Glen A. Winn
14 Carlton St.
Toronto, Ontario
M5B 1K5

Telephone: 416-542-2517
Facsimile: 416-542-3024
regulatoryaffairs@torontohydro.com

July 14, 2010

via RESS e-filing – original to follow by courier

Ms. E. Kirsten Walli, Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th floor
PO Box 2319
Toronto, Ontario M4P 1E4

Dear Ms. Walli:

RE: Toronto Hydro-Electric System Limited's
Application for Approval of Contact Voltage Remediation Costs
OEB File No. EB-2010-0193

Pursuant to Procedural Order No. 1, enclosed are two copies of Toronto Hydro-Electric System Limited's responses to interrogatories from Board Staff, Energy Probe Research Foundation and School Energy Coalition. Toronto Hydro did not receive interrogatories from any other intervenors.

Please contact me if you have any questions or comments.

Yours truly,

[original signed by Glen Winn]

Glen A. Winn
Manager, Regulatory Applications & Compliance
416-542-2517
regulatoryaffairs@torontohydro.com

encl.
:GAW/acc

cc: Intervenors of Record for EB-2010-0193, by email only

INTERROGATORIES OF ONTARIO ENERGY BOARD STAFF

INTERROGATORY 1:

Reference(s): page 2, 2010 Application

It is stated that:

> "On December 17, 2009, THESL filed with the Board a letter concerning the presentation of the Board's Decision."

Please provide a copy of this letter.

RESPONSE:

Please see Appendix A to this Schedule.

Colin J. McLorg
14 Carlton St.
Toronto, Ontario
M5B 1K5

Telephone: 416-542-2513
Facsimile: 416-542-2776
cmclorg@torontohydro.com

toronto hydro
electric system

December 17, 2009

via RESS and courier

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
PO Box 2319
2300 Yonge Street
Toronto, ON M4P 1E4

Dear Ms. Walli:

RE: Board Decision, EB-2009-0243 (Contact Voltage)

Toronto Hydro-Electric System Limited (THESL) has received the corrected version of the Board's Decision in the above-noted proceeding.

THESL understands the Board's intention in stating, at page 9, that

> The Panel therefore finds that it would be reasonable in the circumstances for any relief provided in this Decision to be conditional on THESL's actual spending in controllable OM&A expenditures for the 2009 year (ending December 31, 2009). In the event that THESL's actual controllable OM&A expenditures are <u>below the level reflected in THESL's 2009 approved base rates,</u> the amount of the relief eligible for recovery found below shall be reduced by the amount of the underspending. (emphasis added)

However, THESL observes that the evidence relied on by the Board to arrive at a numerical value for the approved 2009 OM&A expenditures was preliminary evidence filed by THESL in its 2010 rate application. A difference exists as a matter of presentation between that evidence and the directly approved revenue requirement for 2009, and in any case THESL believes that the Board's intention is better implemented by direct reference to the 2009 approved amounts rather than a subsequent rendition.

The same concept quantified by direct reference to the 2009 approved amounts yields a 2009 approved OM&A amount of $195.2 million as compared to the $195.6 million set out in the (corrected) decision. This difference in thresholds of $0.4 million is meaningful to THESL relative to the total conditional relief awarded in the Decision of $9.44 million.

Nevertheless, while THESL wished to bring this matter to the attention of the Board and intervenors, THESL does not request any further revision to the Decision at this time. The Decision clearly sets out the concept intended by the Board, and THESL does not dispute the concept. An application to dispose of the final amount in the 1572 sub-account has been directed by the Board, and at that time THESL will file evidence as to both the audited actual 2009 OM&A and the corresponding 2009 approved revenue requirement amount. Furthermore the issue may be made moot depending on THESL's actual 2009 OM&A.

At this time therefore, THESL simply advises the Board and intervenors that it will file evidence as to the correct level of the 2009 OM&A threshold at the time it applies to clear the balance in that deferral account.

Yours truly,

[Original signed by]

Colin McLorg
Manager, Regulatory Policy and Relations
416-542-2513
regulatoryaffairs@torontohydro.com

cc: Intervenors of Record

INTERROGATORIES OF ONTARIO ENERGY BOARD STAFF

INTERROGATORY 2:

Reference(s): pp. 2-3, 2010 Application

It is stated that:

> "THESL submits that in any case, the authoritative reference for the 2009 approved controllable OM&A amount set by the Board is found in the EB-2009-0069 proceeding, which approved the 2009 rates. There, the figure of $195.2 million is confirmed as the correct value for controllable OM&A in THESL's Draft Rate Order for 2009 rates, and is produced by adding OM&A of $182.4 million, Municipal Property Taxes of $7.8 million, and the Ontario Capital Tax embedded in the PILs amount of $5.0 million, which together total $195.2 million. Theses costs agree categorically (i.e., follow the same definition as) the costs defined by the Board as "controllable OM&A" in the Decision."

Please provide a copy of the referenced Draft Rate Order for 2009 rates with the numbers referenced above highlighted.

RESPONSE:

Please see Appendix A to this Schedule. The reference numbers are all contained in Table 1 on page 1. Please note that the Ontario Capital Tax of $5.0 million is embedded in the PILs amount (shown as $30.7 million).

Toronto Hydro-Electric System Limited
14 Carlton St. Telephone: 416.542.2517
Toronto, Ontario Facsimile: 416.542.2776
M5B 1K5 regulatoryaffairs@torontohydro.com

toronto hydro electric system

April 7, 2009

via RESS e-filing – original to follow by courier

Ms Kirsten Walli
Board Secretary
Ontario Energy Board
PO Box 2319
2300 Yonge Street, 27th floor
Toronto, ON M4P 1E4

Dear Ms Walli:

RE: Toronto Hydro-Electric System Limited's 2009 Draft Rate Order
OEB File No. EB-2009-0069 / EB-2007-0680

THESL has updated its 2009 cost of capital to reflect the Board's April 3, 2009 Decision.

Attached hereto are revised schedules to show the changes to cost of capital arising from the Decision and the resulting impacts on 2009 proposed rates. Schedule 1 shows the impact of the changes to cost of capital on the revenue requirement. Schedules 2 and 2A set out the revised cost of debt and cost of capital, respectively.

Schedules 3 through 6 set out detailed statements, from several perspectives, of the rate impacts including the rate riders approved in the April 3, 2009 Decision pertaining to the Application for Disposition of Expired Rate Rider Excess Revenues (EB-2008-0402) and Application for Disposition/Recovery of Amounts Related to 2006 and 2007 Smart Meters (EB-2009-0069).

Schedule 3 sets out the impacts from the distribution-only perspective, and excludes all other rates including rate riders. Schedule 4 gives the effects of the expiry of rate riders formerly effective together with the introduction of the new rate riders. Schedule 5 combines the effects shown in Schedules 3 and 4, i.e., base distribution rates plus rate riders. Schedule 6 shows the effect of all rate changes on representative customer bills in each rate class. The combined impact of the updated base distribution rates and the rate riders is that a typical residential customer consuming 1,000 kWh per month will have a bill increase of $1.05 or about 1.0% on the total bill.

Draft Tariff

THESL's proposed Draft Tariff Sheet is attached as Schedule 7.

These documents are being filed via the RESS portal and electronic mail to Board Staff and Intervenors of Record.

Please contact me for any questions.

Yours truly,

[original signed by]

Glen Winn
Manager
Regulatory Applications & Compliance

att.
:GAW/acc

cc: J. Mark Rodger. Counsel for THESL, by electronic mail only
Registered Intervenors to EB-2007-0680, by electronic mail only

2009 Revenue Requirement

	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6
1		**As Filed in 2009 Draft Rate Order (March 16, 2009)**	**Decision Adjustment**	**As Per Decision (April 3, 2009)**	**Difference**	**Notes**
2	Net Fixed Assets	1,775.7	0.0	1,775.7	0.0%	
3	Working Capital	259.2	-0.1	259.1	0.0%	Reduction due to reduction in interest expense
4	Total Rate Base	2,035.0	-0.1	2,034.9	0.0%	
5	Cost of Capital	6.38%	-0.04%	6.34%		Reduction due to change in LT Debt issuance timing
6	Return on Rate Base	129.8	-0.8	129.0	-0.6%	
7						
8	OM&A	182.4	0.0	182.4	0.0%	
9	Municipal and Property Taxes	7.8	0.0	7.8	0.0%	
10	Depreciation and Amortization	154.4	0.0	154.4	0.0%	
11	PILS	30.7	0.0	30.7	0.0%	PILS impact (due to lower working capital) is negligible ($1300)
12						
13	Service Revenue Requirement	505.0	-0.8	504.2	-0.2%	
14						
15	Revenue Offsets	21.7	0.0	21.7	0.0%	
16						
17	Base Revenue Requirement	483.3	-0.8	482.5	-0.2%	

2009 Debt Costs

As Filed in 2009 Draft Rate Order (March 16, 2009)

	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6
1	Description	Issue Date	Maturity	Principal ($)	Coupon Rate	Carrying Cost ($)
2	$980M City Note[1]	May 6, 2003	May 6, 2013	735,173,206	5.36%	39,405,284
3	$180M Debenture	May 6, 2003	May 6, 2013	180,000,000	6.16%	11,088,000
4	1st tranche City Note Replacement	Dec 31, 2007	Dec 2017	245,057,739	5.20%	12,743,002
5	2nd tranche City Note Replacement[3]	Oct 1, 2009	Oct 2039	245,057,739	7.25%	4,475,090
6	Financing Costs[2]					411,486
7	Avg of Monthly Debt Outstanding			1,221,998,923	5.57%	68,122,862

As per Decision (April 3, 2009)

	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6
1	Description	Issue Date	Maturity	Principal ($)	Coupon Rate	Carrying Cost ($)
2	$980M City Note[1]	May 6, 2003	May 6, 2013	735,173,206	5.36%	39,405,284
3	$180M Debenture	May 6, 2003	May 6, 2013	180,000,000	6.16%	11,088,000
4	1st tranche City Note Replacement	Dec 31, 2007	Dec 2017	245,057,739	5.20%	12,743,002
5	2nd tranche City Note Replacement[3]	Dec 15, 2009	Dec 2039	245,057,739	7.25%	778,277
6	Financing Costs[2]					411,486
7	Avg of Monthly Debt Outstanding			1,170,973,202	5.50%	64,426,049

Notes:
1. Coupon rate reflects amended City Note adjusted for Board's November 30/06 Report on Cost of Capital
2. Includes amortized issue costs
3. Coupon Rate reflects Conference Board of Canada forecast of long-term Govt Bonds of 3.70%, plus Corporate Spread of 3.5%, plus administrative cost of 5 basis points

2009 Cost of Capital

As Filed in 2009 Draft Rate Order (March 16, 2009)

	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
1		**2008 Test Year**			
2		**Principal**	**Component**	**Cost Rate**	**Return Component**
3		($ Millions)	(%)	(%)	(%)
4	Medium and Long-Term Debt	1,140	56.0	5.57	3.12
5	Short Term Debt	81	4.0	1.33	0.05
6		1,221	60.0		3.17
7					
8	Preferred Shares	-	-	-	-
9	Common Equity	814	40.0	8.01	3.20
10		2,035.0	100.0		6.38

As per Decision (April 3, 2009)

	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
1		**2008 Test Year**			
2		**Principal**	**Component**	**Cost Rate**	**Return Component**
3		($ Millions)	(%)	(%)	(%)
4	Medium and Long-Term Debt	1,140	56.0	5.50	3.08
5	Short Term Debt	81	4.0	1.33	0.05
6		1,221	60.0		3.13
7					
8	Preferred Shares	-	-	-	-
9	Common Equity	814	40.0	8.01	3.20
10		2,034.9	100.0		6.34

