with the debit charged to interest expense. Deposits expected to be refunded to customers within the next fiscal year are classified as a current liability.

l) Asset retirement obligations

LDC recognizes a liability for the future environmental remediation of certain properties and for future removal and handling costs for contamination in distribution equipment in service and in storage. Initially, the liability is measured at present value and the amount of the liability is added to the carrying amount of the related asset. In subsequent periods, the asset is depreciated and the liability is adjusted quarterly for the discount applied upon initial recognition of the liability ["accretion expense"] and for changes in the underlying assumptions. The liability is recognized when the asset retirement obligations ["ARO"] is incurred and when the fair value is determined.

m) Use of estimates

The preparation of LDC's financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses for the year. Actual results could differ from those estimates, including changes as a result of future decisions made by the OEB, the Minister of Energy or the Minister of Finance.

n) Future Accounting Pronouncements

Rate Regulated Entities

During 2007, the Accounting Standards Board ["AcSB"] issued an exposure draft proposing to remove all specific references to rate regulated accounting from the CICA Handbook. In August 2007, the AcSB decided to remove a temporary exemption in CICA Handbook Section 1100 "Generally Accepted Accounting Principles", retain existing references to rate regulated accounting in the CICA Handbook, amend CICA Handbook Section 3465 "Income Taxes" to require the recognition of future income tax liabilities and assets as well as a corresponding regulatory asset or liability, and retain existing requirements to disclose the effects of rate regulation per AcG-19. The new rules will apply prospectively to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009.

Currently, LDC uses the taxes payable method of accounting for income taxes. The estimated effect on LDC's financial statements, if it had adopted amended CICA Handbook Section 3465 as at December 31, 2008, would have been an increase in future income tax assets of $298,514,000, including an amount associated with income taxes that will become payable on future revenues as they are collected from customers when the tax timing differences reverse. There would also be a corresponding increase in regulatory liabilities of $298,514,000. There is no impact to opening retained earnings expected upon adoption of these amendments on January 1, 2009. LDC is continuing to assess and monitor any additional implications on its financial statements.

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Goodwill and Intangible Assets and Other Standards

In January 2008, the CICA issued Handbook Section 3064, "Goodwill and Intangible Assets", and amended Handbook Section 1000, "Financial Statement Concepts", and Accounting Guideline 11 "Enterprises in the Development Stage" and withdrew Handbook Section 3450, "Research and Development Costs". Handbook Section 3064 clarifies that costs may only be deferred when they relate to an item that meets the definition of an asset. The concept of matching revenues and expenses remains appropriate for allocating the cost of an asset that is consumed in general revenue over multiple reporting periods. Handbook Section 3064 replaces Handbook Section 3062 and provides extensive guidance on when expenditures qualify for recognition as intangible assets. These changes are effective for fiscal years beginning on or after October 1, 2008. LDC is currently in the process of evaluating the potential impact of these standards on its financial statements.

International Financial Reporting Standards ["IFRS"]

On February 13, 2008, the AcSB confirmed that publicly accountable enterprises will be required to adopt IFRS in place of Canadian GAAP for interim and annual reporting purposes for fiscal years beginning on or after January 1, 2011. A limited number of converged or IFRS-based standards will be incorporated into Canadian GAAP prior to 2011, with the remaining standards to be adopted at the change over date. LDC has an internal initiative to govern the conversion process and is currently in the process of evaluating the potential impact of the conversion to IFRS on its financial statements. At this time, the impact on LDC's future financial position and results of operations is not reasonably determinable or estimable.

5. INVENTORIES

Inventories consist of the following:

	2008 $	2007 $
Consumables, tools and other maintenance items	1,478	1,167
Fuses	1,014	1,105
Vehicle parts and supplies	436	463
Other	2,235	2,239
Less: Allowance for provisions	(94)	(428)
	5,069	4,546

As a result of the adoption of CICA Handbook Section 3031 – "Inventories", $17,683,000 was reclassified out of inventories and into property, plant and equipment as at December 31, 2008 [December 31, 2007 - $22,314,000]. For the year ended December 31, 2008, LDC recognized operating expenses of $5,822,000, related to inventory used in the servicing of electrical distribution assets [2007 - $5,728,000].

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6. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment consist of the following:

	2008			2007		
	Cost $	Accumulated depreciation $	Net book value $	Cost $	Accumulated depreciation $	Net book value $
Land	4,073	—	4,073	4,078	—	4,078
Buildings	145,459	50,507	94,952	142,608	47,145	95,463
Stations	242,557	113,315	129,242	202,394	106,143	96,251
Distribution lines	2,249,238	1,177,938	1,071,300	2,108,576	1,096,082	1,012,494
Transformers	542,176	301,446	240,730	514,921	282,415	232,506
Meters	199,127	97,145	101,982	196,175	88,485	107,690
Other capital assets	65,109	38,048	27,061	62,060	32,692	29,368
Communications	29,351	23,381	5,970	24,598	21,731	2,867
Computer hardware	48,936	39,764	9,172	42,554	37,246	5,308
Rolling stock	59,209	41,749	17,460	56,234	42,209	14,025
Equipment and tools	35,827	26,579	9,248	34,548	25,026	9,522
Construction in progress	75,702	—	75,702	133,632	—	133,632
	3,696,764	1,909,872	1,786,892	3,522,378	1,779,174	1,743,204

For the year ended December 31, 2008, AFUDC in the amount of $2,016,000 [2007 - $3,444,000] was capitalized to property, plant and equipment and credited to interest expense.

