

Financial Statements

Toronto Hydro-Electric System Limited

DECEMBER 31, 2004

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AUDITORS' REPORT

To the Shareholder of
Toronto Hydro-Electric System Limited

We have audited the balance sheets of **Toronto Hydro-Electric System Limited** [the "Corporation"] as at December 31, 2004 and 2003 and the statements of retained earnings, income and cash flows for each of the years in the three-year period ended December 31, 2004. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 the Corporation as at December 31, 2004 and 2003 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2004 in accordance with Canadian generally accepted accounting principles.

Toronto, Canada,
March 4, 2005 [except as to note 23,
which is as of March 31, 2005].

Ernst & Young LLP
Chartered Accountants

Toronto Hydro-Electric System Limited

BALANCE SHEET

[in thousands of dollars]

As at December 31

	2004 \$	2003 \$
		[restated]
ASSETS		
Current		
Cash and cash equivalents	289,125	206,158
Accounts receivable, net of allowance for doubtful accounts [notes 5 and 17]	143,249	149,454
Unbilled revenue [note 17]	233,270	236,153
Inventories	19,373	22,491
Prepaid expenses	81	271
Total current assets	685,098	614,527
Long-term loan receivable from related party [note 17]	-	6,991
Property, plant and equipment, net [note 6]	1,518,186	1,537,399
Intangible assets, net [note 7]	45,329	51,500
Regulatory assets [note 8]	71,003	86,032
Other assets [note 9]	3,685	4,618
Total assets	2,323,301	2,301,067
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current		
Accounts payable and accrued liabilities [notes 5 and 17]	278,186	277,164
Promissory note payable [note 11]	980,231	980,231
Current portion of other long-term liabilities [note 10]	16,557	14,020
Total current liabilities	1,274,974	1,271,415
Long-term liabilities		
Long-term note payable to related party [note 17]	180,000	180,000
Post-employment benefits [note 12]	108,397	103,677
Customers' advance deposits and other deposits	45,967	42,522
Asset retirement obligations [notes 3[k] and 13]	4,274	4,040
Other long-term liabilities [note 14]	4,007	4,666
Total long-term liabilities	342,645	334,905
Total liabilities	1,617,619	1,606,320
Commitments and contingencies [notes 18, 20 and 21]		
Shareholder's equity		
Share capital [note 15]	527,817	527,817
Retained earnings	166,474	155,539
Contributed surplus	11,391	11,391
Total shareholder's equity	705,682	694,747
Total liabilities and shareholder's equity	2,323,301	2,301,067

Toronto Hydro-Electric System Limited

STATEMENT OF RETAINED EARNINGS

[in thousands of dollars]

Year ended December 31

	2004	2003	2002
	\$	\$	\$
		<i>[restated]</i>	<i>[restated]</i>
Retained earnings, beginning of year			
As previously reported	155,539	80,696	7,339
Change in accounting policy <i>[note 3[k]]</i>	-	4,044	-
As restated	155,539	84,740	7,339
 Net income	 60,135	 75,799	 73,357
Dividends <i>[notes 15 and 23]</i>	(49,200)	(5,000)	-
Retained earnings, end of year	166,474	155,539	80,696

Toronto Hydro-Electric System Limited

STATEMENT OF INCOME

[in thousands of dollars]

Year ended December 31

	2004 \$	2003 \$ [restated]	2002 \$ [restated]
Revenues [note 17]			
Sale of electricity	2,235,154	2,374,635	2,385,257
Other income	27,240	22,212	4,822
	2,262,394	2,396,847	2,390,079
Costs [note 17]			
Purchased power	1,798,008	1,934,501	1,960,852
Operating expenses	166,617	159,569	160,775
Depreciation and amortization	122,526	117,682	121,994
	2,087,151	2,211,752	2,243,621
Income before interest and provision for payments in lieu of corporate taxes	175,243	185,095	146,458
Interest income	10,325	12,555	2,428
Interest expense			
Long-term notes [note 17]	(78,673)	(67,091)	(66,656)
Other interest	(2,935)	(13,049)	(4,520)
Income before provision for payments in lieu of corporate taxes	103,960	117,510	77,710
Provision for payments in lieu of corporate taxes [note 16]	43,825	41,711	4,353
Net income	60,135	75,799	73,357

Toronto Hydro-Electric System Limited

STATEMENT OF CASH FLOWS

[in thousands of dollars]

Year ended December 31	2004	2003	2002
	\$	\$	\$
		[restated]	[restated]
OPERATING ACTIVITIES			
Net income	60,135	75,799	73,357
Adjustments for non-cash items			
Depreciation and amortization	122,526	117,682	121,994
Net change in other liabilities and assets	3,835	(1,229)	(3,557)
(Loss) gain on disposal of property, plant and equipment	(1,043)	(397)	236
Changes in non-cash working capital balances			
Decrease (increase) in accounts receivable	6,205	24,243	(36,579)
Decrease (increase) in unbilled revenue	2,883	6,463	(78,190)
Decrease (increase) in inventories	3,118	(2,259)	3,989
Decrease (increase) in prepaid expenses	190	591	(435)
Increase in accounts payable and accrued liabilities	1,022	4,147	24,727
Increase in current portion of long-term liabilities	1,717	1,711	1,673
Net cash provided by operating activities	200,588	226,751	107,215
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(92,894)	(96,143)	(103,794)
Purchase of intangible assets	(6,848)	(4,727)	(12,049)
Decrease (increase) in regulatory assets	15,029	(3,963)	(51,036)
Decrease (increase) in notes receivable from related parties	-	71,729	(71,729)
Decrease in long-term loan receivable from related party	6,991	13,074	-
Proceeds on disposal of property, plant and equipment	5,397	476	4,982
Net cash used in investing activities	(72,325)	(19,554)	(233,626)
FINANCING ACTIVITIES			
Increase (decrease) in bank indebtedness and bankers' acceptances	-	(210,000)	151,455
Increase in customers' advance deposits	5,795	7,788	7,160
Increase in deferred debt issue costs	-	(2,988)	-
Repayment of capital lease liability	(1,891)	(1,775)	(1,268)
Dividend paid [note 15]	(49,200)	(5,000)	-
Increase in long-term note payable to related party	-	180,000	-
Net cash provided by (used in) financing activities	(45,296)	(31,975)	157,347
Net increase in cash and cash equivalents	82,967	175,222	30,936
Cash and cash equivalents, beginning of year	206,158	30,936	-
Cash and cash equivalents, end of year	289,125	206,158	30,936
Supplementary cash flow information			
Total interest paid	79,889	75,486	71,731
Payments in lieu of corporate taxes	52,828	5,253	3,808

Toronto Hydro-Electric System Limited

NOTES TO FINANCIAL STATEMENTS

[all tabular amounts in thousands of dollars]

December 31, 2004

1. INCORPORATION

On June 23, 1999, Toronto Hydro Corporation [the "Corporation"] was incorporated under the Business Corporations Act (Ontario) ["BCA"] along with two wholly-owned subsidiary companies, Toronto Hydro-Electric System Limited ["THESL"] and Toronto Hydro Energy Services Inc. ["THESI"]. The incorporation was required in accordance with the provincial government's Electricity Act, 1998.

Under the terms of By-law No. 374-1999 of the City of Toronto ["Transfer By-law"] made under section 145 of the Electricity Act, 1998 and in accordance with continuity of interest accounting, the former Toronto Hydro-Electric Commission and the City of Toronto [the "City"] transferred, at book value, their assets and liabilities [effective July 1, 1999] and employees [effective January 1, 2000] associated with electricity distribution to THESL in consideration for the issuance of equity securities of THESL and long-term notes payable to the City.

The equity securities of THESL 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.
THESL distributes electricity to customers located in the City.

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.

Open Access

On May 1, 2002, the Province of Ontario opened Ontario's wholesale and retail markets to competition by providing generators, retailers and consumers with open access to Ontario's transmission and distribution network ["Open Access"].

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Since the commencement of Open Access, THESL and other electricity distributors have been purchasing their electricity requirements from the wholesale market administered by the Independent Electricity System Operator [the "IESO"] and recovering the cost of electricity and certain other costs at a later date in accordance with procedures mandated by the Ontario Energy Board [the "OEB"].

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.

THESL 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):

- [a] *Electricity Price.* The electricity price represents a pass through of the commodity cost of electricity. See "Price protection and rate caps" below.

The volume of electricity consumed by THESL's customers during any period is governed by events largely outside THESL'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).

- [b] *Distribution Rate.* The distribution rate is designed to recover the costs incurred by THESL in delivering electricity to customers. Distribution rates are regulated by the OEB and typically comprise a fixed charge and a usage-based (consumption) charge.
- [c] *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.

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- [d] *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.

THESL is required to satisfy and maintain prudential requirements with the IESO which include credit support with respect to outstanding market obligations.

Price protection and rate caps

During the summer of 2002, Ontario experienced higher than expected electricity prices due to prolonged periods of unseasonably hot and humid weather and unanticipated shortages of Ontario-based generation capacity. In December 2002, the Province passed Bill 210 which, among other things:

- [a] fixed the price of electricity payable by consumers of electricity who annually utilize less than 250,000 kWh ["Low Volume Consumers"] and consumers comprised principally of municipalities, universities, schools, hospitals, charities, health and community service organizations, consumers with a demand of 50 kW or less and multi-unit residential buildings ["Designated Consumers"] at 4.3¢ per kWh (retroactive to May 1, 2002);
- [b] capped distribution rates at current levels and deferred rate increases and certain cost recoveries by electricity distributors (including scheduled third adjustment for market-based rate of return); and
- [c] deemed certain costs and variance account balances of distributors to be "regulatory assets" which are required to be reflected in a distributor's balance sheet until the manner and timing of disposition is determined by the OEB.

In November 2003, the Province:

- [a] announced its intention to increase (effective April 1, 2004) the price of electricity payable by Low Volume Consumers and Designated Consumers from 4.3¢ to 4.7¢ per kWh on the first 750 kWh consumed during a month and 5.5¢ per kWh thereafter;
- [b] directed the OEB to develop new pricing mechanisms (to take effect no later than May 1, 2005) for setting the price of electricity payable by Low Volume Consumers and Designated Consumers; and

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- [c] announced initiatives with respect to the recovery of regulatory assets and the third distribution rate adjustment to achieve a market-based rate of return.

During the period that the price protection is in effect, it is expected that electricity distributors will be compensated by the Ontario Electricity Financial Corporation for amounts by which the purchase price of the electricity purchased by them in the IESO-administered wholesale market on behalf of Low Volume Consumers and Designated Consumers is greater than the fixed price per kWh charged to customers.

Market-based rate of return

Before the introduction of rate caps in December 2002, the OEB had authorized electricity distributors to adjust their distribution rates to incorporate a market-based rate of return. The adjustment was being phased in over three adjustment periods (2001, 2002 and 2003) to lessen the impact on customers. Effective on each of December 1, 2000 and March 1, 2002, the OEB authorized THESL to increase its distribution rates to allow for the recovery of additional annual revenue of \$39.8 million.

On January 17, 2005, THESL filed a rate application requesting OEB authorization with respect to an increase in distribution rates to allow for the recovery of \$39.8 million (representing the third adjustment necessary to achieve a market-based rate of return). As mandated by the OEB in December 2004, the rate increase is subject to a financial commitment by THESL to invest \$39.8 million in conservation and demand management activities over the next three years.

Regulatory assets

Under Bill 210, electricity distributors are required to reflect certain prescribed costs on their balance sheets until the manner and timing of disposition is determined by the OEB. These costs are:

- [a] transition costs resulting from the ramp-up to Open Access;
- [b] variances between the cost of electricity purchased by THESL from OPG and the revenue that THESL was permitted to receive for electricity supplied by it to customers during the period January 1, 2001 to April 30, 2002; and
- [c] variances between amounts charged by THESL to customers (based on regulated rates) and the corresponding cost of non-competitive electricity service incurred by it in the wholesale market administered by the IESO.

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See note 2, note 3[a] and note 8.

In November 2003, the OEB announced its intention to permit electricity distributors to make rate applications to the OEB with respect to the recovery of regulatory assets. The recoveries are being phased in over a three-year period which commenced in March 2004.

In September 2004, a public hearing was held to review THESL's regulatory assets for prudence and make a final determination of the amounts to be recovered. On December 9, 2004, the Corporation received the OEB's decisions in regard to the hearings which provided authorization to recover all regulatory asset balances as of December 31, 2003. On January 17, 2005, THESL filed the related rate application with the OEB for the recovery of the approved regulatory assets.

Electricity sector reorganization

In December 2004, the Province initiated a further restructuring of Ontario's electricity industry with the passage of the *Electricity Restructuring Act, 2004*. The restructuring was intended, among other things, to ensure efficient and effective management of electricity, promote the expansion of new electricity supply and capacity, encourage electricity conservation and renewable energy and regulate prices in parts of the electricity sector.

The *Electricity Restructuring Act, 2004*:

- [a] established the Ontario Power Authority [the "OPA"], an independent, non-profit, self-financed corporation, with a broad mandate to ensure adequate long-term electricity supply in the Province;
- [b] reorganized the Independent Electricity Market Operator as the IESO, a non-share corporation, which will continue to operate the wholesale market and be responsible for the operation and reliability of the integrated power system; and
- [c] established a Conservation Bureau within the OPA responsible for assuming a leadership role in planning and coordinating electricity conservation measures and load management in the Province.

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Under the *Electricity Restructuring Act, 2004*, the commodity cost of electricity for certain customer classes will be determined by the OEB on an annual basis based on a combination of regulated (i.e., electricity generated by existing generation assets principally owned by OPG), contract (i.e., new capacity under contract between generators and the OPA) and competitive market (i.e., spot market) prices for electricity. Customers that do not wish to or are not eligible to participate in the regulated plan may purchase electricity in the competitive market or through licenced retailers.

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, including payments in lieu of corporate taxes ["PILs"] recoveries, that THESL may charge and the costs that THESL may recover, including the balance of its regulatory assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of THESL 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 a non-regulated environment:

Regulatory assets

Under Bill 210, certain costs and variance account balances are deemed to be "regulatory assets" and are reflected in THESL's balance sheet until the manner and timing of disposition is determined by the OEB. The principal regulatory assets of THESL are comprised of transition costs, a pre-market opening energy variance, settlement variances and other regulatory assets.

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[a] Transition costs :

Costs incurred to align systems and practices with the requirements of the competitive electricity market in Ontario in accordance with the Act have been deferred in accordance with the criteria set out in the OEB's Electricity Distribution Rate Handbook and the AP Handbook. Under such regulation, certain costs are allowed to be deferred that would be expensed when incurred under Canadian GAAP for unregulated businesses *[note 8]*.

Effective January 1, 2003, transition costs have been increased for the capitalized OEB prescribed rate of return and calculated and recorded using simple interest on the carrying value, in accordance with criteria set out in the AP Handbook. The offsetting credit is recorded as interest income.

[b] Pre-market opening electricity variance:

At December 31, 2004, THESL recognized the pre-market opening electricity variance for the period January 1, 2001 to April 30, 2002, the date of market opening, in accordance with the AP Handbook *[note 8]*. The pre-market opening variance represents the difference between the utility's cost of power purchased based upon time-of-use ["TOU"] rates and the amounts billed for the cost of power to non-TOU customers at an average rate for the same period.

In December 2004, the pre-market opening electricity variance has been increased for capitalized carrying costs, calculated and recorded using simple interest on the carrying value for the period January 1, 2001 to December 31, 2004, in accordance with a December 9, 2004 OEB Decision.

[c] Settlement variances:

THESL has recognized settlement variances for the period May 1, 2002 to December 31, 2004 in accordance with criteria set out in the AP Handbook. The settlement variances relate primarily to service charges, non-competitive electricity charges and imported power charges *[note 8]*. The nature of the settlement variances is such that the balance will fluctuate between assets and liabilities over time and are reported at period-end dates in accordance with rules prescribed by the OEB.

Settlement variances costs are increased for capitalized carrying costs, calculated and recorded using simple interest on the carrying value, in accordance with criteria set out in the AP Handbook. The offsetting credit is recorded as interest income.

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[d] Other regulatory assets:

Commencing in 2004, the OEB has allowed for the deferral of OEB Annual Cost Assessments for the OEB's fiscal year 2004 and subsequent fiscal years in accordance with criteria set out in the OEB's AP Handbook. Under such regulation, certain costs are allowed to be deferred that would be expensed when incurred under Canadian GAAP for unregulated businesses [note 8]. Subject to OEB review, THESL will be able to recover the amounts deferred beginning in 2006.

THESL continually assesses the likelihood of recovery of regulatory assets. If full recovery through future rates was no longer considered probable, the amounts would be charged to the results of operations in the period that the assessment was made. For any future recovery decisions made by the OEB or the Minister of Energy to allow recovery of the regulatory assets, the recovery is accounted for based upon the nature of the regulatory assets and the accounting treatment applied initially recognize such regulatory assets.

Business Protection Plan ["BPP"]

Consumers other than designated consumers who annually utilize more than 250,000 kWh are eligible to receive BPP rebates from IESO to the extent that electricity prices exceed certain prescribed thresholds.

THESL and other electricity distributors are required to pass these rebates through to eligible consumers and other market participants (including retailers). THESL includes amounts due from IESO in accounts receivable and includes amounts due to eligible consumers and market participants in accounts payable and accrued liabilities.

Payments in lieu of corporate taxes

THESL is exempt from tax under the *Income Tax Act (Canada)*, if not less than 90% of its capital is owned by the City and not more than 10% of its income is derived from activities carried on outside the municipal boundaries of the City. A corporation exempt under the *Income Tax Act (Canada)* is also exempt from tax under the *Corporations Tax Act*.

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THESL is a "municipal electric utility" ["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 *Income Tax Act (Canada)* and the *Corporations Tax Act* is required to make, for each taxation year, a payment in lieu of corporate taxes, comprised of income tax and large corporation tax, to the Ontario Electricity Financial Corporation in an amount approximating the tax that it would be liable to pay under the *Income Tax Act (Canada)* and the *Corporations Tax Act* if it were not exempt from tax.

The PILs regime came into effect on October 1, 2001, at which time THESL was deemed to have commenced a new taxation year for purposes of determining the respective liabilities for PILs. Accordingly, THESL was deemed to have disposed of its assets at their then fair market value and to have re-acquired such assets at the same amount. The differences between the financial statement carrying value and tax bases of assets and liabilities were accounted for by THESL under the taxes payable method of accounting applied in accordance with recommendations of the Canadian Institute of Chartered Accountants ["CICA"] and the OEB.

The OEB's Electricity Distribution Rate Handbook provides for the recovery of PILs by THESL through annual distribution rate adjustments as permitted by the OEB. The OEB-approved distribution rate for PILs recoveries is based on estimated consumption volumes. The difference between actual billings that relate to the recovery of PILs and the OEB-approved PILs amount is tracked by THESL as a variance amount in accordance with OEB guidelines for regulatory assets and with criteria set out in the AP Handbook.

Under the taxes payable method, no provisions are made for future income taxes as a result of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. When unrecorded future income taxes become payable, it is expected that they will be included in the rates approved by the OEB and recovered from the customers of the regulated business at that time.

Contributions in aid of construction

Capital contributions are required contributions received from outside sources used to finance additions to property, plant and equipment. Capital contributions received are treated as a "credit" to property, plant and equipment. The amount is subsequently amortized by a charge to accumulated amortization and a credit to amortization expense at an equivalent rate to that used for the depreciation of the related property, plant and equipment.

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Spare transformers and meters

Spare transformers and meters are items that are expected to substitute for original distribution plant transformers and meters when these original plant assets are being repaired and are held and dedicated for the specific purpose of backing up plant in service as opposed to assets available for other uses. Spare transformers and meters are treated as capital assets [note 6].

b) Cash and cash equivalents

Cash equivalents are highly liquid investments with terms to maturity of five months or less from their date of acquisition. Temporary investments are accounted for at the lower of cost and market.

c) Inventories

Inventories consist primarily of maintenance and construction materials and are stated at the lower of cost and replacement cost, with cost determined on an average cost basis net of the provision for obsolescence.

d) Deferred debt issue costs

During 2003, THESL incurred debt issue costs arising from the issuance of long-term notes payable to the Corporation, with the funds raised through the Corporation's debenture offering [note 9]. Deferred debt issue costs are included in "Other assets" and represent the unamortized amounts of debt costs arising from the issuance of debt, and other related costs. Deferred debt issue costs are amortized over the period to maturity of the debt on a straight-line basis.

e) 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 income.

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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.

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

Buildings	1.7% to 10.0%
Distribution stations	2.9% to 5.0%
Distribution lines - overhead and underground	2.5% to 4.0%
Distribution transformers	3.3% to 4.0%
Distribution meters	2.9% to 4.0%
Other capital assets	6.7% to 12.5%
Communications	10% to 20.0%
Computer hardware	20.0% to 25.0%
Rolling stock	12.5% to 20.0%
Equipment and tools	10.0%

Construction in progress includes assets not currently in use which are not depreciated.

f) Intangible assets

Intangible assets, assets which lack physical substance, are stated at cost. Amortization is provided on a straight-line basis over their estimated useful service lives at the following annual rates:

Land rights	2.0%
Computer software	14.0% to 33.0%
Capital contributions paid	4.0%

Software in development includes assets not currently in use which are not amortized.

g) Workplace Safety and Insurance Act

THESL is a Schedule 1 employer for workers' compensation under the Workplace Safety and Insurance Act ["WSIA"]. As a Schedule 1 employer, THESL is required to pay annual premiums into an insurance fund established under the WSIA and recognizes expenses based on funding requirements.

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h) Revenue recognition

Revenue from the sale of electricity is recorded on a basis of cyclical billings and also includes unbilled revenue accrued in respect of electricity delivered but not yet billed.

Other income revenues, which include revenues from electricity distribution services, pole attachment, duct rentals and other miscellaneous revenues, are recognized as the service activity is performed.

i) Employee future benefits

Pension plan

THESL provides a pension plan for its full-time employees through the Ontario Municipal Employees Retirement System ["OMERS"]. OMERS is a multi-employer, contributory, defined benefit pension plan established in 1962 by the Province for employees of municipalities, local boards and school boards in Ontario. Both participating employers and employees are required to make plan contributions based on participating employees' contributory earnings. THESL 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 THESL include medical and life insurance benefits, accumulated sick leave credits and voluntary exit incentive program liability. These plans provide benefits to certain employees when they are no longer providing active service.

Effective January 1, 2003, THESL transferred employees associated with the Corporation and transferred their proportionate share of the accrued benefit obligation of \$4,756,000 [note 12]. The proportionate share was determined based on active employee data used for the current actuarial valuation.

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Employee future benefit expense is recognized in the period in which the employees render services on an accrual basis. The accrued benefit obligations and current service cost are calculated using the projected benefit method prorated on service and based on assumptions that reflect management's best estimate. The current service cost for a period is equal to the actuarial present value of benefits attributed to employees' services rendered in the period. Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment. The excess of the net actuarial gains (losses) over 10% of the accrued benefit obligation are amortized into expense on a straight-line basis 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 income for the period in which a settlement occurs.

j) 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.

k) Asset retirement obligations

Effective January 1, 2004, THESL adopted the new CICA standard for accounting for asset retirement obligations ["ARO"]. Under the new standard, THESL recognizes a liability for the future environmental remediation of certain properties and for future removal and handling costs for contamination in distribution equipment 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 ARO is incurred.

Toronto Hydro-Electric System Limited

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The effect of the adoption of the new standard was recorded retroactively with the restatement of the year ended December 31, 2003 and an adjustment to January 1, 2003 opening retained earnings. The effect of the adoption is presented below:

	January 1, 2003 \$
Balance sheet:	
Property, plant and equipment - ARO assets <i>[note 6]</i>	3,125
Property, plant and equipment - accumulated depreciation on ARO assets <i>[note 6]</i>	(89)
ARO liability	(3,125)
Provision for environmental costs liability – current portion	800
Provision for environmental costs liability – long-term	3,333
Opening retained earnings	4,044

	Year ended December 31 2004 \$	2003 \$
Statement of income:		
Operating expenses - reversal of future removal and site restoration accrual	—	(1,618)
Operating expenses - accretion expense	235	193
Depreciation and amortization	121	103
Net income	356	(1,322)

1) Use of estimates

The preparation of THESL's financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses for the year. Actual results could differ from those estimates, including changes as a result of future decisions made by the OEB, the Minister of Energy or the Minister of Finance.

Toronto Hydro-Electric System Limited

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4. AMENDED AND RESTATED RESULTS FOR 2003 AND 2002

In May 2004, the IESO informed LDC of a variance in consumption data recorded at the Ellesmere wholesale metering sub-station. In August 2004, LDC received its monthly wholesale power invoice from the IESO which included a credit in connection with the variance in consumption data for the period of May 1, 2002 to January 31, 2004. Following notification by the IESO of the metering variance, LDC commenced an in-depth review of its revenue, cost of power and regulatory assets calculation model and related market assumptions.

As a result of the findings from this review and the adjustment received from the IESO, the Corporation restated its consolidated financial statements as at and for the years ended December 31, 2003 and 2002. The restatement was recorded to correct for:

- [a] Net revenue and regulatory asset variances caused by over-billings for electricity purchased during the relevant period from the wholesale market administered by the IESO as a result of a third party metering error at the Ellesmere wholesale metering sub-station;
- [b] Changes in underlying assumptions used by LDC during the relevant period to calculate distribution revenue and regulatory assets for electricity distributed to its large customers; and
- [c] Changes in the carrying charge allowance for regulatory assets following OEB direction.

Toronto Hydro-Electric System Limited

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The effects of the resulting adjustments – increase or (decrease) - to the originally issued 2003 and 2002 annual consolidated financial statements were recorded retroactively as follows:

Consolidated balance sheet:	2003	2002
	\$	\$
Assets		
Unbilled revenue	15,757	10,023
Regulatory assets	(7,197)	567
Liabilities		
Accounts payable and accrued liabilities	7,081	83
Consolidated statement of income:	2003	2002
	\$	\$
Revenues	(15,136)	4,629
Costs - purchased power	(22,683)	(14,071)
Interest income	1,191	1,148
Provision for PILs	7,259	83
Net income	1,479	10,507
Consolidated statement of cash flows:	2003	2002
	\$	\$
Operating activities:		
Income from continuing operations	1,479	10,507
Changes in non-cash working capital balances		
Increase in unbilled revenue	(15,757)	(10,023)
Increase in accounts payable and accrued liabilities	7,081	83
	(7,197)	567
Investing activities:		
Decrease (increase) in regulatory assets	7,197	(567)

The changes in underlying assumptions related to the calculation of distribution revenue, regulatory assets and the changes in the carrying charge allowance for regulatory assets following OEB direction have been reflected in the 2004 financial statements.

Toronto Hydro-Electric System Limited

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5. BUSINESS PROTECTION PLAN REBATES

At December 31, 2004, "Accounts receivable, net of allowance for doubtful accounts" include \$44,739,000 [2003 - \$26,313,000] receivable from IESO regarding the BPP rebates and "Accounts payable and accrued liabilities" include \$33,609,000 [2003 - \$15,937,000] payable to customers, electricity retailers and wholesale suppliers in connection with BPP rebates. The remaining \$11,130,000 represents the portion allocated to THESI [2003 - \$10,376,000; 2002 - \$nil].

6. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment consist of the following:

	2004			2003		
	Cost \$	Accumulated Depreciation \$	Net Book value \$	Cost \$ [restated]	Accumulated Depreciation \$ [restated]	Net Book value \$ [restated]
Land	4,153	—	4,153	5,871	—	5,871
Buildings	140,635	40,107	100,528	143,360	37,727	105,633
Distribution stations	177,362	88,364	88,998	170,039	82,757	87,282
Distribution lines – overhead and underground	1,877,718	868,982	1,008,736	1,815,429	798,016	1,017,413
Distribution transformers	451,328	230,665	220,663	431,210	215,309	215,901
Distribution meters	123,007	71,585	51,422	119,086	67,524	51,562
Other capital assets	32,672	27,312	5,360	32,387	26,003	6,384
Communications	21,280	17,909	3,371	23,677	18,804	4,873
Computer hardware	35,560	31,566	3,994	32,998	29,142	3,856
Rolling stock	48,912	38,309	10,603	48,969	36,761	12,208
Equipment and Tools	25,603	21,157	4,446	23,542	20,294	3,248
Construction in progress	15,912	—	15,912	23,168	—	23,168
	2,954,142	1,435,956	1,518,186	2,869,736	1,332,337	1,537,399

Toronto Hydro-Electric System Limited

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At December 31, 2004, spare transformers and meters with carrying amounts of \$4,467,000 and \$180,000, respectively [2003 - \$5,408,000 and \$1,111,000, respectively], are included in "Property, plant and equipment, net" [note 3[a] "Spare transformers and meters"].

7. INTANGIBLE ASSETS, NET

Intangible assets consist of the following:

	2004			2003		
	Cost \$	Accumulated Amortization \$	Net Book value \$	Cost \$	Accumulated Amortization \$	Net Book value \$
Land rights	9,946	1,615	8,331	9,884	1,417	8,467
Computer software	88,318	54,859	33,459	84,357	41,805	42,552
Capital contributions paid	2,043	34	2,009	—	—	—
Software in development	1,530	—	1,530	481	—	481
	101,837	56,508	45,329	94,722	43,222	51,500

8. REGULATORY ASSETS

Regulatory assets consist of the following:

	2004 \$	2003 \$
Transition costs	37,310	[restated] 35,077
Pre-market opening energy electricity variance	22,879	21,401
Settlement variances	9,421	29,554
Other regulatory assets	1,393	—
	71,003	86,032

For the year ended December 31, 2004, THESL recovered settlement variances of \$17,701,000 through permitted distribution rate adjustments [2003 - \$nil] [notes 2 and 3[a]].

For the year ended December 31, 2004, interest of \$2,254,900 and \$2,785,000 was capitalized in the balances above for transition costs and settlement variances, respectively [2003 restated - \$2,233,000 and \$3,513,000, respectively].

Toronto Hydro-Electric System Limited

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9. OTHER ASSETS

Other assets consist of the following:

	2004 \$	2003 \$
Deferred debt issue costs, net of accumulated amortization of \$493,000 [2003 - \$194,000]	2,496	2,795
Long-term advances and deposits	744	1,378
Other	445	445
	3,685	4,618

10. CURRENT PORTION OF OTHER LONG-TERM LIABILITIES

	2004 \$	2003 \$
Current portion of obligations under capital leases [note 18]	2,514	[restated] 2,328
Customers' advance deposits	14,043	11,692
	16,557	14,020

During 2004, \$858,000 was charged to interest expense for the interest credited to the customers' deposit accounts [2003 - \$1,044,000].

11. PROMISSORY NOTE PAYABLE

THESL issued a promissory note to the City on July 1, 1999 ["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 THESL 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. Pursuant to the Transfer By-law, the principal amount of the Initial Note was adjusted effective January 1, 2000 to \$980,231,000 to reflect the deemed debt/common equity structure of THESL [65:35] permitted by the OEB. At the same time, the Initial Note was replaced by a promissory note ["Replacement Note"] issued by THESL, 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.

Toronto Hydro-Electric System Limited

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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 issue by the Corporation to the City of a new promissory note [the "City Note"].

On May 7, 2003, the terms of the Replacement Note, between THESL and the Corporation, were restructured to payable on demand and interest bearing at the Debt Cost Rate ["DCR"] plus 5 basis points. The DCR is a rate of interest per annum that at all times is equal to the debt cost rate prescribed from time to time by the OEB in the OEB Electricity Distribution Rate Handbook for utilities in the same rate class as THESL, which is currently 6.8% per annum. Interest is calculated and payable quarterly in arrears on the last day of March, June, September and December of each year and commenced on June 30, 2003.

12. EMPLOYEE FUTURE BENEFITS

Pension

For the year ended December 31, 2004, THESL's current service pension costs were \$5,848,000 [2003 - \$1,898,000; 2002 - \$nil]. Because of a surplus under the plan, a contribution holiday had been in effect from August 1998 to December 2002. Current service pension cost contributions recommenced in January 2003 at one-third of the full contribution rates. Beginning January 1, 2004, THESL returned to full contribution rates.

Employee future benefits other than pension

THESL has a number of unfunded benefit plans providing retirement and post-employment benefits [excluding pension] to most of its employees.

[a] Medical and life insurance benefits

THESL pays certain medical and life insurance benefits under unfunded defined benefit plans on behalf of its retired employees.

[b] Accumulated sick leave credits

THESL pays accumulated sick leave credits, up to certain established limits based on service, in the event of retirement, termination or death of certain employees.

Toronto Hydro-Electric System Limited

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[c] Voluntary exit incentive program liability

In October 1994, the former Toronto Hydro-Electric Commission introduced the voluntary exit incentive program for eligible employees. Under the terms of the program, certain employees receive a retirement supplement payment over the term of their retirement and the life of any surviving spouse.

[d] Information about THESL's defined benefit plans

THESL 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, 2003. The December 31, 2004 year-end accrued benefit obligation reflects a December 31, 2004 discount rate. This result was achieved by updating the January 1, 2003 actuarial valuation using the December 31, 2004 discount rate of 5.9% while keeping all other assumptions constant.

i) Accrued benefit obligation:

	2004 \$	2003 \$	2002 \$
Balance at beginning of year	113,188	94,454	93,907
January 1, 2003 transfer of employees to the Corporation	—	(4,756)	
January 1, 2002 transfer of employees to the Corporation, Toronto Hydro Telecom Inc. ["THTI"] and Toronto Hydro Street Lighting ["THSLI"]	—	—	(1,988)
Current service cost	1,897	1,428	1,366
Interest cost	7,308	7,057	5,917
Benefits paid	(5,230)	(4,592)	(4,748)
Actuarial losses	11,140	11,156	—
Plan amendments	—	8,441	—
Balance at end of year	128,303	113,188	94,454

Toronto Hydro-Electric System Limited

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ii) Reconciliation of the accrued benefit obligation to the balance sheet accrued benefits liability:

	2004	2003	2002
	\$	\$	\$
Accrued benefit obligation	128,303	113,188	94,454
Unamortized net actuarial (loss) gain	(13,721)	(2,581)	8,575
Unamortized past service costs	(6,185)	(6,930)	766
Post-employment benefits liability	108,397	103,677	103,795

iii) Components for net periodic defined benefit costs:

	2004	2003	2002
	\$	\$	\$
Current service cost	1,897	1,428	1,366
Interest cost	7,308	7,057	5,917
Actuarial losses	11,140	11,156	—
Plan amendments	—	8,441	—
Elements of employee future benefit costs before Adjustments	20,345	28,082	7,283
Adjustments to recognize the long-term nature of employee future benefit costs			
Difference between actuarial loss recognized for year and actuarial loss on accrued benefit obligation for the year	(11,140)	(11,156)	—
Difference between amortization of past service costs for the year and actual plan amendments for the year	745	(7,696)	(100)
	(10,395)	(18,852)	(100)
Defined benefit costs recognized	9,950	9,230	7,183
Capitalized as part of property, plant and equipment	2,985	3,046	2,299
Charged to operations	6,965	6,184	4,884

Toronto Hydro-Electric System Limited

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[all tabular amounts in thousands of dollars]

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iv) Significant assumptions:

	2004 %	2003 %	2002 %
Accrued benefit obligation as of December 31:			
Discount rate	5.9	6.5	6.5
Rate of compensation increase	3.3	3.3	4.0
Benefit costs for years ended December 31:			
Discount rate	6.5	6.5	6.5
Rate of compensation increase	3.3	3.3	4.0
Assumed health care cost trend rates at December 31:			
Rate of increase in dental costs	4.5	4.5	4.5

For December 31, 2004 and 2003, medical costs are assumed to increase at 10.5% graded down by 1.0% annual decrements to 4.5% in 2009 and thereafter.

For December 31, 2002, medical costs are assumed to increase at 12.0% graded down by 1.6% annual decrements to 4.0% in 2007 and thereafter.

v) Sensitivity analysis:

Assumed health care cost trend rates have a significant effect on the amounts reported for health care plans. A one-percentage-point change in assumed health care cost trend rates have the following effects for 2004:

	Increase \$	Decrease \$
Net periodic benefit cost (at 6.5%)	1,370	(1,684)
Accrued benefit obligation at December 31, 2004 (at 5.9%)	18,190	(13,703)

Toronto Hydro-Electric System Limited

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13. ASSET RETIREMENT OBLIGATIONS

Effective January 1, 2004, THESL adopted the new CICA standard for accounting for ARO [note 3[k]]. A reconciliation between the opening and closing ARO liability balances is provided below:

	2004 \$	2003 \$
Balance January 1	4,040	3,125
ARO liabilities incurred in the year	139	1,233
ARO liabilities settled in the year	(140)	(511)
Accretion expense	235	193
Balance December 31	4,274	4,040

At December 31, 2004, THESL estimates the undiscounted amount of cash flows required over the next ten years to settle the ARO is \$5,278,000 [December 31, 2003 - \$5,240,000]. Discount rates ranging from 4.91% to 5.93% were used to calculate the carrying value of the ARO liabilities. No assets have been legally restricted for settlement of the liability.

14. OTHER LONG-TERM LIABILITIES

	2004 \$	2003 \$
Obligations under capital leases [note 18]	3,802	4,299
Other	205	367
	4,007	4,666

During 2004, THESL acquired "Property, plant and equipment" through capital lease transactions totaling \$1,615,000 [2003 - \$2,061,000; 2002 - \$4,079,000]. These non-cash transactions have been excluded from the statement of cash flows.

Toronto Hydro-Electric System Limited

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15. SHARE CAPITAL

Share capital consists of the following:

	2004	2003
	\$	\$
<hr/>		
Authorized		
The authorized share capital of THESL 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 2003, the board of directors of THESL declared and paid dividends totaling \$5,000,000 to the Corporation.

During 2004, the board of directors of THESL declared and paid dividends totaling \$49,200,000 to the Corporation.

Toronto Hydro-Electric System Limited

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16. 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 provided as follows:

Statement of income	2004 \$	2003 \$ [restated]	2002 \$ [restated]
Rate reconciliation			
Income from continuing operations before PILs	103,960	117,510	77,710
Statutory Canadian federal and provincial income tax rate	36.12%	36.62%	38.62%
Expected taxes on income	37,550	43,032	30,012
Increase (decrease) in income taxes resulting from			
Large corporations tax net of surtax	2,806	3,665	4,299
Utilization of temporary differences previously not benefited	(96)	(8,444)	(22,797)
Other	3,565	3,458	(7,161)
Provision for PILs	43,825	41,711	4,353
Effective tax rate	42.16%	35.50%	5.60%
Components of provision for PILs			
Current tax provision	43,825	41,711	4,353
Provision for PILs	43,825	41,711	4,353

Balance sheet

Future income taxes relating to the regulated businesses have not been recorded in the accounts as they are expected to be recovered through future revenues. As at December 31, 2004, future income tax assets of \$227,979,000 [2003 - \$232,941,000], based on substantively enacted income tax rates, have not been recorded. As at December 31, 2004, the Corporation has accumulated a deferred PILs amount, representing the difference between actual billings that relate to the recovery of PILs and the OEB-approved PILs, totaling an under-recovery of \$13,489,000 [2003 - \$13,122,000]. Cumulative interest included in the amount, which was calculated using the DCR as prescribed by the OEB at 6.8% totaled \$2,313,000 [2003 - \$1,563,000].

Toronto Hydro-Electric System Limited

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17. RELATED PARTIES

	2004 \$	2003 \$
Long-term loan receivable from related parties		
From THSLI	—	6,991
	—	6,991

During 2004, the long-term loan receivable from THSLI was repaid to THESL.

	2004 \$	2003 \$
Long-term note payable to the Corporation	180,000	180,000

The long-term note payable to the Corporation bears interest at a rate of 6.16% per annum, with a maturity date of May 6, 2013, extendable upon mutual consent. At December 31, 2004, the fair value of the long-term note payable is \$196,529,000 [2003 - \$185,593,000], which has been calculated by discounting the future cash flow of the long-term note payable at the estimated yield to maturity of a similar debt instrument. THESL incurred total debt issue costs of \$2,989,000, all incurred in 2003 [note 9].

Included in "Accounts receivable, net of allowance for doubtful accounts" are amounts due from related parties as follows:

	2004 \$	2003 \$
Due from THTI	472	428
Due from THSLI	148	431
Due from THESI	—	5,900
	620	6,759

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

	2004 \$	2003 \$
Due to the Corporation	13,259	4,120
Due to THESI	11,168	—
	24,427	4,120

At December 31, 2004, the promissory note of \$980,231,000 was payable to the Corporation [2003 - \$980,231,000]. For the year ended December 31, 2004, interest expense was paid to the Corporation in the amount of \$67,255,000. For the year ended December 31, 2003, interest expense was paid to the City and to the Corporation, in the amounts of \$23,208,000 and \$43,676,000, respectively, on the promissory note [2002 - interest expense of \$66,656,000 was paid to the City] [note 11].

For the year ended December 31, 2004, streetlighting electricity was provided to the City in the amounts of \$9,590,000 [2003 - \$11,139,000; 2002 - \$10,023,000].

During 2004, THESL purchased corporate and management services from the Corporation totaling \$80,324,000 [2003 - \$75,876,000; 2002 \$32,052,000] in the ordinary course of business, with these services charged to operating expenses and measured at their exchange amounts.