2009 Distribution Bill Impact

		Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	Col. 10	Col. 11	Col. 12	Col. 13
					2008 Rates				2009 Rates				2009 Increase	
1		kWh	kW	kVA	Customer ($/cust)	Volumetric ($/kWh or kVA)	Connection ($/conn)	Dist Bill ($)	Customer ($/cust)	Volumetric ($/kWh or kVA)	Connection ($/conn)	Dist Bill ($)	$	%
2	**Residential**													
3		100			14.85	0.0155		16.40	16.85	0.01432		18.28	**1.88**	**11.5%**
4		250			14.85	0.0155		18.73	16.85	0.01432		20.43	**1.71**	**9.1%**
5		500			14.85	0.0155		22.60	16.85	0.01432		24.01	**1.41**	**6.2%**
6		750			14.85	0.0155		26.48	16.85	0.01432		27.59	**1.12**	**4.2%**
7		1,000			14.85	0.0155		30.35	16.85	0.01432		31.17	**0.82**	**2.7%**
8		1,500			14.85	0.0155		38.10	16.85	0.01432		38.33	**0.23**	**0.6%**
9		2,000			14.85	0.0155		45.85	16.85	0.01432		45.49	**-0.36**	**-0.8%**
10	**GS<50 kW**													
11		1,000			19.37	0.0199		39.27	21.44	0.01975		41.19	**1.92**	**4.9%**
12		5,000			19.37	0.0199		118.87	21.44	0.01975		120.19	**1.32**	**1.1%**
13		10,000			19.37	0.0199		218.37	21.44	0.01975		218.94	**0.57**	**0.3%**
14		20,000			19.37	0.0199		417.37	21.44	0.01975		416.44	**-0.93**	**-0.2%**
15	**GS 50-999 kW**													
16		30,000	100	100	29.78	5.26		555.78	32.69	5.1509		547.78	**-8.00**	**-1.4%**
17		40,000	100	100	29.78	5.26		555.78	32.69	5.1509		547.78	**-8.00**	**-1.4%**
18		150,000	500	556	29.78	5.26		2952.00	32.69	5.1509		2894.30	**-57.70**	**-2.0%**
19		200,000	500	556	29.78	5.26		2952.00	32.69	5.1509		2894.30	**-57.70**	**-2.0%**
20		270,000	900	1,000	29.78	5.26		5289.78	32.69	5.1509		5183.59	**-106.19**	**-2.0%**
21		360,000	900	1,000	29.78	5.26		5289.78	32.69	5.1509		5183.59	**-106.19**	**-2.0%**
22		450,000	900	1,000	29.78	5.26		5289.78	32.69	5.1509		5183.59	**-106.19**	**-2.0%**
23	**GS 1000-4999 kW**													
24		300,000	1,000	1,111	725.80	4.41		5625.80	705.35	4.3230		5508.68	**-117.12**	**-2.1%**
25		400,000	1,000	1,111	725.80	4.41		5625.80	705.35	4.3230		5508.68	**-117.12**	**-2.1%**
26		500,000	1,000	1,111	725.80	4.41		5625.80	705.35	4.3230		5508.68	**-117.12**	**-2.1%**
27		600,000	2,000	2,222	725.80	4.41		10525.80	705.35	4.3230		10312.02	**-213.78**	**-2.0%**
28		800,000	2,000	2,222	725.80	4.41		10525.80	705.35	4.3230		10312.02	**-213.78**	**-2.0%**
29		1,000,000	2,000	2,222	725.80	4.41		10525.80	705.35	4.3230		10312.02	**-213.78**	**-2.0%**
30	**Large Use**													
31		1,500,000	5,000	5,556	2883.81	3.91		24606.03	2639.04	3.9348		24499.04	**-106.99**	**-0.4%**
32		2,000,000	5,000	5,556	2883.81	3.91		24606.03	2639.04	3.9348		24499.04	**-106.99**	**-0.4%**
33		2,500,000	5,000	5,556	2883.81	3.91		24606.03	2639.04	3.9348		24499.04	**-106.99**	**-0.4%**
34		3,000,000	10,000	11,111	2883.81	3.91		46328.25	2639.04	3.9348		46359.04	**30.79**	**0.1%**
35		4,000,000	10,000	11,111	2883.81	3.91		46328.25	2639.04	3.9348		46359.04	**30.79**	**0.1%**
36		5,000,000	10,000	11,111	2883.81	3.91		46328.25	2639.04	3.9348		46359.04	**30.79**	**0.1%**
37	**Street Lighting**		Connections	Mthly kVA										
38		9,182,014	159,861	26,461	0.66	15.37		512206.15	0.89	19.7581		665085.50	**152879.35**	**29.8%**
39		365	1	1	0.66	15.37		16.03	0.89	19.7581		20.65	**4.62**	**28.8%**
40	**Unmetered Scattered Loads**		Customers	Connections										
41		4,829,242	1,466	17,721	2.96	0.0367	0.33	187420.48	3.42	0.04174	0.35	212788.64	**25368.16**	**13.5%**
42		365	1	1	2.96	0.0367	0.33	16.69	3.42	0.04174	0.35	19.01	**2.32**	**13.9%**

2009 Rate Rider Bill Impact

	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	Col. 10	Col. 11	Col. 12	Col. 13	Col. 14	Col. 15	Col. 16	Col. 17	Col. 18
				2008 Rates						**2009 Rates**							**2009 Increase**	
1	**kWh**	**kW**	**kVA**	**Smart Meter ($/cust)**	**Foregone Dist Revenue ($/conn)**	**Foregone Dist Revenue ($/cust)**	**Foregone Dist Revenue ($/kWh or kVA)**	**Deferral Account ($/kWh or kVA)**	**Rate Rider ($)**	**Smart Meter ($/cust)**	**Smart Meter 1 ($/cust)**	**Smart Meter 2 ($/cust)**	**Reg Asset ($/kWh or kVA)**	**SSM ($/kWh or kVA)**	**LRAM ($/kWh or kVA)**	**Rate Rider ($)**	**$**	**%**
2	**Residential**																	
3	100			0.68	0.00	0.77	0.00000	-0.0009	1.36	0.68	-0.09	0.06	-0.00041	-0.00021	-0.00018	0.57	**-0.79**	**-58%**
4	250			0.68	0.00	0.77	0.00000	-0.0009	1.23	0.68	-0.09	0.06	-0.00041	-0.00021	-0.00018	0.45	**-0.78**	**-63%**
5	500			0.68	0.00	0.77	0.00000	-0.0009	1.00	0.68	-0.09	0.06	-0.00041	-0.00021	-0.00018	0.25	**-0.75**	**-75%**
6	750			0.68	0.00	0.77	0.00000	-0.0009	0.78	0.68	-0.09	0.06	-0.00041	-0.00021	-0.00018	0.05	**-0.73**	**-94%**
7	1,000			0.68	0.00	0.77	0.00000	-0.0009	0.55	0.68	-0.09	0.06	-0.00041	-0.00021	-0.00018	-0.15	**-0.70**	**-127%**
8	1,500			0.68	0.00	0.77	0.00000	-0.0009	0.10	0.68	-0.09	0.06	-0.00041	-0.00021	-0.00018	-0.55	**-0.65**	**-650%**
9	2,000			0.68	0.00	0.77	0.00000	-0.0009	-0.35	0.68	-0.09	0.06	-0.00041	-0.00021	-0.00018	-0.95	**-0.60**	**171%**
10	**GS<50 kW**																	
11	1,000			0.68	0.00	1.07	0.00050	-0.0010	1.25	0.68	-0.05	0.01	-0.00025	-0.00008	-0.00007	0.24	**-1.01**	**-81%**
12	5,000			0.68	0.00	1.07	0.00050	-0.0010	-0.75	0.68	-0.05	0.01	-0.00025	-0.00008	-0.00007	-1.36	**-0.61**	**81%**
13	10,000			0.68	0.00	1.07	0.00050	-0.0010	-3.25	0.68	-0.05	0.01	-0.00025	-0.00008	-0.00007	-3.36	**-0.11**	**3%**
14	20,000			0.68	0.00	1.07	0.00050	-0.0010	-8.25	0.68	-0.05	0.01	-0.00025	-0.00008	-0.00007	-7.36	**0.89**	**-11%**
15	**GS 50-999 kW**																	
16	30,000	100	100	0.68	0.00	1.32	0.100	-0.37	-25.00	0.68	-0.21	0.01	-0.0441	0.0002	-0.0011	-4.02	**20.98**	**-84%**
17	40,000	100	100	0.68	0.00	1.32	0.100	-0.37	-25.00	0.68	-0.21	0.01	-0.0441	0.0002	-0.0011	-4.02	**20.98**	**-84%**
18	150,000	500	556	0.68	0.00	1.32	0.100	-0.37	-148.00	0.68	-0.21	0.01	-0.0441	0.0002	-0.0011	-24.52	**123.48**	**-83%**
19	200,000	500	556	0.68	0.00	1.32	0.100	-0.37	-148.00	0.68	-0.21	0.01	-0.0441	0.0002	-0.0011	-24.52	**123.48**	**-83%**
20	270,000	900	1,000	0.68	0.00	1.32	0.100	-0.37	-268.00	0.68	-0.21	0.01	-0.0441	0.0002	-0.0011	-44.52	**223.48**	**-83%**
21	360,000	900	1,000	0.68	0.00	1.32	0.100	-0.37	-268.00	0.68	-0.21	0.01	-0.0441	0.0002	-0.0011	-44.52	**223.48**	**-83%**
22	450,000	900	1,000	0.68	0.00	1.32	0.100	-0.37	-268.00	0.68	-0.21	0.01	-0.0441	0.0002	-0.0011	-44.52	**223.48**	**-83%**
23	**GS 1000-4999 kW**																	
24	300,000	1,000	1,111	0.68	0.00	2.75	0.090	-0.39	-329.90	0.68	0.00	0.00	-0.0487	-0.0437	-0.0044	-106.88	**223.03**	**-68%**
25	400,000	1,000	1,111	0.68	0.00	2.75	0.090	-0.39	-329.90	0.68	0.00	0.00	-0.0487	-0.0437	-0.0044	-106.88	**223.03**	**-68%**
26	500,000	1,000	1,111	0.68	0.00	2.75	0.090	-0.39	-329.90	0.68	0.00	0.00	-0.0487	-0.0437	-0.0044	-106.88	**223.03**	**-68%**
27	600,000	2,000	2,222	0.68	0.00	2.75	0.090	-0.39	-663.24	0.68	0.00	0.00	-0.0487	-0.0437	-0.0044	-214.43	**448.81**	**-68%**
28	800,000	2,000	2,222	0.68	0.00	2.75	0.090	-0.39	-663.24	0.68	0.00	0.00	-0.0487	-0.0437	-0.0044	-214.43	**448.81**	**-68%**
29	1,000,000	2,000	2,222	0.68	0.00	2.75	0.090	-0.39	-663.24	0.68	0.00	0.00	-0.0487	-0.0437	-0.0044	-214.43	**448.81**	**-68%**
30	**Large Use**																	
31	1,500,000	5,000	5,556	0.68	0.00	41.26	0.130	-0.59	-2,513.62	0.68	0.00	0.00	-0.0599	-0.0363	-0.0027	-548.76	**1,964.85**	**-78%**
32	2,000,000	5,000	5,556	0.68	0.00	41.26	0.130	-0.59	-2,513.62	0.68	0.00	0.00	-0.0599	-0.0363	-0.0027	-548.76	**1,964.85**	**-78%**
33	2,500,000	5,000	5,556	0.68	0.00	41.26	0.130	-0.59	-2,513.62	0.68	0.00	0.00	-0.0599	-0.0363	-0.0027	-548.76	**1,964.85**	**-78%**
34	3,000,000	10,000	11,111	0.68	0.00	41.26	0.130	-0.59	-5,069.17	0.68	0.00	0.00	-0.0599	-0.0363	-0.0027	-1,098.21	**3,970.96**	**-78%**
35	4,000,000	10,000	11,111	0.68	0.00	41.26	0.130	-0.59	-5,069.17	0.68	0.00	0.00	-0.0599	-0.0363	-0.0027	-1,098.21	**3,970.96**	**-78%**
36	5,000,000	10,000	11,111	0.68	0.00	41.26	0.130	-0.59	-5,069.17	0.68	0.00	0.00	-0.0599	-0.0363	-0.0027	-1,098.21	**3,970.96**	**-78%**
37	**Street Lighting**	Connections	mthly kVA															
38	9,182,014	159,861	26,461	0.00	0.13	0.00	3.870	-0.33	114,452.10	0.00	0.00	0.00	-0.0661	0.0000	0.0000	-1,749.04	**-116,201.14**	**-102%**
39	365	1	1	0.00	0.13	0.00	3.870	-0.33	3.67	0.00	0.00	0.00	-0.0661	0.0000	0.0000	-0.07	**-3.74**	**-102%**
40	**Unmetered Scattered Loads**	Customers	connections															
41	4,829,242	1,466	17,721	0.00	0.01	0.32	0.00610	-0.0010	25,275.47	0.00	0.00	0.00	-0.00025	-0.00107	-0.00037 -	8,161.42	**-33,436.88**	**-132%**
42	365	1	1	0.00	0.01	0.32	0.00610	-0.0010	2.19	0.00	0.00	0.00	-0.00025	-0.00107	-0.00037	-0.62	**-2.81**	**-128%**

2009 Distribution and Rate Rider Bill Impact

	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	Col. 10	Col. 11
					2008 Rates			2009 Rates		2009 Increase	
1	kWh	kW	kVA	Distribution ($)	Rate Rider ($)	Total ($)	Distribution ($)	Rate Rider ($)	Total ($)	$	%
2	**Residential**										
3	100			16.40	1.36	17.76	18.28	0.57	18.85	**1.09**	**6.1%**
4	250			18.73	1.23	19.95	20.43	0.45	20.88	**0.93**	**4.7%**
5	500			22.60	1.00	23.60	24.01	0.25	24.26	**0.66**	**2.8%**
6	750			26.48	0.78	27.25	27.59	0.05	27.64	**0.39**	**1.4%**
7	1,000			30.35	0.55	30.90	31.17	-0.15	31.02	**0.12**	**0.4%**
8	1,500			38.10	0.10	38.20	38.33	-0.55	37.78	**-0.42**	**-1.1%**
9	2,000			45.85	-0.35	45.50	45.49	-0.95	44.54	**-0.96**	**-2.1%**
10	**GS<50 kW**										
11	1,000			39.27	1.25	40.52	41.19	0.24	41.43	**0.91**	**2.2%**
12	5,000			118.87	-0.75	118.12	120.19	-1.36	118.83	**0.71**	**0.6%**
13	10,000			218.37	-3.25	215.12	218.94	-3.36	215.58	**0.46**	**0.2%**
14	20,000			417.37	-8.25	409.12	416.44	-7.36	409.08	**-0.04**	**0.0%**
15	**GS 50-999 kW**										
16	30,000	100	100	555.78	-25.00	530.78	547.78	-4.02	543.76	**12.98**	**2.4%**
17	40,000	100	100	555.78	-25.00	530.78	547.78	-4.02	543.76	**12.98**	**2.4%**
18	150,000	500	556	2,952.00	-148.00	2,804.00	2,894.30	-24.52	2,869.78	**65.78**	**2.3%**
19	200,000	500	556	2,952.00	-148.00	2,804.00	2,894.30	-24.52	2,869.78	**65.78**	**2.3%**
20	270,000	900	1,000	5,289.78	-268.00	5,021.78	5,183.59	-44.52	5,139.07	**117.29**	**2.3%**
21	360,000	900	1,000	5,289.78	-268.00	5,021.78	5,183.59	-44.52	5,139.07	**117.29**	**2.3%**
22	450,000	900	1,000	5,289.78	-268.00	5,021.78	5,183.59	-44.52	5,139.07	**117.29**	**2.3%**
23	**GS 1000-4999 kW**										
24	300,000	1,000	1,111	5,625.80	-329.90	5,295.90	5,508.68	-106.88	5,401.81	**105.91**	**2.0%**
25	400,000	1,000	1,111	5,625.80	-329.90	5,295.90	5,508.68	-106.88	5,401.81	**105.91**	**2.0%**
26	500,000	1,000	1,111	5,625.80	-329.90	5,295.90	5,508.68	-106.88	5,401.81	**105.91**	**2.0%**
27	600,000	2,000	2,222	10,525.80	-663.24	9,862.56	10,312.02	-214.43	10,097.59	**235.02**	**2.4%**
28	800,000	2,000	2,222	10,525.80	-663.24	9,862.56	10,312.02	-214.43	10,097.59	**235.02**	**2.4%**
29	1,000,000	2,000	2,222	10,525.80	-663.24	9,862.56	10,312.02	-214.43	10,097.59	**235.02**	**2.4%**
30	**Large Use**										
31	1,500,000	5,000	5,556	24,606.03	-2,513.62	22,092.42	24,499.04	-548.76	23,950.28	**1,857.86**	**8.4%**
32	2,000,000	5,000	5,556	24,606.03	-2,513.62	22,092.42	24,499.04	-548.76	23,950.28	**1,857.86**	**8.4%**
33	2,500,000	5,000	5,556	24,606.03	-2,513.62	22,092.42	24,499.04	-548.76	23,950.28	**1,857.86**	**8.4%**
34	3,000,000	10,000	11,111	46,328.25	-5,069.17	41,259.08	46,359.04	-1,098.21	45,260.83	**4,001.75**	**9.7%**
35	4,000,000	10,000	11,111	46,328.25	-5,069.17	41,259.08	46,359.04	-1,098.21	45,260.83	**4,001.75**	**9.7%**
36	5,000,000	10,000	11,111	46,328.25	-5,069.17	41,259.08	46,359.04	-1,098.21	45,260.83	**4,001.75**	**9.7%**
37	**Street Lighting**	Connections	Mthly kVA								
38	9,182,014	159,861	26,461	512,206.15	114,452.10	626,658.25	665,085.50	-1,749.04	663,336.46	**36,678.21**	**5.9%**
39	365	1	1	16.03	3.67	19.70	20.65	-0.07	20.58	**0.88**	**4.5%**
40	**Unmetered Scattered**	Customers	Connections								
41	4,829,242	1,466	17,721	187,420.48	25,275.47	212,695.95	212,788.64	-8,161.42	204,627.22	**-8,068.72**	**-3.8%**
42	365	1	1	16.69	2.19	18.88	19.01	-0.62	18.39	**-0.49**	**-2.6%**