At December 31, 2008, net book value of stranded meters related to the deployment of smart meters amounting to $25,866,000 [December 31, 2007 - $19,890,000] is included in "property, plant and equipment, net". In the absence of rate regulation, property, plant and equipment would have been $25,866,000 lower at December 31, 2008 [December 31, 2007 - $19,890,000].

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7. INTANGIBLE ASSETS, NET

Intangible assets consist of the following:

	2008			2007		
	Cost $	Accumulated amortization $	Net book value $	Cost $	Accumulated amortization $	Net book value $
Land rights	1,720	242	1,478	10,350	2,227	8,123
Computer software	143,274	103,848	39,426	122,495	89,313	33,182
Capital contributions	2,043	361	1,682	2,043	279	1,764
Software in development	23,632	—	23,632	18,773	—	18,773
	170,669	104,451	66,218	153,661	91,819	61,842

8. REGULATORY ASSETS AND LIABILITIES

Regulatory assets consist of the following:

	2008 $	2007 $
Regulatory assets recovery account	—	9,660
Smart meters	25,830	2,357
Lost revenue adjustment mechanism and shared savings mechanism	—	6,536
Other	383	—
	26,213	18,553

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Regulatory liabilities consist of the following:

	2008 $	2007 $
Regulatory assets recovery account	13,832	—
Pre-market opening line loss variance	—	3,965
Settlement variances	57,516	48,121
Other	12,168	7,065
	83,516	59,151

For the year ended December 31, 2008, LDC recovered approved regulatory assets amounts of $15,381,000 through permitted distribution rate adjustments [2007 – $28,368,000]. These recovery amounts are for the recovery of approved regulatory assets recorded in reporting periods prior to January 1, 2005. For the year ended December 31, 2008, LDC disposed of approved regulatory liability amounts of $9,671,000 through permitted distribution rate adjustments [2007 – $nil].

The regulatory assets and liabilities balances of LDC are defined as follows:

[a] Regulatory assets recovery account ["RARA"]

On March 31, 2005, the OEB ordered that the approved regulatory asset balances be aggregated into a single regulatory account. Approved regulatory assets of $71,465,000 consisted of transition costs of $37,868,000, pre-market opening energy electricity variance of $26,129,000 and settlement variances of $31,852,000, less recoveries of $24,384,000, which were transferred to the RARA. This approved balance was recovered over the period ended July 31, 2008. The RARA is credited with recovery amounts and is debited or credited by OEB-prescribed carrying charges. In the absence of rate regulation, interest expense in 2008 would have been $564,000 lower [interest income for 2007 - $291,000 lower].

In its decision regarding the electricity distribution rates of LDC issued on May 15, 2008, the OEB approved the disposition of regulatory liabilities of $18,622,000, consisting of settlement variances of $14,590,000 and pre-market opening line loss variance of $4,032,000, which were transferred to the 2008 RARA in June 2008. The 2008 RARA is debited with disposition amounts and is credited by OEB-prescribed carrying charges.

[b] Smart Meters

In support of the Province of Ontario's decision to install smart meters throughout Ontario by 2010, LDC launched its smart meter project in 2006. The project objective is to install 711,000 smart meters and the supporting infrastructure by the end of 2010. LDC has installed approximately 587,000 meters as at December 31, 2008.

Effective May 1, 2006, the OEB has allowed LDC to defer capital expenditures, operating and depreciation expenses and revenues relating to smart meters. Accordingly, LDC has deferred these items in accordance with the criteria set out in the AP Handbook.

NOTES TO FINANCIAL STATEMENTS
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On August 8, 2007, the OEB issued its decision approving costs associated with smart metering activities incurred by LDC for minimum smart meter infrastructure functionality. In its decision, the OEB approved the disposition of the balance relating to 2006 in the smart meter deferral account and the addition of the 2006 smart meter assets to the rate base.

Following this decision, LDC ceased to defer capital expenditures, operating and depreciation expenses and revenue related to the deployment of 2006 and 2007 smart meters, resulting in a decrease in regulatory assets of $58,573,000, an increase in property, plant and equipment of $61,948,000, an increase in revenue of $10,806,000, an increase in operating expenses of $2,427,000, an increase in depreciation and amortization of $3,238,000 and a decrease in interest income of $1,766,000.