During 2004, THESL provided water heater services to THESI totaling \$4,624,000 [2003 - \$4,241,000; 2002 - \$3,451,000], with the recovery of these services charged to operating expenses and measured at their exchange amounts.

During 2004, THESL provided procurement and fleet services to THTI, the Corporation and THSLI in the amounts of \$84,000, \$1,815,000 and \$405,000, respectively, in the ordinary course of business and measured at their exchange amounts.

For the year ended December 31, 2004, THESL incurred property taxes payable to the City of \$7,825,000 [2003 - \$8,485,000; 2002 - \$7,458,000].

For the year ended December 31, 2004, THESL billed THTI pole attachment and duct rental services totaling \$4,854,000 [2003 - \$4,605,000; 2002 - \$7,668,000 at prevailing market prices and normal trade terms.

Toronto Hydro-Electric System Limited

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During 2004, THESL purchased project management services from THESI for \$569,000 [2003 - \$3,068,000; 2002 - \$26,400,000].

During 2004, THESL purchased electricity of \$1,065,000 [2003 - \$1,004,000; 2002 - \$767,000] from THESI. At December 31, 2004, included in "Accounts payable and accrued liabilities" is \$277,000 [2003 - \$374,000; 2002 - \$625,000].

For the year ended December 31, 2004, THESL earned electricity revenues of \$230,518,000 [2003 - \$275,031,000; 2002 - \$169,585,000] from THESI. At December 31, 2004, included in "Unbilled revenue" is \$22,412,000 [2003 - \$24,562,000] of unbilled revenue due from THESI related to electricity revenues.

18. LEASE COMMITMENTS

Operating lease obligations

As at December 31, 2004, the future minimum annual lease payments under property and computer hardware operating leases with remaining lease terms from one to three years are as follows:

	\$
2005	1,034
2006	651
2007	191
Total minimum lease payments	1,876

Toronto Hydro-Electric System Limited

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Capital lease obligations

As at December 31, 2004, the future minimum annual lease payments under vehicle capital leases with remaining lease terms from one to seven years are as follows:

	\$
2005	2,514
2006	2,156
2007	1,518
2008	576
2009	336
Thereafter	102
Total amount of future minimum lease payments	7,202
Less interest	886
	6,316
Current portion <i>[note 10]</i>	2,514
Long-term portion <i>[note 14]</i>	3,802

19. FINANCIAL INSTRUMENTS

Credit risk

Financial assets expose THESL to credit risk. Credit risk is the loss from non-performance by suppliers, customers or financial counter-parties. At December 31, 2004, there are no significant concentrations of credit risk with respect to any class of financial assets.

Fair value of financial instruments

The carrying value of cash and cash equivalents, accounts receivable, loan receivable from related party, accounts payable and accrued liabilities and promissory note payable approximates their fair value due to the immediate or short-term maturity of these financial instruments.

Toronto Hydro-Electric System Limited

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20. FINANCIAL GUARANTEES

Participants in the wholesale market for electricity that is administered by the IESO are required to satisfy prescribed prudential requirements. In addition, counter-parties under contracts for the purchase and sale of electricity and customers under purchase contracts may require parental financial guarantees or other forms of credit support.

The City has authorized the Corporation to provide up to \$500,000,000 in financial support [including guarantees] with respect to prudential requirements and as security for obligations under third party contracts. At December 31, 2004, no parental guarantees have been issued on behalf of THESL [2003 - nil].

At December 31, 2004, \$80,000,000 [2003 - \$80,000,000] was utilized under the Corporation's revolving credit facility in the form of letters of credit to support the prudential requirements of THESL.

21. CONTINGENCIES

Consumers' Gas Decision

On April 22, 2004, in a decision in a class action commenced against The Consumers' Gas Company Limited (now Enbridge Gas Distribution Inc.), the Supreme Court of Canada [the "Supreme Court"] ruled that Consumers' Gas 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 Consumers' Gas 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. THESL is not a party to the Consumers' Gas class action. It is, however, subject to the two class actions described below.

The first is an action commenced against a predecessor of THESL and other Ontario municipal electric utilities under the Class Proceedings Act, 1992 seeking \$500,000,000 in restitution for late payment charges collected by them from their customers that were in excess of the interest limit stipulated in section 347 of the *Criminal Code*. This action is at a preliminary stage. Pleadings have closed but examinations for discovery have not been conducted and the classes have not been certified as the parties were awaiting the outcome of the Consumers' Gas class action.

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[all tabular amounts in thousands of dollars]

December 31, 2004

The second is an action commenced against a predecessor of THESL under the Class Proceedings Act, 1992 seeking \$64,000,000 in restitution for late payment charges collected by it from its customers that were in excess of the interest limit stipulated in section 347 of the *Criminal Code*. This action is also at the preliminary stage. Pleadings have closed and examinations for discovery have been conducted but, as in the first action, the classes have not been certified as the parties were awaiting the outcome of the Consumers' Gas class action.

The claims made against THESL and the definitions of the plaintiff classes are identical in both actions. As a result, any damages payable by THESL in the first action would reduce the damages payable by THESL in the second action, and vice versa.

It is anticipated that the first action will now proceed for determination in light of the reasons of the Supreme Court in the Consumers' Gas class action.

THESL may have defences available to it in these actions that were not disposed of by the Supreme Court in the Consumers' Gas class action.

Also, the determination of whether the late payment charges collected by THESL from its customers were in excess of the interest limit stipulated in section 347 of the *Criminal Code* is fact specific in each circumstance. Accordingly, given the preliminary status of these actions, it is not possible at this time to quantify the effect, if any, of the Consumers' Gas decision on these actions or of these actions on the financial performance of the Corporation.

22. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2004 financial statements.

23. SUBSEQUENT EVENTS

Dividends

On March 31, 2005, the board of directors of THESL declared dividends in the amount of \$24,026,000. The dividends will be paid on March 31, 2005.

SECTION 93 PILs TAX GROSS-UP		PROXY CALCULATION FOR 2005		PILS2005.V1.1	
REGULATORY INFORMATION (REGINFO)					
Utility Name:	Toronto Hydro-Electric System Limited				
File Number:	RP ?				
	EB- ?				
Reporting period:	DEC. 31 2005				
Days in reporting period:	365				
Total days in the calendar year:	365				
BACKGROUND					
1. Are the Capital Tax & Large Corporations Tax Exemptions shared among the corporate group? (Yes or No)	NO				
2. Please identify the percentage used to allocate the exemption.	100.00%				
3. Please explain the basis of the allocation if the percentage is other than 100%.	N/A				
4. Accounting Year End	31/12/2005				
MARR NO TAX CALCULATIONS FROM SHEET #7 FINAL 2001 RUD MODEL DATA (FROM 1999 FINANCIAL STATEMENTS)					
Rate base (wires-only)	\$1,810,112,688				
Common Equity Ratio (CER)	35.00%				
1-CER	65.00%				
Target Return On Equity (%)	9.88%				
Debt rate	6.80%				
					Regulatory Income
Market Adjusted Revenue Requirement	\$142,600,678				
1999 return from RUD Sheet #7	\$23,304,000				\$23,304,000
Total Incremental revenue	\$119,296,678				
	Based on Board's Decision (RP-2000-0069)				Board-Approved Amounts
Amount allowed in 2001, Year 1					\$39,765,559
Amount allowed in 2002, Year 2					\$39,765,559
Amount allowed in 2005, Year 3					\$39,765,559
Permanent Changes to Base Rate (e.g. LPP 5% to 1.5%)					\$0
C&DM Capital Portion from "C&DM TAX FORECAST" worksheet	47%				
Total Regulatory Income					\$142,600,677
Equity	\$633,539,441				
Return at target ROE	\$62,593,697				
Debt	\$1,176,573,247				
Deemed interest amount in EBIT	\$80,006,981				

SECTION 93 PILs TAX GROSS-UP PROXY CALCULATION FOR 2005 TAX CALCULATIONS (TAXCALC)		ITEM	Proxy Calculation	Comments
Utility Name: Toronto Hydro-Electric System Limited				
Reporting Period: DEC. 31 2005				
Days in Reporting Period: 365				
Total days in the calendar year: 365			\$	
I) CORPORATE INCOME TAXES				
Regulatory Net Income		1	\$142,600,677	
BOOK TO TAX ADJUSTMENTS				
Additions:				
Depreciation & Amortization		2	\$106,229,000	
Employee Benefit Plans - Accrued, Not Paid		3	\$9,886,000	Per Morneau Sobeco Valuation Report
Tax reserves deducted in prior year		4	\$0	
Reserves from financial statements-end of year		4	\$0	
Regulatory Adjustments		5	\$0	
Other Additions				
"Material" Items		6	\$0	
Other Additions		6	\$0	
"Material" Items		6	\$0	
Other Additions		6	\$0	
Deductions:				
Capital Cost Allowance and CEC		7	\$76,692,530	
Employee Benefit Plans - Paid Amounts		8	\$5,166,000	Per Morneau Sobeco Valuation Report
Items Capitalized for Regulatory Purposes		9	\$0	
Regulatory Adjustments		10	\$0	
Interest Expense Deemed		11	\$80,006,981	
Tax reserves claimed in current year		4	\$0	
Reserves from F/S beginning of year		4	\$0	
Contributions to deferred income plans		3	\$0	
Contributions to pension plans		3	\$0	
Interest capitalized for accounting but deducted for tax		11	\$0	
Other Deductions				
"Material" Items		12	\$0	
C&DM 2005 Incremental OM&A expenses per C&DM Plan		12	\$4,895,000	
Material Items		12	\$0	
Other Deductions		12	\$0	
REGULATORY TAXABLE INCOME			\$91,955,166	
CORPORATE INCOME TAX RATE				
Deemed %		13	36.12%	
REGULATORY INCOME TAX				
Taxable Income x Rate			\$33,214,206	
Miscellaneous Tax Credits		14	\$0	
Total Regulatory Income Tax			\$33,214,206	

SECTION 93 PILs TAX GROSS-UP PROXY CALCULATION FOR 2005 TAX CALCULATIONS (TAXCALC)		ITEM	Proxy Calculation	Comments
Utility Name: Toronto Hydro-Electric System Limited				
Reporting Period: DEC. 31 2005				
Days in Reporting Period: 365				
Total days in the calendar year: 365			\$	
Percentage used to determine the exemptions for capital tax and large corporations tax			100%	
II) CAPITAL TAXES				
<i>Ontario</i>				
Rate Base	15		\$1,810,112,688	
Less: Exemption	16		\$7,500,000	
Deemed Taxable Capital			\$1,802,612,688	
Rate (.3%)	17		0.3000%	
Net Amount (Taxable Capital x Rate)			\$5,407,838	
<i>Federal (LCT)</i>				
Base	18		\$1,810,112,688	
Less: Exemption	19		\$50,000,000	
Deemed Taxable Capital			\$1,760,112,688	
Rate (.175%)	20		0.1750%	
Gross Amount (Taxable Capital x Rate)			\$3,080,197	
Less: Federal Surtax	21		\$1,029,898	
Net LCT			\$2,050,299	
III) INCLUSION IN RATES				
Income Tax Rate used for gross- up			36.12%	
Income Tax (grossed-up)	22		\$51,994,687	
LCT (grossed-up)	23		\$3,209,611	
Ontario Capital Tax	24		\$5,407,838	
Total S. 93 PILs Rate Adjustment (Enter this amount in the 2005 RAM, Sheet #4, cell G14)		25	\$60,612,136	

SECTION 93 PILs TAX GROSS-UP "SIMPIL"**Corporate Tax Rates for 2005**

Income Range	\$0 to \$400,000	\$400,001 to \$1,128,000	> \$1,128,000
<i>Income Tax Rate</i>	18.62%	27.50%	36.12%
Capital Tax Rate	0.300%		
LCT Rate	0.175%		
Surtax	1.12%		
Ontario Capital Tax Exemption	\$7,500,000		
Federal Large Corporations Tax Exemption	\$50,000,000		

Conservation and Demand Management Tax Forecast

Utility Name: Toronto Hydro-Electric System Limited

File Number: RP ?

EB- ?

	Jan - Dec 2005		Jan - Dec 2006		Jan - Sept 30 th 2007		Total	
	\$	%	\$	%	\$	%	\$	%
Capital	\$4,273,000	47%	\$10,533,000	66%	\$9,903,000	68%	\$24,709,000	62%
Tax Deductible Expense	\$4,895,000	53%	\$5,515,000	34%	\$4,635,000	32%	\$15,045,000	38%
Total	\$9,168,000	100%	\$16,048,000	100%	\$14,538,000	100%	\$39,754,000	100%

Notes:

1. Capital that will be recognized for tax purposes (i.e. UCC addition), not from a capital budget or commitment perspective.
2. Expenses to be recognized in the period shown that will be used as a tax deduction for the same period. The 2005 tax deductible expense a be entered automatically into the TAXCALC worksheet, cell C44.
3. The amounts shown in the "Total" column should agree with the C&DM plan filed with or approved by the Board. The amount of the third tranche of MARR is the maximum amount unless the utility has applied for a lower amount.

2005 Rate Adjustment Model

Name of Utility: Toronto-Electric System Limited

License Number: ED-2002-0497

File Number: RP-2005-0013

EB-2005-0081

Name of Contact: Anthony Lam

E- Mail Address: alam@torontohydro.com

Phone Number: 416 542 2876 Extension:

Date: Jan 17, 2005

Version Number: **2005.V1.4**

SHEET 1 - 2002 Base Rate Schedule

Name of Utility:	Toronto-Electric System Limited	2005.V1.4
License Number:	ED-2002-0497	RP-2005-0013
Name of Contact:	Anthony Lam	EB-2005-0081
E- Mail Address:	alam@torontohydro.com	
Phone Number:	416 542 2876	Extension:
Date:	Jan 17, 2005	

Enter the values for your 2002 Base Rates as shown on sheet 4 of the 2002 RAM or sheet 2 of the 2004 RAM.

Using the 2002 base rates removes the impact of 2004 interim Regulatory Assets and the 2004 PILs Proxy, added in the approved rates on April 1, 2004.

Adjustments to rate classes may be made if your LDC has non-standard classes.

RESIDENTIAL

Distribution kWh Rate	\$0.01154
Monthly Service Charge (Per Customer/30 Days)	\$12.2280

RESIDENTIAL (TIME OF USE)

Distribution kWh Rate	\$0.01154
Monthly Service Charge (Per Customer/30 Days)	\$13.3653

GENERAL SERVICE < 50 KW

Distribution kWh Rate	\$0.01561
Monthly Service Charge (Per Customer/30 Days)	\$16.3982

GENERAL SERVICE > 50 KW (NON TIME OF USE)

Distribution KVA Rate (per 30 Days)	\$4.42527
Monthly Service Charge (Per Customer/30 Days)	\$26.0108

GENERAL SERVICE > 50 KW (TIME OF USE)

Distribution KVA Rate (per 30 Days)	\$4.42471
Monthly Service Charge (Per Customer/30 Days)	\$26.1655

SHEET 1 - 2002 Base Rate Schedule**INTERMEDIATE USE**

Distribution KVA Rate (per 30 Days)	\$3.66541
-------------------------------------	-----------

Monthly Service Charge (Per Customer/30 Days)	\$720.8614
---	------------

LARGE USE

Distribution KVA Rate (per 30 Days)	\$3.13452
-------------------------------------	-----------

Monthly Service Charge (Per Customer/30 Days)	\$2,754.2680
---	--------------

SENTINEL LIGHTS (NON TIME OF USE)

Distribution KVA Rate	\$0.00000
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Monthly Service Charge (Per Connection)	\$0.0000
---	----------

OR

SENTINEL LIGHTS (TIME OF USE)

Distribution KVA Rate	\$0.00000
-----------------------	-----------

Monthly Service Charge (Per Connection)	\$0.0000
---	----------

SMALL SCATTERED LOAD

ADMINISTRATION AND PROCESSING PER CUSTOMER	\$2.26480
--	-----------

Distribution KWh Rate	\$0.01560
-----------------------	-----------

Monthly Service Charge (Per Connection/30 Days)	\$0.2600
---	----------

STREET LIGHTING (TIME OF USE)

Distribution KVA Rate (per 30 Days)	\$3.01014
-------------------------------------	-----------

Monthly Service Charge (Per Connection/30 Days)	\$0.2602
---	----------

SHEET 2 - Calculating The Rate Increase Due To The Addition of 1/3 MARR

Note: LDCs must enter the fixed-variable split used on Sheet 13 (Sensitivity Analysis 2) of their 2001 Approved RUD Model.

Residential Class

	Variable Charge Recovery	Service Charge Recovery	Total Board- Approved MARR Recovery
(A) Allocated MARR			\$16,898,342
(B) Fixed-Variable Split (%)	41.3%	58.7%	100%
(C) Re-Allocated MARR (\$)	\$6,979,015	\$9,919,327	\$16,898,342
(D) Number of kWh	5,188,760,068		
(E) Number of Customers		578,029	
(F) Incremental Distribution kWh Rate (\$/kWh)	\$0.00135		
(G) Incremental Monthly Service Charge (C)/(E)/365*30		\$1.4105	

General Service < 50 KW Class

	Variable Charge Recovery	Service Charge Recovery	Total Board- Approved MARR Recovery
(A) Allocated MARR			\$6,324,692
(B) Fixed-Variable Split (%)	74.8%	25.2%	100%
(C) Re-Allocated MARR (\$)	\$4,730,870	\$1,593,823	\$6,324,692
(D) Number of kWh	2,609,810,431		
(E) Number of Customers		69,815	
(F) Incremental Distribution kWh Rate (\$/kWh)	\$0.00181		
(G) Incremental Monthly Service Charge (C)/(E)/365*30		\$1.8764	

SHEET 2 - Calculating The Rate Increase Due To The Addition of 1/3 MARR

General Service > 50 KW Class (Non-Time of Use)

	Variable Charge Recovery	Service Charge Recovery	Total Board- Approved MARR Recovery
(A) Allocated MARR			\$11,378,998
(B) Fixed-Variable Split (%)	97.1%	2.9%	100%
(C) Re-Allocated MARR (\$)	\$11,049,007	\$329,991	\$11,378,998
(D) Number of KVA	21,406,781		
(E) Number of Customers		9,282	
(F) Incremental Distribution KVA Rate ((\$/KVA) *12)/365*30	\$0.50907		
(G) Incremental Monthly Service Charge (C)/(E)/365*30		\$2.9221	

General Service > 50 KW Class (Time of Use)

	Variable Charge Recovery	Service Charge Recovery	Total Board- Approved MARR Recovery
(A) Allocated MARR			\$462,116
(B) Fixed-Variable Split (%)	99.0%	1.0%	100%
(C) Re-Allocated MARR (\$)	\$457,495	\$4,621	\$462,116
(D) Number of KVA	887,259		
(E) Number of Customers		124	
(F) Incremental Distribution KVA Rate ((\$/KVA) *12)/365*30	\$0.50856		
(G) Incremental Monthly Service Charge (C)/(E)/365*30		\$3.0631	

SHEET 2 - Calculating The Rate Increase Due To The Addition of 1/3 MARR

Intermediate Class

	Variable Charge Recovery	Service Charge Recovery	Total Board- Approved MARR Recovery
(A) Allocated MARR			\$5,513,153
(B) Fixed-Variable Split (%)	91.0%	9.0%	100%
(C) Re-Allocated MARR (\$)	\$5,019,174	\$493,978	\$5,513,153
(D) Number of KVA	11,775,134		
(E) Number of Customers		490	
(F) Incremental Distribution KVA Rate $((\$/\text{KVA}) * 12) / 365 * 30$	\$0.42041		
(G) Incremental Monthly Service Charge $(C) / (E) / 365 * 30$		\$82.8591	

Large User Class

	Variable Charge Recovery	Service Charge Recovery	Total Board- Approved MARR Recovery
(A) Allocated MARR			\$2,039,502
(B) Fixed-Variable Split (%)	92.3%	7.7%	100%
(C) Re-Allocated MARR (\$)	\$1,881,645	\$157,857	\$2,039,502
(D) Number of KVA	5,152,689		
(E) Number of Customers		41	
(F) Incremental Distribution KVA Rate $((\$/\text{KVA}) * 12) / 365 * 30$	\$0.36017		
(G) Incremental Monthly Service Charge $(C) / (E) / 365 * 30$		\$316.4533	

SHEET 2 - Calculating The Rate Increase Due To The Addition of 1/3 MARR

SMALL SCATTERED LOAD

	Variable Charge Recovery	Service Charge Recovery	Total Board- Approved MARR Recovery
(A) Allocated MARR			\$47,524
(B) Fixed-Variable Split (%)	92.8%	7.2%	100%
(C) Re-Allocated MARR (\$)	\$44,102	\$3,422	\$47,524
(D) Number of kWh	24,112,329		
(E) Number of Customers		9,347	
(F) Incremental Distribution kWh Rate (\$/kWh)	\$0.00183		
(G) Incremental Monthly Service Charge (C)/(E)/365*30		\$0.0301	

Street Lighting Class

	Variable Charge Recovery	Service Charge Recovery	Total Board- Approved MARR Recovery
(A) Allocated MARR			\$160,122
(B) Fixed-Variable Split (%)	64.0%	36.0%	100%
(C) Re-Allocated MARR (\$)	\$102,478	\$57,644	\$160,122
(D) Number of KVA	292,160		
(E) Number of Customers		158,614	
(F) Incremental Distribution KVA Rate ((\$/KVA) *12)/365*30	\$0.34596		
(G) Incremental Monthly Service Charge (C)/(E)/365*30		\$0.0299	

SHEET 3 - 2005 Base Rates (2002 Base Rates + Final MARR)

Name of Utility:	Toronto-Electric System Limited	2005.V1.4
License Number:	ED-2002-0497	RP-2005-0013
Name of Contact:	Anthony Lam	EB-2005-0081
E- Mail Address:	alam@torontohydro.com	
Phone Number:	416 542 2876	Extension:
Date:	Jan 17, 2005	

Residential Class

<u>DISTRIBUTION KWH RATE</u>	<u>\$0.01289</u>
<u>MONTHLY SERVICE CHARGE (Per Customer/30 days)</u>	<u>\$13.6385</u>

Residential Class (Time-of-Use)

<u>DISTRIBUTION KWH RATE</u>	<u>\$0.01289</u>
<u>MONTHLY SERVICE CHARGE (Per Customer/30 days)</u>	<u>\$14.7758</u>

General Service < 50 KW

<u>DISTRIBUTION KWH RATE</u>	<u>\$0.01742</u>
<u>MONTHLY SERVICE CHARGE (Per Customer/30 days)</u>	<u>\$18.2746</u>

General Service > 50 KW (Non-Time of Use)

<u>DISTRIBUTION KVA RATE (per 30 Days)</u>	<u>\$4.93435</u>
<u>MONTHLY SERVICE CHARGE (Per Customer/30 days)</u>	<u>\$28.9329</u>

General Service > 50 KW (Time of Use)

<u>DISTRIBUTION KVA RATE (per 30 Days)</u>	<u>\$4.93328</u>
<u>MONTHLY SERVICE CHARGE (Per Customer/30 days)</u>	<u>\$29.2286</u>

SHEET 3 - 2005 Base Rates (2002 Base Rates + Final MARR)

Intermediate Use

DISTRIBUTION KVA RATE (per 30 Days)	\$4.08582
-------------------------------------	-----------

MONTHLY SERVICE CHARGE (Per Customer/30 days)	\$803.7205
---	------------

Large Use

DISTRIBUTION KVA RATE (per 30 Days)	\$3.49469
-------------------------------------	-----------

MONTHLY SERVICE CHARGE (Per Customer/30 days)	\$3,070.7213
---	--------------

Sentinel Lights (Non-Time of Use)

DISTRIBUTION KVA RATE	
-----------------------	--

MONTHLY SERVICE CHARGE (Per Connection)	
---	--

OR

Sentinel Lights (Time of Use)

DISTRIBUTION KVA RATE	
-----------------------	--

MONTHLY SERVICE CHARGE (Per Connection)	
---	--

SMALL SCATTERED LOAD

ADMINISTRATION AND PROCESSING PER CUSTOMER	\$2.2648
--	----------

DISTRIBUTION kWh RATE	\$0.01743
-----------------------	-----------

MONTHLY SERVICE CHARGE (Per connection/30 days)	\$0.2901
---	----------

Street Lighting (Time of Use)

DISTRIBUTION KVA RATE (per 30 Days)	\$3.35609
-------------------------------------	-----------

MONTHLY SERVICE CHARGE (Per connection/30 days)	\$0.2901
---	----------

SHEET 4 - Calculating Incremental Rate Increase Due To 2005 PILs

Name of Utility:	Toronto-Electric System Limited	2005.V1.4
License Number:	ED-2002-0497	RP-2005-0013
Name of Contact:	Anthony Lam	EB-2005-0081
E- Mail Address:	alam@torontohydro.com	
Phone Number:	416 542 2876	Extension:
Date:	Jan 17, 2005	

This schedule requires LDCs to input the 2003 data which will be used to allocate 2005 PILs to the rate classes.
The 2005 PILs Proxy is calculated in the 2005 PILs model, TAXCALC Worksheet, Cell C95

Enter the 2005 PILs Proxy Amount

\$ 60,612,135.76

Distribution Revenue is used to allocate the 2005 PILs Proxy Amount to the rate classes.

2003 Data by Class	KVA	kWh	Number of Customers (Connections)	Distribution Revenues	2003 Distribution Shares	2005 PILs Proxy Allocation
Residential Class	N/A	5,420,267,739	590,109	\$173,180,165	39.4%	\$23,855,975
General Service < 50 KW Class	N/A	2,584,195,870	67,064	\$61,849,832	14.1%	\$8,519,960
General Service > 50 KW Non-Time of Use	18,587,759	6,649,313,094	9,484	\$96,878,523	22.0%	\$13,345,244
General Service > 50 KW Time of Use	7,236,307	3,129,088,515	1,424	\$37,034,012	8.4%	\$5,101,522
Intermediate Use	11,863,247	5,087,993,905	497	\$50,194,518	11.4%	\$6,914,413
Large Class User	5,360,148	2,569,929,397	47	\$18,079,551	4.1%	\$2,490,501
SMALL SCATTERED LOAD	N/A	56,434,120	1,489	\$1,108,233	0.3%	\$152,662
Street Lighting	317,526	107,297,194	1	\$1,683,159	0.4%	\$231,859
TOTALS	43,364,987	25,604,519,835	670,115	\$440,007,992	1.00	\$60,612,136
				2005 PILs Proxy Amount =====>		\$60,612,136

2005 PILs Proxy amount will be recovered only in the distribution kWh charge (Variable Charge).

SHEET 4 - Calculating Incremental Rate Increase Due To 2005 PILs

Residential Class

	Variable Charge Recovery	Service Charge Recovery	2005 PILs Proxy Allocation
(A) Allocated PILs			\$23,855,975
(B) Fixed-Variable Split (%)	100%	0%	100%
(C) Re-Allocated PILs (\$)	\$23,855,975	\$0	\$23,855,975
(D) Number of kWh	5,420,267,739		
(E) Incremental Distribution kWh Rate (\$/kWh)	\$0.00440		

General Service < 50 KW Class

	Variable Charge Recovery	Service Charge Recovery	2005 PILs Proxy Allocation
(A) Allocated PILs			\$8,519,960
(B) Fixed-Variable Split (%)	100%	0%	100%
(C) Re-Allocated PILs (\$)	\$8,519,960	\$0	\$8,519,960
(D) Number of kWh	2,584,195,870		
(E) Incremental Distribution kWh Rate (\$/kWh)	\$0.00330		

SHEET 4 - Calculating Incremental Rate Increase Due To 2005 PILs

General Service > 50 KW Class (Non-Time of Use)

	Variable Charge Recovery	Service Charge Recovery	2005 PILs Proxy Allocation
(A) Allocated PILs			\$13,345,244
(B) Fixed-Variable Split (%)	100%	0%	100%
(C) Re-Allocated PILs (\$)	\$13,345,244	\$0	\$13,345,244
(D) Number of KVA	18,587,759		
(E) Incremental Distribution KVA Rate $((\$/KVA)*12)/365*30$	\$0.70812		

General Service > 50 KW Class (Time of Use)

	Variable Charge Recovery	Service Charge Recovery	2005 PILs Proxy Allocation
(A) Allocated PILs			\$5,101,522
(B) Fixed-Variable Split (%)	100%	0%	100%
(C) Re-Allocated PILs (\$)	\$5,101,522	\$0	\$5,101,522
(D) Number of KVA	7,236,307		
(E) Incremental Distribution KVA Rate $((\$/KVA)*12)/365*30$	\$0.69533		

SHEET 4 - Calculating Incremental Rate Increase Due To 2005 PILs

Intermediate Class

	Variable Charge Recovery	Service Charge Recovery	2005 PILs Proxy Allocation
(A) Allocated PILs			\$6,914,413
(B) Fixed-Variable Split (%)	100%	0%	100%
(C) Re-Allocated PILs (\$)	\$6,914,413	\$0	\$6,914,413
(D) Number of KVA	11,863,247		
(E) Incremental Distribution KVA Rate $((\$/\text{KVA}) * 12) / 365 * 30$	\$0.57486		

Large User Class

	Variable Charge Recovery	Service Charge Recovery	2005 PILs Proxy Allocation
(A) Allocated PILs			\$2,490,501
(B) Fixed-Variable Split (%)	100%	0%	100%
(C) Re-Allocated PILs (\$)	\$2,490,501	\$0	\$2,490,501
(D) Number of KVA	5,360,148		
(E) Incremental Distribution KVA Rate $((\$/\text{KVA}) * 12) / 365 * 30$	\$0.45827		

SHEET 4 - Calculating Incremental Rate Increase Due To 2005 PILs

SMALL SCATTERED LOAD

	Variable Charge Recovery	Service Charge Recovery	2005 PILs Proxy Allocation
(A) Allocated PILs			\$152,662
(B) Fixed-Variable Split (%)	100%	0%	100%
(C) Re-Allocated PILs (\$)	\$152,662	\$0	\$152,662
(D) Number of kWh	56,434,120		
(E) Incremental Distribution kWh Rate (\$/KWh)	\$0.00271		

Street Lighting Class

	Variable Charge Recovery	Service Charge Recovery	2005 PILs Proxy Allocation
(A) Allocated PILs			\$231,859
(B) Fixed-Variable Split (%)	100%	0%	100%
(C) Re-Allocated PILs (\$)	\$231,859	\$0	\$231,859
(D) Number of KVA	317,526		
(E) Incremental Distribution KVA Rate ((\$/KVA)*12)/365*30	\$0.72020		

SHEET 5 - Rate Schedule including 2005 PILs

Name of Utility:	Toronto-Electric System Limited	2005.V1.4
License Number:	ED-2002-0497	RP-2005-0013
Name of Contact:	Anthony Lam	EB-2005-0081
E- Mail Address:	alam@torontohydro.com	
Phone Number:	416 542 2876	Extension:
Date:	Jan 17, 2005	

RESIDENTIAL

DISTRIBUTION KWH RATE	\$0.01729
MONTHLY SERVICE CHARGE (Per Customer/30 days)	\$13.6385

RESIDENTIAL (TIME OF USE)

DISTRIBUTION KWH RATE	\$0.01729
MONTHLY SERVICE CHARGE (Per Customer/30 days)	\$14.7758

GENERAL SERVICE < 50 KW

DISTRIBUTION KWH RATE	\$0.02072
MONTHLY SERVICE CHARGE (Per Customer/30 days)	\$18.2746

GENERAL SERVICE > 50 KW (NON TIME OF USE)

DISTRIBUTION KVA RATE (per 30 Days)	\$5.64247
MONTHLY SERVICE CHARGE (Per Customer/30 days)	\$28.9329

GENERAL SERVICE > 50 KW (TIME OF USE)

DISTRIBUTION KVA RATE (per 30 Days)	\$5.62861
MONTHLY SERVICE CHARGE (Per Customer/30 days)	\$29.2286

SHEET 5 - Rate Schedule including 2005 PILs

INTERMEDIATE USE

DISTRIBUTION KVA RATE (per 30 Days)	\$4.66068
-------------------------------------	-----------

MONTHLY SERVICE CHARGE (Per Customer/30 days)	\$803.7205
---	------------

LARGE USE

DISTRIBUTION KVA RATE (per 30 Days)	\$3.95296
-------------------------------------	-----------

MONTHLY SERVICE CHARGE (Per Customer/30 days)	\$3,070.7213
---	--------------

SENTINEL LIGHTS (NON TIME OF USE)

DISTRIBUTION KVA RATE (per 30 Days)	
-------------------------------------	--

MONTHLY SERVICE CHARGE (Per Connection)	
---	--

OR

SENTINEL LIGHTS (TIME OF USE)

DISTRIBUTION KVA RATE (per 30 Days)	
-------------------------------------	--

MONTHLY SERVICE CHARGE (Per Connection)	
---	--

SMALL SCATTERED LOAD

ADMINISTRATION AND PROCESSING PER CUSTOMER	\$2.2648
--	----------

DISTRIBUTION kWh RATE	\$0.02013
-----------------------	-----------

MONTHLY SERVICE CHARGE (Per connection/30 days)	\$0.2901
---	----------

STREET LIGHTING (TIME OF USE)

DISTRIBUTION KVA RATE (per 30 Days)	\$4.07629
-------------------------------------	-----------

MONTHLY SERVICE CHARGE (Per connection/30 days)	\$0.2901
---	----------

SHEET 6 - December 31, 2003 Regulatory Assets

Name of Utility:	Toronto-Electric System Limited	2005.V1.4
License Number:	ED-2002-0497	RP-2005-0013
Name of Contact:	Anthony Lam	EB-2005-0081
E- Mail Address:	alam@torontohydro.com	
Phone Number:	416 542 2876	Extension:
Date:	Jan 17, 2005	

LDCs should enter their December 3, 2003 balances for each regulatory asset account. In the case of distributors that have approved Regulatory Asset recovery rate riders, the distributor should not enter any balances on Sheet 6 and should go directly to Sheet 10. In this instance, the rate schedule on Sheet 5 is identical to Sheet 9.

Description	Account Number	Amount Applied- for Balance as at Dec. 31, 2003
RSVA - Wholesale Market Service Charge	1580	
RSVA - One-time Wholesale Market Service	1582	
RSVA - Retail Transmission Network Charge	1584	
RSVA - Retail Transmission Connection Charge	1586	
RSVA - Power	1588	
Sub-Total for RSVA Accounts		\$0
Current Recovery: Amount Entered on Sheet 3, cell G13, of 2004 RAM		
Adjusted 2005 Recovery Amount (RSVA Accounts)		\$0
Other Regulatory Assets	1508	
Retail Cost Variance Account - Retail	1518	
Retail Cost Variance Account - STR	1548	
Misc. Deferred Debits - incl. Rebate Cheques	1525	
Deferred Payments in Lieu of Taxes	1562	
<i>PILs Contra Account</i>	1563	
Qualifying Transition Costs	1570	
Pre-Market Opening Energy Variances Total	1571	
Extra-Ordinary Event Losses	1572	
Deferred Rate Impact Amounts	1574	
Other Deferred Credits	2425	
Sub-Total for Non-RSVA Regulatory Asset Accounts		\$0
Current Recovery: Amount Entered on Sheet 5, cell G14, of 2004 RAM		
Adjusted 2005 Recovery Amount (Non-RSVA Accounts)		\$0
Total Adjusted Regulatory Assets		\$0
33% of Total Adjusted Regulatory Assets		\$0.00

SHEET 6 - December 31, 2003 Regulatory Assets

Section 1: For LDCs with Total RSVA adjusted balances greater than 33 % of Total:		
Total Adjusted Balance for RSVA Accounts	(a)	N/A
33% of Total Adjusted Regulatory Assets	(b)	N/A
Remaining Final Amount to be recovered in future periods (a) - (b)		N/A

Section 2: For LDCs with Total RSVA adjusted balances less than 33 % of Total:		
33% OF Total Adjusted Regulatory Assets		N/A
Total Adjusted Balance for RSVA Accounts		N/A
Amount to be collected from RSVA Accounts		N/A
Amount to be collected from Non-RSVA accounts		N/A

Rate Implementation

Check Box
YES or NO

Our utility is able to pro-rate the bill so that consumption before April 1 is at the old rates and post April 1 consumption is billed at the new rates.

☒ YES

☐ NO

Our utility is not able to pro-rate consumption and therefore our customers will not be charged the new rates until the completion of an entire billing cycle.

☐ YES

☒ NO

SHEET 7 - Calculating Rate Increases due to interim RSVA Regulatory Assets

Name of Utility:	Toronto-Electric System Limited	2005.V1.4
License Number:	ED-2002-0497	RP-2005-0013
Name of Contact:	Anthony Lam	EB-2005-0081
E- Mail Address:	alam@torontohydro.com	
Phone Number:	416 542 2876	Extension:
Date:	Jan 17, 2005	

Approved Regulatory Asset Recovery from Sheet 4 (either from Section 1 or Section 2)

N/A

The share of class kWh sold in 2003 is used to allocate the approved interim RSVA Regulatory Asset amounts.

2003 Data by Class	KVA	kWh	Number of Customers (Connections)	Distribution Revenues	2003 kWh Shares	2003 RSVA Allocations
Residential Class	N/A	5,420,267,739	590,109	\$173,180,165	21.2%	\$0
General Service < 50 KW Class	N/A	2,584,195,870	67,064	\$61,849,832	10.1%	\$0
General Service > 50 KW Non-Time of Use	18,587,759	6,649,313,094	9,484	\$96,878,523	26.0%	\$0
General Service > 50 KW Time of Use	7,236,307	3,129,088,515	1,424	\$37,034,012	12.2%	\$0
Intermediate Use	11,863,247	5,087,993,905	497	\$50,194,518	19.9%	\$0
Large Class User	5,360,148	2,569,929,397	47	\$18,079,551	10.0%	\$0
SMALL SCATTERED LOAD	N/A	56,434,120	1,489	\$1,108,233	0.2%	\$0
Street Lighting	317,526	107,297,194	1	\$1,683,159	0.4%	\$0
TOTALS		25,604,519,835	670,115	\$440,007,992	1.00	\$0
Allocated Total for RSVA accounts =====>						N/A

Regulatory Assets will be recovered only in the distribution variable charge (\$/kWh or \$/kW).

SHEET 7 - Calculating Rate Increases due to interim RSVA Regulatory Assets

Residential Class

	Variable Charge Recovery	Service Charge Recovery	2003 RSVA Allocation
(A) Allocated PILs			\$0
(B) Fixed-Variable Split (%)	100%	0%	100%
(C) Re-Allocated PILs (\$)	\$0	\$0	\$0
(D) Number of kWh	5,420,267,739		
(E) Incremental Distribution kWh Rate (\$/kWh)	\$0.00000		

General Service < 50 KW Class

	Variable Charge Recovery	Service Charge Recovery	2003 RSVA Allocation
(A) Allocated PILs			\$0
(B) Fixed-Variable Split (%)	100%	0%	100%
(C) Re-Allocated PILs (\$)	\$0	\$0	\$0
(D) Number of kWh	2,584,195,870		
(E) Incremental Distribution kWh Rate (\$/kWh)	\$0.00000		

SHEET 7 - Calculating Rate Increases due to interim RSVA Regulatory Assets

General Service > 50 KW Class (Non-Time of Use)

	Variable Charge Recovery	Service Charge Recovery	2003 RSVA Allocation
(A) Allocated PILs			\$0
(B) Fixed-Variable Split (%)	100%	0%	100%
(C) Re-Allocated PILs (\$)	\$0	\$0	\$0
(D) Number of KVA	18,587,759		
(E) Incremental Distribution KVA Rate $((\$/\text{KVA}) * 12) / 365 * 30$	\$0.00000		

General Service > 50 KW Class (Time of Use)

	Variable Charge Recovery	Service Charge Recovery	2003 RSVA Allocation
(A) Allocated PILs			\$0
(B) Fixed-Variable Split (%)	100%	0%	100%
(C) Re-Allocated PILs (\$)	\$0	\$0	\$0
(D) Number of KVA	7,236,307		
(E) Incremental Distribution KVA Rate $((\$/\text{KVA}) * 12) / 365 * 30$	\$0.00000		

SHEET 7 - Calculating Rate Increases due to interim RSVA Regulatory Assets

Intermediate Class

	Variable Charge Recovery	Service Charge Recovery	2003 RSVA Allocation
(A) Allocated PILs			\$0
(B) Fixed-Variable Split (%)	100%	0%	100%
(C) Re-Allocated PILs (\$)	\$0	\$0	\$0
(D) Number of KVA	11,863,247		
(E) Incremental Distribution KVA Rate $((\$/\text{KVA}) * 12) / 365 * 30$	\$0.00000		

Large User Class

	Variable Charge Recovery	Service Charge Recovery	2003 RSVA Allocation
(A) Allocated PILs			\$0
(B) Fixed-Variable Split (%)	100%	0%	100%
(C) Re-Allocated PILs (\$)	\$0	\$0	\$0
(D) Number of KVA	5,360,148		
(E) Incremental Distribution KVA Rate $((\$/\text{KVA}) * 12) / 365 * 30$	\$0.00000		

SHEET 7 - Calculating Rate Increases due to interim RSVA Regulatory Assets

SMALL SCATTERED LOAD

	Variable Charge Recovery	Service Charge Recovery	2003 RSVA Allocation
(A) Allocated PILs			\$0
(B) Fixed-Variable Split (%)	100%	0%	100%
(C) Re-Allocated PILs (\$)	\$0	\$0	\$0
(D) Number of kWh	N/A		
(E) Incremental Distribution kWh Rate (\$/KWh)	\$0.00000		

Street Lighting Class

	Variable Charge Recovery	Service Charge Recovery	2003 RSVA Allocation
(A) Allocated PILs			\$0
(B) Fixed-Variable Split (%)	100%	0%	100%
(C) Re-Allocated PILs (\$)	\$0	\$0	\$0
(D) Number of KVA	317,526		
(E) Incremental Distribution KVA Rate ((\$/KVA)*12)/365*30	\$0.00000		

SHEET 8 - Calculating Rate Increases due to interim Non-RSVA Regulatory Assets

Name of Utility:	Toronto-Electric System Limited	2005.V1.4
License Number:	ED-2002-0497	RP-2005-0013
Name of Contact:	Anthony Lam	EB-2005-0081
E- Mail Address:	alam@torontohydro.com	
Phone Number:	416 542 2876	Extension:
Date:	Jan 17, 2005	

Approved Regulatory Asset Recovery from Non-RSVA Accounts (Sheet 4, Section 2)

N/A

Distribution Revenue is used to allocate the approved final Regulatory Asset amounts related to the Non-RSVA accounts.