2009 Total Bill Impact (including rate riders from EB-2008-0402 and EB-2009-0069)

	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	Col. 10	Col. 11	Col. 12	Col. 13	Col. 14
					2008				2009				2009 Increase	
1		**kWh**	**kW**	**kVA**	**Distribution ($)**	**Rate Rider ($)**	**Non-Distribution ($)**	**Total ($)**	**Distribution ($)**	**Rate Rider ($)**	**Non-Distribution ($)**	**Total ($)**	**$**	**%**
2	**Residential**													
3		100			16.40	1.36	7.81	25.57	18.28	0.57	7.90	26.75	**1.19**	**4.6%**
4		250			18.73	1.23	19.15	39.10	20.43	0.45	19.38	40.26	**1.16**	**3.0%**
5		500			22.60	1.00	38.04	61.64	24.01	0.25	38.51	62.77	**1.13**	**1.8%**
6		750			26.48	0.78	56.94	84.19	27.59	0.05	57.64	85.28	**1.09**	**1.3%**
7		1,000			30.35	0.55	77.97	108.87	31.17	-0.15	78.91	109.93	**1.05**	**1.0%**
8		1,500			38.10	0.10	120.44	158.64	38.33	-0.55	121.84	159.62	**0.98**	**0.6%**
9		2,000			45.85	-0.35	162.90	208.40	45.49	-0.95	164.77	209.31	**0.91**	**0.4%**
10	**GS<50 kW**													
11		1,000			39.27	1.25	77.70	118.22	41.19	0.24	78.84	120.27	**2.05**	**1.7%**
12		5,000			118.87	-0.75	414.49	532.61	120.19	-1.36	420.19	539.02	**6.42**	**1.2%**
13		10,000			218.37	-3.25	835.47	1,050.59	218.94	-3.36	846.89	1,062.47	**11.87**	**1.1%**
14		20,000			417.37	-8.25	1,677.45	2,086.57	416.44	-7.36	1,700.28	2,109.36	**22.79**	**1.1%**
15	**GS 50-999 kW**													
16		30,000	100	100	555.78	-25.00	2,560.05	3,090.83	547.78	-4.02	2,597.38	3,141.14	**50.32**	**1.6%**
17		40,000	100	100	555.78	-25.00	3,306.56	3,837.34	547.78	-4.02	3,347.01	3,890.77	**53.43**	**1.4%**
18		150,000	500	556	2,952.00	-148.00	12,826.23	15,630.23	2,894.30	-24.52	13,012.92	15,882.70	**252.47**	**1.6%**
19		200,000	500	556	2,952.00	-148.00	16,558.80	19,362.81	2,894.30	-24.52	16,761.06	19,630.84	**268.03**	**1.4%**
20		270,000	900	1,000	5,289.78	-268.00	23,092.41	28,114.19	5,183.59	-44.52	23,428.46	28,567.53	**453.34**	**1.6%**
21		360,000	900	1,000	5,289.78	-268.00	29,811.05	34,832.83	5,183.59	-44.52	30,175.11	35,314.18	**481.35**	**1.4%**
22		450,000	900	1,000	5,289.78	-268.00	36,529.68	41,551.46	5,183.59	-44.52	36,921.76	42,060.83	**509.37**	**1.2%**
23	**GS 1000-4999 kW**													
24		300,000	1,000	1,111	5,625.80	-329.90	26,058.96	31,354.85	5,508.68	-106.88	26,402.34	31,804.15	**449.30**	**1.4%**
25		400,000	1,000	1,111	5,625.80	-329.90	33,524.11	38,820.00	5,508.68	-106.88	33,898.62	39,300.43	**480.42**	**1.2%**
26		500,000	1,000	1,111	5,625.80	-329.90	40,989.26	46,285.16	5,508.68	-106.88	41,394.90	46,796.71	**511.55**	**1.1%**
27		600,000	2,000	2,222	10,525.80	-663.24	52,124.41	61,986.98	10,312.02	-214.43	52,811.18	62,908.77	**921.79**	**1.5%**
28		800,000	2,000	2,222	10,525.80	-663.24	67,054.72	76,917.28	10,312.02	-214.43	67,803.74	77,901.33	**984.05**	**1.3%**
29		1,000,000	2,000	2,222	10,525.80	-663.24	81,985.02	91,847.58	10,312.02	-214.43	82,796.30	92,893.89	**1,046.30**	**1.1%**
30	**Large Use**													
31		1,500,000	5,000	5,556	24,606.03	-2,513.62	128,822.36	150,914.78	24,499.04	-548.76	130,580.78	154,531.05	**3,616.27**	**2.4%**
32		2,000,000	5,000	5,556	24,606.03	-2,513.62	165,531.98	187,624.40	24,499.04	-548.76	167,443.20	191,393.48	**3,769.08**	**2.0%**
33		2,500,000	5,000	5,556	24,606.03	-2,513.62	202,241.60	224,334.02	24,499.04	-548.76	204,305.63	228,255.90	**3,921.88**	**1.7%**
34		3,000,000	10,000	11,111	46,328.25	-5,069.17	257,651.22	298,910.30	46,359.04	-1,098.21	261,168.05	306,428.88	**7,518.58**	**2.5%**
35		4,000,000	10,000	11,111	46,328.25	-5,069.17	331,070.46	372,329.54	46,359.04	-1,098.21	334,892.90	380,153.73	**7,824.19**	**2.1%**
36		5,000,000	10,000	11,111	46,328.25	-5,069.17	404,489.70	445,748.78	46,359.04	-1,098.21	408,617.75	453,878.58	**8,129.80**	**1.8%**
37	**Street Lighting**		Connections	Mthly kVA										
38		9,182,014	159,861	26,461	512,206.15	114,452.10	798,695.72	1,425,353.97	665,085.50	-1,749.04	810,021.26	1,473,357.72	**48,003.75**	**3.4%**
39		365	1	1	16.03	3.67	28.37	48.07	20.65	-0.07	28.80	49.38	**1.32**	**2.7%**
40	**Unmetered Scattered Loads**		Customers	Connections										
41		4,829,242	1,466	17,721	187,420.48	25,275.47	392,573.03	605,268.98	212,788.64	-8,161.42	396,581.69	601,208.91	**-4,060.07**	**-0.7%**
42		365	1	1	16.69	2.19	26.51	45.39	19.01	-0.62	26.82	45.20	**-0.19**	**-0.4%**

TORONTO HYDRO-ELECTRIC SYSTEM LIMITED

DRAFT TARIFF OF RATES AND CHARGES

Effective May 1, 2009

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

APPLICATION

- The application of these rates and charges shall be in accordance with the Licence of THESL and any Codes, Guidelines or Orders of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.
- No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by THESL's Licence or a Code, Guideline or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.
- This schedule does not contain any rates and charges relating to the electricity commodity (e.g. the Regulated Price Plan).

EFFECTIVE DATES

DISTRIBUTION RATES –May 1, 2009 for all consumption or deemed consumption services used on or after that date.
SPECIFIC SERVICE CHARGES - May 1, 2009 for all charges incurred by customers on or after that date.
LOSS FACTOR ADJUSTMENT – There are no changes to the current loss factors.

SERVICE CLASSIFICATIONS

Residential

This classification refers to an account where the electricity is used exclusively in a separately metered living accommodation. Customers shall be residing in single-dwelling units that consist of a detached house or one unit of a semi-detached, duplex, triplex or quadruplex house, with a residential zoning. Separately metered dwellings within a town house complex or apartment building also qualify as residential customers. Bulk metered residential buildings with up to six units also qualify as residential customers.

General Service Less Than 50 kW

This classification refers to a non-residential account whose monthly average peak demand is less than, or is forecast to be less than 50 kW.

General Service 50 to 4,999 kW

50-999 kW:
This classification refers to a non-residential account whose monthly average peak demand is equal to or greater than 50 kW but less than 1,000 kW, or is forecast to be equal to or greater than 50 kW but less than 1,000 kW. This rate also applies to bulk metered residential apartment buildings or the house service of a residential apartment building with more than 6 units.

Intermediate Use between 1000-4999 kW:
This classification refers to a non-residential account whose monthly average peak demand is equal to or greater than 1,000 kW but less than 5,000 kW, or is forecast to be equal to or greater than 1,000 kW but less than 5,000 kW. This rate also applies to bulk metered residential apartment buildings or the house service of a residential apartment building with more than 6 units.

Large Use

This classification applies to an account whose average monthly maximum demand used for billing purposes is equal to or greater than, or is forecast to be equal to or greater than, 5,000 kW.

TORONTO HYDRO-ELECTRIC SYSTEM LIMITED
DRAFT TARIFF OF RATES AND CHARGES
Effective May 1, 2009

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

Unmetered Scattered Load
This classification applies to an account taking electricity at 750 volts or less whose average monthly maximum demand at each location is less than, or is forecast to be less than, 50 kW and the consumption is unmetered. Such connections include cable TV power packs, bus shelters, telephone booths, traffic lights, railway crossings, etc. The level of the consumption will be
agreed to by THESL and the customer, based on detailed manufacturer information/documentation with regard to electrical consumption of the unmetered load or periodic monitoring of actual consumption.

Standby Power
These classifications refer to an account that has Load Displacement Generation and requires THESL to provide back-up service.

Street Lighting
This classification applies to an account for roadway lighting with a Municipality, Regional Municipality, Ministry of Transportation and private roadway lighting, controlled by photo cells. The consumption for these customers will be based on the calculated connected load times the required lighting times established in the approved OEB street lighting load shape template.

MONTHLY RATES AND CHARGES

Residential

Service Charge	$	16.85	(per 30 days)
Smart Meter Rate Rider	$	0.68	(per 30 days)
Smart Meter Rate Rider 1	$	-0.09	(per 30 days)
Smart Meter Rate Rider 2	$	0.06	(per 30 days)
Distribution Volumetric Rate	$/kWh	0.01432	
Regulatory Asset Rate Rider	$/kWh	-0.00041	
SSM Rate Rider	$/kWh	-0.00021	
LRAM Rate Rider	$/kWh	-0.00018	
Retail Transmission Rate – Network Service Rate	$/kWh	0.0056	
Retail Transmission Rate – Line and Transformation Connection Service Rate	$/kWh	0.0049	
Wholesale Market Service Rate	$/kWh	0.0052	
Rural Rate Protection Charge	$/kWh	0.0013	
Debt Retirement Charge	$/kWh	0.0070	
Regulated Price Plan – Administration Charge (if applicable)	$	0.25	(per 30 days)

General Service Less Than 50 kW

Service Charge	$	21.44	(per 30 days)
Smart Meter Rate Rider	$	0.68	(per 30 days)
Smart Meter Rate Rider 1	$	-0.05	(per 30 days)
Smart Meter Rate Rider 2	$	0.01	(per 30 days)
Distribution Volumetric Rate	$/kWh	0.01975	
Regulatory Asset Rate Rider	$/kWh	-0.00025	
SSM Rate Rider	$/kWh	-0.00008	
LRAM Rate Rider	$/kWh	-0.00007	
Retail Transmission Rate – Network Service Rate	$/kWh	0.0053	
Retail Transmission Rate – Line and Transformation Connection Service Rate	$/kWh	0.0047	
Wholesale Market Service Rate	$/kWh	0.0052	
Rural Rate Protection Charge	$/kWh	0.0013	
Debt Retirement Charge	$/kWh	0.0070	
Regulated Price Plan – Administration Charge (if applicable)	$	0.25	(per 30 days)

TORONTO HYDRO-ELECTRIC SYSTEM LIMITED
DRAFT TARIFF OF RATES AND CHARGES
Effective May 1, 2009

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

General Service 50 to 4,999 kW

50 to 999 kW

Service Charge	$	32.69	(per 30 days)
Smart Meter Rate Rider	$	0.68	(per 30 days)
Smart Meter Rate Rider 1 (non-interval customers only)	$	-0.21	(per 30 days)
Smart Meter Rate Rider 2	$	0.01	(per 30 days)
Distribution Volumetric Rate	$/kVA	5.1509	(per 30 days)
Regulatory Asset Rate Rider	$/kVA	-0.0441	(per 30 days)
SSM Rate Rider	$/kVA	0.0002	(per 30 days)
LRAM Rate Rider	$/kVA	-0.0011	(per 30 days)
Retail Transmission Rate – Network Service Rate	$/kW	2.01	(per 30 days)
Retail Transmission Rate – Line and Transformation Connection Service Rate	$/kW	1.54	(per 30 days)
Wholesale Market Service Rate	$/kWh	0.0052	
Rural Rate Protection Charge	$/kWh	0.0013	
Debt Retirement Charge	$/kWh	0.0070	
Regulated Price Plan – Administration Charge (if applicable)	$	0.25	(per 30 days)