The OEB's decision issued on May 15, 2008 regarding the electricity distribution rates application of LDC provided directions regarding the accounting treatment of smart meter expenditures incurred in 2007 and 2008. In its decision, the OEB directed LDC to record to property, plant and equipment all capital expenditures incurred prior to December 31, 2007 and to record to a deferral account all expenditures incurred after January 1, 2008. The recovery of expenditures incurred after January 1, 2008 will be subjected to a prudence review by the OEB in the near future. The decision rendered by the OEB also allowed LDC to keep the net book value of the stranded meters related to the deployment of smart meters in its rate base.

In connection with its smart meter initiatives, LDC has incurred costs amounting to $34,125,000 for the year ended December 31, 2008. At December 31, 2008, smart meter capital expenditures, net of accumulated depreciation, totalling $27,559,000 have been recorded to regulatory assets [December 31, 2007 - $nil]. These expenditures would otherwise have been recorded as property, plant and equipment under Canadian GAAP for unregulated businesses. In the absence of rate regulation, property, plant and equipment would have been $27,559,000 higher at December 31, 2008 [December 31, 2007 - $nil].

For the year ended December 31, 2008, smart meter operating expenses of $863,000 were deferred which would be expensed under Canadian GAAP for unregulated businesses [2007 - $nil], and smart meter depreciation expense of $1,128,000 was deferred which otherwise would have been charged to depreciation expense under Canadian GAAP for unregulated businesses [2007 - $nil]. In the absence of rate regulation, for the year ended December 31, 2008, operating expenses would have been $863,000 higher [2007 - $nil], and depreciation expense would have been $1,128,000 higher [2007 - $nil].

For the year ended December 31, 2008, smart meter customer revenues of $3,796,000 were deferred [2007 - $nil]. In the absence of rate regulation, revenue for the year ended December 31, 2008 would have been $3,796,000 higher [2007 - $nil].

[c] Lost Revenue Adjustment Mechanism and Shared Savings Mechanism

On September 11, 2007, LDC received approval from the OEB to recover $2,900,000 for LRAM which represents the lost revenue from CDM programs and $4,300,000 for SSM which represents its share of provincial savings related to these programs delivered in 2005 and 2006. LDC recovered the approved amounts over the period commencing on November 1, 2007 and ending July 31, 2008.

Following this decision, LDC recognized in 2008 the LRAM and SSM balances relating to CDM programs delivered in 2007 and 2008, in the amounts of $1,104,000 and $386,000 [2007 - $1,300,000 and $200,000].

[d] Settlement variances

The OEB has allowed LDC to defer settlement variances from May 1, 2002 to December 31, 2008. This balance represents the variances between amounts charged by LDC to customers (based on regulated rates) and the corresponding cost of non-competitive electricity service incurred by LDC after May 1, 2002. The settlement variances relate primarily to service charges, non-competitive electricity charges, imported power charges and the global adjustment. Accordingly, LDC has deferred these recoveries in accordance with the criteria set out in the AP Handbook.

Settlement variances of $27,980,000 relating to the period from May 1, 2002 to December 31, 2004, were approved for recovery by the OEB and are included in the RARA balance. The remaining balance for settlement variances is deferred in a regulatory liability account.

The deferred balance for unapproved settlement variances continues to be calculated and attract carrying charges in accordance with the OEB's direction. In the absence of rate regulation, interest expense for the year ended December 31, 2008 would have been $2,254,000 lower [interest income for 2007 - $1,150,000 higher]. The manner and timing of disposition of the variance have not been determined by the OEB.

[e] Other

As at December 31, 2008, LDC has accumulated a PILs variance amount representing differences that have resulted from a legislative or regulatory change to the tax rates or rules assumed in the rate adjustment model totalling an over-recovery of $11,712,000 [December 31, 2007 - $7,065,000].

9. OTHER ASSETS

Other assets consist of the following:

	2008 $	2007 $
Prepaid leases	7,544	—
Other	318	484
	7,862	484

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10. CURRENT PORTION OF OTHER LIABILITIES

Current portion of other long-term liabilities consists of the following:

	2008 $	2007 $
Current portion of obligations under capital leases *[note 21]*	199	190
Customers' advance deposits	16,402	17,677
Other	781	781
	17,382	18,648

11. LONG-TERM DEBT

Long-term debt consists of the following:

	2008 $	2007 $
Long-term notes payable to the Corporation:		
6.16% Long-term note payable to the Corporation due May 6, 2013	178,454	178,160
5.20% Long-term note payable to the Corporation due November 14, 2017	243,834	243,716
6.16% Promissory note payable to the Corporation due May 6, 2013	735,173	735,173
	1,157,461	1,157,049
Less: Current portion of promissory note payable to the Corporation	245,058	—
Long-term debt	912,403	1,157,049

All long-term debt of LDC ranks equally.

a) Long-term notes payable to the Corporation

Long-term notes payable to the Corporation are comprised of the following:

A long-term note payable to the Corporation in the amount of:

a. $180,000,000, which bears interest at a rate of 6.16% per annum, with a maturity date of May 6, 2013, extendable upon mutual consent.