2003 Data by Class	KVA	kWh	Number of Customers (Connections)	Distribution Revenues	2003 Distribution Shares	2002 Regulatory Asset RSVA Allocations
Residential Class	N/A	5,420,267,739	590,109	\$173,180,165	39.4%	\$0
General Service < 50 KVA Class	N/A	2,584,195,870	67,064	\$61,849,832	14.1%	\$0
General Service > 50 KVA Non-Time of Use	18,587,759	6,649,313,094	9,484	\$96,878,523	22.0%	\$0
General Service > 50 KVA Time of Use	7,236,307	3,129,088,515	1,424	\$37,034,012	8.4%	\$0
Intermediate Use	11,863,247	5,087,993,905	497	\$50,194,518	11.4%	\$0
Large Class User	5,360,148	2,569,929,397	47	\$18,079,551	4.1%	\$0
SMALL SCATTERED LOAD	N/A	56,434,120	1,489	\$1,108,233	0.3%	\$0
Street Lighting	317,526	107,297,194	1	\$1,683,159	0.4%	\$0
TOTALS		25,604,519,835	670,115	\$440,007,992	1.00	\$0
Allocated Total for Non-RSVA accounts =====>						N/A

Regulatory Assets will be recovered only in the distribution variable charge (\$/kWh or \$/kW).

SHEET 8 - Calculating Rate Increases due to interim Non-RSVA Regulatory Assets

Residential Class

	Variable Charge Recovery	Service Charge Recovery	2003 RSVA Allocation
(A) Allocated PILs			\$0
(B) Fixed-Variable Split (%)	100%	0%	100%
(C) Re-Allocated PILs (\$)	\$0	\$0	\$0
(D) Number of kWh	5,420,267,739		
(E) Incremental Distribution kWh Rate (\$/kWh)	\$0.00000		

General Service < 50 KW Class

	Variable Charge Recovery	Service Charge Recovery	2003 RSVA Allocation
(A) Allocated PILs			\$0
(B) Fixed-Variable Split (%)	100%	0%	100%
(C) Re-Allocated PILs (\$)	\$0	\$0	\$0
(D) Number of kWh	2,584,195,870		
(E) Incremental Distribution kWh Rate (\$/kWh)	\$0.00000		

SHEET 8 - Calculating Rate Increases due to interim Non-RSVA Regulatory Assets

General Service > 50 KW Class (Non-Time of Use)

	Variable Charge Recovery	Service Charge Recovery	2003 RSVA Allocation
(A) Allocated PILs			\$0
(B) Fixed-Variable Split (%)	100%	0%	100%
(C) Re-Allocated PILs (\$)	\$0	\$0	\$0
(D) Number of KVA	18,587,759		
(E) Incremental Distribution KVA Rate $((\$/\text{KVA}) \times 12) / 365 \times 30$	\$0.00000		

General Service > 50 KW Class (Time of Use)

	Variable Charge Recovery	Service Charge Recovery	2003 RSVA Allocation
(A) Allocated PILs			\$0
(B) Fixed-Variable Split (%)	100%	0%	100%
(C) Re-Allocated PILs (\$)	\$0	\$0	\$0
(D) Number of KVA	7,236,307		
(E) Incremental Distribution KVA Rate $((\$/\text{KVA}) \times 12) / 365 \times 30$	\$0.00000		

SHEET 8 - Calculating Rate Increases due to interim Non-RSVA Regulatory Assets

Intermediate Class

	Variable Charge Recovery	Service Charge Recovery	2003 RSVA Allocation
(A) Allocated PILs			\$0
(B) Fixed-Variable Split (%)	100%	0%	100%
(C) Re-Allocated PILs (\$)	\$0	\$0	\$0
(D) Number of KVA	11,863,247		
(E) Incremental Distribution KVA Rate $((\$/\text{KVA}) \times 12) / 365 \times 30$	\$0.00000		

Large User Class

	Variable Charge Recovery	Service Charge Recovery	2003 RSVA Allocation
(A) Allocated PILs			\$0
(B) Fixed-Variable Split (%)	100%	0%	100%
(C) Re-Allocated PILs (\$)	\$0	\$0	\$0
(D) Number of KVA	5,360,148		
(E) Incremental Distribution KVA Rate $((\$/\text{KVA}) \times 12) / 365 \times 30$	\$0.00000		

SHEET 8 - Calculating Rate Increases due to interim Non-RSVA Regulatory Assets

SMALL SCATTERED LOAD

	Variable Charge Recovery	Service Charge Recovery	2003 RSVA Allocation
(A) Allocated PILs			\$0
(B) Fixed-Variable Split (%)	100%	0%	100%
(C) Re-Allocated PILs (\$)	\$0	\$0	\$0
(D) Number of kWh	N/A		
(E) Incremental Distribution kWh Rate (\$/KWh)	\$0.00000		

Street Lighting Class

	Variable Charge Recovery	Service Charge Recovery	2003 RSVA Allocation
(A) Allocated PILs			\$0
(B) Fixed-Variable Split (%)	100%	0%	100%
(C) Re-Allocated PILs (\$)	\$0	\$0	\$0
(D) Number of KVA	317,526		
(E) Incremental Distribution KVA Rate ((\$/KVA)*12)/365*30	\$0.00000		

SHEET 9 - Rate Schedule for 2005 Base Rates + PILs + Interim 2005 Regulatory Assets

Name of Utility:	Toronto-Electric System Limited	2005.V1.4
License Number:	ED-2002-0497	RP-2005-0013
Name of Contact:	Anthony Lam	EB-2005-0081
E- Mail Address:	alam@torontohydro.com	
Phone Number:	416 542 2876	Extension:
Date:	Jan 17, 2005	

RESIDENTIAL

DISTRIBUTION KWH RATE	\$0.01729
MONTHLY SERVICE CHARGE (Per Customer/30 Days)	\$13.6385

RESIDENTIAL (TIME OF USE)

DISTRIBUTION KWH RATE	\$0.01729
MONTHLY SERVICE CHARGE (Per Customer/30 Days)	\$14.7758

GENERAL SERVICE < 50 KW

DISTRIBUTION KWH RATE	\$0.02072
MONTHLY SERVICE CHARGE (Per Customer/30 Days)	\$18.2746

GENERAL SERVICE > 50 KW (NON TIME OF USE)

DISTRIBUTION KVA RATE (per 30 Days)	\$5.64247
MONTHLY SERVICE CHARGE (Per Customer)	\$28.9329

GENERAL SERVICE > 50 KW (TIME OF USE)

DISTRIBUTION KVA RATE (per 30 Days)	\$5.62861
MONTHLY SERVICE CHARGE (Per Customer)	\$29.2286

INTERMEDIATE USE

DISTRIBUTION KVA RATE (per 30 Days)	\$4.66068
MONTHLY SERVICE CHARGE (Per Customer)	\$803.7205

SHEET 9 - Rate Schedule for 2005 Base Rates + PILs + Interim 2005 Regulatory Assets

LARGE USE

DISTRIBUTION KVA RATE (per 30 Days)	\$3.95296
MONTHLY SERVICE CHARGE (Per Customer)	\$3,070.7213

SENTINEL LIGHTS (NON TIME OF USE)

DISTRIBUTION KVA RATE
MONTHLY SERVICE CHARGE (Per Connection)

OR

SENTINEL LIGHTS (TIME OF USE)

DISTRIBUTION KW RATE
MONTHLY SERVICE CHARGE (Per Connection)

SMALL SCATTERED LOAD

ADMINISTRATION AND PROCESSING PER CUSTOMER	\$2.2648
DISTRIBUTION KWH RATE	\$0.02013
MONTHLY SERVICE CHARGE (Per Connection/30 Days)	\$0.2901

OR

STREET LIGHTING (TIME OF USE)

DISTRIBUTION KVA RATE (per 30 Days)	\$4.07629
MONTHLY SERVICE CHARGE (Per Connection/30 Days)	\$0.2901

SHEET 10 - Phase 2 Final Rate Riders

Name of Utility:	Toronto-Electric System Limited	2005.V1.4
License Number:	ED-2002-0497	RP-2005-0013
Name of Contact:	Anthony Lam	EB-2005-0081
E- Mail Address:	alam@torontohydro.com	
Phone Number:	416 542 2876	Extension:
Date:	Jan 17, 2005	

This sheet is to be used by those distributors that have final approval of their Regulatory Asset Recovery - Phase 2 rate riders.

Class	Rate Rider per kWh (or KVA)
Residential Class	\$0.00276
General Service < 50 KW Class	\$0.00118
General Service > 50 KW Non-Time of Use	\$0.26000
General Service > 50 KW Time of Use	\$0.05000
Intermediate Use	\$0.04000
Large Class User	\$0.05000
SMALL SCATTERED LOAD	\$0.00119
Street Lighting	\$0.03000

Toronto-Electric System Limited
RP-2005-0013 EB-2005-0081
Schedule of Changed Distribution Rates and Charges
Effective April 1, 2005 until April 30, 2006

LDCs may amend this schedule to reflect the rate classes that apply in their specific service territory.

RESIDENTIAL

Monthly Service Charge	(per customer/30 days)	\$13.64
Distribution Volumetric Rate	(per kWh)	\$0.01729
Rate Rider	(per kWh)	\$0.00276

RESIDENTIAL (Time of Use)

Monthly Service Charge	(per customer/30 days)	\$14.78
Distribution Volumetric Rate	(per kWh)	\$0.01729
Rate Rider	(per kWh)	\$0.00276

GENERAL SERVICE < 50 KW

Monthly Service Charge	(per customer/30 days)	\$18.27
Distribution Volumetric Rate	(per kWh)	\$0.02072
Rate Rider	(per kWh)	\$0.00118

GENERAL SERVICE > 50 KW (Non Time of Use)

Monthly Service Charge	(per customer/30 days)	\$28.93
Distribution Volumetric Rate	(per KVA/30 days)	\$5.64
Rate Rider	(per KVA/30 days)	\$0.26

GENERAL SERVICE > 50 KW (Time of Use)

Monthly Service Charge	(per customer/30 days)	\$29.23
Distribution Volumetric Rate	(per KVA/30 days)	\$5.63
Rate Rider	(per KVA/30 days)	\$0.05

INTERMEDIATE USE

Monthly Service Charge	(per customer/30 days)	\$803.72
Distribution Volumetric Rate	(per KVA/30 days)	\$4.66
Rate Rider	(per KVA/30 days)	\$0.04

LARGE USE

Monthly Service Charge	(per customer/30 days)	\$3,070.72
Distribution Volumetric Rate	(per KVA/30 days)	\$3.95
Rate Rider	(per KVA/30 days)	\$0.05

SENTINEL LIGHTS (Non Time of Use)

Monthly Service Charge	(per customer/30 days)	
Distribution Volumetric Rate	(per KVA/30 days)	
Rate Rider	(per KVA/30 days)	

Toronto-Electric System Limited
RP-2005-0013 EB-2005-0081
Schedule of Changed Distribution Rates and Charges
Effective April 1, 2005 until April 30, 2006

SENTINEL LIGHTS (Time of Use)

Monthly Service Charge	(per customer/30 days)
Distribution Volumetric Rate	(per KVA/30 days)
Rate Rider	(per KVA/30 days)

SMALL SCATTERED LOAD

ADMINISTRATION AND PROCESSING	(per customer/30 days)	\$2.26
Monthly Service Charge	(per connection/30 days)	\$0.29
Distribution Volumetric Rate	(per kWh)	\$0.02013
Rate Rider	(per kWh)	\$0.00119

STREET LIGHTING (Time of Use)

Monthly Service Charge	(per connection/30 days)	\$0.29
Distribution Volumetric Rate	(per KVA/30 days)	\$4.08
Rate Rider	(per KVA/30 days)	\$0.03

SHEET 12 - Current Rates as of April 1, 2004

Name of Utility:	Toronto-Electric System Limited	2005.V1.4
License Number:	ED-2002-0497	RP-2005-0013
Name of Contact:	Anthony Lam	EB-2005-0081
E- Mail Address:	alam@torontohydro.com	
Phone Number:	416 542 2876	Extension:
Date:	Jan 17, 2005	

In order to calculate bill impacts on Sheet 13, enter your current rates as approved in your 2004 Rate Order.

You may adjust the rate classes if your LDC has non-standard classes.

RESIDENTIAL

DISTRIBUTION KWH RATE	\$0.01410
MONTHLY SERVICE CHARGE (Per Customer/30 days)	\$14.03

RESIDENTIAL (TIME OF USE)

DISTRIBUTION KWH RATE	\$0.01410
MONTHLY SERVICE CHARGE (Per Customer/30 days)	\$14.03

GENERAL SERVICE < 50 KW

DISTRIBUTION KWH RATE	\$0.01900
MONTHLY SERVICE CHARGE (Per Customer/30 days)	\$18.59

GENERAL SERVICE > 50 KW (NON TIME OF USE)

DISTRIBUTION KVA RATE (per 30 Days)	\$5.46
MONTHLY SERVICE CHARGE (Per Customer/30 days)	\$29.69

GENERAL SERVICE > 50 KW (TIME OF USE)

DISTRIBUTION KVA RATE (per 30 Days)	\$5.45
MONTHLY SERVICE CHARGE (Per Customer/30 days)	\$29.61

SHEET 12 - Current Rates as of April 1, 2004

INTERMEDIATE USE

DISTRIBUTION KVA RATE (per 30 Days)	\$4.59
MONTHLY SERVICE CHARGE (Per Customer/30 days)	\$815.60

LARGE USE

DISTRIBUTION KVA RATE (per 30 Days)	\$4.00
MONTHLY SERVICE CHARGE (Per Customer/30 days)	\$3,142.32

SENTINEL LIGHTS (NON TIME OF USE)

DISTRIBUTION KVA RATE (per 30 Days)	
MONTHLY SERVICE CHARGE (Per Connection)	

OR

SENTINEL LIGHTS (TIME OF USE)

DISTRIBUTION KVA RATE (per 30 Days)	
MONTHLY SERVICE CHARGE (Per Connection)	

SMALL SCATTERED LOADS

DISTRIBUTION kWh RATE	\$0.01820
MONTHLY SERVICE CHARGE (Per connection/30 days)	\$0.29
Administration and Processing	\$2.85

STREET LIGHTING (TIME OF USE)

DISTRIBUTION KVA RATE (per 30 Days)	\$3.85
MONTHLY SERVICE CHARGE (Per connection/30 days)	\$0.30

Sheet 13 - Estimated Bill Impact Analysis for 2005 Rate Schedule

Name of Utility:	Toronto-Electric System Limited	2005.V1.0
License Number:	ED-2002-0497	RP-2005-0013
Name of Contact:	Anthony Lam	EB-2005-0081
E- Mail Address:	alam@torontohydro.com	
Phone Number:	416 542 2876	Extension:
Date:	Jan 17, 2005	

Monthly Consumption

RESIDENTIAL CLASS

For the purpose of this estimate, **Other Charges** include Retail Transmission Rate of \$0.0107, Wholesale Market Service Rate of \$0.0062 and Debt Reduction Charge of \$0.007 for a total of \$0.0239/kWh. These charges may differ slightly for your utility.
In addition, consumption has not been adjusted for line losses.

CURRENT 2004 BILL					FUTURE 2005 BILL											
ENTER DESIRED CONSUMPTION LEVEL (kWh)		kWh	RATE \$/kWh	CHARGE (\$)		kWh	RATE \$/kWh	CHARGE (\$)	IMPACT (\$)	IMPACT (%)						
100																
		Monthly Service Charge	N/A	N/A	\$	14.03		Monthly Service Charge	N/A	N/A	\$	13.64				
		Distribution (kWh)	\$	100	\$	0.0141	\$	1.41	Distribution (kWh)	100	\$	0.0201	\$	2.01		
					Sub-Total	\$	15.44				Sub Total	\$	15.65	\$	0.21	1.33%
		Other Charges (kWh)	\$	100	\$	0.0239	\$	2.39	Other Charges (kWh)	100	\$	0.0239	\$	2.39		
		Cost of Power (kWh)	\$	100	\$	0.0470	\$	4.70	Cost of Power (kWh)	100	\$	0.0470	\$	4.70		
		Current 2004 Bill			\$	22.53	Adjusted 2005 Bill			\$	22.74	\$	0.20	0.91%		

ENTER DESIRED CONSUMPTION LEVEL (kWh)		kWh	RATE \$/kWh	CHARGE (\$)		kWh	RATE \$/kWh	CHARGE (\$)	IMPACT (\$)	IMPACT (%)
250										
	Monthly Service Charge	N/A	N/A	\$ 14.03		Monthly Service Charge	N/A	\$ 13.64		
	Distribution (kWh)	250	\$ 0.0141	\$ 3.53		Distribution (kWh)	250	\$ 0.0201	\$ 5.01	
			Sub-Total	\$ 17.56			Sub Total	\$ 18.65	\$ 1.10	6.25%
	Other Charges (kWh)	250	\$ 0.0239	\$ 5.98		Other Charges (kWh)	250	\$ 0.0239	\$ 5.98	
	Cost of Power (kWh)	250	\$ 0.0470	\$ 11.75		Cost of Power (kWh)	250	\$ 0.0470	\$ 11.75	
	Current 2004 Bill			\$ 35.28		Adjusted 2005 Bill		\$ 36.38	\$ 1.10	3.11%

ENTER DESIRED CONSUMPTION LEVEL (kWh)		kWh	RATE \$/kWh	CHARGE (\$)		kWh	RATE \$/kWh	CHARGE (\$)	IMPACT (\$)	IMPACT (%)
500										
	Monthly Service Charge	N/A	N/A	\$ 14.03		Monthly Service Charge	N/A	\$ 13.64		
	Distribution (kWh)	500	\$ 0.0141	\$ 7.05		Distribution (kWh)	500	\$ 0.0201	\$ 10.03	
			Sub-Total	\$ 21.08			Sub Total	\$ 23.67	\$ 2.59	12.26%
	Other Charges (kWh)	500	\$ 0.0239	\$ 11.95		Other Charges (kWh)	500	\$ 0.0239	\$ 11.95	
	Cost of Power (kWh)	500	\$ 0.0470	\$ 23.50		Cost of Power (kWh)	500	\$ 0.0470	\$ 23.50	
	Current 2004 Bill			\$ 56.5300		Adjusted 2005 Bill		\$ 59.1150	\$ 2.59	4.57%

Sheet 13 - Estimated Bill Impact Analysis for 2005 Rate Schedule

ENTER DESIRED CONSUMPTION LEVEL (kWh)		kWh	RATE \$/kWh	CHARGE (\$)		kWh	RATE \$/kWh	CHARGE (\$)	IMPACT (\$)	IMPACT (%)
750										
	Monthly Service Charge	N/A	N/A	\$ 14.03		Monthly Service Charge	N/A	\$ 13.64		
	Distribution (kWh)	750	\$0.0141	\$ 10.58		Distribution (kWh)	750	\$ 0.0201	\$ 15.04	
			Sub-Total	\$ 24.61			Sub Total	\$ 28.68	\$ 4.07	16.55%
	Other Charges (kWh)	750	\$0.0239	\$ 17.93		Other Charges (kWh)	750	\$ 0.0239	\$ 17.93	
	Cost of Power (kWh)	750	\$0.0470	\$ 35.25		Cost of Power (kWh)	750	\$ 0.0470	\$ 35.25	
	Current 2004 Bill			\$ 77.78		Adjusted 2005 Bill		\$ 81.85	\$ 4.07	5.24%

ENTER DESIRED CONSUMPTION LEVEL (kWh)		kWh	RATE \$/kWh	CHARGE (\$)		kWh	RATE \$/kWh	CHARGE (\$)	IMPACT (\$)	IMPACT (%)
1,000										
	Monthly Service Charge	N/A	N/A	\$ 14.03		Monthly Service Charge	N/A	\$ 13.64		
	Distribution (kWh)	1000	\$0.0141	\$ 14.10		Distribution (kWh)	1000	\$ 0.0201	\$ 20.05	
			Sub-Total	\$ 28.13			Sub Total	\$ 33.69	\$ 5.56	19.77%
	Other Charges (kWh)	1000	0.0239	\$ 23.90		Other Charges (kWh)	1000	\$ 0.0239	\$ 23.90	
	Cost of Power (kWh)	750	0.0470	\$ 35.25		Cost of Power (kWh)	750	\$ 0.0470	\$ 35.25	
	Cost of Power (kWh)	250	0.0550	\$ 13.75		Cost of Power (kWh)	250	\$ 0.0550	\$ 13.75	
	Current 2004 Bill			\$ 101.03		Adjusted 2005 Bill		\$ 106.59	\$ 5.56	5.50%

ENTER DESIRED CONSUMPTION LEVEL (kWh)		kWh	RATE \$/kWh	CHARGE (\$)		kWh	RATE \$/kWh	CHARGE (\$)	IMPACT (\$)	IMPACT (%)
1,500										
	Monthly Service Charge	N/A	N/A	\$ 14.03		Monthly Service Charge	N/A	\$ 13.64		
	Distribution (kWh)	1500	\$0.0141	\$ 21.15		Distribution (kWh)	1500	\$ 0.0201	\$ 30.08	
			Sub-Total	\$ 35.18			Sub Total	\$ 43.72	\$ 8.54	24.26%
	Other Charges (kWh)	1500	0.0239	\$ 35.85		Other Charges (kWh)	1500	\$ 0.0239	\$ 35.85	
	Cost of Power (kWh)	750	0.0470	\$ 35.25		Cost of Power (kWh)	750	\$ 0.0470	\$ 35.25	
	Cost of Power (kWh)	750	0.0550	\$ 41.25		Cost of Power (kWh)	750	\$ 0.0550	\$ 41.25	
	Current 2004 Bill			\$ 147.53		Adjusted 2005 Bill		\$ 156.07	\$ 8.54	5.79%

ENTER DESIRED CONSUMPTION LEVEL (kWh)		kWh	RATE \$/kWh	CHARGE (\$)		kWh	RATE \$/kWh	CHARGE (\$)	IMPACT (\$)	IMPACT (%)
2,000										
	Monthly Service Charge	N/A	N/A	\$ 14.03		Monthly Service Charge	N/A	\$ 13.64		
	Distribution (kWh)	2000	\$0.0141	\$ 28.20		Distribution (kWh)	2000	\$ 0.0201	\$ 40.10	
			Sub-Total	\$ 42.23			Sub Total	\$ 53.74	\$ 11.51	27.26%
	Other Charges (kWh)	2000	0.0239	\$ 47.80		Other Charges (kWh)	2000	\$ 0.0239	\$ 47.80	
	Cost of Power (kWh)	750	0.0470	\$ 35.25		Cost of Power (kWh)	750	\$ 0.0470	\$ 35.25	
	Cost of Power (kWh)	1,250	0.0550	\$ 68.75		Cost of Power (kWh)	1,250	\$ 0.0550	\$ 68.75	
	Current 2004 Bill			\$ 194.03		Adjusted 2005 Bill		\$ 205.54	\$ 11.51	5.93%

Sheet 13 - Estimated Bill Impact Analysis for 2005 Rate Schedule

GENERAL SERVICE < 50 KW

For the purpose of this estimate, **Other Charges** include Retail Transmission Rate of \$0.0097, Wholesale Market Service Rate of \$0.0062 and Debt Reduction Charge of \$0.007 for a total of \$0.0229/kWh. These charges may differ slightly for your utility.
In addition, consumption has not been adjusted for line losses.

CURRENT 2004 BILL					FUTURE 2005 BILL						
ENTER DESIRED CONSUMPTION LEVEL (kWh) 1,000		kWh	RATE \$/kWh	CHARGE (\$)		kWh	RATE \$/kWh	CHARGE (\$)	IMPACT (\$)	IMPACT (%)	
		Monthly Service Charge	N/A	N/A	\$ 18.59	Monthly Service Charge	N/A	N/A	\$ 18.27	\$ 2.58	6.86%
		Distribution (kWh)	1000	\$ 0.0190	\$ 19.00	Distribution (kWh)	1000	\$ 0.0219	\$ 21.90		
				Sub-Total	\$ 37.59			Sub Total	\$ 40.17		
		Other Charges (kWh)	1000	\$ 0.0229	\$ 22.90	Other Charges (kWh)	1000	\$ 0.0229	\$ 22.90		
		Cost of Power (kWh)	1000	\$ 0.0470	\$ 47.00	Cost of Power (kWh)	1000	\$ 0.0470	\$ 47.00		
		Current 2004 Bill			\$ 107.49	Adjusted 2005 Bill			\$ 110.07	\$ 2.58	2.40%
ENTER DESIRED CONSUMPTION LEVEL (kWh) 2,000		kWh	RATE \$/kWh	CHARGE (\$)		kWh	RATE \$/kWh	CHARGE (\$)	IMPACT (\$)	IMPACT (%)	
		Monthly Service Charge	N/A	N/A	\$ 18.59	Monthly Service Charge	N/A	N/A	\$ 18.27	\$ 5.48	9.68%
		Distribution (kWh)	2000	\$0.0190	\$ 38.00	Distribution (kWh)	2000	\$0.0219	\$ 43.80		
				Sub-Total	\$ 56.59			Sub Total	\$ 62.07		
		Other Charges (kWh)	2000	\$0.0229	\$ 45.80	Other Charges (kWh)	2,000	\$0.0229	\$ 45.80		
		Cost of Power (kWh)	750	\$0.0470	\$ 35.25	Cost of Power (kWh)	750	\$0.0470	\$ 35.25		
		Cost of Power (kWh)	1,250	\$0.0550	\$ 68.75	Cost of Power (kWh)	1,250	\$0.0550	\$ 68.75		
Current 2004 Bill			\$ 206.39	Adjusted 2005 Bill			\$ 211.87	\$ 5.48	2.66%		
ENTER DESIRED CONSUMPTION LEVEL (kWh) 5,000		kWh	RATE \$/kWh	CHARGE (\$)		kWh	RATE \$/kWh	CHARGE (\$)	IMPACT (\$)	IMPACT (%)	
		Monthly Service Charge	N/A	N/A	\$ 18.59	Monthly Service Charge	N/A	N/A	\$ 18.27	\$ 14.18	12.48%
		Distribution (kWh)	5000	\$0.0190	\$ 95.00	Distribution (kWh)	5000	\$0.0219	\$ 109.50		
				Sub-Total	\$ 113.59			Sub Total	\$ 127.77		
		Other Charges (kWh)	5000	\$0.0229	\$ 114.50	Other Charges (kWh)	5,000	\$0.0229	\$ 114.50		
		Cost of Power (kWh)	750	\$0.0470	\$ 35.25	Cost of Power (kWh)	750	\$0.0470	\$ 35.25		
		Cost of Power (kWh)	4,250	\$0.0550	\$ 233.75	Cost of Power (kWh)	4,250	\$0.0550	\$ 233.75		
Current 2004 Bill			\$ 497.09	Adjusted 2005 Bill			\$ 511.27	\$ 14.18	2.85%		

Sheet 13 - Estimated Bill Impact Analysis for 2005 Rate Schedule

ENTER DESIRED CONSUMPTION LEVEL (kWh)		kWh	RATE \$/kWh	CHARGE (\$)		kWh	RATE \$/kWh	CHARGE (\$)	IMPACT (\$)	IMPACT (%)
10,000										
	Monthly Service Charge	N/A	N/A	\$ 18.59		Monthly Service Charge	N/A	\$ 18.27		
	Distribution (kWh)	10000	\$0.0190	\$ 190.00		Distribution (kWh)	10000	\$0.0219	\$ 219.00	
			Sub-Total	\$ 208.59			Sub Total	\$ 237.27	\$ 28.68	13.75%
	Other Charges (kWh)	10000	\$0.0229	\$ 229.00		Other Charges (kWh)	10,000	\$0.0229	\$ 229.00	
	Cost of Power (kWh)	750	\$0.0470	\$ 35.25		Cost of Power (kWh)	750	\$0.0470	\$ 35.25	
	Cost of Power (kWh)	9,250	\$0.0550	\$ 508.75		Cost of Power (kWh)	9,250	\$0.0550	\$ 508.75	
	Current 2004 Bill			\$ 981.59		Adjusted 2005 Bill		\$ 1,010.27	\$ 28.68	2.92%

ENTER DESIRED CONSUMPTION LEVEL (kWh)		kWh	RATE \$/kWh	CHARGE (\$)		kWh	RATE \$/kWh	CHARGE (\$)	IMPACT (\$)	IMPACT (%)
15,000										
	Monthly Service Charge	N/A	N/A	\$ 18.59		Monthly Service Charge	N/A	\$ 18.27		
	Distribution (kWh)	15000	\$0.0190	\$ 285.00		Distribution (kWh)	15000	\$0.0219	\$ 328.50	
			Sub-Total	\$ 303.59			Sub Total	\$ 346.77	\$ 43.18	14.22%
	Other Charges (kWh)	15000	\$0.0229	\$ 343.50		Other Charges (kWh)	15,000	\$0.0229	\$ 343.50	
	Cost of Power (kWh)	750	\$0.0470	\$ 35.25		Cost of Power (kWh)	750	\$0.0470	\$ 35.25	
	Cost of Power (kWh)	14,250	\$0.0550	\$ 783.75		Cost of Power (kWh)	14,250	\$0.0550	\$ 783.75	
	Current 2004 Bill			\$ 1,466.09		Adjusted 2005 Bill		\$ 1,509.27	\$ 43.18	2.95%

Sheet 13 - Estimated Bill Impact Analysis for 2005 Rate Schedule

GENERAL SERVICE > 50 kW to 1000 kW (Without Interval Meters)

For the purpose of this estimate, **Other Charges** include Retail Transmission Rate of \$3.91/kW, Wholesale Market Service Rate of \$0.0062 and Debt Reduction Charge of \$0.007 for a total of \$0.0132/kWh. These charges may differ slightly for your utility.
Cost of Power is estimated to be 5.5 cents/kWh based on the estimate included in the Market Surveillance Panel Market Report of December 17, 2003.
You may have more accurate estimates for your utility. Consumption has not been adjusted for line losses.

CURRENT 2004 BILL					FUTURE 2005 BILL					
ENTER DESIRED CONSUMPTION LEVEL		KVA/ kWh	RATE \$/KVA or \$/kWh	CHARGE (\$)		KVA/ kWh	RATE \$/KVA or \$/kWh	CHARGE (\$)	IMPACT (\$)	IMPACT (%)
KVA										
60	Monthly Service Charge	N/A	N/A	\$ 29.69	Monthly Service Charge	N/A	N/A	\$ 28.93		
kWh	Distribution (KVA)	60	\$5.46000	\$ 327.60	Distribution (KVA)	60	\$5.9000	\$ 354.00		
			Sub-Total	\$ 357.29			Sub Total	\$ 382.93		
15,000	Other Charges (KVA)	60	\$3.91000	\$ 234.60	Other Charges (KVA)	60.00	\$3.9100	\$ 234.60		
	Other Charges (kWh)	15,000	\$0.01320	\$ 198.00	Other Charges (kWh)	15,000	\$0.0132	\$ 198.00		
	Cost of Power (kWh)	15,000	\$0.05500	\$ 825.00	Cost of Power (kWh)	15,000	\$0.0550	\$ 825.00		
	Current 2004 Bill			\$ 1,614.89	Adjusted 2005 Bill			\$ 1,640.53		

ENTER DESIRED CONSUMPTION LEVEL		KVA/ kWh	RATE \$/KVA or \$/kWh	CHARGE (\$)		KVA/ kWh	RATE \$/KVA or \$/kWh	CHARGE (\$)	IMPACT (\$)	IMPACT (%)
KVA										
100	Monthly Service Charge	N/A	N/A	\$ 29.69	Monthly Service Charge	N/A	N/A	\$ 28.93		
kWh	Distribution (KVA)	100	\$5.4600	\$ 546.00	Distribution (KVA)	100	\$5.9000	\$ 590.00		
			Sub-Total	\$ 575.69			Sub Total	\$ 618.93		
40,000	Other Charges (KVA)	100	\$3.9100	\$ 391.00	Other Charges (KVA)	100.00	\$3.9100	\$ 391.00		
	Other Charges (kWh)	40,000	\$0.0132	\$ 528.00	Other Charges (kWh)	40,000	\$0.0132	\$ 528.00		
	Cost of Power (kWh)	40,000	\$0.0550	\$ 2,200.00	Cost of Power (kWh)	40,000	\$0.0550	\$ 2,200.00		
	Current 2004 Bill			\$ 3,694.69	Adjusted 2005 Bill			\$ 3,737.93		

ENTER DESIRED CONSUMPTION LEVEL		KVA/ kWh	RATE \$/KVA or \$/kWh	CHARGE (\$)		KVA/ kWh	RATE \$/KVA or \$/kWh	CHARGE (\$)	IMPACT (\$)	IMPACT (%)
KVA										
500	Monthly Service Charge	N/A	N/A	\$ 29.69	Monthly Service Charge	N/A	N/A	\$ 28.93		
kWh	Distribution (KVA)	500	\$5.4600	\$ 2,730.00	Distribution (KVA)	500	\$5.9000	\$ 2,950.00		
			Sub-Total	\$ 2,759.69			Sub Total	\$ 2,978.93		
100,000	Other Charges (KVA)	500	\$3.9100	\$ 1,955.00	Other Charges (KVA)	500.00	\$3.9100	\$ 1,955.00		
	Other Charges (kWh)	100,000	\$0.0132	\$ 1,320.00	Other Charges (kWh)	100,000	\$0.0132	\$ 1,320.00		
	Cost of Power (kWh)	100,000	\$0.0550	\$ 5,500.00	Cost of Power (kWh)	100,000	\$0.0550	\$ 5,500.00		
	Current 2004 Bill			\$ 11,534.69	Adjusted 2005 Bill			\$ 11,753.93		

Sheet 13 - Estimated Bill Impact Analysis for 2005 Rate Schedule

ENTER DESIRED CONSUMPTION LEVEL		KVA/ kWh	RATE \$/KVA or \$/kWh	CHARGE (\$)		KVA/ kWh	RATE \$/KVA or \$/kWh	CHARGE (\$)	IMPACT (\$)	IMPACT (%)
KVA										
1,000	Monthly Service Charge	N/A	N/A	\$ 29.69		Monthly Service Charge	N/A	\$ 28.93		
kWh	Distribution (KVA)	1,000	\$5.4600	\$ 5,460.00		Distribution (KVA)	1000	\$5.9000	\$ 5,900.00	
400,000			Sub-Total	\$ 5,489.69			Sub Total	\$ 5,928.93	\$ 439.24	8.00%
	Other Charges (KVA)	1,000	3.9100	\$ 3,910.00		Other Charges (KVA)	1,000.00	3.9100	\$ 3,910.00	
	Other Charges (kWh)	400,000	0.0132	\$ 5,280.00		Other Charges (kWh)	400,000	0.0132	\$ 5,280.00	
	Cost of Power (kWh)	400,000	0.0550	\$ 22,000.00		Cost of Power (kWh)	400,000	0.0550	\$ 22,000.00	
Current 2004 Bill				\$ 36,679.69		Adjusted 2005 Bill				\$ 37,118.93
										\$ 439.24 1.20%

ENTER DESIRED CONSUMPTION LEVEL		KVA/ kWh	RATE \$/KVA or \$/kWh	CHARGE (\$)		KVA/ kWh	RATE \$/KVA or \$/kWh	CHARGE (\$)	IMPACT (\$)	IMPACT (%)
KVA										
3,000	Monthly Service Charge	N/A	N/A	\$ 29.69		Monthly Service Charge	N/A	\$ 28.93		
kWh	Distribution (KVA)	3,000	\$5.4600	\$ 16,380.00		Distribution (KVA)	3000	\$5.9000	\$ 17,700.00	
1,000,000			Sub-Total	\$ 16,409.69			Sub Total	\$ 17,728.93	\$ 1,319.24	8.04%
	Other Charges (KVA)	3,000	3.9100	\$ 11,730.00		Other Charges (KVA)	3,000.00	3.9100	\$ 11,730.00	
	Other Charges (kWh)	1,000,000	0.0132	\$ 13,200.00		Other Charges (kWh)	1,000,000	0.0132	\$ 13,200.00	
	Cost of Power (kWh)	1,000,000	0.0550	\$ 55,000.00		Cost of Power (kWh)	1,000,000	0.0550	\$ 55,000.00	
Current 2004 Bill				\$ 96,339.69		Adjusted 2005 Bill				\$ 97,658.93
										\$ 1,319.24 1.37%

Sheet 13 - Estimated Bill Impact Analysis for 2005 Rate Schedule

GENERAL SERVICE > 50 kW to 1000 kW (With Interval Meters)

For the purpose of this estimate, **Other Charges** include Retail Transmission Rate of \$3.91/kWh, Wholesale Market Service Rate of \$0.0062 and Debt Reduction Charge of \$0.007 for a total of \$0.0132/kWh. These charges may differ slightly for your utility.
Cost of Power is estimated to be 5.5 cents/kWh based on the estimate included in the Market Surveillance Panel Market Report of December 17, 2003.
You may have more accurate estimates for your utility. Consumption has not been adjusted for line losses.