1,000 to 4999 kW

Service Charge	$	705.35	(per 30 days)
Smart Meter Rate Rider	$	0.68	(per 30 days)
Distribution Volumetric Rate	$/kVA	4.3230	(per 30 days)
Regulatory Asset Rate Rider	$/kVA	-0.0487	(per 30 days)
SSM Rate Rider	$/kVA	-0.0437	(per 30 days)
LRAM Rate Rider	$/kVA	-0.0044	(per 30 days)
Retail Transmission Rate – Network Service Rate	$/kW	2.19	(per 30 days)
Retail Transmission Rate – Line and Transformation Connection Service Rate	$/kW	1.73	(per 30 days)
Wholesale Market Service Rate	$/kWh	0.0052	
Rural Rate Protection Charge	$/kWh	0.0013	
Debt Retirement Charge	$/kWh	0.0070	
Regulated Price Plan – Administration Charge (if applicable)	$	0.25	(per 30 days)

Large Use

Service Charge	$	2639.04	(per 30 days)
Smart Meter Rate Rider	$	0.68	(per 30 days)
Distribution Volumetric Rate	$/kVA	3.9348	(per 30 days)
Regulatory Asset Rate Rider	$/kVA	-0.0599	(per 30 days)
SSM Rate Rider	$/kVA	-0.0363	(per 30 days)
LRAM Rate Rider	$/kVA	-0.0027	(per 30 days)
Retail Transmission Rate – Network Service Rate	$/kW	2.22	(per 30 days)
Retail Transmission Rate – Line and Transformation Connection Service Rate	$/kW	1.78	(per 30 days)
Wholesale Market Service Rate	$/kWh	0.0052	
Rural Rate Protection Charge	$/kWh	0.0013	
Debt Retirement Charge	$/kWh	0.0070	
Regulated Price Plan – Administration Charge (if applicable)	$	0.25	(per 30 days)

Standby Power - APPROVED ON AN INTERIM BASIS

Standby Charge – for a month where standby power is not provided. The charge is applied to the contracted amount (e.g. nameplate rating of generation facility).

Service Charge	$	197.91	(per 30 days)
General Service 50 – 999 kW	$/kVA	5.1509	(per 30 days)
General Service 1,000 – 4999 kW	$/kVA	4.3230	(per 30 days)
Large Use	$/kVA	3.9348	(per 30 days)

TORONTO HYDRO-ELECTRIC SYSTEM LIMITED

DRAFT TARIFF OF RATES AND CHARGES

Effective May 1, 2009

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

Unmetered Scattered Load

Monthly Service Charge (per customer)	$	3.42	(per 30 days)
Service Charge (per connection)	$	0.35	(per 30 days)
Distribution Volumetric Rate	$/kWh	0.04174	
Regulatory Asset Recovery	$/kWh	-0.00025	
SSM Rate Rider	$/kWh	-0.00107	
LRAM Rate Rider	$/kWh	-0.00037	
Retail Transmission Rate – Network Service Rate	$/kWh	0.0038	
Retail Transmission Rate – Line and Transformation Connection Service Rate	$/kWh	0.0031	
Wholesale Market Service Rate	$/kWh	0.0052	
Rural Rate Protection Charge	$/kWh	0.0013	
Debt Retirement Charge	$/kWh	0.0070	
Regulated Price Plan – Administration Charge (if applicable)	$	0.25	(per 30 days)

Street Lighting

Service Charge (per connection)	$	0.89	(per 30 days)
Distribution Volumetric Rate	$/kVA	19.7581	(per 30 days)
Regulatory Asset Recovery	$/kVA	-0.0661	(per 30 days)
Retail Transmission Rate – Network Service Rate	$/kW	2.60	(per 30 days)
Retail Transmission Rate – Line and Transformation Connection Service Rate	$/kW	2.00	(per 30 days)
Wholesale Market Service Rate	$/kWh	0.0052	
Rural Rate Protection Charge	$/kWh	0.0013	
Debt Retirement Charge	$/kWh	0.0070	
Regulated Price Plan – Administration Charge (if applicable)	$	0.25	(per 30 days)

TORONTO HYDRO-ELECTRIC SYSTEM LIMITED
DRAFT TARIFF OF RATES AND CHARGES
Effective May 1, 2009

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

Specific Service Charges

Customer Administration			
Duplicate Invoices for Previous Billing	$	15.00	
Easement Letter	$	15.00	
Income Tax Letter	$	15.00	
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	$	30.00	
Returned Cheque (plus bank charges)	$	15.00	
Special Meter Reads	$	30.00	
Meter dispute charge plus Measurement Canada fees (if meter found correct)	$	30.00	
Non-Payment of Account			
Late Payment - per month	%	1.50	
Late Payment - per annum	%	19.56	
Collection of Account Charge – No Disconnection	$	30.00	
Disconnect/Reconnect Charges for non-payment of account			
- At Meter During Regular Hours	$	65.00	
- At Meter After Hours	$	185.00	
Install/Remove Load Control Device – During Regular hours	$	65.00	
Install/Remove Load Control Device – After Regular hours	$	185.00	
Disconnect/Reconnect at Pole – During Regular Hours	$	185.00	
Disconnect/Reconnect at Pole – After Regular Hours	$	415.00	
Specific Charge for Access to the Power Poles – per pole/year	$	22.35	
Specific Charge for Access to the Power Poles – per pole/year (Third Party Attachments to Poles)	$	18.55	
Specific Charge for Access to the Power Poles – per pole/year (Hydro Attachments on Third Party Poles)	$	-22.75	
Allowances			
Transformer Allowance for Ownership	$/kVA	-0.62	(per 30 days)
Primary Metering Allowance for transformer losses – applied to measured demand and energy	%	-1.00	

Retail Service Charges

These are charges for services provided by THESL to retailers or customers related to the supply of competitive electricity and are defined in the 2006 Electricity Distribution Rate Handbook

Establishing Service Agreements		
Standard charge (one-time charge), per agreement per retailer	$	100.00
Monthly Fixed Charge, per retailer	$	20.00
Monthly Variable Charge, per customer, per retailer	$	0.50
Distributor-Consolidated Billing		
Standard billing charge, per month, per customer, per retailer	$	0.30
Retailer-Consolidated Billing		
Avoided cost credit, per month, per customer, per retailer	$	-0.30

TORONTO HYDRO-ELECTRIC SYSTEM LIMITED
DRAFT TARIFF OF RATES AND CHARGES
Effective May 1, 2009

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

Service Transaction Requests (STR)		
Request fee, per request, regardless of whether or not the STR can be processed	$	0.25
Processing fee, per request, applied to the requesting party if the request is processed	$	0.50
Request for customer information as outlined in Section 10.6.3 and Chapter 11 of the Retail Settlement Code directly to retailers and customers, if not delivered electronically through the Electronic Business Transaction (EBT) system, applied to the requesting party		
Up to twice a year		no charge
More than twice a year, per request (plus incremental delivery costs)	$	2.00

LOSS FACTORS

Billing Determinant:

The billing determinant is the customer's metered energy consumption adjusted by the Total Loss Factor as approved by the Board and set out in this Schedule of Rates***.***

(A) Primary Metering Adjustment	0.9900
(B) Supply Facilities Loss Factor	1.0045
Distribution Loss Factors	
(C) Customer less than 5,000 kW	1.0330
(D) Customer greater than 5,000 kW	1.0141

Total Loss Factors

Secondary Metered Customers	
(E) Customer less than 5,000 kW (B)*(C)	1.0376
(F) Customer greater than 5,000 kW (B)*(D)	1.0187
Primary metered customers	
(G) Customer less than 5,000 kW (A)*(E)	1.0272
(F) Customer greater than 5,000 kW (A)*(F)	1.0085

INTERROGATORIES OF ONTARIO ENERGY BOARD STAFF

INTERROGATORY 3:

Reference(s): **pp. 2-3, 2010 Application**

It is stated that:

"THESL's audited financial statements were publicly filed in March 2010. The Operating Expenses for THESL including contact voltage costs, are $204.55 million. After subtracting actual 2009 amounts for donations and special events of $0.3 million, THESL's total actual controllable expenses are $204.25 million."

a) Please provide a copy of the referenced audited financial statements.

b) Please complete the tables below, based on the audited financial statements:

INTERROGATORIES OF ONTARIO ENERGY BOARD STAFF

Table 1: 2009 Monthly Controllable Expenses ($ millions)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total 2009
Operations													
Maintenance													
Billing and Collections													
Community Relations													
Administrative and General													
Other Distribution Expenses													
Amortization Expense													
Less: Donations and Special Events													
Total													$204.25

Note: the format of the above table is derived from Exhibit D1, Tab 3, Schedule 1, page 1 of 5 of THESL's EB-2009-0139 application with the addition of the "Donations and Special Events" deduction.

Table 2: 2009 Capital Budget ($ millions)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total 2009
Sustaining													
Other Operations													
Total Operations													
General Plant													
Customer Services													
Information Technology													
Total Operational													
Emerging Requirements													
Total													

Note: the format of the above table is derived from Exhibit D1, Tab 7, Schedule 1, page 19 of 20 of THESL's EB-2009-0139 application.

INTERROGATORIES OF ONTARIO ENERGY BOARD STAFF

RESPONSE:

a) Please see Appendix A to this Schedule.

b) As THESL does not have any monthly audited financial data, only year-end data is provided. Table 1 below reconciles THESLs 2009 audited Controllable Expenses, in the requested format, with the numbers filed in Table 1 of the 2010 Application.Table 2 contains the 2009 audited "actual" capital.

Table 1: Controllable Expenses ($ millions)

	2009 Actual
Operations	49.0
Maintenance	46.5
Billing and Collections	35.1
Community Relations	5.5
Administrative and General	47.5
Other Distribution Expenses	11.8
Amortization Expense	155.5
Total Distribution Expense	**351.0**
Add: Contact Voltage Costs	+9.05
Less: Donations and Special Events	-0.3
Less: Amortization Expense	-155.5
TOTAL CONTROLLABLE OM&A	**204.25**

INTERROGATORIES OF ONTARIO ENERGY BOARD STAFF

1 **Table 2: 2009 Capital ($ millions)**

	2009 Actual
Sustaining	108.2
Other Operations	66.9
Total Operations	175.1
General Plant	20.7
Customer Services	5.6
Information Technology	35.7
Total Operational	237.1
Emerging Requirements	4.7
TOTAL CAPITAL	241.7

EB-2010-0193
Exhibit J
Tab 1
Schedule 3
Appendix A
Filed: 2010 Jul 14
(38 pages)

Financial Statements

Toronto Hydro-Electric System Limited

DECEMBER 31, 2009

Financial Statements

Toronto Hydro-Electric System Limited

DECEMBER 31, 2009

Contents **Page**

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, 2009 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, 2009 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 26, 2010.

Toronto Hydro-Electric System Limited

BALANCE SHEETS

[in thousands of dollars]

As at December 31	2009 $	2008 $
ASSETS		
Current		
Cash and cash equivalents	**89,420**	199,811
Accounts receivable, net of allowance for doubtful accounts *[note 16[b]]*	**158,021**	137,833
Unbilled revenue *[note 16[b]]*	**292,745**	261,737
Payments in lieu of corporate taxes receivable	**11,492**	12,195
Inventories *[note 5]*	**6,224**	5,069
Prepaid expenses	**3,210**	2,311
Total current assets	**561,112**	618,956
Property, plant and equipment, net *[note 6]*	**1,857,546**	1,786,892
Intangible assets, net *[note 7]*	**73,816**	66,218
Regulatory assets *[note 8]*	**68,193**	26,213
Other assets *[note 9]*	**7,615**	7,862
Future income tax assets *[note 18]*	**250,948**	-
Total assets	**2,819,230**	2,506,141
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current		
Accounts payable and accrued liabilities	**308,849**	283,325
Current portion of other liabilities *[note 10]*	**18,001**	17,382
Deferred revenue	**618**	1,663
Current portion of promissory note payable to related party *[notes 11 and 20]*	**-**	245,058
Total current liabilities	**327,468**	547,428
Long-term liabilities		
Long-term notes payable to related party *[notes 11 and 20]*	**666,275**	422,288
Long-term promissory note payable to related party *[notes 11 and 20]*	**490,115**	490,115
Post-employment benefits *[note 12]*	**154,448**	146,147
Regulatory liabilities *[note 8]*	**308,575**	83,516
Other liabilities *[note 13]*	**1,519**	2,251
Asset retirement obligations *[note 14]*	**7,490**	6,470
Customers' advance deposits	**34,696**	30,283
Total long-term liabilities	**1,663,118**	1,181,070
Total liabilities	**1,990,586**	1,728,498
Commitments and contingencies *[notes 21, 22 and 24]*		
Shareholder's equity		
Share capital *[note 19]*	**527,817**	527,817
Retained earnings	**288,070**	237,069
Contributed surplus	**12,757**	12,757
Total shareholder's equity	**828,644**	777,643
Total liabilities and shareholder's equity	**2,819,230**	2,506,141

The accompanying notes are an integral part of the financial statements.

Toronto Hydro-Electric System Limited

STATEMENTS OF INCOME

[in thousands of dollars]

Year ended December 31	2009 $	2008 $
Revenues		
Sale of electricity	**2,412,011**	2,322,552
Other income	**26,896**	26,995
	2,438,907	2,349,547
Costs		
Purchased power	**1,946,812**	1,869,557
Operating expenses	**195,460**	182,363
Depreciation and amortization	**155,468**	149,019
	2,297,740	2,200,939
Income before interest and provision for payments in lieu of corporate taxes	**141,167**	148,608
Interest income	**4,009**	10,913
Interest expense		
Long-term notes	**(71,085)**	(69,548)
Other interest	**(1,848)**	(4,870)
Income before provision for payments in lieu of corporate taxes	**72,243**	85,103
Provision for payments in lieu of corporate taxes *[note 18]*	**21,242**	8,969
Net income	**51,001**	76,134

STATEMENTS OF RETAINED EARNINGS

[in thousands of dollars]

Year ended December 31	2009 $	2008 $
Retained earnings, beginning of year	**237,069**	185,935
Net income	**51,001**	76,134
Dividends *[note 19]*	**-**	(25,000)
Retained earnings, end of year	**288,070**	237,069

The accompanying notes are an integral part of the financial statements.