b. $245,058,000, which bears interest at a rate of 5.20% per annum, with a maturity date of November 14, 2017, extendable upon mutual consent.

b) Promissory note payable to the Corporation

On July 1, 1999, LDC issued a promissory note to the City ["Initial Note"] in the principal amount of $947,000,000 in partial consideration for the assets in respect of the electricity distribution system transferred by the Toronto Hydro-Electric Commission and the City to LDC effective July 1, 1999. The Initial Note was non-interest bearing until December 31, 1999 and interest bearing thereafter at the rate of 6% per annum. As authorized under the Transfer By-law, to reflect regulatory changes made by the OEB, the principal amount of the Initial Note was adjusted effective January 1, 2000 to $980,231,000 to reflect the deemed debt to equity structure of LDC permitted by the OEB. At the same time, the Initial Note was replaced by a promissory note ["Replacement Note"] issued by LDC, which was interest bearing at the rate of 6.8% per annum. At December 31, 2002, the Replacement Note was payable on the earlier of demand and December 31, 2003.

Concurrent with the closing of the Corporation's debenture offering on May 7, 2003, the City transferred the Replacement Note to the Corporation in consideration for the issuance by the Corporation to the City of a new promissory note in the principal amount of $980,231,000. Following the issuance of the new promissory note to the City, on May 7, 2003, LDC issued a promissory note payable on demand to the Corporation in the principal amount of $980,231,000.

On September 5, 2006, LDC amended and restated the promissory note payable to the Corporation effective May 1, 2006 by fixing the interest rate at 6.16% and establishing an agreed repayment schedule. LDC is required to pay the principal amount of the note as follows: $245,058,000 on the last business day before each of December 31, 2007, December 31, 2009, December 31, 2011 and on May 6, 2013. On December 31, 2007, LDC made the first scheduled payment of $245,058,000 to the Corporation. As a result of the next scheduled payment for December 31, 2009, $245,058,000 of the principal amount outstanding under promissory note payable is classified as a short-term liability, with the remainder amount outstanding under the promissory note payable being classified as a long-term liability. Interest is calculated and payable quarterly in arrears on the last business day of March, June, September and December of each year.

12. EMPLOYEE FUTURE BENEFITS

Pension

For the year ended December 31, 2008, LDC's OMERS current service pension costs were $10,245,000 [2007-$9,586,000].

Employee future benefits other than pension

LDC has a number of unfunded benefit plans providing retirement and post-employment benefits [excluding pension] to most of its employees. LDC pays certain medical and life insurance benefits under unfunded defined benefit plans on behalf of its retired employees. LDC pays accumulated sick leave credits, up to certain established limits based on service, in the event of retirement, termination or death of certain employees.

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LDC measures its accrued benefits obligation for accounting purposes as at December 31 of each year. The latest actuarial valuation was performed as at January 1, 2007.

[a] Accrued benefit obligation

	2008 $	2007 $
Balance, beginning of year	160,774	154,466
Experience gain at beginning of year	—	(759)
January 1, 2007 reorganization	—	6,695
Current service cost	3,433	3,459
Interest cost	8,895	8,481
Benefits paid	(4,976)	(4,636)
Actuarial gains	(42,747)	(6,932)
Balance, end of year	125,379	160,774

[b] Reconciliation of the accrued benefit obligation to the balance sheet accrued benefits liability

	2008 $	2007 $
Accrued benefit obligation	125,379	160,774
Unamortized net actuarial gain (loss)	23,973	(18,981)
Unamortized past service costs	(3,205)	(3,950)
Post-employment benefits liability	146,147	137,843

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[c] Components for net periodic defined benefit costs

	2008 $	2007 $
Current service cost	3,433	3,459
Interest cost	8,895	8,481
Actuarial gains	(42,747)	(7,691)
Cost incurred in the year	(30,419)	4,249
Differences between costs incurred and costs recognized in the year in respect of:		
Actuarial gains	42,954	8,450
Past service costs	745	745
	43,699	9,195
Defined benefit costs recognized	13,280	13,444
Capitalized as part of property, plant and equipment	6,093	5,610
Charged to operations	7,187	7,834

[d] Significant assumptions

	2008 %	2007 %
Accrued benefit obligation as of December 31:		
Discount rate	7.5	5.5
Rate of compensation increase	4.0	4.0
Benefit costs for years ended December 31:		
Discount rate	5.5	5.3
Rate of compensation increase	4.0	4.0
Assumed health care cost trend rates at December 31:		
Rate of increase in dental costs	4.0	4.0

For December 31, 2008, medical costs are assumed to increase at 8.5% [2007 - 9.0%] graded down by 0.5% [2007 - 0.5%] annual decrements to 5.0% [2007 - 5.0%] in 2016 and thereafter.