CURRENT 2004 BILL					FUTURE 2005 BILL						
ENTER DESIRED CONSUMPTION LEVEL		KVA/ kWh	RATE \$/KVA or \$/kWh	CHARGE (\$)		KVA/ kWh	RATE \$/KVA or \$/kWh	CHARGE (\$)	IMPACT (\$)	IMPACT (%)	
KVA											
60	Monthly Service Charge	N/A	N/A	\$ 29.69	Monthly Service Charge	N/A	N/A	\$ 28.93			
kWh	Distribution (KVA)	60	\$5.45000	\$ 327.00	Distribution (KVA)	60	\$5.6800	\$ 340.80			
15,000	Sub-Total		\$ 356.69		Sub Total		\$ 369.73	\$ 13.04			3.66%
	Other Charges (KVA)	60	\$3.91000	\$ 234.60	Other Charges (KVA)	60.00	\$3.9100	\$ 234.60			
	Other Charges (kWh)	15,000	\$0.01320	\$ 198.00	Other Charges (kWh)	15,000	\$0.0132	\$ 198.00			
	Cost of Power (kWh)	15,000	\$0.05500	\$ 825.00	Cost of Power (kWh)	15,000	\$0.0550	\$ 825.00			
Current 2004 Bill				\$ 1,614.29	Adjusted 2005 Bill				\$ 1,627.33	\$ 13.04	0.81%

ENTER DESIRED CONSUMPTION LEVEL		KVA/ kWh	RATE \$/KVA or \$/kWh	CHARGE (\$)		KVA/ kWh	RATE \$/KVA or \$/kWh	CHARGE (\$)	IMPACT (\$)	IMPACT (%)	
KVA											
100	Monthly Service Charge	N/A	N/A	\$ 29.69	Monthly Service Charge	N/A	N/A	\$ 28.93			
kWh	Distribution (KVA)	100	\$5.4500	\$ 545.00	Distribution (KVA)	100	\$5.6800	\$ 568.00			
40,000	Sub-Total		\$ 574.69		Sub Total		\$ 596.93	\$ 22.24			3.87%
	Other Charges (KVA)	100	\$3.9100	\$ 391.00	Other Charges (KVA)	100.00	\$3.9100	\$ 391.00			
	Other Charges (kWh)	40,000	\$0.0132	\$ 528.00	Other Charges (kWh)	40,000	\$0.0132	\$ 528.00			
	Cost of Power (kWh)	40,000	\$0.0550	\$ 2,200.00	Cost of Power (kWh)	40,000	\$0.0550	\$ 2,200.00			
Current 2004 Bill				\$ 3,693.69	Adjusted 2005 Bill				\$ 3,715.93	\$ 22.24	0.60%

ENTER DESIRED CONSUMPTION LEVEL		KVA/ kWh	RATE \$/KVA or \$/kWh	CHARGE (\$)		KVA/ kWh	RATE \$/KVA or \$/kWh	CHARGE (\$)	IMPACT (\$)	IMPACT (%)	
KVA											
500	Monthly Service Charge	N/A	N/A	\$ 29.69	Monthly Service Charge	N/A	N/A	\$ 28.93			
kWh	Distribution (KVA)	500	\$5.4500	\$ 2,725.00	Distribution (KVA)	500	\$5.6800	\$ 2,840.00			
100,000	Sub-Total		\$ 2,754.69		Sub Total		\$ 2,868.93	\$ 114.24			4.15%
	Other Charges (KVA)	500	\$3.9100	\$ 1,955.00	Other Charges (KVA)	500.00	\$3.9100	\$ 1,955.00			
	Other Charges (kWh)	100,000	\$0.0132	\$ 1,320.00	Other Charges (kWh)	100,000	\$0.0132	\$ 1,320.00			
	Cost of Power (kWh)	100,000	\$0.0550	\$ 5,500.00	Cost of Power (kWh)	100,000	\$0.0550	\$ 5,500.00			
Current 2004 Bill				\$ 11,529.69	Adjusted 2005 Bill				\$ 11,643.93	\$ 114.24	0.99%

Sheet 13 - Estimated Bill Impact Analysis for 2005 Rate Schedule

ENTER DESIRED CONSUMPTION LEVEL		KVA/ kWh	RATE \$/KVA or \$/kWh	CHARGE (\$)		KVA/ kWh	RATE \$/KVA or \$/kWh	CHARGE (\$)	IMPACT (\$)	IMPACT (%)
KVA										
1,000	Monthly Service Charge	N/A	N/A	\$ 29.69		Monthly Service Charge	N/A	\$ 28.93		
	Distribution (KVA)	1,000	\$5.4500	\$ 5,450.00		Distribution (KVA)	1000	\$5.6800	\$ 5,680.00	
400,000			Sub-Total	\$ 5,479.69			Sub Total	\$ 5,708.93	\$ 229.24	4.18%
	Other Charges (KVA)	1,000	3.9100	\$ 3,910.00		Other Charges (KVA)	1,000.00	3.9100	\$ 3,910.00	
	Other Charges (kWh)	400,000	0.0132	\$ 5,280.00		Other Charges (kWh)	400,000	0.0132	\$ 5,280.00	
	Cost of Power (kWh)	400,000	0.0550	\$ 22,000.00		Cost of Power (kWh)	400,000	0.0550	\$ 22,000.00	
	Current 2004 Bill			\$ 36,669.69		Adjusted 2005 Bill		\$ 36,898.93	\$ 229.24	0.63%

ENTER DESIRED CONSUMPTION LEVEL		KVA/ kWh	RATE \$/KVA or \$/kWh	CHARGE (\$)		KVA/ kWh	RATE \$/KVA or \$/kWh	CHARGE (\$)	IMPACT (\$)	IMPACT (%)
KVA										
3,000	Monthly Service Charge	N/A	N/A	\$ 29.69		Monthly Service Charge	N/A	\$ 28.93		
	Distribution (KVA)	3,000	\$5.4500	\$ 16,350.00		Distribution (KVA)	3000	\$5.6800	\$ 17,040.00	
1,000,000			Sub-Total	\$ 16,379.69			Sub Total	\$ 17,068.93	\$ 689.24	4.21%
	Other Charges (KVA)	3,000	3.9100	\$ 11,730.00		Other Charges (KVA)	3,000.00	3.9100	\$ 11,730.00	
	Other Charges (kWh)	1,000,000	0.0132	\$ 13,200.00		Other Charges (kWh)	1,000,000	0.0132	\$ 13,200.00	
	Cost of Power (kWh)	1,000,000	0.0550	\$ 55,000.00		Cost of Power (kWh)	1,000,000	0.0550	\$ 55,000.00	
	Current 2004 Bill			\$ 96,309.69		Adjusted 2005 Bill		\$ 96,998.93	\$ 689.24	0.72%

Sheet 13 - Estimated Bill Impact Analysis for 2005 Rate Schedule

INTERMEDIATE CLASS (> 1000 kW to 5000 kW)

For the purpose of this estimate, **Other Charges** include Retail Transmission Rate of \$4.2138/kWh, Wholesale Market Service Rate of \$0.0062 and Debt Reduction Charge of \$0.007 for a total of \$0.0132/kWh. These charges may differ slightly for your utility.
Cost of Power is estimated to be 5.5 cents/kWh based on the estimate included in the Market Surveillance Panel Market Report of December 17, 2003.
You may have more accurate estimates for your utility. Consumption has not been adjusted for line losses.

		CURRENT 2004 BILL				FUTURE 2005 BILL					
ENTER DESIRED CONSUMPTION LEVEL KVA		KVA/ kWh	RATE \$/KVA or \$/kWh	CHARGE (\$)		KVA/ kWh	RATE \$/KVA or \$/kWh	CHARGE (\$)	IMPACT (\$)	IMPACT (%)	
3,000	Monthly Service Charge	N/A	N/A	\$ 815.60	Monthly Service Charge	N/A	N/A	\$ 803.72			
kWh	Distribution (KVA)	3,000	\$4.5900	\$ 13,770.00	Distribution (KVA)	3000	\$4.70	\$ 14,100.00			
800,000			Sub-Total	\$ 14,585.60			Sub Total	\$ 14,903.72	\$ 318.12	2.18%	
	Other Charges (KVA)	3,000	4.2138	\$ 12,641.40	Other Charges (kWh)	3,000.00	4.2138	\$ 12,641.40			
	Other Charges (kWh)	800,000	0.0132	\$ 10,560.00	Other Charges (kWh)	800,000	0.0132	\$ 10,560.00			
	Cost of Power (kWh)	800,000	0.0550	\$ 44,000.00	Cost of Power (kWh)	800,000	0.0550	\$ 44,000.00			
	Current 2004 Bill			\$ 81,787.00	Adjusted 2005 Bill			\$ 82,105.12	\$ 318.12	0.389%	

ENTER DESIRED CONSUMPTION LEVEL		KVA/ kWh	RATE \$/KVA or \$/kWh	CHARGE (\$)		KVA/ kWh	RATE \$/KVA or \$/kWh	CHARGE (\$)	IMPACT (\$)	IMPACT (%)
KVA										
3,000	Monthly Service Charge	N/A	N/A	\$ 815.60	Monthly Service Charge	N/A	N/A	\$ 803.72		
	Distribution (KVA)	3,000	\$4.5900	\$ 13,770.00	Distribution (KVA)	3000	\$4.70	\$ 14,100.00		
1,000,000			Sub-Total	\$ 14,585.60			Sub Total	\$ 14,903.72	\$ 318.12	2.18%
	Other Charges (KVA)	3,000	4.2138	\$ 12,641.40	Other Charges (kWh)	3,000.00	4.2138	\$ 12,641.40		
	Other Charges (kWh)	1,000,000	0.0132	\$ 13,200.00	Other Charges (kWh)	1,000,000	0.0132	\$ 13,200.00		
	Cost of Power (kWh)	1,000,000	0.0550	\$ 55,000.00	Cost of Power (kWh)	1,000,000	0.0550	\$ 55,000.00		
	Current 2004 Bill			\$ 95,427.00	Adjusted 2005 Bill			\$ 95,745.12	\$ 318.12	0.333%

ENTER DESIRED CONSUMPTION LEVEL		KVA/ kWh	RATE \$/KVA or \$/kWh	CHARGE (\$)		KVA/ kWh	RATE \$/KVA or \$/kWh	CHARGE (\$)	IMPACT (\$)	IMPACT (%)
KVA										
4,000	Monthly Service Charge	N/A	N/A	\$ 815.60	Monthly Service Charge	N/A	N/A	\$ 803.72		
	Distribution (KVA)	4,000	\$4.5900	\$ 18,360.00	Distribution (KVA)	4000	\$4.70	\$ 18,800.00		
1,200,000			Sub-Total	\$ 19,175.60			Sub Total	\$ 19,603.72	\$ 428.12	2.23%
	Other Charges (KVA)	4,000	4.2138	\$ 16,855.20	Other Charges (kWh)	4,000.00	4.2138	\$ 16,855.20		
	Other Charges (kWh)	1,200,000	0.0132	\$ 15,840.00	Other Charges (kWh)	1,200,000	0.0132	\$ 15,840.00		
	Cost of Power (kWh)	1,200,000	0.0550	\$ 66,000.00	Cost of Power (kWh)	1,200,000	0.0550	\$ 66,000.00		
	Current 2004 Bill			\$ 117,870.80	Adjusted 2005 Bill			\$ 118,298.92	\$ 428.12	0.36%

Sheet 13 - Estimated Bill Impact Analysis for 2005 Rate Schedule

ENTER DESIRED CONSUMPTION LEVEL		KVA/ kWh	RATE \$/KVA or \$/kWh	CHARGE (\$)		KVA/ kWh	RATE \$/KVA or \$/kWh	CHARGE (\$)	IMPACT (\$)	IMPACT (%)
KVA										
4,000	Monthly Service Charge	N/A	N/A	\$ 815.60	Monthly Service Charge	N/A	N/A	\$ 803.72		
kWh	Distribution (KVA)	4,000	\$4.5900	\$ 18,360.00	Distribution (KVA)	4000	\$4.70	\$ 18,800.00		
1,800,000			Sub-Total	\$ 19,175.60			Sub Total	\$ 19,603.72	\$ 428.12	2.23%
	Other Charges (KVA)	4,000	4.2138	\$ 16,855.20	Other Charges (kWh)	4,000.00	4.2138	\$ 16,855.20		
	Other Charges (kWh)	1,800,000	0.0132	\$ 23,760.00	Other Charges (kWh)	1,800,000	0.0132	\$ 23,760.00		
	Cost of Power (kWh)	1,800,000	0.0550	\$ 99,000.00	Cost of Power (kWh)	1,800,000	0.0550	\$ 99,000.00		
	Current 2004 Bill			\$ 158,790.80	Adjusted 2005 Bill			\$ 159,218.92	\$ 428.12	0.270%

Sheet 13 - Estimated Bill Impact Analysis for 2005 Rate Schedule

LARGE USE CLASS (> 5000 KW)

For the purpose of this estimate, Other Charges include Retail Transmission Rate of \$0.047369/kWh, Wholesale Market Service Rate of \$0.0062 and Debt Reduction Charge of \$0.007 for a total of \$0.0132/kWh. These charges may differ slightly for your utility.
Cost of Power is estimated to be 5.5 cents/kWh based on the estimate included in the Market Surveillance Panel Market Report of December 17, 2003.
You may have more accurate estimates for your utility. Consumption has not been adjusted for line losses.

CURRENT 2004 BILL					FUTURE 2005 BILL					
ENTER DESIRED CONSUMPTION LEVEL KVA		KVA/ kWh	RATE \$/KVA or \$/kWh	CHARGE (\$)		KVA/ kWh	RATE \$/KVA or \$/kWh	CHARGE (\$)	IMPACT (\$)	IMPACT (%)
6,000	Monthly Service Charge	N/A	N/A	\$ 3,142.32	Monthly Service Charge	N/A	N/A	\$ 3,070.72	\$ (71.60)	-0.26%
kWh	Distribution (KVA)	6,000	\$4.0000	\$ 24,000.00	Distribution (KVA)	6000	\$4.00	\$ 24,000.00		
2,800,000			Sub-Total	\$ 27,142.32			Sub Total	\$ 27,070.72		
	Other Charges (KVA)	6,000	4.7400	\$ 28,440.00	Other Charges (kWh)	6,000.00	4.7400	\$ 28,440.00		
	Other Charges (kWh)	2,800,000	0.0132	\$ 36,960.00	Other Charges (kWh)	2,800,000	0.0132	\$ 36,960.00		
	Cost of Power (kWh)	2,800,000	0.0550	\$ 154,000.00	Cost of Power (kWh)	2,800,000	0.0550	\$ 154,000.00		
	Current 2004 Bill			\$ 246,542.32	Adjusted 2005 Bill			\$ 246,470.72	\$ (71.60)	-0.03%

ENTER DESIRED CONSUMPTION LEVEL KVA		KVA/ kWh	RATE \$/KVA or \$/kWh	CHARGE (\$)		KVA/ kWh	RATE \$/KVA or \$/kWh	CHARGE (\$)	IMPACT (\$)	IMPACT (%)
15,000	Monthly Service Charge	N/A	N/A	\$ 3,142.32	Monthly Service Charge	N/A	N/A	\$ 3,070.7200	\$ (71.60)	-0.11%
kWh	Distribution (KVA)	15,000	\$4.0000	\$ 60,000.00	Distribution (KVA)	15000	\$4.00	\$ 60,000.00		
10,000,000			Sub-Total	\$ 63,142.32			Sub Total	\$ 63,070.72		
	Other Charges (KVA)	15,000	0.0474	\$ 710.54	Other Charges (kWh)	15,000.00	0.0474	\$ 710.54		
	Other Charges (kWh)	10,000,000	0.0132	\$ 132,000.00	Other Charges (kWh)	10,000,000	0.0132	\$ 132,000.00		
	Cost of Power (kWh)	10,000,000	0.0550	\$ 550,000.00	Cost of Power (kWh)	10,000,000	0.0550	\$ 550,000.00		
	Current 2004 Bill			\$ 745,852.86	Adjusted 2005 Bill			\$ 745,781.26	\$ (71.60)	-0.01%

Canada Customs
and Revenue AgencyAgence des douanes
et du revenu du Canada

T2 CORPORATION INCOME TAX RETURN

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

Parts, sections, subsections, and paragraphs mentioned on this return refer to the *Income Tax Act*. This return may contain changes that had not yet become law at the time of printing. If you need more information about items on the return, see the *T2 Corporation – Income Tax Guide* (T4012).

Send one completed copy of this return, including schedules and the *General Index of Financial Information* (GIFI), to your tax services office or tax centre. You have to file the return within six months after the end of the corporation's taxation year. For more information on when and how to file T2 returns, refer to the Guide under the heading "Before you start."

055 Do not use this area

Toronto Hydro-Electric System Limited
EB-2012-0064
Tab 5
Schedule L3
Filed: 2012 June 1
(36 pages)

Identification**Business Number (BN)** **001** 89671 8327 RC0001**Corporation's name****002** TORONTO HYDRO-ELECTRIC SYSTEM LIMITEDHas the corporation changed its name
since the last time we were notified? **003** 1 Yes ☐ 2 No ☒If Yes, do you have a copy of
the articles of amendment? ... **004** 1 Yes ☐ 2 No ☐**Address of head office**Has the address changed since the
last time we were notified? **010** 1 Yes ☐ 2 No ☒**011** 14 CARLTON ST.**012** City Province, territory, or state**015** TORONTO **016** ON

Country (other than Canada) Postal code/Zip code

017 **018** M5B 1K5**Mailing address (if different from head office address)**Has the address changed since the
last time we were notified? **020** 1 Yes ☐ 2 No ☒**021** c/o**022** City Province, territory, or state**025** **026** Country (other than Canada) Postal code/Zip code**027** **028****Location of books and records**Has the location of books and records
changed since the last time we were
notified? **030** 1 Yes ☐ 2 No ☒**031** 14 CARLTON ST.**032** City Province, territory, or state**035** TORONTO **036** ON**037** **038** Country (other than Canada) Postal code/Zip code**040 Type of corporation at the end of the taxation year**

- | | |
|--|---|
| 1 <input checked="" type="checkbox"/> Canadian-controlled private corporation (CCPC) | 4 <input type="checkbox"/> Corporation controlled by a public corporation |
| 2 <input type="checkbox"/> Other private corporation | 5 <input type="checkbox"/> Other corporation (specify, below) |
| 3 <input type="checkbox"/> Public corporation | |

If the type of corporation changed during
the taxation year, provide the effective
date of the change **043** YYYY MM DD**To which taxation year does this return apply?**

Taxation year start	Taxation year end
060 2005-01-01 061 2005-12-31	
YYYY MM DD	YYYY MM DD

Has there been an acquisition of control
to which subsection 249(4) applies
since the previous taxation year? **063** 1 Yes ☐ 2 No ☒If Yes, provide the date
control was acquired **065** YYYY MM DD**Is the corporation a professional corporation that is a member of a partnership?****067** 1 Yes ☐ 2 No ☒**Is this the first year of filing after:**

Incorporation? 070 1 Yes <input type="checkbox"/> 2 No <input checked="" type="checkbox"/>
Amalgamation? 071 1 Yes <input type="checkbox"/> 2 No <input checked="" type="checkbox"/>

If Yes, complete lines 030 to 038 and attach Schedule 24.

Has there been a windup of a subsidiary under section 88 during the current taxation year?**072** 1 Yes ☐ 2 No ☒

If Yes, complete and attach Schedule 24.

Is this the final taxation year before amalgamation?**076** 1 Yes ☐ 2 No ☒**Is this the final return up to dissolution?****078** 1 Yes ☐ 2 No ☒**Is the corporation a resident of Canada?****080** 1 Yes ☒ 2 No ☐ If No, give the country of residence on line 081 and complete and attach Schedule 97.**081 Is the non-resident corporation claiming an exemption under an income tax treaty?****082** 1 Yes ☐ 2 No ☒

If Yes, complete and attach Schedule 91.

If the corporation is exempt from tax under section 149, tick one of the following boxes:

- | | |
|---------------------------------------|--|
| 085 1 <input type="checkbox"/> | Exempt under paragraph 149(1)(e) or (l) |
| 2 <input type="checkbox"/> | Exempt under paragraph 149(1)(j) |
| 3 <input type="checkbox"/> | Exempt under paragraph 149(1)(t) |
| 4 <input type="checkbox"/> | Exempt under other paragraphs of section 149 |

Do not use this area

091	092	093	094	095	096
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Attachments

Financial statement information: Use GIFL schedules 100, 125, and 141.

Schedules – Answer the following questions. For each Yes response, attach to the T2 return the schedule that applies.

	Yes	Schedule
Is the corporation related to any other corporations?	<input checked="" type="checkbox"/> 150	9
Does the corporation have any non-resident shareholders?	<input type="checkbox"/> 151	19
Is the corporation an associated Canadian-controlled private corporation?	<input checked="" type="checkbox"/> 160	23
Is the corporation an associated Canadian-controlled private corporation that is claiming the expenditure limit?	<input type="checkbox"/> 161	49
Has the corporation had any transactions, including section 85 transfers, with its shareholders, officers, or employees, other than transactions in the ordinary course of business? Exclude non-arm's length transactions with non-residents	<input type="checkbox"/> 162	11
If you answered Yes to the above question, and the transaction was between corporations not dealing at arm's length, were all or substantially all of the assets of the transferor disposed of to the transferee?	<input type="checkbox"/> 163	44
Has the corporation paid any royalties, management fees, or other similar payments to residents of Canada?	<input type="checkbox"/> 164	14
Is the corporation claiming a deduction for payments to a type of employee benefit plan?	<input type="checkbox"/> 165	15
Is the corporation claiming a loss or deduction from a tax shelter acquired after August 31, 1989?	<input type="checkbox"/> 166	T5004
Is the corporation a member of a partnership for which a partnership identification number has been assigned?	<input type="checkbox"/> 167	T5013
Did the corporation, a foreign affiliate controlled by the corporation, or any other corporation or trust that did not deal at arm's length with the corporation have a beneficial interest in a non-resident discretionary trust?	<input type="checkbox"/> 168	22
Did the corporation have any foreign affiliates during the year?	<input type="checkbox"/> 169	25
Has the corporation made any payments to non-residents of Canada under subsections 202(1) and/or 105(1) of the federal <i>Income Tax Regulations</i> ?	<input type="checkbox"/> 170	29
Has the corporation had any non-arm's length transactions with a non-resident?	<input type="checkbox"/> 171	T106
Has the corporation made payments to, or received amounts from, a retirement compensation plan arrangement during the year?	<input type="checkbox"/> 172	
For private corporations: Does the corporation have any shareholders who own 10% or more of the corporation's common and/or preferred shares?	<input checked="" type="checkbox"/> 173	50
Is the net income/loss shown on the financial statements different from the net income/loss for income tax purposes?	<input checked="" type="checkbox"/> 201	1
Has the corporation made any charitable donations; gifts to Canada, a province, or a territory; or gifts of cultural or ecological property?	<input type="checkbox"/> 202	2
Has the corporation received any dividends or paid any taxable dividends for purposes of the dividend refund?	<input checked="" type="checkbox"/> 203	3
Is the corporation claiming any type of losses?	<input type="checkbox"/> 204	4
Is the corporation claiming a provincial or territorial tax credit or does it have a permanent establishment in more than one jurisdiction?	<input type="checkbox"/> 205	5
Has the corporation realized any capital gains or incurred any capital losses during the taxation year?	<input checked="" type="checkbox"/> 206	6
i) Is the corporation claiming the small business deduction and reporting income from: a) property (other than dividends deductible on line 320 of the T2 return), b) a partnership, c) a foreign business, or d) a personal services business; or ii) is the corporation claiming the refundable portion of Part I tax?	<input checked="" type="checkbox"/> 207	7
Does the corporation have any property that is eligible for capital cost allowance?	<input checked="" type="checkbox"/> 208	8
Does the corporation have any property that is eligible capital property?	<input checked="" type="checkbox"/> 210	10
Does the corporation have any resource-related deductions?	<input type="checkbox"/> 212	12
Is the corporation claiming reserves of any kind?	<input type="checkbox"/> 213	13
Is the corporation claiming a patronage dividend deduction?	<input type="checkbox"/> 216	16
Is the corporation a credit union claiming a deduction for allocations in proportion to borrowing or an additional deduction?	<input type="checkbox"/> 217	17
Is the corporation an investment corporation or a mutual fund corporation?	<input type="checkbox"/> 218	18
Was the corporation carrying on business in Canada as a non-resident corporation?	<input type="checkbox"/> 220	20
Is the corporation claiming any federal or provincial foreign tax credits, or any federal or provincial logging tax credits?	<input type="checkbox"/> 221	21
Is the corporation a non-resident-owned investment corporation claiming an allowable refund?	<input type="checkbox"/> 226	26 *
Does the corporation have any Canadian manufacturing and processing profits?	<input type="checkbox"/> 227	27
Is the corporation claiming an investment tax credit?	<input type="checkbox"/> 231	31
Is the corporation claiming any scientific research and experimental development (SR&ED) expenditures?	<input checked="" type="checkbox"/> 232	T661
Is the corporation subject to gross Part I.3 tax?	<input checked="" type="checkbox"/> 233	33/34/35
Is the corporation a member of a related group with one or more members subject to gross Part I.3 tax?	<input checked="" type="checkbox"/> 236	36
Is the corporation claiming a surtax credit?	<input type="checkbox"/> 237	37
Is the corporation subject to gross Part VI tax on capital of financial institutions?	<input type="checkbox"/> 238	38
Is the corporation claiming a Part I tax credit?	<input type="checkbox"/> 242	42
Is the corporation subject to Part IV.1 tax on dividends received on taxable preferred shares or Part VI.1 tax on dividends paid?	<input type="checkbox"/> 243	43
Is the corporation agreeing to a transfer of the liability for Part VI.1 tax?	<input type="checkbox"/> 244	45
Is the corporation subject to Part II - Tobacco Manufacturers' surtax?	<input type="checkbox"/> 249	46
For financial institutions: Is the corporation a member of a related group of financial institutions with one or more members subject to gross Part VI tax?	<input type="checkbox"/> 250	39
Is the corporation claiming a Canadian film or video production tax credit refund?	<input type="checkbox"/> 253	T1131
Is the corporation claiming a film or video production services tax credit refund?	<input type="checkbox"/> 254	T1177
Is the corporation subject to Part XIII.1 tax?	<input type="checkbox"/> 255	92 *

* We do not print this schedule.

Attachments – continued from page 2

		Yes	Schedule
Did the corporation have any foreign affiliates that are not controlled foreign affiliates?	256	<input type="checkbox"/>	T1134-A
Did the corporation have any controlled foreign affiliates?	258	<input type="checkbox"/>	T1134-B
Did the corporation own specified foreign property in the year with a cost amount over \$100,000?	259	<input type="checkbox"/>	T1135
Did the corporation transfer or loan property to a non-resident trust?	260	<input type="checkbox"/>	T1141
Did the corporation receive a distribution from or was it indebted to a non-resident trust in the year?	261	<input type="checkbox"/>	T1142
Has the corporation entered into an agreement to allocate assistance for SR&ED carried out in Canada?	262	<input type="checkbox"/>	T1145
Has the corporation entered into an agreement to transfer qualified expenditures incurred in respect of SR&ED contracts?	263	<input type="checkbox"/>	T1146
Has the corporation entered into an agreement with other associated corporations for salary or wages of specified employees for SR&ED?	264	<input type="checkbox"/>	T1174

Additional information

Is the corporation inactive?	280	1 Yes <input type="checkbox"/>	2 No <input checked="" type="checkbox"/>
Has the major business activity changed since the last return was filed? (enter Yes for first-time filers)	281	1 Yes <input type="checkbox"/>	2 No <input checked="" type="checkbox"/>
What is the corporation's major business activity? (Only complete if Yes was entered at line 281.)	282		
If the major business activity involves the resale of goods, show whether it is wholesale or retail	283	1 Wholesale <input type="checkbox"/>	2 Retail <input type="checkbox"/>
Specify the principal product(s) mined, manufactured, sold, constructed, or services provided, giving the approximate percentage of the total revenue that each product or service represents.	284	ELECTRICITY DISTRIB.	285 100.000 %
	286		287 %
	288		289 %
Did the corporation immigrate to Canada during the taxation year?	291	1 Yes <input type="checkbox"/>	2 No <input checked="" type="checkbox"/>
Did the corporation emigrate from Canada during the taxation year?	292	1 Yes <input type="checkbox"/>	2 No <input checked="" type="checkbox"/>

Taxable income

Net income or (loss) for income tax purposes from Schedule 1, financial statements, or GIFL.	300	153,306,942	A
Deduct: Charitable donations from Schedule 2	311		
Gifts to Canada, a province, or a territory from Schedule 2	312		
Cultural gifts from Schedule 2	313		
Ecological gifts from Schedule 2	314		
Taxable dividends deductible under section 112 or 113, or subsection 138(6) from Schedule 3	320		
Part VI.1 tax deduction from Schedule 43 *	325		
Non-capital losses of preceding taxation years from Schedule 4	331		
Net capital losses of preceding taxation years from Schedule 4	332		
Restricted farm losses of preceding taxation years from Schedule 4	333		
Farm losses of preceding taxation years from Schedule 4	334		
Limited partnership losses of preceding taxation years from Schedule 4	335		
Taxable capital gains or taxable dividends allocated from a central credit union	340		
Prospector's and grubstaker's shares	350		
	Subtotal		B
	Subtotal (amount A minus amount B) (if negative, enter "0")	153,306,942	C
Add: Section 110.5 additions or subparagraph 115(1)(a)(vii) additions	355		D
Taxable income (amount C plus amount D)	360	153,306,942	
Income exempt under paragraph 149(1)(t)	370		
Taxable income for a corporation with exempt income under paragraph 149(1)(t) (line 360 minus line 370)		153,306,942	Z

* This amount is equal to 3 times the Part VI.1 tax payable at line 724 on page 8.

Small business deduction

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

Income from active business carried on in Canada from Schedule 7	400	151,996,983	A
Taxable income from line 360 on page 3, minus 10/3 of the amount on line 632* on page 7, minus 3 times the amount on line 636** on page 7, and minus any amount that, because of federal law, is exempt from Part I tax	405	153,306,942	B

Calculation of the business limit:

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

225,000	x	Number of days in the taxation year in 2003	=	1
		Number of days in the taxation year	365	
250,000	x	Number of days in the taxation year in 2004	=	2
		Number of days in the taxation year	365	
300,000	x	Number of days in the taxation year after 2004	365	300,000 3
		Number of days in the taxation year	365	
Add amounts at lines 1, 2, and 3				300,000 4

Business limit (see notes 1 and 2 below)	410	300,000	C
--	-----	---------	---

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

Business limit reduction:

Amount C	300,000	x	415 ***	4,820,075	D	=	128,535,333	E
								11,250

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

Small business deduction – 16.00 % of whichever amount is the least: A, B, C, or F	430		G
--	-----	--	---

(enter amount G on line 9 of page 7)

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

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

*** Large corporation tax

- The large corporation tax to be entered on line 415 is the gross Part I.3 tax, which is the amount before deducting the surtax credits, increased to reflect a full-year tax liability if the taxation year is less than 51 weeks. For the purpose of the business limit reduction, the gross Part I.3 tax is equal to 0.225% x (taxable capital employed in Canada minus \$10,000,000).
- If the corporation is not associated with any corporations in both the current and the preceding taxation years, enter the corporation's gross Part I.3 tax for its preceding taxation year.
- If the corporation is not associated with any corporations in the current taxation year, but was associated in the preceding taxation year, enter the corporation's gross Part I.3 tax for its current taxation year.
- For corporations associated in the current taxation year, see Schedule 23 for the special rules that apply.

Accelerated tax reduction

Canadian-controlled private corporations throughout the taxation year that claimed the small business deduction

Reduced business limit (amount from line 425)	x	300,000	=		A
Net active business income (amount from line 400) *		line 4 above		151,996,983	B

Taxable income from line 360 on page 3 minus 3 times the amount at line 636** on page 7, and minus any amount that, because of federal law, is exempt from Part I Tax	153,306,942	C
---	-------------	---

Deduct:

Aggregate investment income (amount from line 440 of page 6)	1,309,959	D
Amount C minus amount D (if negative, enter "0")	151,996,983	151,996,983 E

Amount A, B, or E above, whichever is less		F
--	--	---

Amount Z from Part 9 of Schedule 27	x	100 / 7	=		G
-------------------------------------	---	---------	---	--	---

Amount QQ from Part 13 of Schedule 27		H
---------------------------------------	--	---

Taxable resource income (amount from line 435 of page 5)		I
--	--	---

Amount used to calculate the credit union deduction (amount E in Part 3 of Schedule 17)		J
---	--	---

Amount on line 400, 405, 410, or 425 of the small business deduction, whichever is less		K
---	--	---

Total of amounts G, H, I, J, and K		L
------------------------------------	--	---

Amount F minus amount L (if negative, enter "0")		M
--	--	---

Accelerated tax reduction – 7.00 % of amount M (enter amount N on line 637 of page 7)		N
---	--	---

* If the amount at line 450 of Schedule 7 is positive, members of partnerships need to use Schedule 70 to calculate net active business income.

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

Resource deduction

Taxable resource income [as defined in subsection 125.11(1)]				435	<u> </u>	A
Amount A	x	Number of days in the taxation year in 2004		x 2 % =	<u> </u>	B
		Number of days in the taxation year	365			
Amount A	x	Number of days in the taxation year in 2005	365	x 3 % =	<u> </u>	C
		Number of days in the taxation year	365			
Amount A	x	Number of days in the taxation year in 2006		x 5 % =	<u> </u>	D
		Number of days in the taxation year	365			
Amount A	x	Number of days in the taxation year after 2006		x 7 % =	<u> </u>	E
		Number of days in the taxation year	365			
Resource deduction – total of amounts B, C, D, and E (enter amount F on line 10 of page 7)				438	<u> </u>	F

General tax reduction for Canadian-controlled private corporations

Canadian-controlled private corporations throughout the taxation year

Taxable income from line 360 on page 3					<u>153,306,942</u>	A
Amount Z from Part 9 of Schedule 27	x	100 / 7 =			<u> </u>	B
Amount QQ from Part 13 of Schedule 27					<u> </u>	C
Taxable resource income from line 435 above					<u> </u>	D
Amount used to calculate the credit union deduction (amount E in Part 3 of Schedule 17)					<u> </u>	E
Amount on line 400, 405, 410, or 425 on page 4, whichever is the least					<u> </u>	F
Aggregate investment income from line 440 of page 6					<u>1,309,959</u>	G
Amount used to calculate the accelerated tax reduction (amount M of page 4)					<u> </u>	H
Total of amounts B, C, D, E, F, G, and H					<u>1,309,959</u>	I
Amount A minus amount I (if negative, enter "0")					<u>151,996,983</u>	J
Amount J	x	Number of days in the taxation year after 2003	365	x 7 % =	<u>10,639,789</u>	K
		Number of days in the taxation year	365			
General tax reduction for Canadian-controlled private corporations – amount K (enter amount L on line 638 of page 7)					<u>10,639,789</u>	L

General tax reduction

Corporations other than a Canadian-controlled private corporation, an investment corporation, a mortgage investment corporation, or a mutual fund corporation

Taxable income from line 360 on page 3					<u> </u>	M
Amount Z from Part 9 of Schedule 27	x	100 / 7 =			<u> </u>	N
Amount QQ from Part 13 of Schedule 27					<u> </u>	O
Taxable resource income from line 435 above					<u> </u>	P
Amount used to calculate the credit union deduction (amount E in Part 3 of Schedule 17)					<u> </u>	Q
Total of amounts N, O, P, and Q					<u> </u>	R
Amount M minus amount R (if negative, enter "0")					<u> </u>	S
Amount S	x	Number of days in the taxation year after 2003	365	x 7 % =	<u> </u>	T
		Number of days in the taxation year	365			
General tax reduction – amount T (enter amount U on line 639 of page 7)					<u> </u>	U

Refundable portion of Part I tax

Canadian-controlled private corporations throughout the taxation year

Aggregate investment income **440** 1,309,959 x 26 2 / 3 % = 349,322 A
(amount P from Part 1 of Schedule 7)

Foreign non-business income tax credit from line 632 on page 7

Deduct:

Foreign investment income **445** x 9 1 / 3 % =
(amount O from Part 1 of Schedule 7) (if negative, enter "0") B

Amount A minus amount B (if negative, enter "0") 349,322 C

Taxable income from line 360 on page 3 153,306,942

Deduct:

Amount on line 400, 405, 410, or 425 on page 4,
whichever is the least

Foreign non-business
income tax credit from
line 632 of page 7 x 25 / 9 =

Foreign business income
tax credit from line 636
of page 7 x 3 =

153,306,942
x 26 2 / 3 % = 40,881,851 D

Part I tax payable minus investment tax credit refund (line 700 minus line 780 from page 8) 34,090,524

Deduct: Corporate surtax from line 600 of page 7 1,717,038

Net amount 32,373,486 E

Refundable portion of Part I tax – Amount C, D, or E, whichever is the least **450** 349,322 F

Refundable dividend tax on hand

Refundable dividend tax on hand at the end of the preceding taxation year **460** 121,056

Deduct: Dividend refund for the previous taxation year **465** 121,056

..... G

Add the total of:

Refundable portion of Part I tax from line 450 above 349,322

Total Part IV tax payable from line 360 of Schedule 3

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

349,322 349,322 H

Refundable dividend tax on hand at the end of the taxation year – Amount G plus amount H **485** 349,322

Dividend refund

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

Taxable dividends paid in the taxation year from line 460 of Schedule 3 114,526,000 x 1 / 3 38,175,333 I

Refundable dividend tax on hand at the end of the taxation year from line 485 above 349,322 J

Dividend refund – Amount I or J, whichever is less (enter this amount on line 784 of page 8) 349,322

Part I tax

Base amount of Part I tax – 38.00 % of taxable income (line 360 or amount Z, whichever applies) from page 3 **550** 58,256,638 A

Corporate surtax calculation

Base amount from line A above 58,256,638 1

Deduct:

10 % of taxable income (line 360 or amount Z, whichever applies) from page 3 15,330,694 2

Investment corporation deduction from line 620 below 3

Federal logging tax credit from line 640 below 4

Federal qualifying environmental trust tax credit from line 648 below 5

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

28.00 % of taxable income from line 360 of page 3 a

28.00 % of taxed capital gains b

Part I tax otherwise payable c

(line A **plus** lines C and D **minus** line F)

Total of lines 2 to 6 15,330,694 7

Net amount (line 1 **minus** line 7) 42,925,944 8

Corporate surtax – 4.00 % of the amount on line 8 **600** 1,717,038 B

Recapture of investment tax credit from line PPP in Part 21 of Schedule 31 **602** C

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

Aggregate investment income from line 440 on page 6 1,309,959 i

Taxable income from line 360 on page 3 153,306,942

Deduct:

Amount on line 400, 405, 410, or 425 of page 4,
whichever is the least 153,306,942

Net amount 153,306,942 ▶ 153,306,942 ii

Refundable tax on CCPC's investment income – 6 2 / 3 % of whichever is less: amount i or ii **604** 87,331 D

Subtotal (add lines A, B, C, and D) 60,061,007 E

Deduct:

Small business deduction from line 430 of page 4 9

Federal tax abatement **608** 15,330,694

Manufacturing and processing profits deduction from amount BB
or amount RR of Schedule 27 **616**

Investment corporation deduction **620**

(taxed capital gains **624**)

Additional deduction – credit unions from Schedule 17 **628**

Federal foreign non-business income tax credit from Schedule 21 **632**

Federal foreign business income tax credit from Schedule 21 **636**

Accelerated tax reduction from amount N on page 4 **637**

Resource deduction from line 438 on page 5 10

General tax reduction for CCPCs from amount L on page 5 **638** 10,639,789

General tax reduction from amount U on page 5 **639**

Federal logging tax credit from Schedule 21 **640**

Federal political contribution tax credit **644**

Federal political contributions **646**

Federal qualifying environmental trust tax credit **648**

Investment tax credit from Schedule 31 **652**

Apprenticeship job creation tax credit 11

Subtotal 25,970,483 ▶ 25,970,483 F

Part I tax payable – Line E **minus** line F (enter amount G on line 700 of page 8) 34,090,524 G

Summary of tax and credits

Federal tax

Part I tax payable from page 7	700	34,090,524
Part I.3 tax payable from Schedule 33, 34, or 35	704	1,717,599
Part II surtax payable from Schedule 46	708	
Part IV tax payable from Schedule 3	712	
Part IV.1 tax payable from Schedule 43	716	
Part VI tax payable from Schedule 38	720	
Part VI.1 tax payable from Schedule 43	724	
Part XIII.1 tax payable from Schedule 92	727	
Part XIV tax payable from Schedule 20	728	
Total federal tax		35,808,123

Add provincial or territorial tax:

Provincial or territorial jurisdiction **750** Ontario
(if more than one jurisdiction, enter "multiple" and complete Schedule 5)
Net provincial or territorial tax payable (except Québec, Ontario, and Alberta) **760**
Provincial tax on large corporations (New Brunswick and Nova Scotia) **765**

Total tax payable **770** 35,808,123 A

Deduct other credits:

Investment tax credit refund from Schedule 31	780	
Dividend refund from page 6	784	349,322
Federal capital gains refund from Schedule 18	788	
Federal qualifying environmental trust tax credit refund	792	
Canadian film or video production tax credit refund (Form T1131)	796	
Film or video production services tax credit refund (Form T1177)	797	
Tax withheld at source	800	
Total payments on which tax has been withheld	801	
Allowable refund for non-resident-owned investment corporations from Schedule 26	804	
Provincial and territorial capital gains refund from Schedule 18	808	
Provincial and territorial refundable tax credits from Schedule 5	812	
Royalties deductible under Syncrude Remission Order	815	
Tax remitted under Syncrude Remission Order	816	
Tax instalments paid	840	35,458,801
Total credits	890	35,808,123

Refund code **894** 1 Overpayment

Balance (line A minus line B) 35,808,123 B

Direct deposit request

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

☐ Start ☐ Change information **910** Branch number
914 Institution number **918** Account number

If the result is negative, you have an **overpayment**.
If the result is positive, you have a **balance unpaid**.
Enter the amount on whichever line applies.
Generally, we do not charge or refund a difference of \$2 or less.

Balance unpaid
Enclosed payment **898**

If the corporation is a Canadian-controlled private corporation throughout the taxation year, does it qualify for the one-month extension of the date the balance of tax is due?

896 1 Yes ☐ 2 No ☒

Certification

I, **950** COUILLARD Last name **951** JEAN-SEBASTIEN First name **954** CFO Position, office, or rank

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

955 2010/06/29 Date (yyyy/mm/dd) Signature of the authorized signing officer of the corporation

956 (416) 542-3166 Telephone number

Is the contact person the same as the authorized signing officer? If No, complete the information below

957 1 Yes ☐ 2 No ☒

958 BARRY PARKER Name

959 (416) 542-2895 Telephone number

Language of correspondence – Langue de correspondance

990 Indicate the language in which you would like to receive correspondence. 1 English / Anglais ☒ 2 Français / French ☐
Indiquer la langue de correspondance de votre choix.