Toronto Hydro-Electric System Limited

STATEMENTS OF CASH FLOWS

[in thousands of dollars]

Year ended December 31	2009 $	2008 $
OPERATING ACTIVITIES		
Net income	**51,001**	76,134
Adjustments for non-cash items		
Depreciation and amortization	**155,468**	149,019
Net change in other assets and liabilities	**(166)**	(338)
Payments in lieu of corporate taxes	**703**	(2,544)
Post-employment benefits	**8,301**	8,304
Changes in non-cash working capital balances		
Decrease (increase) in accounts receivable	**(20,188)**	16,404
Decrease (increase) in unbilled revenue	**(31,008)**	12,131
Increase in inventories	**(1,155)**	(523)
Increase in prepaid expenses	**(899)**	(954)
Increase in accounts payable and accrued liabilities	**25,524**	8,633
Decrease in deferred revenue	**(1,045)**	(800)
Net cash provided by operating activities	**186,536**	265,466
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(210,530)**	(179,965)
Purchase of intangible assets	**(31,156)**	(25,747)
Net change in regulatory assets and liabilities	**(58,743)**	16,717
Net cash used in investing activities	**(300,429)**	(188,995)
FINANCING ACTIVITIES		
Decrease in note payable to related party	**(1,511)**	-
Increase in customers' advance deposits	**5,013**	3,694
Dividends paid *[note 19]*	**-**	(25,000)
Net cash provided by (used in) financing activities	**3,502**	(21,306)
Net increase (decrease) in cash and cash equivalents during the year	**(110,391)**	55,165
Cash and cash equivalents, beginning of year	**199,811**	144,646
Cash and cash equivalents, end of year	**89,420**	199,811
Supplementary cash flow information		
Total interest paid	**69,384**	70,174
Payments in lieu of corporate taxes	**23,335**	15,730

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

[all tabular amounts in thousands of dollars]

December 31, 2009

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) 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.

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.

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 Regulated Adjustments*. The electricity price and related regulated adjustments 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

On May 15, 2008, the OEB issued its decision regarding LDC's electricity distribution rates application for 2008 and 2009. In its decision, the OEB approved LDC's 2008 base distribution revenue requirement and rate base of $473,000,000 and $1,968,900,000, respectively. As part of the decision, the deemed debt to equity structure of LDC was modified to 62.5% debt and 37.5% equity for 2008 and to 60.0% debt and 40.0% equity for 2009 and thereafter.

In its decision on LDC's electricity distribution rates for 2008 and 2009, the OEB ordered 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. On April 30, 2009, the Divisional Court denied the appeal by LDC. LDC filed a motion with the Court of Appeal for leave to appeal that decision of the Divisional Court. The requested leave was denied on September 14, 2009.

LDC filed a notice of clarification with the OEB with respect to the timing and the quantum of the expected reduction in distribution revenue. LDC's position is that the reduction in distribution revenue should be done after the deemed properties are sold and for the related actual net after-tax gain. In the event the OEB does not concur with LDC's position and orders an immediate reduction in distribution revenue, the Corporation would have to reduce its distribution revenue by the deemed amount less the net after-tax gain of the deemed properties already sold. At December 31, 2009, the reduction in distribution revenue would be approximately $8,100,000. Further to the notice of clarification filed by LDC in the fourth quarter of 2009, the OEB indicated that it intends to provide a final ruling on this issue as part of LDC's electricity distribution rates decision for 2010.

On February 24, 2009, the OEB issued the allowed return on equity [“ROE”] for LDC for the 2009 rate year. The percentage was set at 8.01%. In addition to the ROE, the OEB also set LDC’s 2009 distribution revenue requirement and rate base at $482,500,000 and $2,035,000,000, respectively.

On August 28, 2009, LDC filed a rate application with the OEB seeking approval of the distribution revenue requirement and corresponding rates for the rate year May 1, 2010.

On December 11, 2009, the OEB issued revised cost of capital guidelines which would set the initial allowed ROE for LDC for 2010 at 9.75%. The ROE formula will be adjusted to reflect the forecast long Canada Bond Yield and A-rated Canadian Utility bonds spreads when this data is released by the OEB on or about the beginning of March 2010. LDC will adjust its distribution rates to reflect the new guidelines as part of its rate finalization process for 2010 distribution rates.

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:

Regulatory Assets and Liabilities

Effective January 1, 2009, LDC adopted amended Canadian Institute of Chartered Accountants [“CICA”] Handbook Section 1100 – “Generally Accepted Accounting Principles” [“Handbook Section 1100”], Handbook Section 3465 – “Income Taxes” [“Handbook Section 3465”] and Accounting Guideline 19 “Disclosures by Entities Subject to Rate Regulation”. These amended sections and guidance established new standards and removed a temporary exemption in Handbook Section 1100 pertaining to the application of that section to the recognition and measurement of assets and liabilities arising from rate regulation. The new standards require the recognition of future income tax liabilities and assets in accordance with Handbook Section 3465 as well as a separate regulatory asset or liability balance for the amount of future income taxes expected to be included in future rates and recovered from or paid to customers, and retain existing requirements to disclose the effects of rate regulation. The revised standards are effective for interim and annual financial statements for the fiscal years beginning on or after January 1, 2009.

Following the removal of the temporary exemption for rate-regulated operations included in Handbook Section 1100, LDC developed accounting policies for its assets and liabilities arising from rate regulation using professional judgment and other sources issued by bodies authorized to issue accounting standards in other jurisdictions. Upon final assessment and in accordance with Handbook Section 1100, LDC has determined that its assets and liabilities arising from rate-regulated activities qualify for recognition under Canadian GAAP and this recognition is consistent with U.S. Financial Accounting Standards Board Accounting Standards Codification 980 – “Regulated Operations”.

Accordingly, the removal of the temporary exemption had no effect on LDC's results of operations as of December 31, 2009.

Handbook Section 3465 as amended requires the recognition of future income tax assets and liabilities and related regulatory liabilities and assets for the amount of future income taxes expected to be refunded to, or recovered from, customers in future electricity rates, applied on a retrospective basis without prior period restatement. The implementation of these standards did not impact LDC's earnings or cash flows. As at December 31, 2009, LDC has recorded a future income tax asset of $250,948,000, and a corresponding regulatory liability of $250,948,000 *[note 8]*.

Payments in lieu of corporate taxes [“PILs”]

LDC is exempt from tax under the *Income Tax Act* (Canada) [“ITA”], the *Corporations Tax Act* (Ontario) and the *Taxation Act, 2007* (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 PILs regime contained in the *Electricity Act, 1998*. The *Electricity Act, 1998* provides that a MEU that is exempt from tax under the ITA, the *Corporations Tax Act* (Ontario) and the *Taxation Act, 2007* (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 *Taxation Act, 2007* (Ontario) (for years ending after 2008) or the *Corporations Tax Act* (Ontario) (for years ending prior to 2009) 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. Until December 31, 2008, 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. Effective January 1, 2009, LDC began using the liability method of accounting following the new recommendations from the CICA and the OEB.

Under the taxes payable method, no provisions were 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. Under the liability method, current income taxes payable are recorded based on taxable income. Future income taxes arise from temporary differences in the accounting and tax basis of assets and liabilities. Future tax assets and liabilities are provided based on substantively enacted tax rates that will be in effect when the differences are expected to reverse.

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 depreciated by a charge to accumulated depreciation and a credit to depreciation expense at an equivalent rate to that used for the depreciation of the related property, plant and equipment.

Allowance for funds used during construction

The AP Handbook 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 is prescribed by the OEB and modified on a periodic basis. AFUDC is included in property, plant and equipment and construction-in-progress for financial reporting purposes, charged to operations through depreciation expense 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” [“Handbook Section 3031”] 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 depreciated 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 statements 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.

[all tabular amounts in thousands of dollars]

Depreciation is provided on a straight-line basis over the estimated service lives at the following annual rates:

Buildings	2.0%
Stations	2.5% to 6.7%
Distribution lines	2.5% to 4.0%
Transformers	3.3% to 4.0%
Meters	2.9% to 6.7%
Other capital assets	4.0% to 20.0%
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

Effective January 1, 2009, LDC retrospectively adopted CICA Handbook Section 3064 - "Goodwill and Intangible Assets" ["Handbook Section 3064"]. Handbook Section 3064 replaces Handbook Section 3062 – "Goodwill and Other Intangible Assets" ["Handbook Section 3062"] and provides extensive guidance on recognition, measurement and disclosure of intangible assets.

LDC evaluated existing intangible assets as at January 1, 2009 to determine whether the intangible assets recognized under previous Handbook Section 3062 met the definition, recognition, and measurement criteria of an intangible asset in accordance with Handbook Section 3064. The assets included land rights or easements, computer software, and capital contributions. As a result, LDC identified $1,985,000 of expenditures that no longer met the definition of intangible assets under Handbook Section 3064 and these expenditures were removed from intangible assets and transferred to a regulatory asset account for future recovery. LDC's decision to record these expenditures to regulatory assets is based on the fact that the expenditures have already been approved for recovery by the OEB in prior regulatory proceedings. In the absence of rate regulation, these expenditures would have been recorded to opening retained earnings.

Intangible assets are all externally acquired and are stated at cost. Amortization is provided on a straight-line basis over their estimated useful service lives at the following annual rates:

Computer software	20.0%
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 Lost Revenue Adjustment Mechanism ["LRAM"] and Shared Savings Mechanism ["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. Gains and losses related to the measurement of financial instruments are reported in the statements of 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.

The following summarizes the accounting classification LDC has elected to apply to each of its significant categories of financial instruments:

Cash equivalents and short-term investments	Investments Held-to-Maturity
Accounts receivable and unbilled revenue	Loans and Receivables
Accounts payable and accrued liabilities	Other Financial Liabilities
Customers' advance deposits	Other Financial Liabilities
Long-term debts	Other Financial Liabilities

LDC 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 equivalents, comprising short-term investments, are classified as "Investments Held-to-Maturity" 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 and unbilled revenue are classified as "Loans and Receivables" and are measured at amortized cost, which, upon initial recognition, are 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.

- Customers' advance deposits 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 the current portion, and the discounted long-term portion approximates the carrying value, taking into account interest accrued on the outstanding balance.
- Long-term debts are classified as "Other Financial Liabilities" and are initially measured at their fair value. The carrying amounts are carried 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" ["Handbook Section 3862"] 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]*.

In January 2009, the CICA issued Emerging Issues Committee Abstract 173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities" ["EIC-173"], effective for interim and annual financial statements ending on or after January 2009. EIC-173 provides further information on the determination of the fair value of financial assets and financial liabilities under Handbook Section 3855 – "Financial Instruments – Recognition and Measurement" ["Handbook Section 3855"]. It states that an entity's own credit and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. The adoption of this standard did not have any impact on LDC's results of operations or financial position.

In June 2009, the CICA amended Handbook Section 3862 to include additional disclosure requirements with respect to fair value measurements of financial instruments and to enhance liquidity risk disclosure requirements. Handbook Section 3862 establishes a fair value hierarchy which includes three levels of inputs that may be used to measure fair value:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis;
- Level 2 – Observable inputs other than level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

LDC adopted these amendments effective for the fiscal year ended December 31, 2009. Comparative information is not required in the first year of application *[note 16]*.

In August 2009, the CICA amended Handbook Section 3855 to add guidance concerning the assessment of embedded derivatives upon reclassification of a financial asset out of the assets held-for-trading category. These amendments apply prospectively to reclassifications made on or after July 1, 2009. Earlier adoption is permitted. The application of these amendments did not have any impact on LDC's results of operations or financial position.

In August 2009, the CICA amended Handbook Section 3025 – "Impaired Loans" to include held-to-maturity investments and to conform the definition of a loan to that in amended Handbook Section 3855. These amendments apply to annual financial statements relating to fiscal years beginning on or after November 1, 2008. LDC adopted these amendments effective for the fiscal year ended December 31, 2009. The application of these amendments did not have any impact on LDC's results of operations or financial position.

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 *[note 15]*. The implementation of this standard did not have any impact on LDC's results of operations or financial position.

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 of Ontario 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, dental 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 costs 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) 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 obligation ["ARO"] is incurred and when the fair value is determined.

l) 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.

m) Use of estimates

The preparation of LDC's financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions which 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, the Minister of Finance or the Minister of Revenue.

n) Future Accounting Pronouncements

International Financial Reporting Standards ["IFRS"]

On February 13, 2008, the Accounting Standards Board of Canada 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. Although the impact of the adoption of IFRS on LDC's financial position and results of operations is not yet reasonably determinable or estimable, LDC does expect a significant increase in financial statement disclosure requirements resulting from the adoption of IFRS, and is designing the systems and related processes changes, which will be required in order to provide the additional information required to make these disclosures.

[all tabular amounts in thousands of dollars]

Financial Instruments – Recognition and Measurement

In June 2009, the CICA amended Handbook Section 3855 to clarify when an embedded prepayment option is separated from its host debt instrument for accounting purposes. This amendment applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted. This section has also been amended to clarify the application of the effective interest method after a debt instrument has been impaired. This amendment applies retrospectively to financial statements for fiscal years beginning on or after January 1, 2010. LDC expects these amendments will have no impact on its results of operations and financial position.

Comprehensive Revaluation of Assets and Liabilities

In August 2009, the CICA amended Handbook Section 1625 – "Comprehensive Revaluation of Assets and Liabilities" to be consistent with Handbook Section 1582 – "Business Combinations", Handbook Section 1601 – "Consolidated Financial Statements" and Handbook Section 1602 – "Non-controlling Interests", which were issued in January 2009. The amendments apply prospectively to comprehensive revaluations of assets and liabilities occurring in fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. LDC expects these amendments will have no impact on its results of operations and financial position.