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[e] Sensitivity analysis

Assumed health care cost trend rates have a significant effect on the amounts reported for health care plans. A one-percentage-point change in assumed health care cost trend rates have the following effects for 2008:

	Increase $	Decrease $
Total of current service and interest cost (at 5.5%)	2,295	(1,722)
Accrued benefit obligation at December 31, 2008 (at 7.5%)	17,639	(13,794)

13. OTHER LIABILITIES

Other long-term liabilities consist of the following:

	2008 $	2007 $
Obligations under capital leases *[note 21]*	397	474
Other	1,854	2,634
	2,251	3,108

14. ASSET RETIREMENT OBLIGATIONS

A reconciliation between the opening and closing ARO liability balances is as follows:

	2008 $	2007 $
Balance, beginning of year	7,523	7,581
ARO liabilities incurred in the year	(48)	(369)
ARO liabilities settled in the year	(463)	(85)
Accretion expense	385	396
Revision in estimated cash flows	(927)	—
Balance, end of year	6,470	7,523

At December 31, 2008, LDC estimates the undiscounted amount of cash flows required over the next ten years to settle the ARO is $9,109,000 [December 31, 2007 - $10,822,000]. Discount rates ranging from 4.3% to 6.0% were used to calculate the carrying value of the ARO liabilities. No assets have been legally restricted for settlement of the liability.

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15. CAPITAL DISCLOSURES

LDC's main objectives when managing capital are to:

- ensure ongoing access to funding to maintain and improve the electricity distribution system; and
- align its capital structure for regulated activities with the debt to equity structure deemed by the OEB.

As at December 31, 2008, LDC's definition of capital includes shareholder's equity and long-term debt which includes the current portion of the promissory note payable to the Corporation. As at December 31, 2008, shareholder's equity amounts to $777,643,000 [December 31, 2007 – $726,509,000] and long-term debt, including the current portion of the promissory note payable to the Corporation, amounts to $1,157,461,000 [December 31, 2007 – $1,157,049,000]. LDC's capital structure at December 31, 2008 is 60% debt and 40% equity [December 31, 2007 - 61% debt and 39% equity]. There have been no changes in LDC's approach to capital management during the year.

16. FINANCIAL INSTRUMENTS

a) Recognition and measurement

LDC's carrying value and fair value of financial instruments consist of the following:

	2008 $		2007 $	
	Carrying value	Fair value	Carrying value	Fair value
Cash and cash equivalents	199,811	199,811	144,646	144,646
Accounts receivable, net of allowance for doubtful accounts	137,833	137,833	154,237	154,237
Accounts payable and accrued liabilities	283,325	283,325	274,692	274,692
Long-term note payable to the Corporation				
6.16% due May 6, 2013	178,454	194,383	178,160	191,666
5.20% due November 14, 2017	243,834	243,841	243,716	248,166
Promissory note payable to the Corporation due May 6, 2013	735,173	771,172	735,173	767,696

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December 31, 2008

b) Risk Factors

The following is a discussion of risks and related mitigation strategies that have been identified by LDC for financial instruments. This is not an exhaustive list of all risks, nor will the mitigation strategies eliminate all risks listed.

LDC's activities provide for a variety of financial risks, particularly credit risk, interest rate risk and liquidity risk.

Credit risk

Financial instruments are exposed to credit risk as a result of the risk of the counter-party defaulting on its obligations. LDC monitors and limits its exposure to credit risk on a continuous basis. LDC provides reserves for credit risks based on the financial condition and short and long-term exposures to counter-parties.

LDC's credit risk associated with accounts receivable is primarily related to payments from customers. LDC has approximately 684,000 customers, the majority of which are residential. LDC collects security deposits from customers in accordance with directions provided by the OEB. As at December 31, 2008, LDC held security deposits in the amount of $46,685,000 [December 31, 2007 - $42,991,000].

The carrying amount of accounts receivable is reduced through the use of an allowance for doubtful accounts and the amount of the related impairment loss is recognized in the income statement. Subsequent recoveries of receivables previously provisioned are credited to the income statement.

Credit risk associated with accounts receivable is as follows:

	2008 $	2007 $
Total accounts receivable	147,762	165,473
Less: Allowance for doubtful accounts	(9,929)	(11,236)
Total accounts receivable, net	137,833	154,237
Of which:		
Outstanding for not more than 30 days	112,823	130,459
Outstanding for more than 30 days but not more than 120 days	21,053	20,563
Outstanding for more than 120 days	13,886	14,451
Less: Allowance for doubtful accounts	(9,929)	(11,236)
Total accounts receivable, net	137,833	154,237

At December 31, 2008, there were no significant concentrations of credit risk with respect to any class of financial assets or counterparties. LDC's maximum exposure to credit risk is equal to the carrying value of its financial assets.

NOTES TO FINANCIAL STATEMENTS
[all tabular amounts in thousands of dollars]

December 31, 2008

Interest rate risk

LDC is exposed to interest rate risk in holding certain financial instruments. LDC's objective is to minimize net interest expense. LDC attempts to minimize interest rate risk by borrowing in long-term fixed rate debt, and by extending or shortening the term of its short-term money market investments by assessing the monetary policy stance of the Bank of Canada, while ensuring that all payment obligations are met on an on-going basis.