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SCHEDULE 1

NET INCOME (LOSS) FOR INCOME TAX PURPOSES

Corporation's name	Business Number	Taxation year end Year Month Day
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	89671 8327 RC0001	2005-12-31

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

Net income (loss) after taxes and extraordinary items per financial statements 65,373,582 A

Add:

Provision for income taxes – current	101	61,113,786	
Interest and penalties on taxes	103	800	
Amortization of tangible assets	104	124,987,458	
Taxable capital gains from Schedule 6	113	1,309,959	
Non-deductible club dues and fees	120	65,882	
Non-deductible meals and entertainment expenses	121	144,667	
Reserves from financial statements – balance at the end of the year	126	125,567,928	
Subtotal of additions		313,190,480	▶ 313,190,480

Other additions:

Recapture of SR&ED expenditures – Form T661 **231** 269,188

Miscellaneous other additions:

600 DEBT FINANCING EXPENSES for Book purposes	290	484,528	
601 Other additions per attached	291	32,620,392	
602 Capital contributions under S.12(1)(x)	292	21,970,637	
Subtotal of other additions	199	55,344,745	▶ 55,344,745
Total additions	500	368,535,225	▶ 368,535,225

Deduct:

Gain on disposal of assets per financial statements	401	2,964,336	
Capital cost allowance from Schedule 8	403	112,999,438	
Cumulative eligible capital deduction from Schedule 10	405	1,223,952	
Reserves from financial statements – balance at the beginning of the year	414	118,186,990	
Subtotal of deductions		235,374,716	▶ 235,374,716

Other deductions:

Miscellaneous other deductions:

700 Financing Fees:TAX -S. 20(1)(e)	390	1,121,325	
701 Lease payments	391	9,049	
702 Non-taxable imputed interest on Regulatory Assets	392	558,336	
703 ARO Payments - deductible for tax	393	351,057	
704 SEE ATTACHED	394	43,187,382	
Subtotal of other deductions	499	45,227,149	▶ 45,227,149
Total deductions	510	280,601,865	▶ 280,601,865

Net income (loss) for income tax purposes – enter on line 300 of the T2 return 153,306,942

Canada

Attached Schedule with Total

Line 394 – Amount for line 704

Title OTHER DEDUCTIONS-LINE 394

Description	Amount
S.13(7.4) ELECTION	21,970,637 00
DEFERRED REVENUE - 20(1)(m) deduction	21,216,745 00
Total	43,187,382 00

Attached Schedule with Total

Line 291 – Amount for line 601

Title OTHER ADDITIONS -LINE 601

Description	Amount
Accretion Expense	243,677 00
Transition costs recovery	9,467,077 00
Reversal of Bad Debt deduction for tax purposes on GST recovered	1,802,791 00
CAPITAL TAX PER FILED CT-23 RETURN	-5,838,284 00
CAPITAL TAX PER G/L	5,725,556 00
DEFERRED REVENUE - 12(1)(a)	21,216,745 00
Interest expense re: capital lease obligation payments	2,830 00
Total	32,620,392 00



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

SCHEDULE 3

Name of corporation	Business Number	Taxation year end Year Month Day
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	89671 8327 RC0001	2005-12-31

- This schedule is for the use of any corporation to report:
 - non-taxable dividends under section 83;
 - deductible dividends under subsection 138(6);
 - taxable dividends deductible from income under section 112, subsection 113(2) and paragraphs 113(1)(a), (b) or (d); or
 - taxable dividends paid for purposes of a dividend refund.
- The calculations in this schedule apply only to private or subject corporations.
- Parts, sections, subsections, and paragraphs referred to on this schedule are from the federal *Income Tax Act*.
- A recipient corporation is connected with a payer corporation at any time in a taxation year, if at that time the recipient corporation:
 - controls the payer corporation, other than because of a right referred to in paragraph 251(5)(b); or
 - owns more than 10% of the issued share capital (with full voting rights), and shares that have a fair market value of more than 10% of the fair market value of all shares of the payer corporation.
- File one completed copy of this schedule with your *T2 Corporation Income Tax Return*.
- For more information, see the sections about Schedule 3 in the *T2 Corporation Income Tax Guide*.
- "X" under column A if dividend received from a foreign source (connected corporation only).
- "X" under column B if the payer corporation is connected.
- "X" under column F1 if the dividends received are eligible to a gross-up of 45% for the purposes of the dividend tax credit for individuals.

Part 1 – Dividends received during the taxation year

Do not include dividends received from foreign non-affiliates.

Name of payer corporation (Use only one line per corporation, abbreviating its name if necessary)	Complete if payer corporation is connected			
	A	B	C Business Number	D Taxation year end of the payer corporation in which the sections 112/113 and subsection 138(6) dividends were paid YYYY/MM/DD
200		205	210	220
1				

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

			If payer corporation is not connected, leave these columns blank.		
E Non-taxable dividend under section 83	F Taxable dividends deductible from taxable income under section 112, subsections 113(2) and 138(6), and paragraphs 113(1)(a), (b), or (d)	F1	G Total taxable dividends paid by connected payer corporation	H Dividend refund of the connected payer corporation	I Part IV tax before deductions $F \times 1 / 3 *$
230	240		250	260	270
1					

Total (enter amount of column F on line 320 of the T2 return)

				J
--	--	--	--	----------

For dividends received from connected corporations: Part IV tax equals: $\frac{\text{Column F} \times \text{Column H}}{\text{Column G}}$

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

Part 2 – Calculation of Part IV tax payable

Part IV tax before deductions (amount J in Part 1)

Deduct:

Part IV.I tax payable on dividends subject to Part IV tax **320**

Subtotal

Deduct:

Current-year non-capital loss claimed to reduce Part IV tax **330**

Non-capital losses from previous years claimed to reduce Part IV tax **335**

Current-year farm loss claimed to reduce Part IV tax **340**

Farm losses from previous years claimed to reduce Part IV tax **345**

Total losses applied against Part IV tax x 1 / 3 =

Part IV tax payable (enter amount on line 712 of the T2 return) **360**

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

A	B	C	D
Name of connected recipient corporation	Business Number	Taxation year end of connected recipient corporation in which the dividends in column D were received YYYY/MM/DD	Taxable dividends paid to connected corporations
400	410	420	430
1 Toronto Hydro Corporation	89676 0725 RC0001	2005-12-31	114,526,000

Note

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

Total 114,526,000

Total taxable dividends paid in the taxation year to other than connected corporations **450**

Total taxable dividends paid in the taxation year for the purposes of a dividend refund
(total of column D above plus line 450) **460** 114,526,000

Eligible dividends paid that are included in line 460 (memo) (Press F1 for additional information)

Part 4 – Total dividends paid in the taxation year

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

Total taxable dividends paid in the taxation year for the purposes of a dividend refund (from above) **460** 114,526,000

Other dividends paid in the taxation year (total of 510 to 540)

Total dividends paid in the taxation year **500** 114,526,000

Deduct:

Dividends paid out of capital dividend account **510**

Capital gains dividends **520**

Dividends paid on shares described in subsection 129(1.2) **530**

Taxable dividends paid to a controlling corporation that was
bankrupt at any time in the year **540**

Subtotal **▶**

Total taxable dividends paid in the taxation year for purposes of a dividend refund 114,526,000

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SCHEDULE 6

SUMMARY OF DISPOSITIONS OF CAPITAL PROPERTY

Name of corporation	Business Number	Taxation year end Year Month Day
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	89671 8327 RC0001	2005-12-31

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

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

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

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

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

Part 1 – Shares

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

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

Municipal address 1 = Address 1 2 = Address 2 3 = City 4 = Province, Country, Postal Code and Zip Code or Foreign Postal Code		Date of acquisition YYYY/MM/DD	Proceeds of disposition	Adjusted cost base	Outlays and expenses (dispositions)	Gain (or loss) (column 220 less cols. 230 and 240)	Foreign source
200		210	220	230	240	250	
1	1 LOCHINVAR CRESCENT NORTH YORK ONTARIO	1959-01-01	277,792	114,000		163,792	
2	405 WOBURN AVENUE EAST OF AVENUE ROAD NORTH YORK, ONTARIO	1951-01-01	870,046			870,046	
3	22 NORTON AVENUE NORTH YORK ONTARIO	1955-01-01	1,743,080	157,000		1,586,080	
4							
Totals			2,890,918	271,000		2,619,918	B

Part 3 – Bonds

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

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

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

Part 5 – Personal-use property

Description	Date of acquisition YYYY/MM/DD	Proceeds of disposition	Adjusted cost base	Outlays and expenses (dispositions)	Gain only (column 520 less cols. 530 and 540)	Foreign source
500	510	520	530	540	550	
1						
Totals						E

Note: Losses are not deductible.

Part 6 – Listed personal property

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

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

Subtract: Unapplied listed personal property losses from other years **655**

Amount from line 655 is from line 530 in Part 5 of Schedule 4.

Net gains (or losses)

F

Part 7 – Determining allowable business investment losses

Property qualifying for and resulting in an allowable business investment loss

Name of small business corporation	Shares, enter 1; debt, enter 2	Date of acquisition YYYY/MM/DD	Proceeds of disposition	Adjusted cost base	Outlays and expenses (dispositions)	(Loss)(column 920 less cols. 930 and 940)	Foreign source
900	905	910	920	930	940	950	
1							
Totals							G

Note: Properties listed in Part 7 should not be included in any other parts of Schedule 6.

Allowable business investment losses

Amount G _____ x 50 % = _____ **H**

Enter amount H on line 406 of Schedule 1.

Part 8 – Determining capital gains or losses

Total of amounts A to F (do not include F, if the amount is a loss) _____ **2,619,918 I**

Add:

Capital gains dividend received in the year _____ **875** Foreign source ☐
Capital gains reserve opening balance (from Schedule 13) _____ **880** **J**

Subtotal (add amounts I, J, and K) _____ **2,619,918 L**

Deduct: Capital gains reserve closing balance (from Schedule 13) _____ **885** **M**

Capital gains or losses (amount L minus amount M) _____ **890** _____ **2,619,918**

Part 9 – Determining taxable capital gains and total capital losses

Capital gains or losses (amount from line 890 above) 2,619,918 N

Deduct the following gains that are included in the amount N:

Gain on donation of a share, debt obligation, or
right listed on a prescribed stock exchange and
other amounts under paragraph 38(a.1) of the
Income Tax Act

x 50 % = **895**

Foreign
source
☐

Gain on donation of ecologically sensitive land

x 50 % = **896**

Foreign
source
☐

Subtotal (line 895 plus line 896)

O

Amount N minus amount O

2,619,918

P

Total capital losses: If amount P is a loss, enter it on line 210 of Schedule 4.

Taxable capital gains: If amount P is a gain, enter it on this line

2,619,918 x 50 % =

1,309,959

Q

Enter amount Q on line 113 of Schedule 1.

Portion of gain or loss from foreign sources (100%)

(excluding business investment losses)



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SCHEDULE 7

CALCULATION OF AGGREGATE INVESTMENT INCOME AND ACTIVE BUSINESS INCOME

Name of corporation	Business Number	Taxation year end Year Month Day
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	89671 8327 RC0001	2005-12-31

- This schedule is for the use of Canadian-controlled private corporations to calculate:
 - foreign investment income and aggregate investment income for the purpose of determining the refundable portion of Part I tax, as defined in subsection 129(4) of the *Income Tax Act*;
 - income from an active business carried on in Canada for the small business deduction; and
 - specified partnership income for members of one or more partnership(s).
- For more information, see the sections called "Small Business Deduction" and "Refundable Portion of Part 1 Tax" in the *T2 Corporation Income Tax Guide*.

Part 1 – Foreign and aggregate investment income calculation

	Canadian investment income	Foreign investment income	Aggregate investment income	
The eligible portion of taxable capital gains included in income for the year	1,309,959	001	002 1,309,959	A
Eligible portion of allowable capital losses for the year (including allowable business investment losses)		009	012	B
Net capital losses of other years claimed on line 332 on the T2 return			022	C
Total of amounts B and C				D
Amount A minus amount D (if negative, enter "0")	1,309,959		1,309,959	E
Total income from property (in box 32 include income from a specified investment business carried on in Canada other than income from a source outside Canada)				
Taxable dividends				
Other property income				
Total income from property		019	032	F
Exempt income		029	042	G
Amounts received from NISA Fund No. 2 (CAIS) that were included in computing the corporation's income for the year			052	H
Taxable dividends deductible from Schedule 3, and taxable dividends deductible under paragraph 113(1)(d) and subsection 113(2)		049	062	I
Business income from an interest in a trust that is considered property income under paragraph 108(5)(a)		059	072	J
Total of amounts G, H, I, and J				K
Amount F minus amount K				L
Total of amount E plus amount L	1,309,959		1,309,959	M
Total losses from property (in box 82 include losses from a specified investment business carried on in Canada other than a loss from a source outside Canada)		069	082	N
Amount M minus amount N (if negative, enter "0")	1,309,959	079 O	092 P 1,309,959	

Note: The aggregate investment income is the aggregate world source income.

Enter amount O, foreign investment income, on line 445 of the T2 return.

Enter amount P, aggregate investment income, on line 440 of the T2 return.

Net taxable dividends	Canadian	Foreign	Total
Taxable dividends deducted per schedule 3			
Less: Expenses related to such dividends			
Total expenses			
Net taxable dividends			

Part 2 – Specified partnership income

A		B		C	
Partnership name		Total income (loss) of partnership from an active business		Corporation's share of amount in column B	
200		300		310	
D	E	F	G	H	I
Adjustments [add prior-year reserves under subsection 34.2(5), and deduct expenses incurred to earn partnership income, including any reserve under subsection 34.2(4)]	Corporation's income (loss) of the partnership (column C plus column D)	Number of days in the partnership's fiscal period	Prorated business limit (column C + column B) × [business limit* × (column F ÷ 365)] (if column C is negative, enter "0")**	Column E minus column G (if negative, enter "0")	Lesser of columns E and G (if column E is negative, enter "0")
315	320	325	330		340
Total 350		Total 385		360	

Corporation's losses for the year from an active business carried on in Canada (other than as a member of a partnership) – enter as a positive amount 370

Specified partnership loss of the corporation for the year – enter as a positive amount (total of all negative amounts in column E) 380

Total of lines 370 and 380

Amount at line 385 or line J, whichever is less

Specified partnership income (line 360 plus line 390)

* Use one of the following business limits to calculate column G, whichever applies:

- \$225,000 if the corporation's taxation year ends in 2003;
- \$250,000 if the corporation's taxation year ends in 2004; or
- \$300,000 if the corporation's taxation year ends in 2005 or after.

** When a partnership carries on more than one business, one of which generates income and another of which realizes a loss, the loss is not netted against the partnership's income.

Part 3 – Determination of partnership income

Corporation's share of partnership income from active businesses carried on in Canada after deducting related expenses – from line 350 above (if the net amount is negative, enter "0" on line O)	K
Add: Specified partnership loss (from line 380 above)	L
Subtotal	M
Deduct: Specified partnership income (from line 400 above)	N
Partnership income* (enter on line S below)	450 O

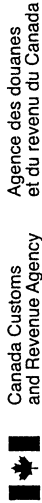
*If the amount on line 450 is positive, complete Schedule 70.

Part 4 – Income from active business carried on in Canada

Net income for income tax purposes from line 300 of the T2 return			153,306,942	P
Deduct: Foreign business income after deducting related expenses*	500			
Taxable capital gains minus allowable capital loss – amount A minus amount B* (page 1)**		1,309,959		
Net property income = amount F minus amount G, H, and N* (page 1)				Q
Personal services business income after deducting related expenses*	520	1,309,959	1,309,959	
			Net amount	
			151,996,983	R
Deduct: Partnership income (line 450 above)				S
Income from active business carried on in Canada (enter on line 400 of the T2 return – if negative, enter "0")			151,996,983	T

* If negative, **add** instead of **subtracting**.

**This amount may only be negative to the extent of any allowable business investment losses.



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SCHEDULE 8

CAPITAL COST ALLOWANCE (CCA)

Name of corporation		Business Number		Taxation year end	
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED		89671 8327 RC0001		Year Month Day 2005-12-31	

Is the corporation electing under regulation 1101(5q)? **101** 1 Yes ☐ 2 No ☒

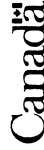
1 Class number	2 Undepreciated capital cost at the beginning of the year	3 Cost of acquisitions during the year**	4 Net adjustments	5 Proceeds of dispositions during the year (amount not to exceed the capital cost)	6 Undepreciated capital cost (column 2 plus column 3 plus or minus column 4 minus column 5)	7 50% rule (1/2 of the amount, if any, by which the net cost of acquisitions exceeds column 5)**	8 Reduced undepreciated capital cost (column 6 minus column 7)	9 CCA rate %	10 Recapture of capital cost allowance (amount on line 107 of Schedule 1)	11 Terminal loss (amount on line 404 of Schedule 1)	12 Capital cost allowance (column 8 multiplied by column 9; or a lower amount) (amount on line 403 of Schedule 1)***	13 Undepreciated capital cost at the end of the year (column 6 minus column 12)
200	201	203	205	207		211		212	213	215	217	220
1	1,433,889,894	6,185,594		131,500	1,439,943,988	3,027,047	1,436,916,941	4	0	0	57,476,678	1,382,467,310
2	45,493,778	4,150,376		0	49,644,154	2,075,188	47,568,966	20	0	0	9,513,793	40,130,361
3	17,756,599	2,806,623		110,222	20,453,000	1,348,201	19,104,799	30	0	0	5,731,440	14,721,560
4	1,980,216	3,412,662		0	5,392,878	1,706,331	3,686,547	100	0	0	3,686,547	1,706,331
5	6,422,594	65,227		0	6,487,821	32,614	6,455,207	8	0	0	516,417	5,971,404
6	540,520,861			0	540,520,861		540,520,861	6	0	0	32,431,252	508,089,609
7	17,264,966	43,683,741	177,199	0	61,125,906	21,841,871	39,284,035	0	0	0		61,125,906
8	1,160,129	1,017,639		0	2,177,768	508,820	1,668,948	45	0	0	751,027	1,426,741
9	109,088			0	109,088		109,088	N/A	0	0	43,241	65,847
10		70,740,085		0	70,740,085	35,370,043	35,370,042	8	0	0	2,829,603	67,910,482
11	32,400	32,400		N/A	32,400	16,200	16,200	30	N/A	N/A	4,860	27,540
12	32,400	32,400		N/A	32,400	16,200	16,200	30	N/A	N/A	4,860	
13	32,400	32,400		N/A	32,400	16,200	16,200	30	N/A	N/A	4,860	
14	32,400	32,400		N/A	32,400	16,200	16,200	30	N/A	N/A	4,860	27,540
Total	2,064,598,125	132,191,547	177,199	241,722	2,196,725,149	65,974,915	2,130,750,234				112,999,438	2,083,725,711

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

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

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

See the *T2 Corporation Income Tax Guide* for more information.




Toronto Hydro Electric System Limited

Taxation year ended: December 31, 2005
C.R.A. Bus#: 896718327 RC0001
MOF A/C#: 1800235

Election under subsection 13(7.4)

The company hereby elects under subsection 13(7.4) of the Income Tax Act to reduce the capital cost of depreciable property of class 1 and class 47 acquired in the taxation year by a total amount of \$21,970,637 received in the taxation year in respect of that property that would otherwise be included in income under paragraph 12(1)(x).



Authorized Signing Officer

RELATED AND ASSOCIATED CORPORATIONS

Name of corporation	Business Number	Taxation year end Year Month Day
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	89671 8327 RC0001	2005-12-31

This schedule is to be completed by a corporation having one or more of the following:

- related corporation(s)
- associated corporations(s)

	Name 100	Country of residence (if other than Canada) 200	Business Number (Canadian corporation only) (see note 1) 300	Relationship code (see note 2) 400	Number of common shares owned 500	% of common shares owned 550	Number of preferred shares owned 600	% of preferred shares owned 650	Book value of capital stock 700
1.	TORONTO HYDRO CORPORATION		89676 0725 RC0001	1					
2.	TORONTO HYDRO ENERGY SERVICE		89674 7128 RC0002	3					
3.	TORONTO HYDRO TELECOM INC.		86363 8961 RC0001	3					
4.	1455948 ONTARIO INC.		88651 7614 RC0001	3					
5.	TORONTO HYDRO STREET LIGHTING		86213 5316 RC0001	3					

Note 1: Enter "NR" if a corporation is not registered.
Note 2: Enter the code number of the relationship that applies from the following order: 1 – Parent 2 – Subsidiary 3 – Associated 4 – Related, but not associated.



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SCHEDULE 10

CUMULATIVE ELIGIBLE CAPITAL DEDUCTION

Name of corporation	Business Number	Taxation year end Year Month Day
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	89671 8327 RC0001	2005-12-31

- For use by a corporation that has eligible capital property. For more information, see the *T2 Corporation Income Tax Guide*.
- A separate cumulative eligible capital account must be kept for each business.

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

Cumulative eligible capital - Balance at the end of the preceding taxation year (if negative, enter "0")	200	<u>17,485,029</u>	A
Add: Cost of eligible capital property acquired during the taxation year	222		
Other adjustments	226		
Subtotal (line 222 plus line 226)		<u> </u>	B
Non-taxable portion of a non-arm's length transferor's gain realized on the transfer of an eligible capital property to the corporation after December 20, 2002	228	<u> </u>	C
amount B minus amount C (if negative, enter "0")		<u> </u>	D
Amount transferred on amalgamation or wind-up of subsidiary	224		E
Subtotal (add amounts A, D, and E)	230	<u>17,485,029</u>	F
Deduct: Proceeds of sale (less outlays and expenses not otherwise deductible) from the disposition of all eligible capital property during the taxation year	242	<u> </u>	G
The gross amount of a reduction in respect of a forgiven debt obligation as provided for in subsection 80(7)	244	<u> </u>	H
Other adjustments	246	<u> </u>	I
(add amounts G, H, and I)		<u> </u>	J
Cumulative eligible capital balance (amount F minus amount J)		<u>17,485,029</u>	K
(if amount K is negative, enter "0" at line M and proceed to Part 2)			
Cumulative eligible capital for a property no longer owned after ceasing to carry on that business	249	<u> </u>	
amount K		<u>17,485,029</u>	
less amount from line 249		<u> </u>	
Current year deduction		<u>17,485,029</u> x 7.00 % = 250	<u>1,223,952</u> *
(line 249 plus line 250) (enter this amount at line 405 of Schedule 1)		<u>1,223,952</u>	L
Cumulative eligible capital – Closing balance (amount K minus amount L) (if negative, enter "0")	300	<u>16,261,077</u>	M

* You can claim any amount up to the maximum deduction of 7%. The deduction may not exceed the maximum amount prorated by the number of days in the taxation year divided by 365.

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

(complete this part only if the amount at line K is negative)

Amount from line K (show as positive amount)		N
Total of cumulative eligible capital (CEC) deductions from income for taxation years beginning after June 30, 1988	400	1
Total of all amounts which reduced CEC in the current or prior years under subsection 80(7)	401	2
Total of CEC deductions claimed for taxation years beginning before July 1, 1988	402	3
Negative balances in the CEC account that were included in income for taxation years beginning before July 1, 1988	408	4
Line 3 minus line 4 (if negative, enter "0")	▶	5
Total of lines 1, 2 and 5		6
Amounts included in income under paragraph 14(1)(b), as that paragraph applied to taxation years ending after June 30, 1988 and before February 28, 2000, to the extent that it is for an amount described at line 400		
	7	
Amounts at line T from Schedule 10 of previous taxation years ending after February 27, 2000	8	
Subtotal (line 7 plus line 8)	409 ▶	9
Line 6 minus line 9 (if negative, enter "0")	▶	O
Line N minus line O (if negative, enter "0")		P
	Line 5 × 1 / 2 =	Q
Line P minus line Q (if negative, enter "0")		R
	Amount R × 2 / 3 =	S
Amount N or amount O, whichever is less		T
Amount to be included in income (amount S plus amount T) (enter this amount on line 108 of Schedule 1)	410	

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SCHEDULE 13

CONTINUITY OF RESERVES

Name of corporation	Business Number	Taxation year end Year Month Day
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	89671 8327 RC0001	2005-12-31

- For use by corporations to provide a continuity of all reserves claimed which are allowed for tax purposes.
- References to parts, sections, subsections, paragraphs, and subparagraphs are from the federal *Income Tax Act*.
- File one completed copy of this schedule with the corporation's *T2 Corporation Income Tax Return*.
- For more information, see the *T2 Corporation Income Tax Guide*.

Part 1 – Capital gains reserves

Description of property	Balance at the beginning of the year \$	Transfer on amalgamation or wind-up of subsidiary \$	Add \$	Deduct \$	Balance at the end of the year \$
001	002	003			004
1					
	008	009			010
Totals					

The total capital gains reserve at the beginning of the taxation year plus the total capital gains reserve transfer on amalgamation or wind-up of subsidiary should be entered on line 880, and the total capital gains reserve at the end of the taxation year, should be entered on line 885 of Schedule 6.

Financial statement reserves (not deductible)

Description	Balance at the beginning of the year	Transfer on amalgamation or wind-up of subsidiary	Add	Deduct	Balance at the end of the year
1 POEB	108,397,000		6,178,985		114,575,985
2 HOLDBACKS	93,476			75,589	17,887
3 AFDA	8,121,464		685,917		8,807,381
4 Inventory Obsolescence	1,575,050		489,625		2,064,675
5 Termination Accrual			102,000		102,000
6					
Reserves from Section 2 below					
Totals	118,186,990		7,456,527	75,589	125,567,928

The total opening balance plus the total transfers should be entered on line 414 of Schedule 1 as a deduction.
The total closing balance should be entered on line 126 of Schedule 1 as an addition.

Part 2 – Other reserves

Description	Balance at the beginning of the year \$	Transfer on amalgamation or wind-up of subsidiary \$	Add \$	Deduct \$	Balance at the end of the year \$
Reserve for doubtful debts <input type="checkbox"/>	110	115			120
Reserve for undelivered goods and services not rendered <input type="checkbox"/>	130	135			140
Reserve for prepaid rent <input type="checkbox"/>	150	155			160
Reserve for December 31, 1995 income <input type="checkbox"/>	170	175			180
Reserve for refundable containers <input type="checkbox"/>	190	195			200
Reserve for unpaid amounts <input type="checkbox"/>	210	215			220
Insurance corporation policy reserves <input type="checkbox"/>					
Bank reserves <input type="checkbox"/>					
Other tax reserves <input type="checkbox"/>	230	235			240
Totals	270	275			280

Enter "X" in the column above if the tax reserve has also been reported on the corporation's financial statements. This allows offsetting entries on Schedule 1, resulting in a zero effect on net income for tax purposes.

The amount from line 270 plus the amount from line 275 should be entered on line 125 of Schedule 1 as an addition.
The amount from line 280 should be entered on line 413 of Schedule 1 as a deduction.



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SCHEDULE 23

AGREEMENT AMONG ASSOCIATED CANADIAN-CONTROLLED PRIVATE CORPORATIONS TO ALLOCATE THE BUSINESS LIMIT

- For use by a Canadian-controlled private corporation (CCPC) to identify all associated corporations and to assign a percentage for each associated corporation. This percentage will be used to allocate the business limit for purposes of the small business deduction. Information from this schedule will also be used to determine the date the balance of tax is due and to calculate the reduction to the business limit.
- An associated CCPC that has more than one taxation year ending in a calendar year, is required to file an agreement for each taxation year ending in that calendar year.

Column 1: Enter the legal name of each of the corporations in the associated group, including non-CCPCs and CCPCs that have filed an election under subsection 256(2) of the *Income Tax Act*, not to be associated for purposes of the small business deduction.

Column 2: Provide the Business Number for each corporation (if a corporation is not registered, enter "NR").

Column 3: Enter the code that applies to each corporation:

- 1 - associated for purposes of allocating the business limit (unless association code 5 applies)
- 2 - CCPC that is a "third corporation" that has elected under subsection 256(2) not to be associated for purposes of the small business deduction
- 3 - non-CCPC that is a "third corporation" as defined in subsection 256(2)
- 4 - associated non-CCPC
- 5 - associated CCPC that is not associated for purposes of allocating the business limit because of a subsection 256(2) election made by a "third corporation"

Column 4: Enter the business limit for the year of each corporation in the associated group that is computed at line 4 on page 4 of each respective corporation's T2 return.

Column 5: Assign a percentage to allocate the business limit to each corporation that has an association code 1 in column 3. The total of all percentages in column 5 cannot exceed 100%.

Column 6: Enter the business limit allocated to each corporation by multiplying the amount in column 4 times the percentage in column 5. Add all business limits allocated in column 6 and enter the total at line A. Ensure that the total at line A is equal to an amount in one of the following ranges, whichever applies:

- from \$200,001 to \$225,000, if the calendar year to which this agreement applies is 2003;
- from \$225,001 to \$250,000, if the calendar year to which this agreement applies is 2004; or
- from \$250,001 to \$300,000, if the calendar year to which this agreement applies is 2005.

If the calendar year to which this agreement applies is after 2005, ensure that the total at line A does not exceed \$300,000.

Allocation of the business limit

Date filed (do not use this area) **025** Year Month Day

Enter the calendar year to which the agreement applies **050** Year
2005

Is this an amended agreement for the above-noted calendar year that is intended to replace an agreement previously filed by any of the associated corporations listed below? **075** 1 Yes ☐ 2 No ☒

	1 Names of associated corporations	2 Business Number of associated corporations	3 Asso- ciation code	4 Business limit for the year (before the allocation) \$	5 Percentage of the business limit %	6 Business limit allocated* \$
	100	200	300		350	400
	TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	89671 8327 RC0001	1	300,000	100.0000	300,000
1	TORONTO HYDRO CORPORATION	89676 0725 RC0001	1			
2	TORONTO HYDRO ENERGY SERVICES	89674 7128 RC0002	1			
3	TORONTO HYDRO TELECOM INC.	86363 8961 RC0001	1			
4	1455948 ONTARIO INC.	88651 7614 RC0001	1			
5	TORONTO HYDRO STREET LIGHTING	86213 5316 RC0001	1			
	Total				100.0000	300,000 A

Business limit reduction under subsection 125(5.1)

The business limit reduction is calculated in the small business deduction area of the T2 return. One of the amounts used in this calculation is the "Large corporation tax" at line 415 of the T2 return. If the corporation is a member of an associated group*** of corporations in the current taxation year, and that taxation year:

- starts before December 21, 2002, the amount at line 415 of the T2 return is equal to the gross Part I.3 tax of each corporation in the associated group*** for its last taxation year ending in the preceding calendar year. The gross Part I.3 tax is the amount before deducting the surtax credits, which is increased to reflect a full-year tax liability if the taxation year is less than 51 weeks; or
- starts after December 20, 2002, the amount at line 415 of the T2 return is equal to $0.225\% \times (A - \$10,000,000)$ where, "A" is the total of taxable capital employed in Canada** of each corporation in the associated group*** for its last taxation year ending in the preceding calendar year.

*Each corporation will enter on line 410 of the T2 return, the amount allocated to it in column 6. However, if the corporation's taxation year is less than 51 weeks, prorate the amount in column 6 by the number of days in the taxation year divided by 365, and enter the result on line 410 of the T2 return.

If a CCPC has more than one taxation year ending in a calendar year and is associated in more than one of those years with another CCPC that has a taxation year ending in the same calendar year, the business limit for the second (and subsequent) taxation year(s) will be equal to the business limit allocated for the first taxation year ending in the calendar year.

**"Taxable capital employed in Canada" has the meaning assigned by subsection 181.2(1) or 181.3(1) or section 181.4 of the *Income Tax Act*.

***The associated group includes the corporation filing this schedule and each corporation that has an "association code" of 1 or 4 in column 3.

T2 SCH 23 (04)

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SCHEDULE 33

PART I.3 TAX ON LARGE CORPORATIONS

Name of corporation	Business Number	Taxation year end Year Month Day
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	89671 8327 RC0001	2005-12-31

- This schedule is for use by corporations (other than financial institutions and insurance corporations) that have Part I.3 tax payable before deducting surtax credits (line 820 in Part 5). You should also use and file this schedule if you calculate a **gross Part I.3 tax for the purposes of unused surtax credit** (line 821 in Part 6) and a **current-year unused surtax credit** (line 850 in Part 8).
- Parts, sections, subsections, and paragraphs referred to on this schedule are from the federal *Income Tax Act* and the *Income Tax Regulations*.
- Subsection 181(1) defines the terms "financial institution," "long-term debt," and "reserves."
- Subsection 181(3) provides the basis to determine the carrying value of a corporation's assets or any other amount under Part I.3 for its capital, investment allowance, taxable capital, or taxable capital employed in Canada, or for a partnership in which it has an interest.
- No Part I.3 tax is payable for a taxation year by a corporation that was:
 - 1) a non-resident-owned investment corporation throughout the year;
 - 2) bankrupt [as defined by subsection 128(3)] at the end of the year;
 - 3) a deposit insurance corporation throughout the year, as defined by subsection 137.1(5), or deemed to be a deposit insurance corporation by subsection 137.1(5.1);
 - 4) exempt from tax under section 149 throughout the year on all of its taxable income;
 - 5) neither resident in Canada nor carrying on a business through a permanent establishment in Canada at any time in the year; or
 - 6) a corporation described in subsection 136(2) throughout the year, the principal business of which was marketing (including any related processing) natural products belonging to or acquired from its members or customers.
- File the completed Schedule 33 with the *T2 Corporation Income Tax Return* no later than six months from the end of the taxation year.
- This schedule may contain changes that had not yet become law at the time of printing.

Complete the following areas to determine the amounts needed to calculate Part I.3 tax. If the corporation was a non-resident of Canada throughout the year and carried on a business through a permanent establishment in Canada, go to Part 4, "Taxable capital employed in Canada."

Part 1 – Capital

Add the following amounts at the end of the year:

Reserves that have not been deducted in computing income for the year under Part I	101	125,465,928
Capital stock (or members' contributions if incorporated without share capital)	103	527,816,668
Retained earnings	104	117,321,083
Contributed surplus	105	11,391,256
Any other surpluses	106	
Deferred unrealized foreign exchange gains	107	
All loans and advances to the corporation	108	1,230,654,766
All indebtedness of the corporation represented by bonds, debentures, notes, mortgages, hypothecary claims, bankers' acceptances, or similar obligations	109	
Any dividends declared but not paid by the corporation before the end of the year	110	
All other indebtedness of the corporation (other than any indebtedness in respect of a lease) that has been outstanding for more than 365 days before the end of the year	111	

Proportion of the amount, if any, by which the total of all amounts (see note below) for the partnership of which the corporation is a member at the end of the year exceeds the amount of the partnership's deferred unrealized foreign exchange losses

112
Subtotal 2,012,649,701 ▶ 2,012,649,701 A

Deduct the following amounts:

Deferred tax debit balance at the end of the year	121	
Any deficit deducted in computing its shareholders' equity (including, for this purpose, the amount of any provision for the redemption of preferred shares) at the end of the year	122	
Any amount deducted under subsection 135(1) in computing income under Part I for the year, to the extent that the amount may reasonably be regarded as being included in any of lines 101 to 112 above	123	
The amount of deferred unrealized foreign exchange losses at the end of the year	124	

Subtotal ▶ B
190 2,012,649,701

Capital for the year (amount A minus amount B) (if negative, enter "0")

Note:

Lines 101, 107, 108, 109, 111, and 112 are determined as follows:

- If the partnership is a member of another partnership (tiered partnerships), include the amounts of the partnership and tiered partnerships.
- Amounts for the partnership and tiered partnerships are those that would be determined under lines 101, 107, 108, 109, 111, and 112 as if they apply in the same way that they apply to corporations.
- Amounts owing to the member or to other corporations that are members of the partnership are not to be included.
- Amounts are determined as at the end of the last fiscal period of the partnership ending in the year of the corporation.
- The proportion of the total amounts is determined by the corporation's share of the partnership's income or loss for the fiscal period of the partnership.

Canada

Part 2 – Investment allowance

Add the carrying value at the end of the year of the following assets of the corporation:

A share of another corporation	401	
A loan or advance to another corporation (other than a financial institution)	402	
A bond, debenture, note, mortgage, hypothecary claim, or similar obligation of another corporation (other than a financial institution)	403	
Long-term debt of a financial institution	404	
A dividend receivable on a share of the capital stock of another corporation	405	
A loan or advance to, or a bond, debenture, note, mortgage, hypothecary claim, or similar obligation of, a partnership all of the members of which, throughout the year, were other corporations (other than financial institutions) that were not exempt from tax under Part I.3 (other than by reason of paragraph 181.1(3)(d))	406	
An interest in a partnership (see note 1 below)	407	
Investment allowance for the year	490	

Notes:

- Where the corporation has an interest in a partnership or tiered partnerships, consider the following:
 - the investment allowance of a partnership is deemed to be the amount calculated at line 490 above, at the end of its fiscal period, as if it was a corporation;
 - the total of the carrying value of each asset of the partnership described in the above lines is for its last fiscal period ending at or before the end of the corporation's taxation year; and
 - the carrying value of a partnership member's interest at the end of the year is its specified proportion [as defined in subsection 248(1)] of the partnership's investment allowance.
- Lines 401 to 405 should not include the carrying value of a share of the capital stock of, a dividend payable by, or indebtedness of a corporation that is exempt from tax under Part I.3 [other than by reason of paragraph 181.1(3)(d)].
- Where a trust is used as a conduit for loaning money from a corporation to another related corporation (other than a financial institution), the loan will be considered to have been made directly from the lending corporation to the borrowing corporation, according to subsection 181.2(6).

Part 3 – Taxable capital

Capital for the year (line 190)	2,012,649,701	C
Deduct: Investment allowance for the year (line 490)		D
Taxable capital for the year (amount C minus amount D) (if negative, enter "0")	500 2,012,649,701	

Part 4 – Taxable capital employed in Canada

To be completed by a corporation that was resident in Canada at any time in the year

Taxable capital for the year (line 500)	2,012,649,701	x	Taxable income earned in Canada	610	153,306,942	=	Taxable capital employed in Canada	690	2,012,649,701
			Taxable income		153,306,942				

- Notes:**
- Regulation 8601 gives details on calculating the amount of taxable income earned in Canada.
 - Where a corporation's taxable income for a taxation year is "0," it shall, for the purposes of the above calculation, be deemed to have a taxable income for that year of \$1,000.
 - In the case of an airline corporation, Regulation 8601 should be considered when completing the above calculation.

To be completed by a corporation that was a non-resident of Canada throughout the year and carried on a business through a permanent establishment in Canada

Total of all amounts each of which is the carrying value at the end of the year of an asset of the corporation used in the year or held in the year, in the course of carrying on any business it carried on during the year through a permanent establishment in Canada

701

Deduct the following amounts:

Corporation's indebtedness at the end of the year [other than indebtedness described in any of paragraphs 181.2(3)(c) to (f)] that may reasonably be regarded as relating to a business it carried on during the year through a permanent establishment in Canada

711

Total of all amounts each of which is the carrying value at the end of year of an asset described in subsection 181.2(4) of the corporation that it used in the year, or held in the year, in the course of carrying on any business it carried on during the year through a permanent establishment in Canada

712

Total of all amounts each of which is the carrying value at the end of year of an asset of the corporation that is a ship or aircraft the corporation operated in international traffic, or personal property used or held by the corporation in carrying on any business during the year through a permanent establishment in Canada (see note below)

713

Total deductions (add lines 711, 712, and 713) E

Taxable capital employed in Canada (line 701 minus amount E) (if negative, enter "0")

790

Notes: Complete line 713 only if the country in which the corporation is resident did not impose a capital tax for the year on similar assets, or a tax for the year on the income from the operation of a ship or aircraft in international traffic, of any corporation resident in Canada during the year.

Part 5 – Calculation of gross Part 1.3 tax

Taxable capital employed in Canada (line 690 or 790, whichever applies)		2,012,649,701	
Deduct:	Capital deduction claimed for the year (enter \$50,000,000 or, for related corporations, the amount allocated on Schedule 36)	801 50,000,000	
Excess of taxable capital employed in Canada over capital deduction		811 1,962,649,701	
Line 811	$\frac{1,962,649,701}{365} \times \frac{\text{Number of days in the taxation year before 2004}}{\text{Number of days in the taxation year}} \times 0.00225000$		F
Line 811	$\frac{1,962,649,701}{365} \times \frac{\text{Number of days in the taxation year in 2004}}{\text{Number of days in the taxation year}} \times 0.00200000$		G
Line 811	$\frac{1,962,649,701}{365} \times \frac{\text{Number of days in the taxation year in 2005}}{\text{Number of days in the taxation year}} \times 0.00175000$	3,434,637	H
Line 811	$\frac{1,962,649,701}{365} \times \frac{\text{Number of days in the taxation year in 2006}}{\text{Number of days in the taxation year}}$		I
Line 811	$\frac{1,962,649,701}{365} \times \frac{\text{Number of days in the taxation year in 2007}}{\text{Number of days in the taxation year}}$		J
Note: The Part 1.3 tax rate is reduced to 0% for the days in the taxation year that are after 2005.			
Subtotal (add amounts F to J)		3,434,637	K

Where the taxation year of a corporation is less than 51 weeks, calculate the amount of gross Part 1.3 tax as follows:

Amount K	$\frac{3,434,637}{365} \times \text{Number of days in the year (365)}$		L
Gross Part 1.3 tax (amount K or L, whichever applies)		820 3,434,637	

Part 6 – Calculation of gross Part 1.3 tax for purposes of the unused surtax credit

Taxable capital employed in Canada (line 690 or 790, whichever applies)		2,012,649,701	M
Deduct:	Line 801 above $50,000,000 \times \frac{1}{5}$	10,000,000	N
Excess (amount M minus amount N) (if negative, enter "0")		2,002,649,701	O
Amount O	$2,002,649,701 \times 0.00225$	4,505,962	P
Where the taxation year of a corporation is less than 51 weeks, calculate the amount of gross Part 1.3 tax for purposes of the unused surtax credit as follows:			
Amount P	$\frac{4,505,962}{365} \times \text{Number of days in the year (365)}$		Q
Gross Part 1.3 tax for purposes of the unused surtax credit (amount P or Q, whichever applies)		821 4,505,962	

Part 7 – Calculation of current-year surtax credit available

- Corporations can claim a credit against their Part I.3 tax for the amount of Canadian surtax payable for the year. This is called the surtax credit.
- Any unused surtax credit can be carried back three years or carried forward seven years. Unused surtax credits must be applied in order of the oldest first.
- Refer to subsection 181.1(7) of the Act when calculating the amount deductible for a corporation's unused surtax credits where control of the corporation has been acquired between the year in which the credits arose and the year in which you want to claim them.