5. INVENTORIES

Inventories consist of the following:

	2009 $	2008 $
Consumables, tools and other maintenance items	**1,870**	1,478
Fuses	**1,783**	1,014
Vehicle parts and supplies	**407**	436
Other	**2,284**	2,235
Less: Allowance for provisions	**(120)**	(94)
	6,224	5,069

NOTES TO FINANCIAL STATEMENTS

[all tabular amounts in thousands of dollars]

December 31, 2009

6. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment consist of the following:

	2009			2008		
	Cost $	Accumulated depreciation $	Net book value $	Cost $	Accumulated depreciation $	Net book value $
Land	**4,048**	**—**	**4,048**	4,073	—	4,073
Buildings	**146,163**	**53,476**	**92,687**	145,459	50,507	94,952
Stations	**253,659**	**120,201**	**133,458**	242,557	113,315	129,242
Distribution lines	**2,367,342**	**1,263,697**	**1,103,645**	2,249,238	1,177,938	1,071,300
Transformers	**567,573**	**321,140**	**246,433**	542,176	301,446	240,730
Meters	**204,425**	**105,829**	**98,596**	199,127	97,145	101,982
Other capital assets	**52,919**	**29,662**	**23,257**	65,109	38,048	27,061
Communications	**23,860**	**18,994**	**4,866**	29,351	23,381	5,970
Computer hardware	**33,136**	**27,380**	**5,756**	48,936	39,764	9,172
Rolling stock	**68,043**	**42,650**	**25,393**	59,209	41,749	17,460
Equipment and tools	**37,154**	**28,011**	**9,143**	35,827	26,579	9,248
Construction in progress	**110,264**	**—**	**110,264**	75,702	—	75,702
	3,868,586	**2,011,040**	**1,857,546**	3,696,764	1,909,872	1,786,892

For the year ended December 31, 2009, AFUDC in the amount of $2,752,000 [2008 - $2,016,000] was capitalized to property, plant and equipment and credited to interest expense.

At December 31, 2009, net book value of stranded meters related to the deployment of smart meters amounting to $25,347,000 [December 31, 2008 - $25,866,000] is included in property, plant and equipment. In the absence of rate regulation, property, plant and equipment would have been $25,347,000 lower at December 31, 2009 [December 31, 2008 - $25,866,000].

[all tabular amounts in thousands of dollars]

7. INTANGIBLE ASSETS, NET

Intangible assets consist of the following:

	2009			2008		
	Cost $	**Accumulated amortization $**	**Net book value $**	**Cost $**	**Accumulated amortization $**	**Net book value $**
Land rights	—	—	—	1,720	242	1,478
Computer software	**145,057**	**113,159**	**31,898**	143,274	103,848	39,426
Capital contributions	**2,043**	**443**	**1,600**	2,043	361	1,682
Software in development	**40,318**	—	**40,318**	23,632	—	23,632
	187,418	**113,602**	**73,816**	170,669	104,451	66,218

During the year ended December 31, 2009, LDC acquired $14,055,000 intangible assets subject to amortization [2008 - $20,889,000] and acquired $17,101,000 intangible assets not subject to amortization [2008 - $4,858,000].

8. REGULATORY ASSETS AND LIABILITIES

Regulatory assets consist of the following:

	2009 $	2008 $
Smart meters	**50,669**	25,830
Contact voltage	**9,050**	—
LRAM and SSM	**3,546**	—
Other	**4,928**	383
	68,193	26,213

Regulatory liabilities consist of the following:

	2009 $	2008 $
Future income taxes	**250,948**	—
Settlement variances	**36,615**	57,516
PILs variances	**15,197**	11,712
Regulatory assets recovery account	**3,598**	13,832
Other	**2,217**	456
	308,575	83,516

For the year ended December 31, 2009, LDC recovered approved regulatory assets amounts of $nil through permitted distribution rate adjustments [2008 – $15,381,000]. For the year ended December 31, 2009, LDC disposed of approved regulatory liability amounts of $13,747,000 through permitted distribution rate adjustments [2008 – $9,671,000].

The regulatory assets and liabilities balances of LDC are as follows:

[a] Smart Meters

The smart meters regulatory asset account relates to the Province of Ontario's decision to install smart meters throughout Ontario by 2010. LDC launched its project shortly following the Province of Ontario's announcement in 2006. As at December 31, 2009, LDC had installed approximately 631,000 smart meters. In 2008, in connection with this initiative, the OEB approved the disposition of the balances incurred in 2006 and 2007. The OEB also approved the transfer from regulatory assets to property plant and equipment of all capital expenditures incurred in 2006 and 2007. In a separate decision regarding LDC's electricity distribution rates for 2008, the OEB ordered LDC to record all future expenditures and revenues related to smart meters to a regulatory asset account and 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 $22,833,000 for the year ended December 31, 2009 [2008 - $34,125,000]. As at December 31, 2009, smart meter capital expenditures, net of accumulated depreciation, totalling $51,501,000 have been recorded to regulatory assets [December 31, 2008 - $27,559,000]. These expenditures would otherwise have been recorded as property, plant and equipment and intangible assets under Canadian GAAP for unregulated businesses. In the absence of rate regulation, property, plant and equipment and intangible assets would have been $45,606,000 and $5,895,000 higher as at December 31, 2009 [December 31, 2008 - $27,559,000 and $nil, respectively].

For the year ended December 31, 2009, smart meter operating expenses of $3,048,000 [2008 - $863,000], and smart meter depreciation expense of $3,447,000 [2008 - $1,128,000] were deferred which would have been expensed under Canadian GAAP for unregulated businesses. In the absence of rate regulation, for the year ended December 31, 2009, operating expenses would have been $3,048,000 higher [2008 - $863,000 higher], and depreciation expense would have been $3,447,000 higher [2008 - $1,128,000 higher].

For the year ended December 31, 2009, smart meter customer revenues of $5,741,000 were deferred [2008 - $3,796,000]. In the absence of rate regulation, for the year ended December 31, 2009, revenue would have been $5,741,000 higher [2008 - $3,796,000 higher].

[b] Contact Voltage

On June 30, 2009, LDC filed an application with the OEB seeking recovery of costs incurred for the unexpected impact of the remediation of safety issues on its electricity distribution infrastructure. LDC sought recovery of $14,350,000 by way of fixed term rate riders of three years for the street lighting and unmetered scattered load rate classes, and one year for all other classes. On December 10, 2009, the OEB issued its decision, which provides for the future recovery of $9,050,000 of related expenditures. Accordingly, LDC has increased its regulatory assets and reduced its operating expenditures by $9,050,000 for 2009. In the absence of rate regulation, for the year ended December 31, 2009, operating expenses would have been $9,050,000 higher.

[c] Lost Revenue Adjustment Mechanism and Shared Savings Mechanism

Under certain specific rules, the OEB has allowed LDC to receive compensation for the lost revenue and the benefits associated to CDM programs delivered. The LRAM represents the lost revenue from CDM programs and the SSM represents LDC's share of provincial savings related to these programs.

On December 15, 2008, LDC applied to the OEB to recover LRAM and SSM amounts related to CDM programs undertaken in 2007. On September 22, 2009, the OEB approved the recovery by LDC of $2,904,000 for LRAM and $586,000 for SSM programs through rate riders commencing on May 1, 2010 and ending April 30, 2011.

[d] Future income taxes

This regulatory liability account relates to the expected future electricity distribution rate reduction for customers arising from timing differences in the recognition of future tax assets.

On January 1, 2009, LDC began to account for the differences between its financial statement carrying value and tax basis of assets and liabilities following the liability method in accordance with CICA Handbook Section 3465 *[note 4[a]]*. As at December 31, 2009, LDC has recorded a future income tax asset of $250,948,000, and a corresponding regulatory liability of $250,948,000.

[e] Settlement variances

This account is comprised of 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.

The balance for settlement variances continues to be calculated and attract carrying charges in accordance with the OEB's direction. For the year ended December 31, 2009, settlement variances of $6,628,000 were disposed through rate adjustments.

[f] PILs variances

As at December 31, 2009, 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 $15,197,000 [December 31, 2008 - $11,712,000].

[g] Regulatory assets recovery account ["RARA"]

The RARA consists of balances of regulatory assets or regulatory liabilities approved for disposition by the OEB through rate riders. The RARA is subject to carrying charges following the OEB prescribed methodology and related rates.

NOTES TO FINANCIAL STATEMENTS

[all tabular amounts in thousands of dollars]

December 31, 2009

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.

On April 16, 2009, the OEB approved disposition of regulatory liability of $7,582,000, for amounts arising from the extended effectiveness of certain rate riders into the 2008 rate year, which was transferred to the 2009 RARA in April 2009.

9. OTHER ASSETS

Other assets consist of the following:

	2009 $	2008 $
Prepaid leases	**7,456**	7,544
Other	**159**	318
	7,615	7,862

10. CURRENT PORTION OF OTHER LIABILITIES

Current portion of other liabilities consists of the following:

	2009 $	2008 $
Current portion of obligations under capital leases *[note 21]*	**218**	199
Customers' advance deposits	**17,002**	16,402
Other	**781**	781
	18,001	17,382

NOTES TO FINANCIAL STATEMENTS
[all tabular amounts in thousands of dollars]

December 31, 2009

11. LONG-TERM DEBT

Long-term debt consists of the following:

	2009 $	2008 $
Long-term notes payable to the Corporation:		
6.16% Long-term note payable to the Corporation due May 6, 2013	**178,767**	178,454
5.20% Long-term note payable to the Corporation due November 14, 2017	**243,945**	243,834
4.54% Long-term note payable to the Corporation due November 12, 2019	**243,563**	—
6.16% Promissory note payable to the Corporation due May 6, 2013	**490,115**	735,173
	1,156,390	1,157,461
Less: Current portion of promissory note payable to the Corporation	**—**	245,058
Long-term debt	**1,156,390**	912,403
Comprising:		
Long-term notes payable to the Corporation	**666,275**	422,288
Promissory note payable to the Corporation	**490,115**	490,115

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.

c. $245,058,000, which bears interest at a rate of 4.54% per annum, with a maturity date of November 12, 2019, 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. On December 31, 2009, LDC made the second scheduled payment of $245,058,000 to the Corporation. Accordingly, the remainder of the principal amount outstanding under the promissory note payable is 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, 2009, LDC’s OMERS current service pension costs were $10,499,000 [2008-$10,245,000].

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, dental 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.

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.

NOTES TO FINANCIAL STATEMENTS

[all tabular amounts in thousands of dollars]

December 31, 2009

[a] Accrued benefit obligation

	2009 $	2008 $
Balance, beginning of year	**125,379**	160,774
Experience loss at beginning of year	**6,393**	—
Current service cost	**4,673**	3,433
Interest cost	**9,978**	8,895
Benefits paid	**(6,797)**	(4,976)
Actuarial (gains) losses	**32,654**	(42,747)
Balance, end of year	**172,280**	125,379

[b] Reconciliation of the accrued benefit obligation to the balance sheet accrued benefits liability

	2009 $	2008 $
Accrued benefit obligation	**172,280**	125,379
Unamortized net actuarial gains (losses)	**(15,372)**	23,973
Unamortized past service costs	**(2,460)**	(3,205)
Post-employment benefits liability	**154,448**	146,147

[c] Components for net periodic defined benefit costs

	2009 $	2008 $
Current service cost	**4,673**	3,433
Interest cost	**9,978**	8,895
Actuarial (gains) losses	**32,654**	(42,747)
Cost incurred (recovered) in the year	**47,305**	(30,419)
Differences between costs incurred and costs recognized in the year in respect of:		
Actuarial (gain) loss	**(32,952)**	42,954
Past service costs	**745**	745
	(32,207)	43,699
Defined benefit costs recognized	**15,098**	13,280
Capitalized as part of property, plant and equipment	**7,043**	6,093
Charged to operations	**8,055**	7,187

[all tabular amounts in thousands of dollars]

[d] Significant assumptions

	2009 %	2008 %
Accrued benefit obligation as of December 31:		
Discount rate	**6.0**	7.5
Rate of compensation increase	**4.0**	4.0
Benefit costs for years ended December 31:		
Discount rate	**7.5**	5.5
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, 2009, medical costs are assumed to increase at 7.5% [2008 - 8.5%] graded down by 0.5% [2008 - 0.5%] annual decrements to 5.0% [2008 - 5.0%] in 2016 and thereafter.

[e] Sensitivity analysis

Assumed health and dental care cost trend rates have a significant effect on the amounts reported for health and dental care plans. A one-percentage-point change in assumed health and dental care cost trend rates has the following effects for 2009:

	Increase $	Decrease $
Total of current service and interest cost (at 7.5%)	**1,855**	**(1,430)**
Accrued benefit obligation as at December 31, 2009 (at 6.0%)	**27,297**	**(20,919)**

13. OTHER LIABILITIES

Other long-term liabilities consist of the following:

	2009 $	2008 $
Obligations under capital leases *[note 21]*	**447**	397
Other	**1,072**	1,854
	1,519	2,251

[all tabular amounts in thousands of dollars]

14. ASSET RETIREMENT OBLIGATIONS

Reconciliation between the opening and closing ARO liability balances is as follows:

	2009 $	2008 $
Balance, beginning of year	**6,470**	7,523
ARO liabilities settled in the year	**(87)**	(463)
Accretion expense	**287**	385
Revision in estimated cash flows	**820**	(975)
Balance, end of year	**7,490**	6,470

At December 31, 2009, LDC estimates the undiscounted amount of cash flows required over the next one to fifty years to settle the ARO is $9,139,000 [December 31, 2008 - $9,109,000]. Discount rates ranging from 1.39% to 5.89% were used to calculate the carrying value of the ARO liabilities. No assets have been legally restricted for settlement of the liability.

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, 2009, 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, and has remained unchanged from December 31, 2008. As at December 31, 2009, shareholder's equity amounts to $828,644,000 [December 31, 2008 – $777,643,000] and long-term debt, including the current portion of the promissory note payable to the Corporation, amounts to $1,156,390,000 [December 31, 2008 – $1,157,461,000]. LDC's capital structure at December 31, 2009 is 58% debt and 42% equity [December 31, 2008 - 60% debt and 40% equity]. There have been no changes in LDC's approach to capital management during the year.