Under the Corporation's Revolving Credit Facility, LDC may obtain short-term borrowings for working capital purposes. These borrowings may expose LDC to fluctuations in short-term interest rates [borrowings in the form of prime rate loans in Canadian dollars and bankers' acceptances and letters of credit]. The fee payable for bankers' acceptances and letters of credit is based on a margin determined by reference to the Corporation's credit rating.

Cash balances not required to meet day-to-day obligations of LDC are invested in Canadian money market instruments, with terms of one day to 90 days, exposing LDC to fluctuations in short-term interest rates. These fluctuations could impact the level of interest income earned by LDC.

Liquidity risk

LDC monitors and manages its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. LDC's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest expense. LDC has access to credit facilities through the Corporation and monitors cash balances daily to ensure that sufficient levels of liquidity are on hand to meet financial commitments as they come due. Liquidity risks associated with financial commitments are as follows:

December 31, 2008			
	Due within 1 year	Due between 1 year and 5 years	Due after 5 years
	$	$	$
Financial liabilities			
Accounts payable and accrued liabilities	283,325	—	—
Promissory note payable to the Corporation	245,058	490,115	—
Long-term note payable to the Corporation			
6.16% due May 6, 2013	—	178,454	—
5.20% due November 14, 2017	—	—	243,834
	528,383	668,569	243,834

NOTES TO FINANCIAL STATEMENTS
[all tabular amounts in thousands of dollars]

December 31, 2008

Hedging and Derivatives risk

As at December 31, 2008, and as at December 31, 2007, LDC has not entered into hedging and derivative financial instruments.

Foreign exchange risk

As at December 31, 2008, LDC has limited exposure to the changing values of foreign currencies. While LDC purchases goods and services which are payable in U.S. dollars, and purchases U.S. currency to meet the related payables commitments when required, the impact of these transactions is not material to the financial statements.

17. FINANCIAL GUARANTEES

LDC is required to satisfy prescribed prudential requirements with the Independent Electricity System Operator ["IESO"] for the purchase of electricity.

At December 31, 2008, $45,000,000 [December 31, 2007 - $45,000,000] was utilized under the Corporation's Revolving Credit Facility in the form of letters of credit to support the prudential requirements of LDC.

NOTES TO FINANCIAL STATEMENTS
[all tabular amounts in thousands of dollars]

December 31, 2008

18. PAYMENTS IN LIEU OF CORPORATE TAXES

The provision for PILs differs from the amount that would have been recorded using the combined Canadian federal and Ontario statutory income tax rate. Reconciliation between the statutory and effective tax rates is set out below:

Statement of income

	2008 $	2007 $
Rate reconciliation		
Income before PILs	85,103	108,016
Statutory Canadian federal and provincial income tax rate	33.50%	36.12%
Expected provision for PILs	28,510	39,015
Temporary differences not benefited	3,658	1,017
Change in income tax positions *[note 22[a]]*	(25,288)	(2,185)
Other	2,089	4,548
Provision for PILs	8,969	42,395
Effective tax rate	10.54%	39.25%
Components of provision for PILs		
Current tax provision	8,969	42,395
Provision for PILs	8,969	42,395

Balance sheet

Future income taxes relating to LDC have not been recorded in the accounts as they are expected to be recovered through future revenues. As at December 31, 2008, future income tax assets of $298,514,000 [December 31, 2007 - $186,779,000], based on substantively enacted income tax rates, have not been recorded. In the absence of rate regulated accounting, LDC's provision for PILs would have been recognized using the liability method rather than the taxes payable method. As a result, the provision for PILs in 2008 would have been $3,658,000 lower [2007 – $1,017,000] *[note 4[a]]*.

NOTES TO FINANCIAL STATEMENTS
[all tabular amounts in thousands of dollars]

December 31, 2008

19. SHARE CAPITAL

Share capital consists of the following:

	2008 $	2007 $
Authorized		
The authorized share capital of LDC consists of an unlimited number of common shares. Any invitation to the public to subscribe for securities is prohibited.		
Issued and outstanding		
1,000 common shares	527,817	527,817

Dividends

During 2008, the board of directors of LDC declared and paid dividends totalling $25,000,000 to the Corporation [2007 - $25,000,000].

20. RELATED PARTIES

For LDC, transactions with related parties include transactions with Toronto Hydro Energy Services Inc., ["TH Energy"], the Corporation and the City.

Included in "Accounts receivable, net of allowance for doubtful accounts" are amounts due from related parties as follows:

	2008 $	2007 $
Due from the City	4,098	2,617
Due from the Corporation	—	180
Due from TH Energy	21,751	19,587
	25,849	22,384

NOTES TO FINANCIAL STATEMENTS
[all tabular amounts in thousands of dollars]

December 31, 2008

Included in "Accounts payable and accrued liabilities" are amounts due to related parties as follows:

	2008 $	2007 $
Due to the City	4,514	3,353
Due to the Corporation	7,308	3,402
Due to TH Energy	678	1,006
	12,500	7,761

At December 31, 2008, long-term notes of $422,288,000 were payable to the Corporation [December 31, 2007 – $421,876,000]. For the year ended December 31, 2008, interest expense was paid to the Corporation in the amount of $23,831,000 [2007 – $12,744,000] in relation with those notes *[note 11]*.