For a corporation that was a non-resident of Canada throughout the year, enter amount **a** or **b** at line R, whichever is less:

a) line 600 from the T2 return **a**
b) line 700 from the T2 return **b** R

In any other case, enter amount **c** or **d** at line S, whichever is less:

c) line 600 from the T2 return 1,717,038 x $\frac{\text{line 690 of this schedule } 2,012,649,701}{\text{line 500 of this schedule } 2,012,649,701} = \underline{1,717,038}$ **c**
d) line 700 from the T2 return 34,090,524 **d** 1,717,038 S

Current-year surtax credit available (amount R or S, whichever applies) **830** 1,717,038

Part 8 – Calculation of current-year unused surtax credit

Current-year surtax credit available (line 830) 1,717,038
Less: Gross Part I.3 tax for purposes of the unused surtax credit (line 821) 4,505,962

Current-year unused surtax credit (if negative, enter "0") **850**
Enter this amount at line 600 on Schedule 37.

Part 9 – Calculation of net Part I.3 tax payable

Gross Part I.3 tax (line 820) 3,434,637 T
Deduct:
Current-year surtax credit applied (line 820 or 830, whichever is less) **861** 1,717,038
Unused surtax credit from previous years applied (amount from line 320 on Schedule 37) **862**
Subtotal (cannot be more than amount on line 820) 1,717,038 ▶ 1,717,038 U
Net Part I.3 tax payable (amount T minus amount U) **870** 1,715,599
Enter this amount at line 704 of the T2 return.

Part 1 – Reserves that have not been deducted in computing income for the year under Part I

Description	Amount
OTHER POST-EMPLOYMENT BENEFITS	114,575,985 00
HOLDBACKS	17,887 00
AFDA	8,807,381 00
INVENTORY OBSOlescNECE	2,064,675 00
Total	125,465,928 00

Attached Schedule with Total

Part 1 – All loans and advances to the corporation

Title LOANS AND ADVANCES

Description	Amount
Long-term note payable to related parties	180,000,000 00
Promisorry note payable	980,230,955 00
current portion of LT liabilities	38,905,999 00
Other-long term liabilities	5,547,243 00
Customer advance deposits	2,899,891 00
Termination Accrual	102,000 00
Long term deferred revenue	1,579,659 00
Short term deferred revenue	19,637,086 00
Asset Retirement Obligations	5,691,479 00
Deduct lease liability	-3,939,546 00
Total	1,230,654,766 00



Canada Customs
and Revenue Agency

Agence des douanes
et du revenu du Canada

SCHEDULE 36

AGREEMENT AMONG RELATED CORPORATIONS – PART 1.3 TAX

- Members of a related group of corporations should use this schedule to allocate the capital deduction of \$50,000,000 among the members of the related group. **Do not file this agreement if no members of the related group have to pay Part 1.3 tax.**
- In cases where a related corporation has more than one taxation year ending in a calendar year, it has to file an agreement for each of those taxation years.
- A corporation that is related to any other corporation at any time in a taxation year of the corporation that ends in a calendar year may file such an agreement.
- In accordance with subsection 181.5(7) of the federal *Income Tax Act*, a Canadian-controlled private corporation is not considered to be related to another corporation for purposes of the capital deduction unless it is also associated with that corporation.

Agreement

Date filed (do not use this area) **010** Year Month Day

Is this an amended agreement? **020** 1 Yes ☐ 2 No ☒

Calendar year to which the agreement applies **030** Year **2005**

Note: This agreement must include all the information indicated below for all members of the related group, including members to which no amount of capital deduction is allocated for the year. However, any member that is exempt from Part 1.3 tax under subsection 181.1(3) does not have to be included.

	Names of all corporations which are members of the related group 200	Business Number (if a corporation is not registered, enter "NR") 300	Allocation of capital deduction for the year \$ 400	Taxation year end to which this agreement applies* (YYYY/MM/DD) 500
	TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	89671 8327 RC0001	50,000,000	
1	TORONTO HYDRO CORPORATION	89676 0725 RC0001		
2	TORONTO HYDRO ENERGY SERVICES	89674 7128 RC0002		2005-12-31
3	TORONTO HYDRO TELECOM INC.	86363 8961 RC0001		
4	1455948 ONTARIO INC.	88651 7614 RC0001		
5	TORONTO HYDRO STREET LIGHTING	86213 5316 RC0001		

Total (cannot be more than \$50,000,000)

50,000,000



* Entries are only required in this column for a corporation that has more than one taxation year ending in the same calendar year and is related in two or more of those taxation years to another corporation that has a taxation year ending in that calendar year. The capital deduction of the first corporation for each such taxation year at the end of which it is related to the other corporation is an amount equal to its capital deduction for the first such taxation year. Enter the taxation year end to which this agreement applies.

SHAREHOLDER INFORMATION

Name of corporation	Business Number	Taxation year end Year Month Day
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	89671 8327 RC0001	2005-12-31

All private corporations must complete this schedule for any shareholder who holds 10% or more of the corporation's common and/or preferred shares.

Provide only one number per shareholder					
Name of shareholder (after name, indicate in brackets if the shareholder is a corporation, partnership, individual or trust)	Business Number	Social Insurance Number	Trust Number	Percentage common shares	Percentage preferred shares
100	200	300	350	400	500
1 TORONTO HYDRO CORPORATION	89676 0725 RC0001			100.000	
2					
3					
4					
5					
6					
7					
8					
9					
10					

 Ontario	Ministry of Finance Corporations Tax 33 King Street West PO Box 620 Oshawa ON L1H 8E9	2006	CT23 Corporations Tax and Annual Return <small>Corporations Tax Act – Ministry of Finance (MOF) Corporations Information Act – Ministry of Government Services (MGS)</small>	<small>For taxation years commencing after December 31, 2003</small>												
<p>This form is a combination of the Ministry of Finance (MOF) CT23 Corporations Tax Return and the Ministry of Government Services (MGS) Annual Return. Page 1 is a common page required for both Returns. For tax purposes, depending on which criteria the corporation satisfies, it must complete either the Exempt from Filing (EFF) declaration on page 2 or file the CT23 Return on pages 3-17. Corporations that do not meet the EFF criteria but do meet the Short-Form criteria, may request and file the CT23 Short-Form Return (see page 2).</p> <p>The Annual Return (common page 1 and MGS Schedule A on pages 18 and 19, and Schedule K on page 20) contains non-tax information collected under the authority of the <i>Corporations Information Act</i> for the purpose of maintaining a public database of corporate information. This return must be completed by Ontario share-capital corporations or Foreign-Business share-capital corporations that have an extra-provincial licence to operate in Ontario.</p>																
MGS Annual Return Required? <small>(Not required if already filed or Annual Return exempt. Refer to Guide)</small> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			Page 1 of 20													
Corporation's Legal Name <small>(including punctuation)</small> TORONTO HYDRO-ELECTRIC SYSTEM LIMITED			Ontario Corporations Tax Account No. (MOF) 1800235													
Mailing Address 14 CARLTON ST. TORONTO ON CA M5B 1K5			This Return covers the Taxation Year Start <table><tr><td>year</td><td>month</td><td>day</td></tr><tr><td colspan="3">2005-01-01</td></tr></table> End <table><tr><td>year</td><td>month</td><td>day</td></tr><tr><td colspan="3">2005-12-31</td></tr></table>		year	month	day	2005-01-01			year	month	day	2005-12-31		
year	month	day														
2005-01-01																
year	month	day														
2005-12-31																
Has the mailing address changed since last filed CT23 Return? <input type="checkbox"/> Yes			Date of Incorporation or Amalgamation <table><tr><td>year</td><td>month</td><td>day</td></tr><tr><td colspan="3">1999-06-23</td></tr></table>		year	month	day	1999-06-23								
year	month	day														
1999-06-23																
Registered/Head Office Address 14 CARLTON ST. TORONTO ON CA M5B 1K5			Ontario Corporation No. (MGS) 1362834													
Location of Books and Records 14 CARLTON ST. TORONTO ON CA M5B 1K5			Canada Revenue Agency Business No. <small>If applicable, enter</small> 89671 8327 RC0001													
Name of person to contact regarding this CT23 Return BARRY PARKER		Telephone No. (416) 542-2895	Fax No. (416) 542-2808													
Address of Principal Office in Ontario <small>(Extra-Provincial Corporations only)</small> Ontario Canada			Jurisdiction Incorporated Ontario													
Former Corporation Name <small>(Extra-Provincial Corporations only)</small> <input checked="" type="checkbox"/> Not Applicable (MGS)			If not incorporated in Ontario, indicate the date Ontario business activity commenced and ceased: Commenced <table><tr><td>year</td><td>month</td><td>day</td></tr><tr><td colspan="3"></td></tr></table> Ceased <table><tr><td>year</td><td>month</td><td>day</td></tr><tr><td colspan="3"></td></tr></table> <input checked="" type="checkbox"/> Not Applicable		year	month	day				year	month	day			
year	month	day														
year	month	day														
Information on Directors/Officers/Administrators must be completed on MGS Schedule A or K as appropriate. If additional space is required for Schedule A, only this schedule may be photocopied. State number submitted (MGS). If there is no change to the Directors'/Officers'/Administrators' information previously submitted to MGS, please check (X) this box. Schedule(s) A and K are not required (MGS). <input checked="" type="checkbox"/> No Change			Preferred Language / Langue de préférence <input checked="" type="checkbox"/> English anglais <input type="checkbox"/> French français Ministry Use 													
Certification (MGS) I certify that all information set out in the Annual Return is true, correct and complete. Name of Authorized Person <small>(Print clearly or type in full)</small> Title: <input type="checkbox"/> Director <input checked="" type="checkbox"/> Officer <input type="checkbox"/> Other individuals having knowledge of the Corporation's business activities Note: Sections 13 and 14 of the <i>Corporations Information Act</i> provide penalties for making false or misleading statements or omissions.																

Corporate TaxPREP - 2006 CT23 - 2006 V.1 - 070A

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


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

MGS Annual Return Required? (Not required if already filed or Annual Return exempt. Refer to Guide)

☐ Yes ☒ No

Page 1 of 20

Ministry Use

Corporation's Legal Name (including punctuation) TORONTO HYDRO-ELECTRIC SYSTEM LIMITED			Ontario Corporations Tax Account No. (MOF) 1800235														
Mailing Address 14 CARLTON ST. TORONTO ON CA M5B 1K5			This Return covers the Taxation Year Start <table border="1" style="display: inline-table;"><tr><td>year</td><td>month</td><td>day</td></tr><tr><td colspan="3">2005-01-01</td></tr></table> End <table border="1" style="display: inline-table;"><tr><td>year</td><td>month</td><td>day</td></tr><tr><td colspan="3">2005-12-31</td></tr></table>			year	month	day	2005-01-01			year	month	day	2005-12-31		
year	month	day															
2005-01-01																	
year	month	day															
2005-12-31																	
Has the mailing address changed since last filed CT23 Return? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			Date of Change <table border="1" style="display: inline-table;"><tr><td>year</td><td>month</td><td>day</td></tr><tr><td colspan="3"></td></tr></table>			year	month	day									
year	month	day															
Registered/Head Office Address 14 CARLTON ST. TORONTO ON CA M5B 1K5			Date of Incorporation or Amalgamation <table border="1" style="display: inline-table;"><tr><td>year</td><td>month</td><td>day</td></tr><tr><td colspan="3">1999-06-23</td></tr></table>			year	month	day	1999-06-23								
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1362834																	
Name of person to contact regarding this CT23 Return BARRY PARKER			Telephone No. (416) 542-2895														
Address of Principal Office in Ontario (Extra-Provincial Corporations only) (MGS) Ontario Canada			Fax No. (416) 542-2808														
Former Corporation Name (Extra-Provincial Corporations only) <input checked="" type="checkbox"/> Not Applicable (MGS)			Canada Revenue Agency Business No. If applicable, enter 89671 8327 RC0001														
Information on Directors/Officers/Administrators must be completed on MGS Schedule A or K as appropriate. If additional space is required for Schedule A, only this schedule may be photocopied. State number submitted (MGS).			Jurisdiction Incorporated <table border="1" style="display: inline-table;"><tr><td>Ontario</td></tr></table>			Ontario											
Ontario																	
If there is no change to the Directors'/Officers'/Administrators' information previously submitted to MGS, please check (X) this box. Schedule(s) A and K are not required (MGS). <input checked="" type="checkbox"/> No Change			If not incorporated in Ontario, indicate the date Ontario business activity commenced and ceased: Commenced <table border="1" style="display: inline-table;"><tr><td>year</td><td>month</td><td>day</td></tr><tr><td colspan="3"></td></tr></table> Ceased <table border="1" style="display: inline-table;"><tr><td>year</td><td>month</td><td>day</td></tr><tr><td colspan="3"></td></tr></table>			year	month	day				year	month	day			
year	month	day															
year	month	day															
No. of Schedule(s) <table border="1" style="display: inline-table;"><tr><td></td></tr></table>				Preferred Language / Langue de préférence <input checked="" type="checkbox"/> English <input type="checkbox"/> French anglais français													
Ministry Use 			Ministry Use														

Certification (MGS)

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

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

 Title: ☐ Director ☒ Officer ☐ Other individuals having knowledge of the Corporation's business activities

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

TORONTO HYDRO-ELECTRIC SYSTEM LIMIT

1800235

2005-12-31

CT23 Corporations Tax Return

Identification continued (for CT23 filers only)

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

Type of corporation

- 1**
- 1 ☒ Canadian-controlled Private (CCPC) all year (Generally a private corporation of which 50% or more shares are owned by Canadian residents.) (fed.s.125(7)(b))
- 2 ☐ Other Private
- 3 ☐ Public
- 4 ☐ Non-share Capital
- 5 ☐ Other (specify) ▼

Share Capital with full voting rights
owned by Canadian Residents

(nearest percent)

100 %

- 2**
- 1 ☐ Family Farm corporation s.1(2)
- 2 ☐ Family Fishing corporation s.1(2)
- 3 ☐ Mortgage Investment corporation s.47
- 4 ☐ Credit Union s.51
- 5 ☐ Bank Mortgage subsidiary s.61(4)
- 6 ☐ Bank s.1(2)
- 7 ☐ Loan and Trust corporation s.61(4)
- 8 ☐ Non-resident corporation s.2(2)(a) or (b)
- 9 ☐ Non-resident corporation s.2(2)(c)
- 10 ☐ Mutual Fund corporation s.48
- 11 ☐ Non-resident owned Investment corporation s.49
- 12 ☐ Non-resident ship or aircraft under reciprocal agreement with Canada s.28(b)
- 14 ☐ Bare Trustee corporation
- 15 ☐ Branch of Non-resident s.63(1)
- 16 ☐ Financial institution prescribed by Regulation only
- 17 ☐ Investment Dealer
- 18 ☐ Generator of electrical energy for sale or producer of steam for use in the generation of electrical energy for sale
- 19 ☒ Hydro successor, municipal electrical utility or subsidiary of either
- 20 ☐ Producer and seller of steam for uses other than for the generation of electricity
- 21 ☐ Insurance Exchange s.74.4
- 22 ☐ Farm Feeder Finance Co-operative corporation
- 23 ☐ Professional corporation (incorporated professionals only)

- ☐ This is the first year filing after incorporation or an amalgamation (If checked, attach Ontario Schedule 24.)
- ☐ Amended Return
- ☐ Taxation year end change – Canada Revenue Agency approval required
- ☐ Final taxation year up to dissolution (Note: for discontinued businesses, see guide.)
- ☐ Final taxation year before amalgamation
- ☐ The corporation has a floating fiscal year end
- ☐ There has been a transfer or receipt of asset(s) involving a corporation having a Canadian permanent establishment outside Ontario
- ☐ There was an acquisition of control to which subsection 249(4) of the federal *Income Tax Act* (ITA) applies since the previous taxation year
- If checked, date control was acquired year month day
- ☐ The corporation was involved in a transaction where all or substantially all (90% or more) of the assets of a non-arm's length corporation were received in the taxation year and subsection 85(1) or 85(2) of the federal ITA applied to the transaction (If checked, attach Ontario Schedule 44.)
- ☐ First year filing of a parent corporation after winding-up a subsidiary corporation(s) under section 88 of the federal ITA during the taxation year. (If checked, attach Ontario Schedule 24.)
- ☐ Section 83.1 of the CTA applies (redirection of payments for certain electricity corporations)

Yes No

- ☐ ☒ Was the corporation inactive throughout the taxation year?
- ☒ ☐ Has the corporation's Federal T2 Return been filed with the Canada Revenue Agency?

Are you requesting a refund due to:

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

Complete if applicable

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

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

Specify major business activity

ENERGY DISTRIBUTION

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

DOLLARS ONLY

Net Income (loss) for Ontario purposes (per reconciliation schedule, page 15)	- - - - -	±	From	690	153,037,754	•
Subtract: Charitable donations	- - - - -	-		1		•
Subtract: Gifts to Her Majesty in right of Canada or a province and gifts of cultural property (Attach schedule 2)	- - - - -	-		2		•
Subtract: Taxable dividends deductible, per federal Schedule 3	- - - - -	-		3		•
Subtract: Ontario political contributions (Attach Schedule 2A) (Int.B. 3002R)	- - - - -	-		4		•
Subtract: Federal Part VI.1 tax	• x 3 - - - - -	-		5		•
Subtract: Prior years' losses applied – Non-capital losses	- - - - -	-	From	704		•
	From 715					
Net capital losses (page 16)	• x inclusion rate			50.000000	% =	- 714 •
Farm losses	- - - - -	-	From	724		•
Restricted farm losses	- - - - -	-	From	734		•
Limited partnership losses	- - - - -	-	From	754		•
Taxable Income (Non-capital loss)	- - - - -	=		10	153,037,754	•
Addition to taxable income for unused foreign tax deduction for federal purposes	- - - - -	+		11		•
Adjusted Taxable Income	10 + 11 (if 10 is negative, enter 11)	=		20	153,037,754	•

Taxable Income

		Number of Days in Taxation Year	
		Days after Dec. 31, 2002 and before Jan. 1, 2004	Total Days
From 10 (or 20 if applicable)	153,037,754 • x 30 100.0000 % x 12.5 % x	33 ÷ 73	365 = + 29 •
		Ontario Allocation	
From 10 (or 20 if applicable)	153,037,754 • x 30 100.0000 % x 14 % x	34 365 ÷ 73 365	= + 32 21,425,286 •
		Ontario Allocation	
Income Tax Payable (before deduction of tax credits)	29 + 32	=	40 21,425,286 •

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

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

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

* Income from active business carried on in Canada for federal purposes (fed.s.125(1)(a))	- - - -	50	151,996,983 •
Federal taxable income, less adjustment for foreign tax credit (fed.s.125(1)(b))	+ 51	153,306,942 •	
Add: Losses of other years deducted for federal purposes (fed.s.111)	+ 52		
Subtract: Losses of other years deducted for Ontario purposes (s.34)	- 53		
	=	153,306,942 •	54 153,306,942 •
Federal Business limit (line 410 of the T2 Return) for the year before the application of fed.s.125(5.1)	- - - - -	55	300,000 •

Ontario Business Limit Calculation

320,000 x	Days after Dec. 31, 2002 and before Jan. 1, 2004	31 ÷ ** 365	= + 46 •
400,000 x	Days after Dec. 31, 2003	34 365 ÷ ** 365	= + 47 400,000 •
Business Limit for Ontario purposes	46 + 47	= 44	400,000 • x 48 100.0000 % = 45 400,000 •
		Percentage of Federal Business limit (from T2 Schedule 23). Enter 100% if not associated.	
Income eligible for the IDSBC	- - - - -	From 30 100.0000 % x 56	400,000 • = 60 400,000 •
		***Ontario Allocation Least of 50, 54 or 45	

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

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

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

continued on Page 5

Income Tax continued from Page 4

		Number of Days in Taxation Year										
		<div style="border: 1px solid black; padding: 2px; display: inline-block;"> Days after Dec. 31, 2002 and before Jan. 1, 2004 </div> <div style="border: 1px solid black; padding: 2px; display: inline-block; margin-left: 10px;"> Total Days </div>										
Calculation of IDSBC Rate	- - - - -	7 %	X	<div style="border: 1px solid black; padding: 2px; display: inline-block;"> 31 </div> <div style="border: 1px solid black; padding: 2px; display: inline-block; margin: 0 5px;">÷</div>	<div style="border: 1px solid black; padding: 2px; display: inline-block;"> 73 </div> <div style="border: 1px solid black; padding: 2px; display: inline-block; margin-left: 5px;">365</div>	= +	<div style="border: 1px solid black; padding: 2px; display: inline-block;"> 89 </div>					
				<div style="border: 1px solid black; padding: 2px; display: inline-block;"> Days after Dec. 31, 2003 </div> <div style="border: 1px solid black; padding: 2px; display: inline-block; margin-left: 10px;"> Total Days </div>								
		8.5 %	X	<div style="border: 1px solid black; padding: 2px; display: inline-block;"> 34 </div> <div style="border: 1px solid black; padding: 2px; display: inline-block; margin: 0 5px;">365 ÷</div>	<div style="border: 1px solid black; padding: 2px; display: inline-block;"> 73 </div> <div style="border: 1px solid black; padding: 2px; display: inline-block; margin-left: 5px;">365</div>	= +	<div style="border: 1px solid black; padding: 2px; display: inline-block;"> 90 </div> <div style="border: 1px solid black; padding: 2px; display: inline-block; margin-left: 5px;">8.5000</div>					
IDSBC Rate for Taxation Year	<div style="border: 1px solid black; padding: 2px; display: inline-block;"> 89 </div>	+	<div style="border: 1px solid black; padding: 2px; display: inline-block;"> 90 </div>			=	<div style="border: 1px solid black; padding: 2px; display: inline-block;"> 78 </div> <div style="border: 1px solid black; padding: 2px; display: inline-block; margin-left: 5px;">8.5000</div>					
Claim	- - - - -	From	<div style="border: 1px solid black; padding: 2px; display: inline-block;"> 60 </div>	400,000 .	X	From	<div style="border: 1px solid black; padding: 2px; display: inline-block;"> 78 </div>	8.5000 %	- - -	=	<div style="border: 1px solid black; padding: 2px; display: inline-block;"> 70 </div>	34,000 .

Corporations claiming the IDSBC must complete the Surtax section below if the corporation's taxable income (or if associated, the associated group's taxable income) is greater than the amount 400,000 in

114

 below.

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

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

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

*Taxable Income of the corporation - - - - - From

10

 (or

20

 if applicable) +

80

 153,037,754 .

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

81

☒ (Yes)

Name of associated corporation (Canadian & foreign) (if insufficient space, attach schedule)	Ontario Corporations Tax Account No. (MOF) (if applicable)	Taxation Year End	* Taxable Income (if loss, enter nil)
See schedule			+ <div style="border: 1px solid black; padding: 2px; display: inline-block;">82</div> 33,455,752 .
			+ <div style="border: 1px solid black; padding: 2px; display: inline-block;">83</div> .
			+ <div style="border: 1px solid black; padding: 2px; display: inline-block;">84</div> .
Aggregate Taxable Income	<div style="border: 1px solid black; padding: 2px; display: inline-block;">80</div> + <div style="border: 1px solid black; padding: 2px; display: inline-block;">82</div> + <div style="border: 1px solid black; padding: 2px; display: inline-block;">83</div> + <div style="border: 1px solid black; padding: 2px; display: inline-block;">84</div> , etc.	- - - - -	= <div style="border: 1px solid black; padding: 2px; display: inline-block;">85</div> 186,493,506 .

		Number of Days in Taxation Year			
		<div style="border: 1px solid black; padding: 2px; display: inline-block;"> Days after Dec. 31, 2002 and before Jan. 1, 2004 </div> <div style="border: 1px solid black; padding: 2px; display: inline-block; margin-left: 10px;"> Total Days </div>			
320,000	X	<div style="border: 1px solid black; padding: 2px; display: inline-block;"> 31 </div> <div style="border: 1px solid black; padding: 2px; display: inline-block; margin: 0 5px;">÷</div>	<div style="border: 1px solid black; padding: 2px; display: inline-block;"> 73 </div> <div style="border: 1px solid black; padding: 2px; display: inline-block; margin-left: 5px;">365</div>	= +	<div style="border: 1px solid black; padding: 2px; display: inline-block;"> 115 </div>
		<div style="border: 1px solid black; padding: 2px; display: inline-block;"> Days after Dec. 31, 2003 </div> <div style="border: 1px solid black; padding: 2px; display: inline-block; margin-left: 10px;"> Total Days </div>			
400,000	X	<div style="border: 1px solid black; padding: 2px; display: inline-block;"> 34 </div> <div style="border: 1px solid black; padding: 2px; display: inline-block; margin: 0 5px;">365 ÷</div>	<div style="border: 1px solid black; padding: 2px; display: inline-block;"> 73 </div> <div style="border: 1px solid black; padding: 2px; display: inline-block; margin-left: 5px;">365</div>	= +	<div style="border: 1px solid black; padding: 2px; display: inline-block;"> 116 </div> <div style="border: 1px solid black; padding: 2px; display: inline-block; margin-left: 5px;">400,000 .</div>
				<div style="border: 1px solid black; padding: 2px; display: inline-block;"> 115 </div> + <div style="border: 1px solid black; padding: 2px; display: inline-block;"> 116 </div> = <div style="border: 1px solid black; padding: 2px; display: inline-block;">400,000 .</div>	
(If negative, enter nil)	- - - - -			=	<div style="border: 1px solid black; padding: 2px; display: inline-block;"> 86 </div> <div style="border: 1px solid black; padding: 2px; display: inline-block; margin-left: 5px;">186,093,506 .</div>

		Number of Days in Taxation Year											
		<div style="border: 1px solid black; padding: 2px; display: inline-block;"> Days after Dec. 31, 2002 </div> <div style="border: 1px solid black; padding: 2px; display: inline-block; margin-left: 10px;"> Total Days </div>											
Calculation of Specified Rate for Surtax	- - - - -	4.6670 %	X	<div style="border: 1px solid black; padding: 2px; display: inline-block;"> 38 </div> <div style="border: 1px solid black; padding: 2px; display: inline-block; margin: 0 5px;">365 ÷</div>	<div style="border: 1px solid black; padding: 2px; display: inline-block;"> 73 </div> <div style="border: 1px solid black; padding: 2px; display: inline-block; margin-left: 5px;">365</div>	= +	<div style="border: 1px solid black; padding: 2px; display: inline-block;"> 97 </div> <div style="border: 1px solid black; padding: 2px; display: inline-block; margin-left: 5px;">4.6670</div>						
	From	<div style="border: 1px solid black; padding: 2px; display: inline-block;"> 86 </div>	186,093,506 .	X	From	<div style="border: 1px solid black; padding: 2px; display: inline-block;"> 97 </div>	4.6670 %	- - - - -	=	<div style="border: 1px solid black; padding: 2px; display: inline-block;"> 87 </div> <div style="border: 1px solid black; padding: 2px; display: inline-block; margin-left: 5px;">8,684,984 .</div>			
	From	<div style="border: 1px solid black; padding: 2px; display: inline-block;"> 87 </div>	8,684,984 .	X	From	<div style="border: 1px solid black; padding: 2px; display: inline-block;"> 60 </div>	400,000 .	÷	From	<div style="border: 1px solid black; padding: 2px; display: inline-block;"> 114 </div>	400,000 .	=	<div style="border: 1px solid black; padding: 2px; display: inline-block;"> 88 </div> <div style="border: 1px solid black; padding: 2px; display: inline-block; margin-left: 5px;">8,684,984 .</div>
Surtax Lesser of	<div style="border: 1px solid black; padding: 2px; display: inline-block;"> 70 </div>	or	<div style="border: 1px solid black; padding: 2px; display: inline-block;"> 88 </div>			=	<div style="border: 1px solid black; padding: 2px; display: inline-block;"> 100 </div> <div style="border: 1px solid black; padding: 2px; display: inline-block; margin-left: 5px;">34,000</div>						

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

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

110

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

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

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

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

Eligible Canadian Profits

+

120

Subtract: Income eligible for the Incentive Deduction for Small Business Corporations (IDSBC)

-

From

56

400,000

Add: Adjustment for Surtax on Canadian-controlled private corporations

From

100

34,000

÷

From

30

100.0000

%

÷

From

78

8.5000

%

=

121

400,000

*Ontario Allocation

Lesser of

56

or

121

+

122

400,000

120

-

56

+

122

=

130

Taxable Income

+

From

10

153,037,754

Subtract: Income eligible for the Incentive Deduction for Small Business Corporations (IDSBC)

-

From

56

400,000

Add: Adjustments for Surtax on Canadian-controlled private corporations

+

From

122

400,000

Subtract: Taxable Income

10

153,037,754

X Allocation % to jurisdictions outside Canada

%

-

140

Subtract: Amount by which Canadian and foreign investment income exceeds net capital losses

-

141

1,309,959

10

-

56

+

122

-

140

-

141

=

142

151,727,795

Claim

143

X

From

30

100.0000

%

X

1.5

%

X

33

÷

73

365

=

+

154

Lesser of

130

or

142

Ontario Allocation

Number of Days in Taxation Year

Days after Dec. 31, 2002 and before Jan. 1, 2004

Total Days

Days after Dec. 31, 2003

Total Days

143

X

From

30

100.0000

%

X

2

%

X

34

365

÷

73

365

=

+

156

Lesser of

130

or

142

Ontario Allocation

M&P claim for taxation year

154

+

156

=

160

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

Manufacturing and Processing Profits Credit for Electrical Generating Corporations

=

161

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

=

162

Credit for Foreign Taxes Paid (s.40)

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

-

170

Credit for Investment in Small Business Development Corporations (SBDC)

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

Eligible Credit

175

Credit Claimed

180

Subtotal of Income Tax

40

-

70

+

100

-

110

-

160

-

161

-

162

-

170

-

180

=

190

21,425,286

continued on Page 7

Income Tax continued from Page 6

Specified Tax Credits (Refer to Guide)

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

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

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

Graduate Transitions Tax Credit (GTTC) (s.43.6)
Applies to employment of eligible unemployed post secondary graduates, for employment commencing prior to July 6, 2004 and expenditures incurred prior to January 1, 2005. 194
Eligible Credit From 6598 CT23 Schedule 115 (Attach Schedule 115) - - - - - + 195

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

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

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

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

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

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

Apprenticeship Training Tax Credit (ATTC) (s.43.13)
Applies to employment of eligible apprentices. 202
Eligible Credit From 5898 CT23 Schedule 114 (Attach Schedule 114) - - - - - + 203
Other (specify) - - - - - + 203.1

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

Specified Tax Credits Applied to reduce Income Tax - - - - - = 225

Income Tax 190 - 225 OR Enter NIL if reporting Non-Capital Loss (amount cannot be negative) - - - - - = 230 21,425,286

To determine if the Corporate Minimum Tax (CMT) is applicable to your Corporation, see **Determination of Applicability** section for the CMT on **Page 8**. If CMT is not applicable, transfer amount in 230 to Income Tax in **Summary** section on **Page 17**.
OR
If CMT is not applicable for the current taxation year but your corporation has CMT Credit Carryovers that you want to apply to reduce income tax otherwise payable, then proceed to and complete the **Application of CMT Credit Carryovers** section part B, on **Page 8**.

Corporate Minimum Tax (CMT)

CT23 Page 8 of 20

DOLLARS ONLY

Total Assets of the corporation + [240] 2,393,533,000 .
 Total Revenue of the corporation + [241] 2,709,819,000 .

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

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

Name of associated corporation (Canadian & foreign) (if insufficient space attach schedule)	Ontario Corporations Tax Account No. (MOF) (if applicable)	Taxation Year End	Total Assets	Total Revenue
See schedule			+ [243] 2,458,619,000 .	+ [244] 162,978,000 .
			+ [245] .	+ [246] .
			+ [247] .	+ [248] .
Aggregate Total Assets	[240] + [243] + [245] + [247], etc.		= [249] 4,852,152,000 .	
Aggregate Total Revenue	[241] + [244] + [246] + [248], etc.			= [250] 2,872,797,000 .

Determination of Applicability

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

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

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

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

Calculation: CMT (Attach Schedule 101.)

Gross CMT Payable - - CMT Base From Schedule 101 [2136] 126,487,368 . X From [30] 100.0000 % X 4 % = [276] 5,059,495 .
 If negative, enter zero Ontario Allocation

Subtract: Foreign Tax Credit for CMT purposes (Attach Schedule) - - - - - [277] .

Subtract: Income Tax - - - - - From [190] 21,425,286 .

Net CMT Payable (If negative, enter Nil on Page 17.) - - - - - = [280] -16,365,791 .

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

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

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

CMT Credit Carryover available From Schedule 101 - - - - - From [2333] .

Application of CMT Credit Carryovers

A. Income Tax (before deduction of specified credits) - - - - - + From [190] 21,425,286 .
 Gross CMT Payable - - - - - + From [276] 5,059,495 .
 Subtract: Foreign Tax Credit for CMT purposes - - - - - From [277] .
 If [276] - [277] is negative, enter NIL in [290] = 5,059,495 .
 Income Tax eligible for CMT Credit - - - - - = [300] 16,365,791 .

B. Income Tax (after deduction of specified credits) - - - - - + From [230] 21,425,286 .
 Subtract: CMT credit used to reduce income taxes - - - - - [310] .
 Income Tax - - - - - = [320] 21,425,286 .
 Transfer to page 17

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

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

TORONTO HYDRO-ELECTRIC SYSTEM LIMIT

1800235

2005-12-31

DOLLARS ONLY

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

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

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

Members of a partnership (limited or general) or a joint venture, must attach all financial statements of each partnership or joint venture of which they are a member. The Paid-up Capital of each corporate partner must include its share of liabilities that would otherwise be included if the partnership were a corporation. If Investment Allowance is claimed, Total Assets must be

adjusted by adding the corporation's share of the partnership's Total Assets and by deducting investments in the partnership as it appears on the corporation's balance sheet, in addition to any other required adjustments (s.61(5)). Special rules apply to limited partnerships (Int.B. 3017R).

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

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

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

Paid-up Capital

Paid-up capital stock (Int.B. 3012R and 3015R)	- - - - -	+	350	527,816,668	•
Retained earnings (if deficit, deduct) (Int.B. 3012R)	- - - - -	±	351	117,321,083	•
Capital and other surpluses, excluding appraisal surplus (Int.B.3012R)	- - - - -	+	352	11,391,256	•
Loans and advances (Attach schedule) (Int.B. 3013R)	- - - - -	+	353	1,234,557,276	•
Bank loans (Int.B. 3013R)	- - - - -	+	354		•
Bankers acceptances (Int.B. 3013R)	- - - - -	+	355		•
Bonds and debentures payable (Int.B. 3013R)	- - - - -	+	356		•
Mortgages payable (Int.B. 3013R)	- - - - -	+	357		•
Lien notes payable (Int.B. 3013R)	- - - - -	+	358		•
Deferred credits (including income tax reserves, and deferred revenue where it would also be included in paid-up capital for the purposes of the large corporations tax) (Int.B. 3013R)	- - - - -	+	359		•
Contingent, investment, inventory and similar reserves (Int.B. 3012R)	- - - - -	+	360		•
Other reserves not allowed as deductions for income tax purposes (Attach schedule) (Int.B. 3012R)	- - - - -	+	361	125,465,928	•
Share of partnership(s) or joint venture(s) paid-up capital (Attach schedule(s)) (Int.B. 3017R)	- - - - -	+	362		•
Subtotal	- - - - -	=	370	2,016,552,211	•
Subtract: Amounts deducted for income tax purposes in excess of amounts booked (Retain calculations. Do not submit.) (Int.B. 3012R)	- - - - -	-	371	62,957,589	•
Deductible R & D expenditures and ONTTI costs deferred for income tax if not already deducted for book purposes (Int.B. 3015R)	- - - - -	-	372		•
Total Paid-up Capital	- - - - -	=	380	1,953,594,622	•
Subtract: Deferred mining exploration and development expenses (s.62(1)(d)) (Int.B. 3015R)	- - - - -	-	381		•
Electrical Generating Corporations Only – All amounts with respect to electrical generating assets, except to the extent that they have been deducted by the corporation in computing its income for income tax purposes for the current or any prior taxation year, that are deductible by the corporation under clause 11(10)(a) of the Corporations Tax Act, and the assets are used both in generating electricity from a renewable or alternative energy source and are qualifying property as prescribed by regulation	- - - - -	-	382		•
Net Paid-up Capital	- - - - -	=	390	1,953,594,622	•

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

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

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

continued on Page 10

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

Total Assets per balance sheet	- - - - -	+ 420	2,393,533,000
Mortgages or other liabilities deducted from assets	- - - - -	+ 421	
Share of partnership(s)/joint venture(s) total assets (<i>Attach schedule</i>)	- - - - -	+ 422	
Subtract: Investment in partnership(s)/joint venture(s)	- - - - -	- 423	
Total Assets as adjusted	- - - - -	= 430	2,393,533,000
Amounts in 360 and 361 (if deducted from assets)	- - - - -	+ 440	
Subtract: Amounts in 371, 372 and 381	- - - - -	- 441	62,957,589
Subtract: Appraisal surplus if booked	- - - - -	- 442	
Add or Subtract: Other adjustments (specify on an attached schedule)	- - - - -	+ 443	
Total Assets	- - - - -	= 450	2,330,575,411

[illegible]

Gross Revenue (as adjusted to include the share of any partnership(s)/joint venture(s) Gross Revenue)	-	-	-	480	2,709,819,000
Total Assets (as adjusted)	-	-	-	430	2,393,533,000

Calculation of Capital Tax for all Corporations except Financial Institutions

Note: This version (2006) of the CT23 may only be used for a taxation year that commenced after December 31, 2003.

Financial Institutions use calculations on page 13.

Important:

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

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

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

SECTION A

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

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

SECTION B

Calculation of Taxable Capital Deduction (TCD)

Number of Days in Taxation Year			
Days before Jan. 1, 2005		Total Days	
5,000,000	x	<input type="text" value="35"/> _____ ÷ <input type="text" value="73"/> _____	<input type="text" value="365"/> _____ = + <input type="text" value="500"/> _____ .
Days after Dec. 31, 2004 and before Jan. 1, 2006		Total Days	
7,500,000	x	<input type="text" value="36"/> _____ <input type="text" value="365"/> _____ ÷ <input type="text" value="73"/> _____	<input type="text" value="365"/> _____ = + <input type="text" value="501"/> _____ 7,500,000 .
Days after Dec. 31, 2005 and before Jan. 1, 2007		Total Days	
10,000,000	x	<input type="text" value="37"/> _____ ÷ <input type="text" value="73"/> _____	<input type="text" value="365"/> _____ = + <input type="text" value="502"/> _____ .
Capital Deduction (TCD)		<input type="text" value="500"/> + <input type="text" value="501"/> + <input type="text" value="502"/>	= <input type="text" value="503"/> _____ 7,500,000 .

SECTION C

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

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

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

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

+ From 470 _____ ●
- From 503 _____ ●
= 471 _____ ● X From 30 100.0000 % x 0.3 % x 555 365 - - - - = + 523 _____ ●

Ontario Allocation Days in taxation year
365 (366 if leap year) Transfer to 543 on page 12 and

Transfer to **543** on page 12 and complete the return from that point

continued on Page 11

TORONTO HYDRO-ELECTRIC SYSTEM LIMIT

1800235

2005-12-31

DOLLARS ONLY

Capital Tax Calculation *continued from Page 10***SECTION D**

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

D1. ☐ 509 (X if applicable)All corporations that you are associated with do **not** have a permanent establishment in Canada.

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

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

D2. ☒ 524 (X if applicable)One or more of the corporations that you are associated with **maintains** a permanent establishment in Canada.

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

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

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

Calculation Do not complete this calculation if ss.69(2.1) election is filedTaxable Capital From 470 on page 10 - - - - - + From 470**Determine aggregate taxable capital of an associated group (excluding financial institutions and corporations exempt from capital tax) and/or partnership having a permanent establishment in Canada**

Names of associated corporations (excluding Financial Institutions and corporations exempt from Capital Tax) having a permanent establishment in Canada
(If insufficient space, attach schedule)

Ontario Corporations Tax Account No. (MOF) (if applicable)

Taxation Year End

Taxable Capital

			+	<input type="text"/> 531	
			+	<input type="text"/> 532	
			+	<input type="text"/> 533	
Aggregate Taxable Capital	<input type="text"/> 470	+	<input type="text"/> 531	+	<input type="text"/> 532
		+	<input type="text"/> 533	, etc.	
			=	<input type="text"/> 540	

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

Enter NIL in 523 in section E on page 12, as applicable.