NOTES TO FINANCIAL STATEMENTS

[all tabular amounts in thousands of dollars]

December 31, 2009

16. FINANCIAL INSTRUMENTS

a) Recognition and measurement

LDC's carrying value and fair value of financial instruments consist of the following:

	2009 $		2008 $	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Cash and cash equivalents	**89,420**	**89,420**	199,811	199,811
Accounts receivable, net of allowance for doubtful accounts	**158,021**	**158,021**	137,833	137,833
Unbilled revenue	**292,745**	**292,745**	261,737	261,737
Accounts payable and accrued liabilities	**308,849**	**308,849**	283,325	283,325
Customers' advance deposits	**51,698**	**51,698**	46,685	46,685
Long-term note payable to the Corporation				
6.16% due May 6, 2013	**178,767**	**198,671**	178,454	194,383
5.20% due November 14, 2017	**243,945**	**261,443**	243,834	243,841
4.54% due November 12, 2019	**243,563**	**245,647**	—	—
Promissory note payable to the Corporation due May 6, 2013	**490,115**	**530,529**	735,173	771,172

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 690,000 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, 2009, LDC held security deposits in the amount of $51,698,000 [December 31, 2008 - $46,685,000].

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 statements of income. Subsequent recoveries of receivables previously provisioned are credited to the statements of income.

[all tabular amounts in thousands of dollars]

Credit risk associated with accounts receivable is as follows:

	2009 $	2008 $
Total accounts receivable	**170,408**	147,762
Less: Allowance for doubtful accounts	**(12,387)**	(9,929)
Total accounts receivable, net	**158,021**	137,833
Of which:		
Outstanding for not more than 30 days	**138,317**	112,823
Outstanding for more than 30 days but not more than 120 days	**19,944**	21,053
Outstanding for more than 120 days	**12,147**	13,886
Less: Allowance for doubtful accounts	**(12,387)**	(9,929)
Total accounts receivable, net	**158,021**	137,833

Unbilled revenue represents amounts to which LDC has a contractual right to receive cash through future billings but are unbilled at period-end. As at December 31, 2009, total unbilled revenue was $292,745,000 [December 31, 2008 - $261,737,000]. Unbilled revenue outstanding is considered current.

At December 31, 2009, 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.

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 BAs and letters of credit). The fee payable for BAs and letters of credit is based on a margin determined by reference to the Corporation's credit rating.

Cash balances, which are not required to meet day-to-day obligations of LDC, are either held in account or 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:

[all tabular amounts in thousands of dollars]

December 31, 2009			
	Due within 1 year $	Due between 1 year and 5 years $	Due after 5 years $
Financial liabilities			
Accounts payable and accrued liabilities	**308,849**	**—**	**—**
Promissory note payable to the Corporation	**—**	**490,115**	**—**
Long-term note payable to the Corporation			
6.16% due May 6, 2013	**—**	**180,000**	**—**
5.20% due November 14, 2017	**—**	**—**	**245,058**
4.54% due November 12, 2019	**—**	**—**	**245,058**
	308,849	**670,115**	**490,116**

Hedging and Derivative risk

As at December 31, 2009, and as at December 31, 2008, LDC has not entered into hedging and derivative financial instruments.

Foreign exchange risk

As at December 31, 2009, 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, 2009, $45,000,000 [December 31, 2008 - $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.

[all tabular amounts in thousands of dollars]

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:

Statements of income

	2009 $	2008 $
Rate reconciliation		
Income before PILs	**72,243**	85,103
Statutory Canadian federal and provincial income tax rate	**33.00%**	33.50%
Expected provision for PILs	**23,840**	28,510
Temporary differences not benefited	**(1,097)**	3,658
Change in income tax positions	—	(25,288)
Other	**(1,501)**	2,089
Provision for PILs	**21,242**	8,969
Effective tax rate	**29.40%**	10.54%

Balance sheets

Significant components of LDC's future income tax assets, long-term are as follows:

	2009 $	2008 $
Property, plant and equipment and intangible assets	**145,350**	—
Regulatory adjustments	**62,737**	—
Post-employment benefits liability	**38,612**	—
Other taxable temporary differences	**4,249**	—
Future income tax assets, long-term	**250,948**	—

On January 1, 2009, LDC began to account for the differences between its financial statement carrying value and tax basis of assets and liabilities following the liability method in accordance with CICA Handbook Section 3465 *[note 4[a]]*. As at December 31, 2009, LDC has recorded a future income tax asset of $250,948,000 and a corresponding regulatory liability of $250,948,000.

NOTES TO FINANCIAL STATEMENTS
[all tabular amounts in thousands of dollars]

December 31, 2009

19. SHARE CAPITAL

Share capital consists of the following:

	2009 $	2008 $
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 2009, the board of directors of LDC declared and paid dividends totalling $nil to the Corporation [2008 - $25,000,000].

20. RELATED PARTIES

For LDC, transactions with related parties include transactions with 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:

	2009 $	2008 $
Due from the City	**1,183**	4,098
Due from TH Energy	**21,359**	21,751
	22,542	25,849

Included in "Accounts payable and accrued liabilities" are amounts due to related parties as follows:

	2009 $	2008 $
Due to the City	**5,492**	4,514
Due to the Corporation	**7,787**	3,906
Due to TH Energy	**80**	678
	13,359	9,098

NOTES TO FINANCIAL STATEMENTS

[all tabular amounts in thousands of dollars]

December 31, 2009

At December 31, 2009, long-term notes of $666,275,000 were payable to the Corporation [December 31, 2008 – $422,288,000]. For the year ended December 31, 2009, interest expense was paid to the Corporation in the amount of $25,337,000 [2008 – $23,831,000] in relation with those notes *[note 11]*.

On December 31, 2009, LDC made the second scheduled payment of $245,058,000 to the Corporation in accordance with the terms of the promissory note. At December 31, 2009, the promissory note of $490,115,000 was payable to the Corporation [December 31, 2008 – $735,173,000] *[note 11]*. For the year ended December 31, 2009, interest expense was paid to the Corporation in the amount of $45,287,000 [2008 – $45,287,000] in relation with the promissory note.

For the year ended December 31, 2009, LDC provided goods and services to TH Energy totaling $2,413,000 [2008 - $2,937,000] in the ordinary course of business and measured at their exchange amounts and normal trade terms.

For the year ended December 31, 2009, LDC provided services to the Corporation in the amount of $549,000 in the ordinary course of business and measured at their exchange amounts [2008 - $591,000].

For the year ended December 31, 2009, LDC provided electricity to the City in the amount of $109,678,000 [2008 - $107,093,000] under normal trade terms.

For the year ended December 31, 2009, LDC provided relocation services related to the City in the amount of $886,000 [2008 - $991,000].

For the year ended December 31, 2009, LDC purchased corporate and management services from the Corporation totalling $8,828,000 [2008 - $6,391,000] in the ordinary course of business, with these services charged to operating expenses and measured at their exchange amounts.

For the year ended December 31, 2009, LDC purchased road cut and other services from the City amounting to $6,873,000 [2008 - $4,877,000].

For the year ended December 31, 2009, LDC paid property tax expenses to the City of $6,181,000 [2008 - $6,436,000].

[all tabular amounts in thousands of dollars]

21. LEASE COMMITMENTS

Operating lease obligations

As at December 31, 2009, the future minimum annual lease payments under property operating leases with remaining lease terms from one to five years are as follows:

	$
2010	**4,432**
2011	**3,878**
2012 and thereafter	**909**
Total minimum lease payments	**9,219**

Capital lease obligations

As at December 31, 2009, the future minimum annual lease payments under capital leases with remaining lease terms from one to five years and thereafter are as follows:

	$
2010	**240**
2011	**217**
2012	**135**
2013	**87**
2014 and thereafter	**43**
Total amount of future minimum lease payments	**722**
Less interest	**57**
	665
Current portion *[note 10]*	**218**
Long-term portion *[note 13]*	**447**

22. CONTINGENCIES

a) 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 the 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*, Schedule B for an order that the matter be submitted back to the OEB for reconsideration. The Cabinet dismissed the petition.

LDC was 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 in April 1994 against a predecessor of LDC and other Ontario MEUs under the *Class Proceedings Act, 1992* (Ontario) 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 its 2004 decision in the Enbridge case, the plaintiffs in this proposed class action indicated their intention to proceed with the litigation.

The second is an action commenced in November 1998 against a predecessor of LDC under the *Class Proceedings Act, 1992* (Ontario) 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.

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.

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.

2 Secord Avenue

An action was commenced against LDC in September 2008 in the Ontario Superior Court of Justice under the *Class Proceedings Act, 1992* (Ontario) 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, a statement of defence has been filed, and a certification order issued. Affidavits of Documents have been produced by LDC to the other parties and examinations for discovery have commenced and are continuing. Given the preliminary status of this action, it is not possible 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.

Another action was commenced against LDC in February 2009 in the Ontario Superior Court of Justice 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, a statement of defence has been filed, and a certification order issued. Affidavits of Documents have been produced by LDC to the other parties and examinations for discovery have commenced and are continuing. Given the preliminary status of this action, it is not possible 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.

By order of the court, these two actions, together with a third smaller non-class action commenced in April 2009 involving the same incident, will be tried at the same time or consecutively. Consequently, documentary discovery and examinations for discovery will be joined for all three actions.

3650 Kingston Road

An action was commenced against LDC in March 2009 in the Ontario Superior Court of Justice under the *Class Proceedings Act, 1992* (Ontario) seeking damages in the amount of $30,000,000 as compensation for damages allegedly suffered as a result of a fire and explosion in the electrical room at 3650 Kingston Road on March 19, 2009. This action is at a preliminary stage. A statement of claim has been served on LDC but a statement of defence has not been filed. The proceedings of other parties to the action have revealed that the damages are likely to have been caused by a party other than LDC and LDC is making a motion to have LDC dismissed from the action. While it is not possible at this time to state conclusively, it is unlikely that LDC will be found liable for damages. If damages were awarded against LDC, LDC would make a claim under its liability insurance which LDC believes would cover such damages. Accordingly, this action is not likely to have a material effect on the financial performance of LDC.

2369 Lakeshore Boulevard West

A third party action was commenced against LDC in October 2009 in the Ontario Superior Court of Justice under the *Class Proceedings Act, 1992* (Ontario) seeking damages in the amount of $30,000,000 as compensation for damages allegedly suffered as a result of a fire in the electrical room at 2369 Lakeshore Boulevard West on March 19, 2009. This action is at a preliminary stage. A third party claim has been served on LDC but a statement of defence to the third party claim 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.

Another third party action was commenced against LDC in October 2009 in the Ontario Superior Court of Justice seeking damages in the amount of $30,000,000 as compensation for damages allegedly suffered as a result of a fire in the electrical room at 2369 Lakeshore Boulevard West on March 19, 2009. This action is at a preliminary stage. A third party claim has been served on LDC and a statement of defence to the third party claim 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.

b) OEB PILs Proceeding

In 2009, the OEB commenced its review of the PILs variances accumulated in regulatory variance accounts for the period from October 1, 2001 to April 30, 2006 for all MEUs. The current proceeding is expected to provide direction regarding the interpretation of the rules issued by the OEB. The outcome of this proceeding could have a material impact on the financial position of LDC.

c) Payments in Lieu of Additional Municipal and School Taxes

The Ministry of Revenue has issued assessments in respect of payments in lieu of additional municipal and school taxes under s.92 of the *Electricity Act, 1998* that are in excess of the amounts LDC believes are payable. The dispute arose as a result of inaccurate information incorporated into Ontario Regulation 224/00, correction of which has been requested by LDC.

The balance assessed by the Ministry of Revenue above the balance accrued by LDC amounts to $8,660,000 as at December 31, 2009. LDC has been proactive with the Ministry of Revenue and the Ministry of Finance to resolve this issue. However, there can be no assurance that LDC will not have to pay the full assessed balance in the future.

23. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2009 financial statements.

24. SUBSEQUENT EVENTS

a) Late Payment Charges Class Action

On January 15, 2010, a conditional settlement was reached for both actions pursuant to which the defendants would pay the amount of $17,000,000 plus costs and taxes in settlement of all claims. The amount paid by each MEU will be its proportionate share of the settlement amount based on its percentage of distribution service revenue over the period for which it has exposure for repayment of late payment penalties exceeding the interest rate limit in the *Criminal Code*. While the amounts have not yet been determined, it is anticipated that LDC's share of the settlement amount will be in the range of $7,500,000 to $9,500,000. The settlement is conditional upon a sufficient number of MEUs participating so as to collect the full amount of the settlement funds payable to the plaintiffs. It is also conditional upon court approval. All the MEUs involved in the settlement, including LDC, will request an order from the OEB allowing for the future recovery from customers of all costs related to the proposed settlement. LDC has not accrued any liabilities in relation to this proposed settlement. There is no guarantee that the OEB will allow for total or partial recovery of such costs in the future. The outcome of the OEB decision in this regard could have an adverse material impact on the results of operations and financial position of LDC in the future.

b) 2010 Electricity Distribution Rates

On February 4, 2010, the OEB tentatively accepted a settlement proposal agreed to by LDC and various intervening parties. The settlement proposal captured a majority of issues, and provides for a 2010 capital budget of $350,000,000 with a variance account to capture up to an additional $27,800,000 of capital expenditures and operations, maintenance and administration expenditures of $204,100,000. The settlement proposal did not settle issues relating to cost of capital (including applicability of new ROE guidelines to LDC), suite metering, and distributed generation, which are subject to a decision by the OEB in the first quarter of 2010. The final disposition of these matters could have a material impact on the final settlement.

c) Street Lighting Activities

On June 15, 2009, LDC filed an application with the OEB seeking an electricity distribution license for a new wholly-owned legal entity to which LDC intends to transfer the street lighting assets of TH Energy. Concurrently, LDC filed another application with the OEB seeking approval for the merger of LDC and the new legal entity. The main objective of these applications is to transfer the street lighting assets to the regulated electricity distribution activities of LDC to increase the overall safety of the related infrastructure.

On February 11, 2010, the OEB issued its decision in regards to these applications. In its decision, the OEB agreed, that under certain conditions, the treatment of certain types of street lighting assets as regulated assets is justified. The OEB ordered the Corporation to provide a detailed valuation of the street lighting assets and to perform an operational review to determine which assets could become regulated assets. LDC is currently evaluating the impact of this decision on its regulated and unregulated businesses and whether to transfer the street lighting assets to LDC.

