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February 2, 2010

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

Ms. E. Kirsten Walli, Board Secretary  
Ontario Energy Board  
2300 Yonge St, 27<sup>th</sup> floor  
PO Box 2319  
Toronto, Ontario M4P 1E4

Dear Ms. Walli:

**RE: OEB File No. EB-2009-0139  
Toronto Hydro-Electric System Limited's 2010 Electricity Distribution  
Rate Application**

Enclosed are two copies of:

- Exhibit A1, Tab 9, Schedule 2-17 for Todd Williams (amended);
- Exhibit E1, Tab 6, Schedule 1, page 1 (header label correction only);
- Exhibit R1, Tab 10, Schedule 12 (correction).

Please contact me if you have any questions or comments.

Yours truly,

A handwritten signature in black ink, appearing to be "GAW", written over a horizontal line.

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Manager, Regulatory Applications & Compliance  
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encl.  
:GAW/acc

cc: J. Mark Rodger, Counsel for THESL, by e-mail only  
Intervenors of Record for EB-2009-0139, by email only

**CURRICULUM VITAE OF**  
**Todd S. Williams, P.Eng., MBA**

**EDUCATION:**

- Queen's University, Kingston, Ontario (1983), Bachelor of Science (Honours),  
Engineering Physics
- Ivey School of Business, University of Western Ontario, London, Ontario (1990),  
Master of Business Administration

**PROFESSIONAL REGISTRATIONS:**

- Professional Engineers of Ontario (PEO)

**BUSINESS EXPERIENCE:**

- Navigant Consulting Ltd.
  - Director (1999 – Present)
- SRC International Pty Ltd (Melbourne, Australia)
  - Manager (1994 – 1998)
- Synergic Resources Corporation (Philadelphia)
  - Product Manager (1993 – 1994)
- Ontario Hydro
  - Project Manager, Customer/Sales Management System (1992 – 1993)
  - Superintendent, Residential Program Support (1991 – 1992)
  - Senior Supervisor, Program Management Services (1984 – 1990)
  - Nuclear Design Engineer (1983 – 1984)

**HIGHLIGHTS OF RELEVANT DISTRIBUTED GENERATION EXPERIENCE**

- Potential for DG in California for California Department of Water Resources
- Strategic review and financial analysis for an Ontario district energy facility

- 1       • CHP feasibility studies for several industrial facilities
- 2       • Dispatch analysis for several Ontario CHP facilities indicating when the units are
- 3       likely to run given expected market conditions
- 4       • Explored potential for the use diesel and natural gas-fired standby generators as
- 5       demand response resource in the Ontario market for several LDCs and various
- 6       commercial clients
- 7       • Provide ongoing technical and financial support to the OPA on its CHP
- 8       procurement initiatives
- 9       • Provide ongoing advisory support to Ontario Electricity Financial Corporation
- 10      with respect to its contracts with various non-utility generators
- 11      • Currently involved in negotiations with respect to the Power Purchase Agreement
- 12      for a biomass-fired CHP facility
- 13      • Supported Ontario government in temporary generation procurement for summer
- 14      of 2003
- 15      • Assessment of renewable generation opportunities, including photovoltaic, wind,
- 16      landfill gas and biomass for various clients
- 17      • Distributed Energy Cost-Benefit Analysis for NRCan exploring the benefits and
- 18      costs for six distributed generation facilities in Ontario

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20   **EXPERT WITNESS EXPERIENCE:**

- 21      • Ontario Superior Court of Justice as an expert witness with respect to avoided
- 22      electricity costs in a generation contract litigation matter.
- 23      • Court of Queen's Bench of Alberta as an expert witness with respect to the value
- 24      of a 20-year tolling agreement for a natural gas generation facility under different
- 25      electricity market conditions.
- 26      • Witness at the following Ontario Energy Board proceedings:

- 1           ○ EB-2005-0523 a proceeding initiated to make certain determinations
- 2           respecting conservation and demand management activities by Local
- 3           Distribution Companies as described in the Electricity Distribution Rates
- 4           Handbook and Total Resource Cost Guide pursuant to sections 19(4) and 78
- 5           of the Ontario Energy Board Act, 1998, December 2005
- 6           ○ RP-2002-0133 Enbridge Gas Distribution Inc. 2003 Rates Application, April
- 7           2003
- 8           ● Provided expert testimony to the Nova Scotia Utility and Review Board with
- 9           respect to demand side management.