If 540 above is greater than the TCD 503 on page 10, the corporation must compute its share of the TCD below in order to calculate its Capital Tax for the taxation year under Section E on page 12.

From 470 \div From 540 \times From 503 = 541

Transfer to 542 in Section E on page 12

Ss.69(2.1) Election Filed☒ 591 (X if applicable)

Election filed. Attach a copy of Schedule 591 with this CT23 Return.
Proceed to **Section F** on page 12.

continued on Page 12

Capital Tax continued from Page 12

Calculation of Capital Tax for Financial Institutions

1.1 Credit Unions only

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

1.2 Other than Credit Unions

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

565

Lesser of adjusted Taxable Paid Up Capital and Basic Capital Amount in accordance with Division B.1

0.6 %

x

From 30

100.0000 %

x

555

365

÷

*

365 (366 if leap year)

=

+

569

Days in taxation year
Ontario Allocation

570

Adjusted Taxable Paid Up Capital in accordance with Division B.1 in excess of Basic Capital Amount

Capital Tax Rate (Refer to Guide)

x

From 30

100.0000 %

x

555

365

÷

*

365 (366 if leap year)

=

+

574

Days in taxation year
Ontario Allocation

Capital Tax for Financial Institutions – other than Credit Unions (before Section 2)

569 + 574 - - = 575

* If floating taxation year, refer to Guide.

2. Small Business Investment Tax Credit

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

Allowable Credit for Eligible Investments - - - - - 585

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

Capital Tax - Financial Institutions 575 - 585 - - - - - = 586

Transfer to 543 on Page 12

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

(1) Uninsured Benefits Arrangements - - - - - 587 x 2 % - - = 588

Applies to Ontario-related uninsured benefits arrangements.

(2) Unlicensed Insurance (enter premium tax payable in 588 and attach a detailed schedule of calculations. If subject to tax under (1) above, add both taxes together and enter total tax in 588.)

Applies to Insurance Brokers and other persons placing insurance for persons resident or property situated in Ontario with unlicensed insurers.

Deduct: Specified Tax Credits applied to reduce premium tax (Refer to Guide) - - - - - 589

Premium Tax 588 - 589 - - - - - = 590

Transfer to page 17

DOLLARS ONLY

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

Net Income (loss) for federal income tax purposes, per federal T2 Schedule 1

- - - - - ± **600** 153,306,942.
Transfer to Page 15

Add:

Federal capital cost allowance	- - - - -	+ 601	112,999,438.
Federal cumulative eligible capital deduction	- - - - -	+ 602	1,223,952.
Ontario taxable capital gain	- - - - -	+ 603	1,309,959.
Federal non-allowable reserves. Balance beginning of year	- - - - -	+ 604	118,186,990.
Federal allowable reserves. Balance end of year	- - - - -	+ 605	
Ontario non-allowable reserves. Balance end of year	- - - - -	+ 606	125,567,928.
Ontario allowable reserves. Balance beginning of year	- - - - -	+ 607	
Federal exploration expenses (e.g. CEDE, CEE, CDE, COGPE)	- - - - -	+ 608	
Federal resource allowance (Refer to Guide)	- - - - -	+ 609	
Federal depletion allowance	- - - - -	+ 610	
Federal foreign exploration and development expenses	- - - - -	+ 611	
All Crown charges, royalties, rentals, etc. deducted for Federal purposes (Refer to Guide)	- - - - -	+ 617	
Management fees, rents, royalties and similar payments to non-arms' length non-residents ▼			

Number of Days in Taxation Year

Days after Dec. 31, 2002 and before Jan. 1, 2004	Total Days
612 × 5 / 12.5 × 33 ÷ 73 365	= + 633

Days after Dec. 31, 2003	Total Days
612 × 5 / 14 × 34 365 ÷ 73 365	= + 634

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

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

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

Federal allowable business investment loss - - - - - + **620**

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

Total of Additions **601** to **611** + **617** + **613** + **615** + **616** + **620** + **614** - - - = 359,288,267. ▶ **640** 359,288,267.
Transfer to Page 15

Deduct:

Ontario capital cost allowance (excludes amounts deducted under 675)	- - - - -	+ 650	112,999,438.
Ontario cumulative eligible capital deduction	- - - - -	+ 651	1,223,952.
Federal taxable capital gain	- - - - -	+ 652	1,309,959.
Ontario non-allowable reserves. Balance beginning of year	- - - - -	+ 653	118,186,990.
Ontario allowable reserves. Balance end of year	- - - - -	+ 654	
Federal non-allowable reserves. Balance end of year	- - - - -	+ 655	125,567,928.
Federal allowable reserves. Balance beginning of year	- - - - -	+ 656	
Ontario exploration expenses (e.g. CEDE, CEE, CDE, COGPE) (Retain calculations. Do not submit.)	- - - - -	+ 657	
Ontario depletion allowance	- - - - -	+ 658	
Ontario resource allowance (Refer to Guide)	- - - - -	+ 659	
Ontario current cost adjustment (Attach schedule)	- - - - -	+ 661	
CCA on assets used to generate electricity from natural gas, alternative or renewable resources.	- - - - -	+ 675	

Subtotal of deductions for this page **650** to **659** + **661** + **675** - - - - - **681** 359,288,267.
Transfer to Page 15

continued on Page 15

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

continued from Page 14

Net Income (loss) for federal income tax purposes, per federal Schedule 1	- - - - -	From +	600	153,306,942
Total of Additions on page 14	- - - - -	From =	640	359,288,267
Sub Total of deductions on page 14	- - - - -	From =	681	359,288,267

Deduct:

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

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

ONTTI Gross-up deduction calculation:

Gross-up of CCA

$$\left[\begin{array}{l} \text{From } 662 \times \\ \text{From } 30 \end{array} \right] \times \frac{100}{100.0000} - \text{From } 662 = 663$$

Ontario Allocation

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

Qualifying expenditures: $\left[665 \times 30\% \times \frac{100}{100.0000} \right] = 666$

Ontario allocation

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

Qualifying expenditures: $\left[667 \times 100\% \times \frac{100}{100.0000} \right] = 668$

Ontario allocation

Number of Employees accommodated 669

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

Qualifying expenditures: $\left[670 \times 30\% \times \frac{100}{100.0000} \right] = 671$

Ontario allocation

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

Qualifying expenditures: $\left[672 \times 15\% \times \frac{100}{100.0000} \right] = 673$

Ontario allocation

Ontario allowable business investment loss - - - - - + 678

Ontario Scientific Research Expenses claimed in year in 477 from Ont. CT23 Schedule 161 + 679

Amount added to income federally for an amount that was negative on federal form T661, line 454 or 455 (if filed after June 30, 2003) - - - - - + 677 269,188

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

Total of Deductions 681 + 663 + 666 + 668 + 671 + 673 + 678 + 679 + 677 + 664 = 359,557,455 680 359,557,455

Net income (loss) for Ontario Purposes 600 + 640 - 680 = 690 153,037,754

Transfer to Page 4

Continuity of Losses Carried Forward

DOLLARS ONLY

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

Analysis of Balance at End of Year by Year of Origin

Year of Origin (oldest year first) year month day	Non-Capital Losses	Non-Capital Losses of Predecessor Corporations	Total Capital Losses from Listed Personal Property only	Farm Losses	Restricted Farm Losses
800 9th preceding taxation year 1997-09-30	817 (9)	860 (9)		850	870
801 8th preceding taxation year 1998-09-30	818 (9)	861 (9)		851	871
802 7th preceding taxation year 1999-09-30	819 (9)	862 (9)		852	872
803 6th preceding taxation year 2000-09-30	820	830	840	853	873
804 5th preceding taxation year 2001-09-30	821	831	841	854	874
805 4th preceding taxation year 2001-12-31	822	832	842	855	875
806 3rd preceding taxation year 2002-12-31	823	833	843	856	876
807 2nd preceding taxation year 2003-12-31	824	834	844	857	877
808 1st preceding taxation year 2004-12-31	825	835	845	858	878
809 Current taxation year 2005-12-31	826	836	846	859	879
Total	829	839	849	869	889

Notes:

- (1) Non-capital losses include allowable business investment losses, fed.s.111(8)(b), as made applicable by s.34.
- (2) Where acquisition of control of the corporation has occurred, the utilization of losses can be restricted. See fed.s.111(4) through 111(5.5), as made applicable by s.34.
- (3) Includes losses on amalgamation (fed.s.87(2.1) and s.87(2.11)) and/or wind-up (fed.s.88(1.1) and 88(1.2)), as made applicable by s.34.
- (4) To the extent of applicable gains/income/at-risk amount only.

- (5) Generally a three year carry-back applies. See fed.s.111(1) and fed.s.41(2)(b), as made applicable by s.34.
- (6) Where a limited partner has limited partnership losses, attach loss calculations for each partnership.
- (7) Include amount from 11 if taxable income is adjusted to claim unused foreign tax credit for federal purposes.
- (8) Amount in 709 must equal total of 829 + 839.
- (9) Include non-capital losses incurred in taxation years ending after March 22, 2004.

TORONTO HYDRO-ELECTRIC SYSTEM LIMIT

1800235

2006-12-31

DOLLARS ONLY

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

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

- If, after applying a loss carry-back to one or more previous years, there is a balance of loss available to carry forward to a future year, it is the corporation's responsibility to claim such a balance for those years following the year of loss within the limitations of fed.s.111, as made applicable by s.34.
- Where control of a corporation has been acquired by a person or group of persons, certain restrictions apply to the carry-forward and carry-back provisions of losses under fed.s.111(4) through 111(5.5), as made applicable by s.34.
- Refunds arising from the loss carry-back adjustment may be applied by the Minister of Finance to amounts owing under **any Act administered by the Ministry of Finance**.

- Any late filing penalty applicable to the return for which the loss is being applied will not be reduced by the loss carry-back.
- The application of a loss carry-back will be available for interest calculation purposes on the day that is the latest of the following:
 - the first day of the taxation year after the loss year,
 - the day on which the corporation's return for the loss year is delivered to the Minister, or
 - the day on which the Minister receives a request in writing from the corporation to reassess the particular taxation year to take into account the deduction of the loss.
- If a loss is being carried back to a **predecessor corporation**, enter the predecessor corporation's account number and taxation year end in the spaces provided under Application of Losses below.

Application of Losses

	Non-Capital Losses	Total Capital Losses	Farm Losses	Restricted Farm Losses
Total amount of loss	910	920	930	940
Deduct: Loss to be carried back to preceding taxation years and applied to reduce taxable income				
Predecessor Ontario Corporation's Tax Account No. (MOF)	Taxation Year Ending year month day			
i) 3 rd preceding 901	2002-12-31 911	921	931	941
ii) 2 nd preceding 902	2003-12-31 912	922	932	942
iii) 1 st preceding 903	2004-12-31 913	923	933	943
Total loss to be carried back	From 706	From 716	From 726	From 736
Balance of loss available for carry-forward	919	929	939	949

Summary

Income Tax	- - - - - + From 230 or 320	21,425,286
Corporate Minimum Tax	- - - - - + From 280	
Capital Tax	- - - - - + From 550	5,838,284
Premium Tax	- - - - - + From 590	
Total Tax Payable	- - - - - = 950	27,263,570
Subtract: Payments	- - - - - - 960	28,067,601
Capital Gains Refund (s.48)	- - - - - - 965	
Qualifying Environmental Trust Tax Credit (Refer to Guide)	- - - - - - 985	
Specified Tax Credits (Refer to Guide)	- - - - - - 955	
Other, specify	- - - - - -	
Balance	- - - - - = 970	-804,031
If payment due	- - - - - Enclosed * 990	
If overpayment: Refund (Refer to Guide)	- - - - - = 975	
Apply to	year month day 2006-12-31 980	804,031
		(Includes credit interest)

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

Certification

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

Name (please print)

JEAN-SEBASTIEN COUILLARD

Title

CFO

Full Residence Address

Signature

Date

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

Amounts deducted for income tax purposes in excess of amounts booked (Retain calculations. Do not submit.) (Int.B. 3012R)

Title	Box 371 attachment
-------	--------------------

Description	Amount
Per 2004 filed return	74,732,343 00
Book Depreciation - fixed assets	-124,987,458 00
Book amortization of deferred financing fees	-484,528 00
ECE	1,223,952 00
CCA	112,999,438 00
S. 20(1)(e) deduction	1,121,325 00
CUMULATIVE IMPUTED INTEREST	7,819,594 00
CUMULATIVE TRANSITION COSTS RECOVERIES	-9,467,077 00
Total	62,957,589 00

CT23 Schedule 101

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	1800235	2005-12-31

Part 1: Calculation of CMT Base

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

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

Net Income/Loss (unconsolidated, determined in accordance with GAAP) ± 2100 65,373,582.

Subtract (to the extent reflected in net income/loss):

Provision for recovery of income taxes / benefit of current income taxes	+	2101	
Provision for deferred income taxes (credits) / benefit of future income taxes	+	2102	
Equity income from corporations	+	2103	
Share of partnership(s)/joint venture(s) income	+	2104	
Dividends received/receivable deductible under fed.s.112	+	2105	
Dividends received/receivable deductible under fed.s.113	+	2106	
Dividends received/receivable deductible under fed.s.83(2)	+	2107	
Dividends received/receivable deductible under fed.s.138(6)	+	2108	

Federal Part VI.1 tax paid on dividends declared and paid, under fed.s.191.1(1)

..... x 3 + 2109

Subtotal = – 2110

Add (to extent reflected in net income/loss):

Provision for current taxes / cost of current income taxes	+	2111	61,113,786.
Provision for deferred income taxes (debits) / cost of future income taxes	+	2112	
Equity losses from corporations	+	2113	
Share of partnership(s)/joint venture(s) losses	+	2114	
Dividends that have been deducted to arrive at net income per Financial Statements s.57.4(1.1) (excluding dividends under fed.s.137(4.1))	+	2115	

Subtotal = 61,113,786. + 2116 61,113,786.

Add/Subtract:

Amounts relating to s.57.9 election/regulations for disposals etc. of property for current/prior years

** Fed.s.85	+	2117		or –	2118	
** Fed.s.85.1	+	2119		or –	2120	
** Fed.s.97	+	2121		or –	2122	
** Amounts relating to amalgamations (fed.s.87) as prescribed in regulations for current/prior years	+	2123		or –	2124	
** Amounts relating to wind-ups (fed.s.88) as prescribed in regulations for current/prior years	+	2125		or –	2126	
** Amounts relating to s.57.10 election/regulations for replacement re fed.s.13(4), 14(6) and 44 for current/prior years	+	2127		or –	2128	

Interest allowable under ss.20(1)(c) or (d) of ITA to the extent not otherwise deducted in determining CMT adjusted net income

– 2150

Subtotal (Additions) = + 2129

Subtotal (Subtractions) = – 2130

** Other adjustments ± 2131

Subtotal ± 2100 – 2110 + 2116 + 2129 – 2130 ± 2131 = 2132 126,487,368.

** Share of partnership(s)/joint venture(s) **adjusted** net income/loss ± 2133

Adjusted net income (loss) (if loss, transfer to 2202 in **Part 2: Continuity of CMT Losses Carried Forward.**) = 2134 126,487,368.

Deduct: * CMT losses: pre-1994 Loss + From 2210

* CMT losses: other eligible losses + 2211

= – 2135

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

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

CMT Base = 2136 126,487,368.

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

Corporate Minimum Tax (CMT)**CT23 Schedule 101**

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	1800235	2005-12-31

Part 2: Continuity of CMT Losses Carried Forward

Balance at Beginning of year NOTES (1), (2)		+ 2201	
Add: Current year's losses	+ 2202		
Losses from predecessor corporations on amalgamation NOTE (3)	+ 2203		
Losses from predecessor corporations on wind-up NOTE (3)	+ 2204		
Amalgamation (X) 2205 <input type="checkbox"/> Yes Wind-up (X) 2206 <input type="checkbox"/> Yes			
Subtotal	=		+ 2207
Adjustments (attach schedule)		± 2208	
CMT losses available 2201 + 2207 ± 2208		=	2209
Subtract: Pre-1994 loss utilized during the year to reduce adjusted net income	+ 2210		
Other eligible losses utilized during the year to reduce adjusted net income NOTE (4)	+ 2211		
Losses expired during the year	+ 2212		
Subtotal	=		- 2213
Balances at End of Year NOTE (5) 2209 - 2213		=	2214

Notes:

- (1) Pre-1994 CMT loss (see s.57.1(1)) should be included in the balance at beginning of the year. Attach schedule showing computation of pre-1994 CMT loss.
- (2) Where acquisition of control of the corporation has occurred, the utilization of CMT losses can be restricted. (see s.57.5(3) and a 57.5(7))
- (3) Include and indicate whether CMT losses are a result of an amalgamation to which fed.s.87 applies and/or a wind-up to which fed.s.88(1) applies. (see s.57.5(8) and s.57.5(9))
- (4) CMT losses must be used to the extent of the lesser of the adjusted net income 2134 and CMT losses available 2209.
- (5) Amount in 2214 must equal sum of 2270 + 2290.

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

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

	Year of Origin (oldest year first) year month day	CMT Losses of Corporation	CMT Losses of Predecessor Corporations
2240	9th preceding taxation year 1997-09-30	2260	2280
2241	8th preceding taxation year 1998-09-30	2261	2281
2242	7th preceding taxation year 1999-09-30	2262	2282
2243	6th preceding taxation year 2000-09-30	2263	2283
2244	5th preceding taxation year 2001-09-30	2264	2284
2245	4th preceding taxation year 2001-12-31	2265	2285
2246	3rd preceding taxation year 2002-12-31	2266	2286
2247	2nd preceding taxation year 2003-12-31	2267	2287
2248	1st preceding taxation year 2004-12-31	2268	2288
2249	Current taxation year 2005-12-31	2269	2289
Totals		2270	2290

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

CT23 Schedule 101

Corporation's Legal Name TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	Ontario Corporations Tax Account No. (MOF) 1800235	Taxation Year End 2005-12-31
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Part 4: Continuity of CMT Credit Carryovers

Balance at Beginning of year NOTE (1) + 2301

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

Gross Special Additional Tax NOTE (2) 312 on page 5 of CT8.

(Life Insurance corporations only.

Others enter NIL.) + From 312

Subtract Income Tax

(190 on page 6 of the CT23 or
page 4 of the CT8) - From 190

Subtotal (If negative, enter NIL) ... = - 2305

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

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

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

Subtotal 2301 + 2310 + 2325 = 2330

Adjustments (Attach schedule) ± 2332

CMT Credit Carryover available 2330 ± 2332 = 2333

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

Subtract: CMT Credit utilized during the year to reduce income tax

(310 on page 8 of the CT23 or 351 on page 6 of the CT8.) + From 310 or 351

CMT Credit expired during the year + 2334

Subtotal = - 2335

Balances at End of Year NOTE (4) 2333 - 2335 = 2336

Notes:

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

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

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

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

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

	Year of Origin (oldest year first) year month day	CMT Credit Carryovers of Corporation	CMT Credit Carryovers of Predecessor Corporation(s)
2340	9th preceding taxation year 1997-09-30	2360	2380
2341	8th preceding taxation year 1998-09-30	2361	2381
2342	7th preceding taxation year 1999-09-30	2362	2382
2343	6th preceding taxation year 2000-09-30	2363	2383
2344	5th preceding taxation year 2001-09-30	2364	2384
2345	4th preceding taxation year 2001-12-31	2365	2385
2346	3rd preceding taxation year 2002-12-31	2366	2386
2347	2nd preceding taxation year 2003-12-31	2367	2387
2348	1st preceding taxation year 2004-12-31	2368	2388
2349	Current taxation year 2005-12-31	2369	2389
Totals		2370	2390

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

Corporation's Legal Name TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	Ontario Corporations Tax Account No. (MOF) 1800235	Taxation Year End 2005-12-31
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CMT Losses Carried Forward Workchart

(i) Continuity of Pre-1994 CMT Losses

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

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

	Year of Origin YYYY/MM/DD	Opening Balance	Adjustment	Deduction	Expired	Closing Balance
10th Prior Year	1996-09-30					
9th Prior Year	1997-09-30					
8th Prior Year	1998-09-30					
7th Prior Year	1999-09-30					
6th Prior Year	2000-09-30					
5th Prior Year	2001-09-30					
4th Prior Year	2001-12-31					
3rd Prior Year	2002-12-31					
2nd Prior Year	2003-12-31					
1st Prior Year	2004-12-31					
	Total					

Predecessor Corporations Only – Amalgamation

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

Year of Origin YYYY/MM/DD	Opening Balance	Add	Adjustment	Deduction	Expired	Closing Balance
1996-09-30						
1997-09-30						
1998-09-30						
1999-09-30						
2000-09-30						
2001-09-30						
2001-12-31						
2002-12-31						
2003-12-31						
2004-12-31						
	Total					

Corporate Minimum Tax (CMT)
CT23 Sch. Form 101 – Supporting Schedule

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	1800235	2005-12-31

CMT Losses Carried Forward Workchart (continued)

Predecessor Corporations Only – Wind-Up

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

Year of Origin YYYY/MM/DD	Opening Balance	Add	Adjustment	Deduction	Expired	Closing Balance
1996-09-30						
1997-09-30						
1998-09-30						
1999-09-30						
2000-09-30						
2001-09-30						
2001-12-31						
2002-12-31						
2003-12-31						
2004-12-31						
Total						

Corporate Minimum Tax (CMT)
CT23 Sch. Rule 101 – Supporting Schedule

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	1800235	2005-12-31

CMT Credit Carryovers Workchart

Filing Corporation						
	Year of Origin YYYY/MM/DD	Opening Balance	Adjustment	Deduction	Expired	Closing Balance
10th Prior Year	1996-09-30					
9th Prior Year	1997-09-30					
8th Prior Year	1998-09-30					
7th Prior Year	1999-09-30					
6th Prior Year	2000-09-30					
5th Prior Year	2001-09-30					
4th Prior Year	2001-12-31					
3rd Prior Year	2002-12-31					
2nd Prior Year	2003-12-31					
1st Prior Year	2004-12-31					
	Total					

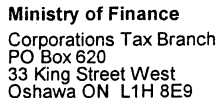
Predecessor Corporations Only – Amalgamation						
Indicate the amounts of CMT credit carryovers from predecessor corporations. Do not include these amounts in the 'opening balance' of the Filing Corporation.						
Year of Origin YYYY/MM/DD	Opening Balance	Add	Adjustment	Deduction	Expired	Closing Balance
1996-09-30						
1997-09-30						
1998-09-30						
1999-09-30						
2000-09-30						
2001-09-30						
2001-12-31						
2002-12-31						
2003-12-31						
2004-12-31						
	Total					

Predecessor Corporations Only – Wind-Up						
Indicate the amounts of CMT credit carryovers from predecessor corporations. Do not include these amounts in the 'opening balance' of the Filing Corporation.						
Year of Origin YYYY/MM/DD	Opening Balance	Add	Adjustment	Deduction	Expired	Closing Balance
1996-09-30						
1997-09-30						
1998-09-30						
1999-09-30						
2000-09-30						
2001-09-30						
2001-12-31						
2002-12-31						
2003-12-31						
2004-12-31						
	Total					



Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	1800235	2005-12-31

CORPORATE TAXPREP - 2006 V.1 Page 1 of 1



Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	1800235	2005-12-31

Transfer to **249** of the CT23 Transfer to **250** of the CT23

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	1800235	2005-12-31

Loans or Advances Credited or Advanced to Corporation (includes accounts payable to related parties outstanding at the taxation year end for 120 days or more, and accounts payable to non-related parties outstanding for 365 days or more at the taxation year end)		
Long-term note payable to related parties	+	180,000,000
Promissory note payable	+	980,230,955
Other-long term liabilities	+	5,547,243
Customers advances and deposits	+	2,899,891
Termination Accrual	+	102,000
Asset Retirement Obligations	+	5,691,479
Long term deferred revenue	+	1,579,659
Short term deferred revenue	+	19,637,086
Current portion of LT liabilities \$38,905,999	+	
less: Operating lease liability \$37,036	+	38,868,963
	+	
	+	
	+	
	+	
	+	
	+	
	+	
	+	
	+	
	+	
	+	
	+	
	+	
	+	
	+	
	+	
Total	=	1,234,557,276

 Transfer to 353 of the CT23



Ontario

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

Or **io Summary of Dispositions
of Capital Property**

Schedule 6

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	1800235	2005-12-31

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

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

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

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

Part B: Inter-provincial asset transfers

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

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

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

Part 1 – Shares

No. of shares	Name of corporation	Class of shares	2	3	4	5	6	7
1								

Totals	A
Before February 28, 2000	A1
After February 27, 2000 and before October 18, 2000	A2
After October 17, 2000	A3

Ontario Summary of Dispositions of Capital Property

Schedule 6

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	1800235	2005-12-31

1 Types of capital property	2 Date of acquisition YYYY/MM/DD	3 Date of disposition YYYY/MM/DD	4 Proceeds of disposition	5 Ontario adjusted cost base	6 Outlays and expenses	7 Ontario gain or (loss) (col. 4 less cols. 5 & 6)
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Part 2 – Real Estate (Do not include losses on depreciable property)

	Municipal address	2	3	4	5	6	7
1	1 LOCHINVAR CRESCENT NORTH YORK ONTAR	1959-01-01		277,792	114,000		163,792
2	405 WOBURN AVENUE EAST OF AVENUE ROAD	1951-01-01		870,046			870,046
3	22 NORTON AVENUE NORTH YORK ONTARIO	1955-01-01		1,743,080	157,000		1,586,080
4							
Totals							2,619,918 B
Before February 28, 2000							B1
After February 27, 2000 and before October 18, 2000							B2
After October 17, 2000							2,619,918 B3

Part 3 – Bonds

	Face value	Maturity date YYYY/MM/DD	Name of issuer	2	3	4	5	6	7
1									
Totals									C
Before February 28, 2000									C1
After February 27, 2000 and before October 18, 2000									C2
After October 17, 2000									C3

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

	Description	2	3	4	5	6	7
1							
Totals							D
Before February 28, 2000							D1
After February 27, 2000 and before October 18, 2000							D2
After October 17, 2000							D3

Part 5 – Personal-use property

	Description of capital property	2	3	4	5	6	7
1							

Net gain or (loss)							E
Before February 28, 2000							E1
After February 27, 2000 and before October 18, 2000							E2
After October 17, 2000							E3

Note: Losses are not deductible

Ontario Summary of Dispositions of Capital Property

Schedule 6

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	1800235	2005-12-31

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

Part 6 – Listed personal property

Description	2	3	4	5	6	7
1						

Deduct: Unapplied listed personal property losses from other years	—
Note: <i>Net listed personal property losses may only be applied against personal property gains.</i>	F
Net gain or (loss)	

LPP gains or losses realized before February 28, 2000

Gain or loss on dispositions before February 28, 2000	+	
Less: Portion of unapplied LPP losses from other years applicable to gain before February 28, 2000	—	
Net gain (loss) on dispositions before February 28, 2000	=	F1

LPP gains or losses realized after February 27, 2000 and before October 18, 2000

Gain or loss on dispositions after February 27, 2000 and before October 18, 2000	+	
Less: Portion of unapplied LPP losses from other years applicable to gain after February 27, 2000 and before October 18, 2000	—	
Net gain (loss) on dispositions after February 27, 2000 and before October 18, 2000	=	F2

LPP gains or losses realized after October 17, 2000

Gain or loss on dispositions after October 17, 2000	+	
Less: Portion of unapplied LPP losses from other years applicable to gain after October 17, 2000	—	
Net gain (loss) on dispositions after October 17, 2000	=	F3

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

1 Name of small business corporation	Shares – enter 1 Debt – enter 2	2 Date of acquisition YYYY/MM/DD	3 Date of disposition YYYY/MM/DD	4 Proceeds of disposition	5 Ontario adjusted cost base	6 Outlays and expenses	7 Ontario loss (col. 4 less cols. 5 & 6)
1							
Totals							

Note: Properties listed in Part 7 should not be included in any other Part of Schedule 6.

Net Loss	G
Before February 28, 2000	G1
After February 27, 2000 and before October 18, 2000	G2
After October 17, 2000	G3

Ontario Summary of Dispositions of Capital Property

Schedule 6

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	1800235	2005-12-31

Determining capital gains and capital losses

Total of A to F (Do not include F if it is a loss)	2,619,918
Add: Amount (if any) of capital gain reserve opening balance from Schedule 13	+
Capital gain dividend received in the year	+
Subtotal	= 2,619,918
Deduct: Amount (if any) of capital gain reserve closing balance from Schedule 13	-
Gain or Loss (excluding Allowable Business Investment Losses)	= 2,619,918 Z

Determining the inclusion rate

Gains or losses realized before February 28, 2000

Total of A1 to G1	
Add: Capital gains dividend attributable to period before February 28, 2000	+
Capital gain reserve opening balance (only if taxation year commenced before February 28, 2000)	+
Subtotal	=
Deduct: Portion of capital gains reserve closing balance applicable to dispositions before February 28, 2000	-
Gains or Losses	= H

Gains or losses realized after February 27, 2000 and before October 18, 2000

Total of A2 to G2	
Add: Capital gains dividend attributable to period after February 27, 2000 and before October 18, 2000	+
Capital gain reserve opening balance (only if taxation year commenced after February 27, 2000 and before October 18, 2000)	+
Subtotal	=
Deduct: Portion of capital gains reserve closing balance applicable to dispositions after February 27, 2000 and before October 18, 2000	-
Gains or Losses	= I

Gains or losses realized after October 17, 2000

Total of A3 to G3	2,619,918
Add: Capital gains dividend attributable to period after October 17, 2000	+
Capital gain reserve opening balance (only if taxation year commenced after October 17, 2000)	+
Subtotal	= 2,619,918
Deduct: Portion of capital gains reserve closing balance applicable to dispositions after October 17, 2000	-
Gains or Losses	= 2,619,918 J

Calculate Inclusion Rate

Gains or losses	Inclusion Rate	Net capital gain / capital loss
H	x 75%	= K
I	x 66 2/3%	= L
Subtotal M	x %	= AA
2,619,918 J	x 50%	= 1,309,959 N
Total 2,619,918 O	x 50.000000%	= 1,309,959 P
Inclusion rate P ÷ O (expressed as a percentage)		= 50.000000 Q %

Note: (1) Mutual fund corporations may treat their capital gains and losses as if they were earned on an equal basis throughout the year for the purposes of determining net capital gains or losses attributable to a particular period within the year.

(2) If either lines H or I are positive and the other one is negative, enter the difference on the subtotal line M. Use the inclusion rate from which the larger amount originates and calculate the net gain or net loss based on that rate. If either line J or M are positive and the other is negative enter the difference on line O and use the inclusion rate where the higher amount originated.

Allowable business investment loss (G1+ G2+ G3) X Inclusion Rate	50.000000 Q %	= G4
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Transfer to 678 of the CT23

Determining taxable capital gains

Gain or Loss (excluding Allowable Business Investment Losses)		2,619,918 Z
Deduct: Gain on donations (made to charities other than private foundations) of securities listed on a prescribed stock exchange divided by 2 (for donations made after February 18, 1997 and before the year 2002.)	x 50 %	-
Gain on donation of ecologically sensitive land after February 27, 2000	x 50 %	-
Gains or Loss		2,619,918 R
Include 100% of the losses in box 711 of the CT23		
Taxable capital gains	2,619,918 R x Inclusion Rate 50.000000 Q %	= 1,309,959 S

Transfer to 603 of the CT23

Corporation's Legal Name				Ontario Corporations Tax Account No. (MOF)				Taxation Year End	
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED				1800235				2005-12-31	

Is the corporation electing under regulation 1101(5q)?													1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	
1	2	3	4	5	6	7	8	9	10	11	12	13		
Class number	Ontario undepreciated capital cost at the beginning of the year (undepreciated capital cost at the end of the prior year's CCA schedule)	Cost of acquisitions during the year (new property must be available for use) See note 1 below	Net adjustments (show negative amounts in brackets)	Proceeds of dispositions during the year (amount not to exceed the capital cost)	Ontario undepreciated capital cost (column 2 plus column 3 or minus column 4 minus column 5)	50% rule (1/2 of the amount, if any, by which the net cost of acquisitions exceeds column 5) See note 2 below	Reduced undepreciated capital cost (column 6 minus column 7)	CCA rate %	Recapture of capital cost allowance	Terminal loss	Ontario capital cost allowance (column 8 multiplied by column 9, or a lower amount)	Ontario undepreciated capital cost at the end of the year (column 6 minus column 7)		
1	1,433,889,894	6,185,594		131,500	1,439,943,988	3,027,047	1,436,916,941	4	0	0	57,476,678	1,382,467,310		
8	45,493,778	4,150,376		0	49,644,154	2,075,188	47,568,966	20	0	0	9,513,793	40,130,361		
10	17,756,599	2,806,623		110,222	20,453,000	1,348,201	19,104,799	30	0	0	5,731,440	14,721,560		
12	1,980,216	3,412,662		0	5,392,878	1,706,331	3,686,547	100	0	0	3,686,547	1,706,331		
17	6,422,594	65,227		0	6,487,821	32,614	6,455,207	8	0	0	516,417	5,971,404		
2	540,520,861			0	540,520,861		540,520,861	6	0	0	32,431,252	508,089,609		
98	17,264,966	43,683,741	177,199	0	61,125,906	21,841,871	39,284,035	0	0	0		61,125,906		
45	1,160,129	1,017,639		0	2,177,768	508,820	1,668,948	45	0	0	751,027	1,426,741		
13	109,088			0	109,088		109,088	N/A	0	0	43,241	65,847		
See schedule		70,869,685			70,869,685	35,434,843	35,434,842				2,849,043	68,020,642		
Totals	2,064,598,125	132,191,547	177,199	241,722	2,196,725,149	65,974,915	2,130,750,234				112,999,438	2,083,725,711		

Enter in boxes 650 650 650 on the CT23.

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

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

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

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

Ontario Capital Cost Allowance Schedule 8

Corporation's Legal Name TORONTO HYDRO-ELECTRIC SYSTEM LIMITED										Ontario Corporations Tax Account No. (MOF) 1800235		Taxation Year End 2005-12-31
1 Class number	2 Ontario undepreciated capital cost at the beginning of the year (undepreciated capital cost at the end of the prior year's CCA schedule)	3 Cost of acquisitions during the year (new property must be available for use) See note 1 below	4 Net adjustments (show negative amounts in brackets)	5 Proceeds of dispositions during the year (amount not to exceed the capital cost)	6 Ontario undepreciated capital cost (column 2 plus column 3 or minus column 4 minus column 5)	7 50% rule (1/2 of the amount, if any, by which the net cost of acquisitions exceeds column 5) See note 2 below	8 Reduced undepreciated capital cost (column 6 minus column 7)	9 CCA rate %	10 Recapture of capital cost allowance	11 Terminal loss	12 Ontario capital cost allowance (column 8 multiplied by column 9, or a lower amount)	13 Ontario undepreciated capital cost at the end of the year (column 6 minus column 12)
47		70,740,085		0	70,740,085	35,370,043	35,370,042	8	0	0	2,829,603	67,910,482
10.1		32,400		N/A	32,400	16,200	16,200	30	N/A	N/A	4,860	27,540
10.1		32,400		N/A	32,400	16,200	16,200	30	N/A	N/A	4,860	27,540
10.1		32,400		N/A	32,400	16,200	16,200	30	N/A	N/A	4,860	27,540
10.1		32,400		N/A	32,400	16,200	16,200	30	N/A	N/A	4,860	27,540
Totals		70,869,685			70,869,685	35,434,843	35,434,842				2,849,043	68,020,642



Ontario

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

Ontario Cumulative Eligible Capital Deduction Schedule 10

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	1800235	2005-12-31

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

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

Ontario Cumulative eligible capital – balance at end of preceding taxation year (if negative, enter zero) 17,485,029 **A**

Add: Cost of eligible capital property acquired during the taxation year ... + **B**
Amount transferred on amalgamation or wind-up of subsidiary ... + **C**
Other adjustments ... + **D**
Total of B + C + D = x 3 / 4 = **E**
Subtotal A + E = 17,485,029 **F**

Deduct: Ontario proceeds of sales (less outlays and expenses not otherwise deductible) from the disposition of all eligible capital property during the taxation year ... + **G**
The gross amount of a reduction in respect of a forgiven debt obligation as provided for in subsection 80(7) of the *Income Tax Act* (Canada) ... + **H**
Other adjustments ... + **I**
Total of G + H + I = x 3 / 4 = **J**

Ontario cumulative eligible capital balance **F - J** = 17,485,029 **K**

If **K** is negative, enter zero at line **M** and proceed to Part 2

Current year deduction 17,485,029 **K** x 7 % * = 1,223,952 **L**

* The maximum current year deduction is 7%. However, you can claim any amount up to the maximum.

Enter amount in box 651 of the CT23

Ontario cumulative eligible capital – closing balance **K - L** (if negative, enter zero) = 16,261,077 **M**

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

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

Only complete this part only if the amount at line **K** is negative

Amount from line **K** above show as a positive amount **N**

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

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

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

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

Line **3** deduct line **4** **5**

Total lines **1 + 2 + 5** **6**

Line **T** from previous Ontario Schedule 10 for taxation years ending after February 27, 2000 **7**

Deduct line **7** from line **6** **O**

N - O (cannot be negative) **P**

Amount on line **5** x 1 / 2 **Q**

P - Q **R**

Amount on line **R** x 2 / 3 **S**

Lesser of line **N** or line **O** **T**

Amount to be included in income S + T **S**

Note: For taxation years ending after February 27, 2000 and before October 18, 2000 use 8/9 to calculate **S**

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	1800235	2005-12-31

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

Part 1 – Capital gains reserves

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

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

Part 2 – Other reserves

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

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

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

Part 3 – Continuity of non-deductible reserves

Reserve	Ontario opening balance	Transfers	Ontario additions	Ontario deductions	Other adjustments	Ontario closing balance
POEB	108,397,000		6,178,985			114,575,985
HOLDBACKS	93,476			75,589		17,887
AFDA	8,121,464		685,917			8,807,381
See schedule	1,575,050		591,625			2,166,675
Reserves from Part 2						
Totals	118,186,990		7,456,527	75,589		125,567,928

Enter in box **653** of the CT23

Enter in box **606** of the CT23

Ontario Continuity of Reserves Schedule 13

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	1800235	2005-12-31

Part 3 – Continuity of non-deductible reserves

Reserve	Ontario opening balance	Transfers	Ontario additions	Ontario deductions	Other adjustments	Ontario closing balance
Inventory Obsolescence	1,575,050		489,625			2,064,675
Termination Accrual			102,000			102,000
Totals	1,575,050		591,625			2,166,675

CT23 SCHEDULE 591

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	1800235	2005-12-31

The following associated group of corporations includes all the corporations in this associated group (excluding financial institutions and corporations exempt from capital tax) having a permanent establishment in Canada and are hereby making an election under subsection 69(2.1) of the *Corporation Tax Act* to allocate the tax effect of the group's taxable capital deduction (TCD) as calculated in section B on page 10 of the CT23 for all taxation years which end in the 2005 calendar year, based on each corporation's total assets and Ontario allocation factor from each corporation's last taxation year ending in the 2004 calendar year.

Applies to taxation years ending in the 2005 calendar year.

Corporation having a permanent establishment in Canada	Last taxation year ending in 2004 calendar year	Ontario Allocation A	Total Assets T	Net Deduction A x [TE x (T+X)] ND	Allocation of Net Deduction AND
Corporation Tax Account Number (if applicable)	YEAR MONTH DAY				995
1800235	2004-12-31	100.0000	2,326,181,000	11,271	22,500
Corporation Name					
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED					
Tax Effect (TE) of Taxable Capital Deduction					
TCD From CT23, Page 10, Section B 503	7,500,000	x 0.3 % = TE	22,500		
Corporation Tax Account Number (if applicable)	YEAR MONTH DAY				995
1800236	2004-12-31	100.0000	2,045,717,000		
Corporation Name					
TORONTO HYDRO CORPORATION					
Tax Effect (TE) of Taxable Capital Deduction					
TCD From CT23, Page 10, Section B 503		x 0.3 % = TE			
Corporation Tax Account Number (if applicable)	YEAR MONTH DAY				995
1800382	2004-12-31	100.0000	226,023,000		
Corporation Name					
TORONTO HYDRO ENERGY SERVICES					
Tax Effect (TE) of Taxable Capital Deduction					
TCD From CT23, Page 10, Section B 503		x 0.3 % = TE			
Corporation Tax Account Number (if applicable)	YEAR MONTH DAY				995
1800238	2004-12-31	100.0000	39,688,000		
Corporation Name					
TORONTO HYDRO TELECOM INC.					
Tax Effect (TE) of Taxable Capital Deduction					
TCD From CT23, Page 10, Section B 503		x 0.3 % = TE			
Corporation Tax Account Number (if applicable)	YEAR MONTH DAY				995
See Schedule			6,010,000		
Corporation Name					
Tax Effect (TE) of Taxable Capital Deduction					
TCD From CT23, Page 10, Section B 503		x 0.3 % = TE			

If insufficient space, attach list.