At December 31, 2008, the promissory note of $735,173,000 was payable to the Corporation [December 31, 2007 – $735,173,000]. As a result of the next scheduled payment for December 31, 2009, $245,058,000 of the principal amount outstanding under the promissory note is classified as a short-term liability, with the remainder being classified as a long-term liability. On December 31, 2007, LDC made the first scheduled payment of $245,058,000 to the Corporation in accordance with the terms of the promissory note. For the year ended December 31, 2008, interest expense was paid to the Corporation in the amount of $45,287,000 [2007 – $60,382,000] in relation with the promissory note *[note 11]*.

During 2008, LDC provided goods and services to TH Energy totaling $2,937,000 [2007 - $2,346,000] in the ordinary course of business and measured at their exchange amounts and normal trade terms.

During 2008, LDC provided services to the Corporation in the amount of $591,000 in the ordinary course of business and measured at their exchange amounts [2007 - $1,179,000].

For the year ended December 31, 2008, LDC provided electricity to the City in the amount of $97,632,000 [2007 - $96,205,000] under normal trade terms.

For the year ended December 31, 2008, LDC provided relocation services related to the City in the amount of $991,000 [2007 - $1,261,000].

During 2008, LDC purchased corporate and management services from the Corporation totalling $6,391,000 [2007 - $5,441,000] in the ordinary course of business, with these services charged to operating expenses and measured at their exchange amounts.

During 2008, LDC purchased road cut and other services from the City amounting to $4,877,000 [2007 - $6,916,000].

For the year ended December 31, 2008, LDC paid property tax to the City of $6,436,000 [2007 - $6,267,000].

NOTES TO FINANCIAL STATEMENTS
[all tabular amounts in thousands of dollars]

December 31, 2008

21. LEASE COMMITMENTS

Operating lease obligations

As at December 31, 2008, the future minimum annual lease payments under property and computer hardware operating leases with remaining lease terms from one to five years are as follows:

	$
2009	**5,249**
2010	**5,092**
2011	**4,524**
2012	**1,178**
2013 and thereafter	—
Total minimum lease payments	**16,043**

Capital lease obligations

As at December 31, 2008, the future minimum annual lease payments under capital leases with remaining lease terms from one to five years are as follows:

	$
2009	**223**
2010	**215**
2011	**163**
2012	**46**
2013 and thereafter	—
Total amount of future minimum lease payments	**647**
Less interest	**51**
	596
Current portion *[note 10]*	**199**
Long-term portion *[note 13]*	**397**

22. CONTINGENCIES

a) Ministry of Finance Tax Audit

The Ministry of Finance completed its income tax audits of LDC for the years 2001, 2002, 2003, and 2004. The impact of the completed audits was recorded in the financial statements in 2008.

NOTES TO FINANCIAL STATEMENTS
[all tabular amounts in thousands of dollars]

December 31, 2008

b) Legal Proceedings

Late Payment Charges Class Action

On April 22, 2004, in a decision in a class action commenced against The Consumers' Gas Company Limited [now Enbridge Gas Distribution Inc., hereinafter referred to as "Enbridge"], the Supreme Court of Canada [the "Supreme Court"] ruled that Enbridge was required to repay that portion of certain late payment charges collected by it from its customers that were in excess of the interest limit stipulated in section 347 of the Criminal Code. Although the claim related to charges collected by Enbridge after the enactment of section 347 of the Criminal Code in 1981, the Supreme Court limited recovery to charges collected after the action was initiated in 1994. The Supreme Court remitted the matter back to the Ontario Superior Court of Justice for a determination of the plaintiffs' damages. The parties reached a settlement of this class action. The Ontario Superior Court of Justice has approved this settlement.

On February 4, 2008, the OEB, in response to an application filed by Enbridge, ruled that all of Enbridge's costs related to settlement of the class action lawsuit, including legal costs, settlement costs and interest, are recoverable from ratepayers. The representative plaintiff in the class action lawsuit has made a petition to the Lieutenant Governor in Council ["Cabinet"] under subsection 34(1) of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Schedule B. for an order that the matter be submitted back to the OEB for reconsideration. A decision by Cabinet on the petition is pending.

LDC is not a party to the Enbridge class action. It is, however, subject to the two class actions described below in which the issues are analogous.

The first is an action commenced against a predecessor of LDC and other Ontario municipal electric utilities under the Class Proceedings Act, 1992 seeking $500,000,000 in restitution for late payment charges collected by them from their customers that were in excess of the interest limit stipulated in section 347 of the Criminal Code. This action is at a preliminary stage. Pleadings have closed but examinations for discovery have not been conducted and the classes have not been certified. After the release by the Supreme Court of Canada of its 2004 decision in the Enbridge case, the plaintiffs in this proposed class action indicated their intention to proceed with the litigation, but no formal steps have been taken.