INTERROGATORIES OF ONTARIO ENERGY BOARD STAFF

INTERROGATORY 4:

Reference(s): **EB-2009-0243, Application for Recovery of Contact Voltage Costs, June 30, 2009, p. 5**

Table 1, "Contact Voltage Remediation Expenditures," of THESL's 2009 contact voltage recovery cost application shows total contact voltage expenditures of $14.35 million. Please update this table as of the end of 2009 and provide explanations for any changes. If there were no changes in these numbers by year-end 2009, please state this and provide an explanation as to why there were no changes.

RESPONSE:

THESL's original application for recovery of contact voltage costs was filed June 30, 2009 ("2009 Application"). At that point, certain costs were known to have been incurred during the Level III Emergency efforts. Rows 5 through 15 in Table 1 below represent those actual costs that were known at the time of the 2009 Application, and therefore there are no further changes to note with respect to these expenditures.

In its original 2009 Application, THESL had estimated that a further amount of $2.41 million would be expended through the balance of 2009 for the maintenance of the scanning program on a non-emergency basis, in order to ensure that further instances of contact voltage were minimized. As noted in Row 17 in Table 1 below, actual continued scanning costs in 2009 resulted in costs amounting to $2.14 million.

Further to continued scanning costs, throughout the remainder of 2009 THESL had incurred an additional $1.09 million related to contact voltage remediation efforts, which had not been identified in the 2009 Application (and were incurred after the Level III

INTERROGATORIES OF ONTARIO ENERGY BOARD STAFF

Emergency). These costs were related to additional electrical contractor work, inventory and materials used in remediation as well as internal labour.

Taking the above into consideration, total contact voltage costs expended in 2009 amounted to $15.17 million, or $0.82 million more than originally submitted in the 2009 Application.

INTERROGATORIES OF ONTARIO ENERGY BOARD STAFF

Table 1: Updated Contact Voltage Remediation Expenditures

	Col. 1	Col. 2	Col. 3
R.1	**Description**	**Expenditure**	**Changes**
R.3	**Level III Emergency Expenditures**	**$millions**	
R.5	Labour – Regular time	$ 3.37	None
R.6	Labour – Overtime	$ 2.15	None
R.7	**Labour – Total**	**$ 5.52**	
R.9	Electrical Contractor Cost	$ 0.67	None
R.10	Scanning Contractor Cost	$ 4.15	None
R.11	Inventory and Materials	$ 1.01	None
R.12	Other	$ 0.59	None
R.13	**Total – Non Labour**	**$ 6.42**	
R.15	**Total Level III Expenditures**	**$ 11.94**	None
R.17	**Continued Scanning Costs**	**$ 2.14**	$ (0.27)
R.19	**Other**	**$ 1.09**	$ 1.09
R.21	**Total Contact Voltage Expenditures**	**$ 15.17**	
R.22	**Total per 2009 Application**	**$ 14.35**	
R.24	**Difference**	**$ 0.82**	$ 0.82

INTERROGATORIES OF ONTARIO ENERGY BOARD STAFF

INTERROGATORY 5:

Reference(s): **page 3, 2010 Application**

In Column 3 of Table 1 on this page, 2009 actual contact voltage costs are shown as $9.44 million, which is the same amount as the allowed maximum recovery in the EB-2009-0243 Decision.

a) Please state how these expenditures were incorporated into the audited financial statements. Please provide the relevant account classifications.

b) Please state why the difference between the level of contact voltage expenditures of $14.35 million contained in the EB-2009-0243 application (subject to any updates arising out of interrogatory #4) and the $9.44 million in the audited financial statements was not treated as contact voltage expenditures for the purposes of the present application. Please include an explanation as to how the $4.91 million expenditure differential (or, if applicable, the updated differential) was treated in the audited financial statements. Please provide the relevant account classifications.

RESPONSE:

a) As discussed in THESL's response to Board Staff IR #4, total contact voltage costs incurred in 2009 amounted to $15.17 million. These expenditures were incorporated into the audited financial statements in the following manner:

   (i) $9.05 million net recoverable amount (as per May 14, 2010 filing of EB-2009-0243) as a regulatory asset – USoA subaccount 1572; and

   (ii) $6.12 million (the difference between $15.17 million total costs and $9.05 million net recoverable amount) in OM&A.

INTERROGATORIES OF ONTARIO ENERGY BOARD STAFF

b) Table 1 found on page 3 of the 2010 Application was not intended to imply that actual contact voltage costs incurred in 2009 are $9.44 million. The presentation in Table 1 incorporates the $9.44 million (a subset of the total actual costs of $15.17 million) as the maximum allowable recovery per the December 11, 2009 Decision on the matter. The difference between the $9.44 million and $15.17 million (as well as $0.39 million representing the difference between $9.44 million and the net recoverable amount of $9.05 million), is treated in the audited financial statements as OM&A.

Stated differently, the $9.44 million figure in Table 1, page 3 of the 2010 Application is used as a "cap" (being the maximum allowable recovery) in order to determine the 2009 OPEX spending shortfall, net of the maximum allowable recovery.

INTERROGATORIES OF ONTARIO ENERGY BOARD STAFF

INTERROGATORY 6:

Reference(s): **page 3, 2010 Application**

THESL states that it is requesting recovery commencing May 1, 2011.

a) Please state why this date was chosen.

b) Please state whether or not THESL would see any issues or concerns arising if an earlier recovery date, such as the first month following the Board's Decision in this matter, or November 1, 2010, the date of the next RPP change, was instead chosen.

RESPONSE:

a) THESL chose this date to minimize the number of rate changes for its customers, by coinciding with the anticipated implementation of rates for 2011. The suggested implementation date in this application is also consistent with that proposed in THESL's 2007 CDM Application (EB-2008-0401), in which the Board, in its September 22, 2009 decision, approved rate implementation to begin the following year on May 1, 2010.

b) THESL attempts to minimize the number of rate changes for customers. If the proposed May 1, 2011 date is not acceptable to the Board, the alternative of November 1, 2010 would be more reasonable than an isolated rate change coming at an unexpected time for customers.

INTERROGATORIES OF ENERGY PROBE RESEARCH FOUNDATION

INTERROGATORY 1:

Reference(s): Application, page 3

Please provide a copyof Toronto Hydro’s audited financial statements referred to on page 3 of the application.

RESPONSE:

Please refer to the response to Board Staff Interrogatory 3a).

INTERROGATORIES OF ENERGY PROBE RESEARCH FOUNDATION

INTERROGATORY 2:

Reference(s): **Application, page 5, Table 3 – Rate Riders (customer/connection per 30 days)**

a) Please provide the calculations used to arrive at the rate riders on the Scanning line of the 2011 Rate Rider part of the table.

b) Please describe any other recovery models considered by Toronto Hydro other than flat rate riders. Why did Toronto Hydro decide to use flat rate riders rather than rate riders tied to customer load?

RESPONSE:

a) Please see the attached table.

b) THESL proposes recovery through a fixed monthly charge as the costs being recovered were incurred based on connections to the system, and unrelated to variable energy usage. THESL believes recovery of costs should be on the same basis as cost incurrence as a general principle.

Derivation of Contact Voltage Rate Riders

	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	Col. 10	Col. 11
R. 1	**Allocation and Billing Factors**			**Residential**	**GS < 50 kW**	**GS - 50 to 999 kW**	**GS - 1000 to 4999 kW**	**Large Use**	**Unmetered Scattered Load**	**Streetlighting**	**TOTAL**
R. 2											
R. 3	**2009 Approved Customer Forecast by Rate Class (Cost Allocation)**										
R. 4	**Number of Customers**			611,808	66,191	11,719	530	49	24	1	**690,322**
R. 5	**Number of Connection**								19,907	162,450	**182,357**
R. 6	**2009 - Cost of Service Allocation - Secondary Customer Base**			611,808	66,191	2,803	12	0	19,907	90,026	**790,747**
R. 7											
R. 8	**2010 Customer Forecast by Rate Class (Rate Design)**										
R. 9	**Number of Customers**			614,841	65,747	12,276	517	47	24	1	**693,452**
R. 10	**Number of Connection**								21,782	162,353	**184,136**
R. 11											
R. 12	**Allocators Percentages**										
R. 13	**2009 - Cost of Service Allocation - Secondary Customer Base**			77.4%	8.4%	0.4%	0.0%	0.0%	2.5%	11.4%	**100.0%**
R. 14	**Connections Allocation**								18.1%	81.9%	**100.0%**
R. 15	**Allocation of Costs**	**Recovery Amount**	**Allocator**	**Residential**	**GS < 50 kW**	**GS - 50 to 999 kW**	**GS - 1000 to 4999 kW**	**Large Use**	**Unmetered Scattered Load**	**Streetlighting**	**TOTAL**
R. 16	**Scanning**	$3,978,549	2009 Secondary Customer Base	$3,078,240	$333,031	$14,102	$61	$2	$100,160	$452,953	**$3,978,549**
R. 17	**Remediation**	$5,071,451	2009 Connections Allocation	$0	$0	$0	$0	$0	$918,357	$4,153,094	**$5,071,451**
R. 18	**Total Recovery**	$9,050,000		$3,078,240	$333,031	$14,102	$61	$2	$1,018,517	$4,606,047	**$9,050,000**
R. 19	**2010 - Rate Riders**	**Recovery Amount**	**Billing Unit**	**Residential**	**GS < 50 kW**	**GS - 50 to 999 kW**	**GS - 1000 to 4999 kW**	**Large Use**	**Unmetered Scattered Load**	**Streetlighting**	
R. 20	**Scanning**	$3,609,807	2010 Customer/ Connections per 30 days	$0.41	$0.42	$0.09	$0.01	$0.00	$0.13	$0.08	
R. 21	**Remediation**	$1,690,484	2010 Customer/ Connections per 30 days	$0.00	$0.00	$0.00	$0.00	$0.00	$1.16	$0.70	
R. 22	**Total Contact Voltage Rate Rider**	$5,300,291		$0.41	$0.42	$0.09	$0.01	$0.00	$1.29	$0.78	
R. 23	**2011 - Rate Riders**	**Recovery Amount**	**Billing Unit**	**Residential**	**GS < 50 kW**	**GS - 50 to 999 kW**	**GS - 1000 to 4999 kW**	**Large Use**	**Unmetered Scattered Load**	**Streetlighting**	
R. 24	**Scanning**	$184,371	2010 Customer/ Connections per 30 days	$0.00	$0.00	$0.00	$0.00	$0.00	$0.13	$0.08	
R. 25	**Remediation**	$1,690,484	2010 Customer/ Connections per 30 days	$0.00	$0.00	$0.00	$0.00	$0.00	$1.16	$0.70	
R. 26	**Total Contact Voltage Rate Rider**	$1,874,855		$0.00	$0.00	$0.00	$0.00	$0.00	$1.29	$0.78	
R. 27	**2012 - Rate Riders**	**Recovery Amount**	**Billing Unit**	**Residential**	**GS < 50 kW**	**GS - 50 to 999 kW**	**GS - 1000 to 4999 kW**	**Large Use**	**Unmetered Scattered Load**	**Streetlighting**	
R. 28	**Scanning**	$184,371	2010 Customer/ Connections per 30 days	$0.00	$0.00	$0.00	$0.00	$0.00	$0.13	$0.08	
R. 29	**Remediation**	$1,690,484	2010 Customer/ Connections per 30 days	$0.00	$0.00	$0.00	$0.00	$0.00	$1.16	$0.70	
R. 30	**Total Contact Voltage Rate Rider**	$1,874,855		$0.00	$0.00	$0.00	$0.00	$0.00	$1.29	$0.78	

INTERROGATORIES OF ENERGY PROBE RESEARCH FOUNDATION

INTERROGATORY 3:

Reference(s): **Application, page 5, Table 3 – Rate Riders (customer/connection per 30 days)**

Why are the rate riders for GS greater that 50 kW, GS greater than 1000 kW and large user customers different than for residential and GS less than 50 KW customers?

RESPONSE:

Please see response to Energy Probe Interrogatory 2a) for the derivation of rate riders.

INTERROGATORIES OF SCHOOL ENERGY COALITION

INTERROGATORY 1:

Reference(s): **page 3**

Please provide a side-by-side table of 2009 actual OM&A expenses by category compared to the 2009 Bridge Year OM&A forecast contained in the Applicant's 2010 rate application.

RESPONSE:

The comparison between the 2009 Bridge Year Forecast, and the 2009 Actual for OM&A expenses is provided below:

	2009 Bridge	2009 Actual
Operations	51.5	49.0
Maintenance	44.5	46.5
Billing and Collections	35.4	35.1
Community Relations	4.1	5.5
Administrative and General	46.8	47.5
Other Distribution Expenses	11.9	11.8
Amortization Expense	158.4	155.5
Total Distribution Expense	**352.6**	**351.0**

INTERROGATORIES OF SCHOOL ENERGY COALITION

INTERROGATORY 2:

Reference(s): **page 3**

Please advise what adjustments have been made to 2009 actual OM&A to reflect actual contact voltage costs incurred by the Applicant, but not approved by the Board for recovery in its December 11, 2009 decision.

RESPONSE:

Please refer to the response to Board Staff Interrogatory 5.

INTERROGATORIES OF SCHOOL ENERGY COALITION

INTERROGATORY 3:

Reference(s): page 3

Please provide a list of all year-end adjustments to OM&A for 2009, including but not limited to accruals of expenses not yet paid or invoiced, and any items that by their type or amount are not normally seen in year-end accounting.

RESPONSE:

Under the accrual basis of accounting, “accruals of [2009] expenses not yet paid or invoiced” are 2009 OM&A, and are not ‘adjustments’ to 2009 OM&A. THESL’s accounting practices and policies are reviewed and approved by independent external auditors Ernst and Young. All year-end ‘adjustments’ performed by THESL were subject to review by the independent auditors in the course of performing their annual audit of the company. Ernst and Young provided an unqualified opinion that the financial statements present fairly, in all material respects, the financial position of THESL as at December 31, 2009, and the results of its operations and its cash flows for the year then ended in accordance with Canadian GAAP.