## Rating Report

**Report Date:**  
November 19, 2009  
**Previous Report:**  
October 8, 2008

Toronto Hydro-Electric System Limited  
EB-2009-0139  
Exhibit E1, Tab 6, Schedule 1 /C  
Updated: 2009 Nov 30  
(9 pages)



*Insight beyond the rating.*

# Toronto Hydro Corporation

## Analysts

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**Michael Caranci**  
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mcaranci@dbrs.com

## The Company

Toronto Hydro Corporation is a holding company with the following subsidiaries: Toronto Hydro-Electric System Ltd., which distributes electricity, and Toronto Hydro Energy Services Inc., which provides street lighting and expressway lighting services, as well as energy-efficient products and services. Toronto Hydro's sole shareholder is the City of Toronto (the City), rated AA by DBRS.

## Recent Actions

**November 4, 2009**  
Short-Term Rating  
Confirmed; Long-Term  
Rating Upgraded

## Rating

Debt	Rating	Rating Action	Trend
Short-Term Issuer Rating	R-1 (low)	Confirmed	Stable
Senior Unsecured Debentures & MTNs	A (high)	Upgraded	Stable

## Rating Rationale

DBRS has upgraded the rating on the Senior Unsecured Debentures & MTNs of Toronto Hydro Corporation (Toronto Hydro or the Company) to A (high) from "A"; the trend has been changed to Stable from Positive. Toronto Hydro's Short-Term Issuer Rating has been confirmed at R-1 (low), with a Stable trend. On September 26, 2008, DBRS changed the trend on the Company's Senior Unsecured Debentures & MTNs rating to Positive from Stable. That action reflected a number of factors, including (1) the continued improvement over time of Toronto Hydro's business risk profile, driven by the sale of higher-risk, non-regulated businesses; (2) demonstrated stable financial metrics in the face of declining regulatory-approved return on equity (ROE) levels and a heightened capital expenditure program, which had resulted in consistent free cash flow deficits; and (3) the expectation of near-term rate base growth, which would primarily be funded with cash flow and cash on hand. The trend change also reflected the stable regulatory environment, which provided Toronto Hydro-Electric System Ltd. (THESL or LDC) with a reasonable framework to carry out its future capital and workforce renewal plans while maintaining a stable credit profile.

At the time of its last review, DBRS stated that it would consider an upgrade of the Senior Unsecured Debentures & MTNs rating if Toronto Hydro continued to exhibit strong financial and operating performance and retained a substantial portion of the proceeds (as anticipated) from the sale of Toronto Hydro Telecom Inc. (THTI) and if there were no negative regulatory and/or political actions over the near term. (Continued on page 2.)

## Rating Considerations

### Strengths

- (1) Low business risk profile
- (2) Strong franchise area
- (3) Solid credit metrics/balance sheet
- (4) Strong reliability measures/operational efficiency
- (5) Divestiture of non-regulated/non-core businesses

### Challenges

- (1) Significant capital investment program
- (2) Approved ROE sensitive to long-term interest rates
- (3) Earnings sensitive to volume of electricity sold
- (4) Significant external financing required

## Financial Information

	12 mos ended	For the year ended December 31			
	Jun. 2009	2008	2007	2006	2005
Total adjusted debt (CAD millions) (1)	1,240	1,240	1,241	1,216	1,216
Total adj. debt-to-capital (%) (1)	55.6%	55.8%	57.2%	57.7%	59.0%
Cash flow/total debt (%) (1)	18.1%	17.6%	17.9%	17.9%	16.6%
Cash flow/capital expenditures (times)	1.04	1.01	0.74	1.18	1.44
EBITDA gross interest coverage (times) (1)	3.92	3.85	4.08	4.12	3.83
Operating cash flow (CAD millions)	224	218	223	218	202
Core net income (CAD millions)*	41	54	59	77	64
Reported net income (CAD millions)	153	169	83	92	92

\*DBRS adjusted to non-recurring one time items

(1) DBRS adjusted debt and interest expense for operating leases.

## INTERROGATORIES OF SMART SUB-METERING WORKING GROUP

### INTERROGATORY 12:

**Reference(s):** Exhibit D1, Tab 7, Schedule 1, page 19

THESL's summary of capital budget includes a budget of \$1.8 million for 2009, and \$2.4 million in 2010 for its Suite Metering Program. Please advise of the average capital cost to acquire and install suite meters in each of 2009 and 2010 for each of: (a) new condominiums; and (b) bulk metered condominiums being converted to individual suite metering. What are the forecast numbers for each type? Please advise if there are any additional costs which THESL may contemplate capitalizing in respect of these meters in subsequent years.

### RESPONSE:

The average acquisition costs and forecasted installations are:

	Average Acquisition and Installation Costs			
	New Condominiums		Conversions to Individual Metering	
	Number of Units	Cost	Number of Units	Cost
2009 Actual	2454	\$453	535	\$453
2009 Forecast	394	\$443	883	\$462
2010 Forecast	4536	\$440	864	\$440

THESL does not contemplate capitalizing additional costs in respective years beyond those which will be capitalized upon the completion of work.