The second is an action commenced against a predecessor of LDC under the *Class Proceedings Act, 1992* seeking $64,000,000 in restitution for late payment charges collected by it from its customers that were in excess of the interest limit stipulated in section 347 of the Criminal Code. This action is also at a preliminary stage. Pleadings have closed and examinations for discovery have been conducted but, as in the first action, the classes have not been certified as the parties were awaiting the outcome of the Enbridge class action.

The claims made against LDC and the definitions of the plaintiff classes are identical in both actions. As a result, any damages payable by LDC in the first action would reduce the damages payable by LDC in the second action, and vice versa.

It is anticipated that the first action will now proceed for determination in light of the reasons of the Supreme Court in the Enbridge class action.

LDC may have defences available to it in these actions that were not disposed of by the Supreme Court in the Enbridge class action.

The determination of whether the late payment charges collected by LDC from its customers were in excess of the interest limit stipulated in section 347 of the Criminal Code is fact specific in each circumstance. Also, decisions of the OEB are fact specific in each circumstance and the decision of the OEB in respect of Enbridge's application for recovery of costs related to the settlement is not necessarily determinative of the outcome of any similar application which LDC may make to the OEB in the future. Accordingly, given the preliminary status of these actions, it is not possible at this time to reasonably quantify the effect, if any, of the Enbridge decision on these actions or of these actions on the financial performance of LDC.

2 Secord Avenue

An action was commenced against LDC in October, 2008 under the *Class Proceedings Act, 1992* seeking damages in the amount of $30,000,000 as compensation for damages allegedly suffered as a result of a fire and explosion in an underground vault at 2 Secord Avenue on July 20, 2008. This action is at a preliminary stage. The statement of claim has been served on LDC, but a statement of defence has not been filed. Accordingly, given the preliminary status of this action, it is not possible at this time to reasonably quantify the effect, if any, of this class action on the financial performance of LDC. If damages were awarded, LDC would make a claim under its liability insurance which LDC believes would cover any damages which may become payable by LDC in connection with the action.

An action was commenced against LDC in February, 2009 seeking damages in the amount of $20,000,000 as compensation for damages allegedly suffered as a result of a fire and explosion in an underground vault at 2 Secord Avenue on July 20, 2008. This action is at a preliminary stage. The statement of claim has been served on LDC, but a statement of defence has not been filed. Accordingly, given the preliminary status of this action, it is not possible at this time to reasonably quantify the effect, if any, of this action on the financial performance of LDC. If damages were awarded, LDC would make a claim under its liability insurance which LDC believes would cover any damages which may become payable by LDC in connection with the action.

23. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2008 financial statements.

24. SUBSEQUENT EVENT

Distribution rates for LDC

On February 24, 2009, the OEB issued the allowed return on equity for LDC. The 2009 percentage was set at 8.01%. Using approved 2009 distribution expenses and capital expenditures, LDC has estimated the 2009 base distribution revenue requirement and rate base at $483,816,000 and $2,034,970,000, respectively.

T2 BAR CODE RETURN

Name: **TORONTO HYDRO-ELECTRIC SYSTEM LIMITED**

BN: 89671 8327 RC 0001

Tax Year Start: **2008-01-01** **Taxation Year End:** **2008-12-31**

For agency use
[055]

For agency use
[095] _____
[096] _____

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This page must be sent to the Canada Revenue Agency

T2 BAR CODE RETURN

Name: **TORONTO HYDRO-ELECTRIC SYSTEM LIMITED**

BN: 89671 8327 RC 0001

Tax Year Start: **2008-01-01** **Taxation Year End:** **2008-12-31**

Under the *Income Tax Act,* you must keep all records used to prepare your corporation income tax return, and provide this information to us upon request.

Certification

I, PANKAJ SARDANA am an authorized signing officer of the corporation.

I certify that the following amounts are, to the best of my knowledge, correct and complete, and fully disclose the corporation's income tax payable. These amounts also reflect the information given on the corporation's income tax return for the taxation year noted on this return.

Net income (or loss) for income tax purposes from Schedule 001, financial statements or GIFI	$	0
Part I tax payable	$	0
Part I.3 tax payable	$	0
Part II surtax payable	$	0
Part III.1 tax payable	$	0
Part IV tax payable	$	0
Part IV.1 tax payable	$	0
Part VI tax payable	$	0
Part VI.1 tax payable	$	0
Part XIII.1 tax payable	$	0
Part XIV tax payable	$	0
Net provincial and territoral tax payable	$	0
Provincial tax on large corporations	$	0
Enclosed payment	$	0

I further certify that the method of calculating income for this taxation year is consistent with that of the previous year except as specifically disclosed in a statement attached to this return.

Signature of an authorized signing officer of the corporation | Phone | Position, office or rank

BARRY PARKER (416)542-2895

Contact person, if different to authorized signing officer | Phone | Date