Total Assets of Associated Group having permanent establishments in Canada X 4,643,619,000 959

Total Net Deductions of Associated Group having permanent establishments in Canada ... TND 11,271 994

Total Allocated Net Deductions of Associated Group having permanent establishments in Canada TAND 22,500

2005

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

CT23 SCHEDULE 591

Corporation's Legal Name TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	Ontario Corporations Tax Account No. (MOF) 1800235	Taxation Year End 2005-12-31
--	--	--

Corporation having a permanent establishment in Canada	Last taxation year ending in 2004 calendar year	Ontario Allocation A	Total Assets T	Net Deduction $A \times [TE \times (T+X)]$ ND	Allocation of Net Deduction AND
Corporation Tax Account Number (if applicable) 1800234	YEAR MONTH DAY 2004-12-31	100.0000	2,290,000		995

Corporation Name

1455948 ONTARIO INC.

Tax Effect (TE) of Taxable Capital Deduction

TCD From CT23, Page 10, Section B **503** $\times 0.3 \% = TE$

Corporation Tax Account Number (if applicable) 1800357	YEAR MONTH DAY 2004-12-31	100.0000	3,720,000		995
--	-------------------------------------	-----------------	------------------	--	------------

Corporation Name

TORONTO HYDRO STREET LIGHTING

Tax Effect (TE) of Taxable Capital Deduction

TCD From CT23, Page 10, Section B **503** $\times 0.3 \% = TE$

Total Assets of Associated Group having permanent establishments in Canada **X** **6,010,000** **959**

Total Net Deductions of Associated Group having permanent establishments in Canada **TND** **994**

Total Allocated Net Deductions of Associated Group having permanent establishments in Canada **TAND**



Ministry of Finance
Corporations Tax Branch - Hydro PIL
PO Box 620
33 King Street West
Oshawa ON L1H 8E9

Account No.
1800235

35
PX5003

TORONTO HYDRO-ELECTRIC SYSTEM LIMITED
C/O NICK KUMAR
14 CARLTON ST

TORONTO
M5B 1K5

ON

Remittance Advice - Payment-in-Lieu (PIL)
Electricity Act, 1998
Corporations Tax Act, R.S.O. 1990

Taxation Year End: (YYYYMMDD)

--	--	--	--	--	--	--	--	--	--

Payment Amount: \$

--	--	--	--	--	--	--	--	--	--

Taxation Year End: (YYYYMMDD)

2	0	0	5	1	2	3	1
---	---	---	---	---	---	---	---

Payment Amount: \$

--	--	--	--	--	--	--	--	--	--

Total Payment Enclosed:

--	--	--	--	--	--	--	--	--	--

Toronto Hydro-Electric System Limited
EB-2012-0064
Tab 5
Schedule L5
Filed: 2012 June 1
(1 page)



Ministry of Finance
Corporations Tax Branch - Hydro PIL
PO Box 620
33 King Street West
Oshawa ON L1H 8E9

Keep this portion for your records.

Notice of Assessment

Electricity Act, 1998 • Corporations Tax Act, R.S.O. 1990
from 2005/01/01 to 2005/12/31

TORONTO HYDRO-ELECTRIC SYSTEM LIMITED

ASSESSMENT NO. 93

Account No.	Assessment Date (year, month, day)	Page
1800235	2006/10/03	1 of 1

Tax: Federal and Provincial PIL
Assessment Interest

Total Assessment Liability

62,722,371.00
68,763.34CR
62,653,607.66

SUMMARY OF 2005/12/31 TAXATION YEAR TRANSACTIONS

Payments/Transfers

Sub-Total

63,526,401.65CR

CREDIT BALANCE AVAILABLE IN THIS TAXATION YEAR

63,526,401.65CR
872,793.99CR

In accordance with s.s.80(8) of the Corporations Tax Act, as made applicable
by s.95 of the Electricity Act, 1998, notice is hereby given of the amount of
tax, penalty and interest for which you are assessed.

Total tax assessed as per company estimate

Tax (Re)Assessment Enquiries:

- Toronto (416) 730-5585
- FAX (416) 730-5593

Account Billing Enquiries & Change of Address Information:

- Oshawa and Local (905) 433-6708
- Toronto (416) 920-9048 ext. 3036
- Toll-Free 1-800-262-0784 ext. 3036
- FAX (905) 433-5197



Ministry of Revenue
Hydro PIL
33 King Street West
PO Box 620
Oshawa ON L1H 8E9

Account No.
1800235

35
PX5005

TORONTO HYDRO-ELECTRIC SYSTEM LIMITED
C/O BARRY PARKER
14 CARLTON ST

TORONTO
M5B 1K5

ON

10 HPL

Remittance Advice - Payment-in-Lieu (PIL)

Electricity Act, 1998
Corporations Tax Act, R.S.O. 1990

Taxation Year End: (YYYYMMDD)

Payment Amount: \$

Taxation Year End: (YYYYMMDD)

Payment Amount: \$

Total Payment Enclosed: \$

Toronto Hydro-Electric System Limited
EB-2012-0064
Tab 5
Schedule L6
Filed: 2012 June 1
(1 page)



Ministry of Revenue
Hydro PIL
33 King Street West
PO Box 620
Oshawa ON L1H 8E9

Keep this portion for your records.

Notice of Reassessment

Electricity Act, 1998 • Corporations Tax Act, R.S.O. 1990
from 2005/01/01 to 2005/12/31

TORONTO HYDRO-ELECTRIC SYSTEM LIMITED

Account No.	Reassessment Date (year, month, day)	Page
1800235	2011/06/15	1 of 1

REASSESSMENT NO. 288 REPLACING ASSESSMENT DATED: 2006/10/03

Tax: Federal and Provincial PIL	61,539,496.00
Assessment Interest	<u>209,100.67CR</u>
Total Reassessment Liability	61,330,395.33

SUMMARY OF 2005/12/31 TAXATION YEAR TRANSACTIONS

Payments/Transfers	63,201,390.51CR	
Refunds	68,836.50	
Sub-Total		<u>63,132,554.01CR</u>
CREDIT BALANCE AVAILABLE IN THIS TAXATION YEAR		<u>1,802,158.68CR</u>

In accordance with s.s.80(8) of the Corporations Tax Act, as made applicable by s.95 of the Electricity Act, 1998, notice is hereby given of the amount of tax, penalty and interest for which you are assessed.

Amendment of prior year(s) return(s) will receive early attention.



Ontario

Ministry of Revenue
Ministère du Revenu

PO Box 622
33 King St. West
Oshawa ON L1H 8H6

CP 622
33 rue King ouest
Oshawa ON L1H 8H6

Statement of Adjustments re Taxes Assessed

Relevé des redressements de cotisations

Toronto Hydro-Electric System Limited
EB-2012-0064
Tab 5, Schedule L2
Filed: 2012 June 1 (2 pages)

Account No. / N° de compte 1800235	
Name of Corporation / Raison sociale de la compagnie TORONTO HYDRO-ELECTRIC SYSTEM LIMITED	Taxation Year End / Fin de l'année d'imposition 31 December 2005

INCOME TAX

Taxable Income (Loss) as previously assessed	\$153,037,754
Add:	
Disallowed CCA	867,645
Capital tax adjustment	5,838,284
Ontario specified tax credit	109,836
Adjust reserve to agree to 2004 ending balance	8,208,369
Deduct:	
Net capital losses applied	399,695
Revised ending reserves as per t/p's request	8,570,109
Capital tax adjustment in line with prior years' adj.	5,725,556
T/p's request re: capitalized poeb for acting vs tax	3,672,000
Revised Taxable Income for Federal & Ontario Purposes	<u>149,694,528</u>
Ontario Tax thereon @14%	\$20,957,234
IDSBC	(34,000)
SURTAX	<u>34,000</u>
	\$20,957,234
Deduct: Specified tax credits	<u>109,836</u>
Ontario income tax payable	<u>\$20,847,398</u>
FEDERAL PART 1 TAX	
Federal part 1 tax payable	32,816,128
CORPORATION MINIMUM TAX	nil

Page 2

***DESIGNATED ASSESSMENT**

The items marked with an asterisk above are designated parts of this assessment. This description is authorized by section 92 of the Corporations Tax Act, for assessments which correspond to those issued by Revenue Canada under the Income Tax Act (Canada). It is not necessary to serve a Notice of Objection to those portions of the assessment. The Corporation and the Minister will be bound by the final disposition of a federal Notice of Objection or Appeal.

If you wish not to be bound by the disposition of the corresponding federal objection or appeal, you must serve a Notice of Objection on the prescribed form in accordance with section 84. See under "Notice of Objection" on the accompanying "Notice of Re-Assessment"

***COTISATION DESIGNEE**

Les postes ci-dessus marqués d'un astérisque sont les parties désignées de cette cotisation. Cette description est autorisée en vertu de l'article 92 de la Loi sur l'imposition des corporations, pour les cotisations qui correspondent à celles établies par Revenu Canada en vertu de la Loi de l'impôt sur le revenu (Canada). Il n'est pas nécessaire de signifier un Avis d'opposition pour ces parties des cotisations. La compagnie et le ministre seront liés par la décision finale relative à l'avis fédéral d'opposition ou d'appel.

Si vous désirez ne pas être lié par la décision relative à l'opposition ou à l'appel fédéral correspondant, vous pouvez signifier un avis d'opposition sur la formule prévue à cette fin conformément à l'article 84. Voir "Avis d'opposition" sur l'Avis de nouvelle cotisation ci-joint.



Ontario

PO Box 622
33 King St. West
Oshawa ON L1H 8H6

CP 622
33 rue King ouest
Oshawa ON L1H 8H6

Statement of Adjustments re Taxes Assessed Relevé des redressements de cotisations

Ministry of Revenue
Ministère du Revenu

Tax Compliance Branch , Electricity Act
Direction de l' observation fiscale , Loi sur l'électricité

CAPITAL TAX

Ontario

Net paid –up capital	\$2,119,321,895	
Deduct : Capital exemption	(7,500,000)	
Revised taxable capital	<u>\$2,111,821,895</u>	
Tax thereon @ 0.3%		\$6,335,466
FEDERAL PART 1.3 TAX		1,783,240
DIVIDEND REFUND		<u>(242,737)</u>
<u>TOTAL PAYMENTS-IN-LIEU OF TAXES PAYABLE</u>		<u>\$61,539,496</u>

***DESIGNATED ASSESSMENT**

The items marked with an asterisk above are designated parts of this assessment. This description is authorized by section 92 of the Corporations Tax Act, for assessments which correspond to those issued by Revenue Canada under the Income Tax Act (Canada). It is not necessary to serve a Notice of Objection to those portions of the assessment. The Corporation and the Minister will be bound by the final disposition of a federal Notice of Objection or Appeal.

If you wish not to be bound by the disposition of the corresponding federal objection or appeal, you must serve a Notice of Objection on the prescribed form in accordance with section 84. See under "Notice of Objection" on the accompanying "Notice of Re-Assessment"

***COTISATION DESIGNEE**

Les postes ci-dessus marqués d'un astérisque sont les parties désignées de cette cotisation. Cette description est autorisée en vertu de l'article 92 de la Loi sur l'imposition des corporations, pour les cotisations qui correspondent à celles établies par Revenu Canada en vertu de la Loi de l'impôt sur le revenu (Canada). Il n'est pas nécessaire de signifier un Avis d'opposition pour ces parties des cotisations. La compagnie et le ministre seront liés par la décision finale relative à l'avis fédéral d'opposition ou d'appel.

Si vous désirez ne pas être lié par la décision relative à l'opposition ou à l'appel fédéral correspondant, vous pouvez signifier un avis d'opposition sur la formule prévue à cette fin conformément à l'article 84. Voir "Avis d'opposition" sur l'Avis de nouvelle cotisation ci-joint.

Toronto Hydro-Electric System Limited
EB-2012-0064
Tab 5
Schedule L8
Filed: 2012 June 1
(36 pages)

ASSURANCE AND ADVISORY
BUSINESS SERVICES

ASSURANCE SERVICES

Financial Statements

Toronto Hydro-Electric System Limited

DECEMBER 31, 2005

 **ERNST & YOUNG**

Financial Statements

Toronto Hydro-Electric System Limited

DECEMBER 31, 2005

Contents	Page
Auditors' Report	1
Balance Sheet	2
Statement of Retained Earnings	3
Statement of Income	4
Statement of Cash Flows	5
Notes to Financial Statements	6

AUDITORS' REPORT

To the Shareholder of
Toronto Hydro-Electric System Limited

We have audited the balance sheet of **Toronto Hydro-Electric System Limited** ["THESL"] as at December 31, 2005 and the statements of retained earnings, income and cash flows for the year then ended. These financial statements are the responsibility of the THESL'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 THESL as at December 31, 2005 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

Toronto, Canada,
February 17, 2006 [except as to note 22,
which is as of March 2, 2006].

Chartered Accountants

Toronto Hydro-Electric System Limited

BALANCE SHEET

[in thousands of dollars]

As at December 31

	2005 \$	2004 \$
ASSETS		
Current		
Cash and cash equivalents	310,760	289,125
Accounts receivable, net of allowance for doubtful accounts [notes 4 and 16]	142,451	143,249
Unbilled revenue [note 16]	281,775	233,270
Inventories	18,189	19,373
Prepaid expenses	158	81
Total current assets	753,333	685,098
Property, plant and equipment, net [note 5]	1,532,053	1,518,186
Intangible assets, net [note 6]	40,266	45,329
Regulatory assets [note 7]	63,752	73,883
Other assets [note 8]	4,129	3,685
Total assets	2,393,533	2,326,181
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current		
Accounts payable and accrued liabilities [notes 4 and 16]	374,638	278,186
Current portion of other long-term liabilities [note 9]	38,906	16,557
Deferred revenue	19,637	-
Promissory note payable [note 10]	980,231	980,231
Total current liabilities	1,413,412	1,274,974
Long-term liabilities		
Long-term note payable to related party [note 16]	180,000	180,000
Post-employment benefits [note 11]	114,576	108,397
Regulatory liabilities [note 7]	13,297	2,880
Asset retirement obligations [notes 3[k] and 12]	5,691	4,274
Other long-term liabilities [note 13]	5,547	4,007
Customers' advance deposits and other deposits	2,900	45,967
Long-term deferred revenue	1,580	-
Total long-term liabilities	323,591	345,525
Total liabilities	1,737,003	1,620,499
Commitments and contingencies [notes 11, 12, 17, 19 and 20]		
Shareholder's equity		
Share capital [note 14]	527,817	527,817
Retained earnings	117,322	166,474
Contributed surplus	11,391	11,391
Total shareholder's equity	656,530	705,682
Total liabilities and shareholder's equity	2,393,533	2,326,181

Toronto Hydro-Electric System Limited

STATEMENT OF RETAINED EARNINGS

[in thousands of dollars]

Year ended December 31

	2005	2004
	\$	\$
Retained earnings, beginning of year	166,474	155,539
Net income	65,374	60,135
Dividends <i>[notes 14 and 22]</i>	(114,526)	(49,200)
Retained earnings, end of year	117,322	166,474

Toronto Hydro-Electric System Limited

STATEMENT OF INCOME

[in thousands of dollars]

Year ended December 31	2005	2004
	\$	\$
Revenues [note 16]		
Sale of electricity	2,686,751	2,235,154
Other income	23,068	26,197
	2,709,819	2,261,351
Costs [note 16]		
Purchased power	2,224,034	1,798,008
Operating expenses	167,139	166,617
Depreciation and amortization	124,988	122,526
	2,516,161	2,087,151
Income before interest, other and provision for payments in lieu of corporate taxes	193,658	174,200
Interest income	10,485	10,325
Interest expense		
Long-term notes [note 16]	(78,533)	(78,673)
Other interest	(2,087)	(2,935)
Other	2,965	1,043
Income before provision for payments in lieu of corporate taxes	126,488	103,960
Provision for payments in lieu of corporate taxes [note 15]	61,114	43,825
Net income	65,374	60,135

Toronto Hydro-Electric System Limited

STATEMENT OF CASH FLOWS

[in thousands of dollars]

Year ended December 31

	2005 \$	2004 \$
OPERATING ACTIVITIES		
Net income	65,374	60,135
Adjustments for non-cash items		
Depreciation and amortization	124,988	122,526
Net change in other assets and liabilities	8,714	3,835
Gains on disposals of property, plant and equipment	(2,965)	(1,043)
Changes in non-cash working capital balances		
Decrease in accounts receivable	798	6,205
Decrease (increase) in unbilled revenue	(48,505)	2,883
Decrease in inventories	1,184	3,118
Decrease (increase) in prepaid expenses	(77)	190
Increase in accounts payable and accrued liabilities	96,452	1,022
Increase in deferred revenue	19,637	-
Increase in current portion of long-term liabilities	1,219	1,717
Net cash provided by operating activities	266,819	200,588
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(124,236)	(92,894)
Purchase of intangible assets	(8,024)	(6,848)
Net change in regulatory assets and liabilities [note 7]	20,548	15,029
Decrease in long-term loan receivable from related party	-	6,991
Proceeds on disposal of property, plant and equipment	3,001	5,397
Net cash used in investing activities	(108,711)	(72,325)
FINANCING ACTIVITIES		
Increase (decrease) in customers' advance deposits	(20,081)	5,795
Repayment of capital lease liability	(1,866)	(1,891)
Dividends paid [note 14]	(114,526)	(49,200)
Net cash used in financing activities	(136,473)	(45,296)
Net increase in cash and cash equivalents during the year	21,635	82,967
Cash and cash equivalents, beginning of year	289,125	206,158
Cash and cash equivalents, end of year	310,760	289,125
Supplementary cash flow information		
Total interest paid	79,483	79,889
Payments in lieu of corporate taxes	51,837	52,828

Toronto Hydro-Electric System Limited

NOTES TO FINANCIAL STATEMENTS

[all tabular amounts in thousands of dollars]

December 31, 2005

1. INCORPORATION

On June 23, 1999, Toronto Hydro-Electric System Limited ["THESL"] was incorporated under the Business Corporations Act (Ontario) ["BCA"]. THESL is a wholly-owned subsidiary of Toronto Hydro Corporation Inc. ["the Corporation"]. The incorporation was required in accordance with the provincial government's Electricity Act, 1998.

Under the terms of By-law No. 374-1999 of the City of Toronto made under section 145 of the Electricity Act, 1998 and in accordance with continuity of interest accounting, the former Toronto Hydro-Electric Commission and the City of Toronto [the "City"] transferred, at book value, their assets and liabilities [effective July 1, 1999] and employees [effective January 1, 2000] associated with electricity distribution to THESL in consideration for the issuance of equity securities of THESL and long-term notes payable to the City.

The equity securities of THESL 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.

THESL distributes electricity to customers located in the City.

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.

a) Open Access

On May 1, 2002, the Province of Ontario opened Ontario's wholesale and retail markets to competition by providing generators, retailers and consumers with open access to Ontario's transmission and distribution network ["Open Access"].

Since the commencement of Open Access, THESL and other electricity distributors have been purchasing their electricity requirements from the wholesale market administered by the Independent Electricity System Operator [the "IESO"] and recovering the cost of electricity and certain other costs at a later date in accordance with procedures mandated by the Ontario Energy Board [the "OEB"].

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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.

THESL 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] *Electricity Price.* The electricity price represents a pass through of the commodity cost of electricity. See "Price protection and rate caps" below.
- [ii] *Distribution Rate.* The distribution rate is designed to recover the costs incurred by THESL 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 THESL's customers during any period is governed by events largely outside THESL'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).

- [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.

THESL is required to satisfy and maintain prudential requirements with the IESO which include credit support with respect to outstanding market obligations.

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b) Price protection and rate caps

In December 2002, the Province the Province passed the *Electricity Pricing, Conservation and Supply Act, 2002* ["Bill 210"] which, among other things:

- [i] fixed the price of electricity payable by consumers of electricity who annually utilize less than 250,000 kWh ["Low Volume Consumers"] and consumers comprised principally of municipalities, universities, schools, hospitals, charities, health and community service organizations, consumers with a demand of 50 kW or less and multi-unit residential buildings ["Designated Consumers"] at 4.3¢ per kWh (retroactive to May 1, 2002);
- [ii] capped distribution rates at current levels and deferred rate increases and certain cost recoveries by electricity distributors (including scheduled third adjustment for market-based rate of return); and
- [iii] deemed certain costs and variance account balances of distributors to be "regulatory assets or liabilities" which are required to be reflected in a distributor's balance sheet until the manner and timing of disposition is determined by the OEB.

In November 2003, the Province:

- [i] announced its intention to increase (effective April 1, 2004) the price of electricity payable by Low Volume Consumers and Designated Consumers from 4.3¢ to 4.7¢ per kWh on the first 750 kWh consumed during a month and 5.5¢ per kWh thereafter;
- [ii] directed the OEB to develop new pricing mechanisms for setting the price of electricity payable by Low Volume Consumers and Designated Consumers; and
- [iii] announced initiatives with respect to the disposition of regulatory assets or liabilities and the third distribution rate adjustment to achieve a market-based rate of return.

During the period that the price protection is in effect, it is expected that electricity distributors will be compensated by the Ontario Electricity Financial Corporation for amounts by which the purchase price of the electricity purchased by them in the IESO-administered wholesale market on behalf of Low Volume Consumers and Designated Consumers is greater than the fixed price per kWh charged to customers.

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c) Market-based rate of return

Before the introduction of rate caps in December 2002, the OEB had authorized electricity distributors to adjust their distribution rates to incorporate a market-based rate of return. The adjustment was being phased in over three adjustment periods (2001, 2002 and 2003) to lessen the impact on customers. Effective on each of December 1, 2000 and March 1, 2002, the OEB authorized THESL to increase its distribution rates to allow for the recovery of additional annual revenue of \$39.8 million.

In March 2005, THESL received approval from the OEB to increase distribution rates to recover \$39.8 million, representing the third and final adjustments necessary to achieve a market-based rate of return. The rate increase was effective as of April 1, 2005 and subjected THESL to a financial commitment to invest \$39.8 million in Conservation and Demand Management ["CDM"] activities by September 2007.

d) Electricity sector reorganization

In December 2004, the Province initiated a further restructuring of Ontario's electricity industry with the passage of the *Electricity Restructuring Act, 2004* ["Bill 100"]. The restructuring was intended, among other things, to ensure efficient and effective management of electricity, promote the expansion of new electricity supply and capacity, encourage electricity conservation and renewable energy and regulate prices in parts of the electricity sector.

Bill 100:

- [i] established the Ontario Power Authority [the "OPA"], as an independent, non-profit, self-financed corporation, with a broad mandate to ensure adequate long-term electricity supply in the Province;
- [ii] reorganized the Independent Electricity Market Operator as the IESO, a non-share corporation, which will continue to operate the wholesale market and be responsible for the operation and reliability of the integrated power system; and
- [iii] established a Conservation Bureau within the OPA responsible for assuming a leadership role in planning and coordinating electricity conservation measures and load management in the Province.

Under Bill 100, the commodity cost of electricity for certain customer classes will be regulated by the OEB. Customers who did not wish to or are not eligible to participate in the regulated plan may purchase electricity in the competitive market or through licensed retailers.

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Effective January 1, 2005, the IESO implemented, pursuant to Bill 100, a new price adjustment applicable to customers not subject to price protection and rate caps. The new price adjustment, referred to as Global Adjustment, is a variable rate calculated by the IESO based on the difference between electricity market prices and the mix of regulated and contract prices paid to electricity generators. This calculation results in positive or negative bill adjustments depending on prevailing electricity market conditions.

The difference between the amount credited to customers and the amount received from the IESO by THESL is being tracked in variance account and is currently reflected as a settlement variance regulatory liability. The disposition of the variance account balance shall be in accordance with the OEB's guidelines for reviewing variance and deferral accounts.

On February 23, 2005, the Minister of Energy announced a new fixed pricing structure for electricity supplied by OPG. The new pricing structure, effective April 1, 2005 through March 31, 2008, is based on a blended price for electricity supplied by OPG's regulated and unregulated assets.

The new pricing structure had an immediate impact on large industrial and commercial electricity customers who use more than 250,000 kWh per year. While residential, small business and other consumers were not immediately affected by the new pricing structure, the OEB blended the various prices paid to generators into a new fixed price that these consumers now pay under the Regulated Price Plan ["RPP"], which took effect on April 1, 2005.

The OEB has formulated two pricing plans for RPP-eligible customers, depending on how customers' electricity consumption is metered – that is, a pricing plan for customers without smart meters, and a pricing plan for customers with smart meters. For both plans, prices were effective April 1, 2005.

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, including payments in lieu of corporate taxes ["PILs"] recoveries, that THESL may charge and the costs that THESL may recover, including the balance of its regulatory assets.

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e) 2006 Rate Application

On August 2, 2005, THESL filed with the OEB its Electricity Distribution Rate Application for 2006 distribution rates [the "2006 Rate Application"], for rates to be effective on May 1, 2006. The 2006 Rate Application includes an overall reduction of 6.9% of distribution rates (5.0% including the recovery of regulatory assets). A final decision from the OEB regarding the 2006 Rate Application is expected in April 2006.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of THESL 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 December 31, 2005, THESL adopted Canadian Institute of Chartered Accountants ["CICA"] Accounting Guideline 19 "Disclosures by Entities Subject to Rate Regulation" ["AcG-19"]. Certain costs and variance account balances are deemed to be "regulatory assets" or "regulatory liabilities" and are reflected in THESL's balance sheet until the manner and timing of disposition is determined by the OEB [note 7].

Business Protection Plan ["BPP"]

Consumers other than designated consumers who annually utilize more than 250,000 kWh were eligible to receive BPP rebates from the IESO to the extent that electricity prices exceed certain prescribed thresholds. This rebate program was terminated on March 31, 2005, with the enactment of Bill 100.

Under this program, THESL and other electricity distributors were required to pass these rebates through to eligible consumers and other market participants (including retailers). THESL included amounts due from the IESO in accounts receivable and included amounts due to eligible consumers and market participants in accounts payable and accrued liabilities.

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Payments in lieu of corporate taxes

THESL is exempt from tax under the *Income Tax Act (Canada)* and the *Corporations Tax Act (Ontario)*, if not less than 90% of its capital is owned by the City and not more than 10% of its income is derived from activities carried on outside the municipal geographical boundaries of the City.

THESL is a “municipal electricity utility” [“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 *Income Tax Act (Canada)* and the *Corporations Tax Act (Ontario)* is required to make, for each taxation year, a payment in lieu of corporate taxes, to the Ontario Electricity Financial Corporation in an amount equal to the tax that it would be liable to pay under the *Income Tax Act (Canada)* and the *Corporations Tax Act (Ontario)* if it were not exempt from tax.

The PILs regime came into effect on October 1, 2001, at which time THESL was deemed to have commenced a new taxation year for purposes of determining the respective liabilities for PILs. Accordingly, THESL was deemed to have disposed of its assets at their then fair market value and to have re-acquired such assets at the same amount. The differences between the financial statement carrying value and tax bases of assets and liabilities were accounted for by THESL under the taxes payable method of accounting applied in accordance with recommendations of the Canadian Institute of Chartered Accountants [“CICA”] and the OEB.

The OEB's Electricity Distribution Rate Handbooks, issued in March 2000 and May 2005, provides for the recovery of PILs by THESL through annual distribution rate adjustments as permitted by the OEB. The OEB-approved distribution rate for PILs recoveries is based on estimated consumption volumes. The difference between actual billings that relate to the recovery of PILs and the OEB-approved PILs amount is tracked by THESL as a variance amount in accordance with OEB guidelines for regulatory assets and with criteria set out in the AP Handbook.

Under the taxes payable method, no provisions are made for future income taxes as a result of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. When unrecorded future income taxes become payable, it is expected that they will be included in the rates approved by the OEB and recovered from the customers of the regulated business at that time.

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Contributions in aid of construction

Capital contributions are required contributions received from outside sources used to finance additions to property, plant and equipment. According to the AP Handbook, capital contributions received are treated as a "credit" to property, plant and equipment. The amount is subsequently amortized by a charge to accumulated amortization and a credit to amortization expense at an equivalent rate to that used for the depreciation of the related property, plant and equipment. Canadian GAAP provides no specific guideline on the accounting treatment for this type of contributions.

Spare transformers

Spare transformers are items that are expected to substitute for original distribution plant transformers when these original plant assets are being repaired and are held and dedicated for the specific purpose of backing up plant in service as opposed to assets available for other uses. According to the criteria set out in the AP Handbook, spare transformers are treated as capital assets [note 5], which would be recorded as inventory under Canadian GAAP for unregulated businesses. In the absence of rate regulation, inventory in 2005 would have been \$4,767,000 higher [2004 - \$4,467,000].

b) Cash and cash equivalents

Cash equivalents are highly liquid investments with terms to maturity of five months or less from their date of acquisition. Temporary investments are accounted for at the lower of cost and market.

c) Inventories

Inventories consist primarily of maintenance and construction materials and are stated at the lower of cost and replacement cost, with cost determined on an average cost basis net of the provision for obsolescence.

d) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost and are removed from the accounts at the end of their estimated average service lives, except in those instances where specific identification allows their removal at retirement or disposition. Gains or losses at retirement or disposition of such assets are credited or charged to "Other" in the Statement of Income.

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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.

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

Buildings	1.7% to 10.0%
Distribution stations	2.9% to 5.0%
Distribution lines - overhead and underground	2.5% to 4.0%
Distribution transformers	3.3% to 4.0%
Distribution meters	2.9% to 4.0%
Other capital assets	6.7% to 12.5%
Communications	10% to 20.0%
Computer hardware	20.0% to 25.0%
Rolling stock	12.5% to 20.0%
Equipment and tools	10.0%

Construction in progress includes assets not currently in use which are not depreciated.

e) Intangible assets

Intangible assets, which lack physical substance, are stated at cost. Amortization is provided on a straight-line basis over their estimated useful service lives at the following annual rates:

Land rights	2.0%
Computer software	14.0% to 33.0%
Capital contributions paid	4.0%

Software in development includes assets not currently in use which are not amortized.

f) Deferred debt issue costs

During 2003, THESL incurred debt issue costs arising from the issuance of long-term notes payable to the Corporation, with the funds raised through the Corporation's debenture offering [note 8]. Deferred debt issue costs are included in "Other assets" and represent the unamortized amounts of debt costs arising from the issuance of debt, and other related costs. Deferred debt issue costs are amortized over the period to maturity of the debt on a straight-line basis.

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g) Workplace Safety and Insurance Act

THESL is a Schedule 1 employer for workers' compensation under the Workplace Safety and Insurance Act ["WSIA"]. As a Schedule 1 employer, THESL is required to pay annual premiums into an insurance fund established under the WSIA and recognizes expenses based on funding requirements.

h) Revenue recognition

Revenue from the sale of electricity is recorded on a basis of cyclical billings and also includes unbilled revenue accrued in respect of electricity delivered but not yet billed.

In March 2005, THESL received approval from the OEB to increase distribution rates to recover \$39,800,000. The rate increase was effective as of April 1, 2005 and is subject to a financial commitment by THESL to use \$39,800,000 in CDM activities by September 2007. The revenue of \$39,800,000 is being billed to customers over an approximate 11-month period commencing April 1, 2005. At each reporting date, on a life-to-date basis, to the extent the earned customer revenue exceeds the CDM activity spending, the difference is recorded on the balance sheet as "Deferred revenue".

Other income revenues, which include revenues from electricity distribution services, pole attachment, duct rentals, customer demand work and other miscellaneous revenues, are recognized as the service activity is performed.

i) Employee future benefits

Pension plan

THESL provides a pension plan for its full-time employees through Ontario Municipal Employees Retirement System ["OMERS"]. OMERS is a multi-employer, contributory, defined benefit pension plan established in 1962 by the Province for employees of municipalities, local boards and school boards in Ontario. Both participating employers and employees are required to make plan contributions based on participating employees' contributory earnings. THESL 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 THESL include medical and life insurance benefits, accumulated sick leave credits and voluntary exit incentive program liability. These plans provide benefits to employees when they are no longer providing active service.

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Employee future benefit expense is recognized in the period in which the employees render services on an accrual basis. The accrued benefit obligations and current service cost are calculated using the projected benefit method prorated on service and based on assumptions that reflect management's best estimate. The current service cost for a period is equal to the actuarial present value of benefits attributed to employees' services rendered in the period. Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment. The excess of the net actuarial gains (losses) over 10% of the accrued benefit obligation are amortized into expense on a straight-line basis 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 income for the period in which a settlement occurs.

j) 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.

k) Asset retirement obligations

Effective January 1, 2004, THESL adopted the CICA standard for accounting for asset retirement obligations ["ARO"]. Under this standard, THESL recognizes a liability for the future environmental remediation of certain properties and for future removal and handling costs for contamination in distribution equipment 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 ARO is incurred.

l) Use of estimates

The preparation of THESL's financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses for the year. Actual results could differ from those estimates, including changes as a result of future decisions made by the OEB, the Minister of Energy or the Minister of Finance.

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4. BUSINESS PROTECTION PLAN REBATES

At December 31, 2005, "Accounts receivable, net of allowance for doubtful accounts" include \$nil [2004 - \$44,739,000] receivable from the IESO regarding the BPP rebates and "Accounts payable and accrued liabilities" include \$nil [2004 - \$33,609,000] payable to customers, electricity retailers and wholesale suppliers in connection with BPP rebates.

5. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment consist of the following:

	2005			2004		
	Cost \$	Accumulated Depreciation \$	Net Book value \$	Cost \$	Accumulated Depreciation \$	Net Book value \$
Land	4,136	—	4,136	4,153	—	4,153
Buildings	144,048	43,332	100,716	140,635	40,107	100,528
Distribution stations	183,155	94,179	88,976	177,362	88,364	88,998
Distribution lines – overhead and underground	1,922,918	942,109	980,809	1,877,718	868,982	1,008,736
Distribution transformers	471,562	247,102	224,460	451,328	230,665	220,663
Distribution meters	127,468	75,721	51,747	123,007	71,585	51,422
Other capital assets	33,665	28,554	5,111	32,672	27,312	5,360
Communications	21,345	19,680	1,665	21,280	17,909	3,371
Computer hardware	36,578	33,436	3,142	35,560	31,566	3,994
Rolling stock	51,439	40,990	10,449	48,912	38,309	10,603
Equipment and Tools	28,086	22,232	5,854	25,603	21,157	4,446
Construction in progress	54,988	—	54,988	15,912	—	15,912
	3,079,388	1,547,335	1,532,053	2,954,142	1,435,956	1,518,186

At December 31, 2005, spare transformers with carrying amounts of \$4,767,000 [2004 - \$4,467,000], are included in "Property, plant and equipment, net" [note 3[a] "Spare transformers"].

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6. INTANGIBLE ASSETS, NET

Intangible assets consist of the following:

	2005			2004		
	Cost \$	Accumulated Amortization \$	Net Book value \$	Cost \$	Accumulated Amortization \$	Net Book value \$
Land rights	9,946	1,813	8,133	9,946	1,615	8,331
Computer software	91,731	67,663	24,068	88,318	54,859	33,459
Capital contributions paid	2,043	116	1,927	2,043	34	2,009
Software in development	6,138	—	6,138	1,530	—	1,530
	109,858	69,592	40,266	101,837	56,508	45,329

7. REGULATORY ASSETS AND LIABILITIES

Regulatory assets consist of the following:

	2005 \$	2004 \$
Regulatory assets recovery account	55,408	—
Transition costs	—	37,310
Pre-market opening energy electricity variance	—	25,759
Settlement variances	—	9,421
Deferral account for cash pension contributions	4,785	—
Deferral account for OEB annual cost assessments	3,559	1,393
	63,752	73,883

Regulatory liabilities consist of the following:

	2005 \$	2004 \$
Pre-market opening line loss variance	2,880	2,880
Settlement variances	10,417	—
	13,297	2,880

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For the year ended December 31, 2005, THESL recovered approved regulatory assets amounts of \$24,563,000 through permitted distribution rate adjustments [2004 - \$17,701,000]. These recovery amounts are for the recovery of approved regulatory assets recorded in reporting periods prior to January 1, 2004. In the absence of rate regulation, revenue in 2005 would have been \$24,563,000 higher [2004 - \$17,701,000]. In accordance with the OEB's direction, THESL recorded carrying charges on the recovered amounts of \$1,544,000 in 2005 [2004 - \$399,000]. In the absence of rate regulation, interest income in 2005 would have been \$1,544,000 higher [2004 - \$399,000]. The regulatory assets and liabilities balances of THESL are defined as follows:

[a] Regulatory assets recovery account:

On March 31, 2005, the OEB ordered that the approved regulatory asset balances be aggregated into a single regulatory account. Approved regulatory assets of \$71,465,000 consisted of transition costs of \$37,868,000, pre-market opening energy electricity variance of \$26,129,000, and settlement variances of \$31,852,000, less recoveries of \$24,384,000, which were transferred to the "regulatory asset recovery account" ["RARA"]. This approved balance will be recovered over a 3-year period ending March 31, 2008. The RARA is credited with recovery amounts and is debited by the OEB prescribed carrying charges. In the absence of rate regulation, interest income in 2005 would have been \$2,539,000 lower [2004 - \$nil].

The transition costs and pre-market opening energy electricity variance are defined as follows:

[i] Transition costs:

The OEB has allowed THESL to defer the costs incurred to align systems and practices with the requirements of the competitive electricity market in Ontario in accordance with the *Ontario Energy Board Act, 1998*. Accordingly, THESL has deferred these expenditures in accordance with the criteria set out in the OEB's Electricity Distribution Rate Handbook and the AP Handbook.

Under such regulation, expenditures were allowed to be deferred during the period January 1, 2000 to December 31, 2002, which would be capitalized or expensed under Canadian GAAP for unregulated businesses. For the period January 1, 2003 to March 31, 2005, transition costs were increased for carrying charges in accordance with the OEB's direction. In the absence of rate regulation, interest income in 2005 would have been \$558,000 lower [2004 - \$2,233,000].

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[ii] Pre-market opening energy electricity variance:

The OEB has allowed THESL to recognize the pre-market opening energy electricity variance for the period January 1, 2001 to April 30, 2002, the date of market opening. The pre-market opening energy variance represented the difference between THESL's cost of power purchased based upon time-of-use ["TOU"] rates and the amounts billed for the cost of power to non-TOU customers at an average rate for the same period. Accordingly, THESL has deferred these expenditures in accordance with the criteria set out in the AP Handbook.

Under such regulations, expenditures were allowed to be deferred which would be expensed under Canadian GAAP for unregulated businesses. For the period January 1, 2001 to March 31, 2005, the pre-market opening energy electricity variance was increased for carrying charges in accordance with the OEB's direction. In the absence of rate regulation, interest income in 2005 would have been \$370,000 lower [2004 - \$1,479,000].

[b] Deferral account for cash pension contributions:

The OEB has allowed THESL to defer the incremental OMERS pension expenditures for the fiscal years starting after January 1, 2005. Accordingly, THESL has deferred these expenditures in accordance with the criteria set out in the AP Handbook.

Under such regulations, expenditures are allowed to be deferred which would be expensed under Canadian GAAP for unregulated businesses. The deferred balance continues to be calculated and attract carrying charges in accordance with the OEB's direction. In the absence of rate regulation, operating expenses in 2005 would have been \$4,785,000 higher [2004 - \$nil]. The OEB has allowed THESL to apply for the recovery of the deferred amounts beginning in 2006 and THESL has included such balance in its 2006 Rate Application.

[c] Deferral account for OEB annual cost assessments:

The OEB has allowed THESL to defer the OEB annual cost assessments for the fiscal years starting after January 1, 2004. Accordingly, THESL has deferred these expenditures in accordance with the criteria set out in the AP Handbook.

Under such regulation, expenditures are allowed to be deferred which would be expensed under Canadian GAAP for unregulated businesses. The deferred balance continues to be calculated and attract carrying charges in accordance with the OEB's direction. In the absence of rate regulation, operating expenses in 2005 would have been \$2,166,000 higher [2004 - \$1,393,000]. The OEB has allowed THESL to apply for the recovery of the deferred amounts beginning in 2006 and THESL has included such balance in its 2006 Rate Application.

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[d] Pre-market opening line loss variance:

The OEB has allowed THESL to defer the pre-market opening line loss variance for the period June 1, 2001 to April 30, 2002. This balance represents the variance between amounts charged by THESL to customers for the OEB-approved loss adjustment factor and THESL actual loss adjustment factor. Accordingly, THESL has deferred this variance in accordance with the OEB's direction.

Under such direction, the variance is allowed to be deferred which would be recorded as revenue under Canadian GAAP for unregulated businesses. In the absence of rate regulation, there would have been no impact on the Consolidated Statement of Income for 2005 and 2004. The deferred balance does not attract carrying charges. The manner and timing of disposition of the variance has not been determined by the OEB.

[e] Settlement variances:

The OEB has allowed THESL to defer settlement variances from May 1, 2002 to December 31, 2005. This balance represents the variances between amounts charged by THESL to customers (based on regulated rates) and the corresponding cost of non-competitive electricity service incurred by it in the wholesale market administered by the IESO after May 1, 2002. The settlement variances relate primarily to service charges, non-competitive electricity charges, imported power charges and the global adjustment. Accordingly, THESL has deferred these recoveries in accordance with the criteria set out in the AP Handbook.

Settlement variances of \$31,852,000, relating to the period from May 1, 2002 to December 31, 2003, were approved for recovery in July 2005 and are included in the RARA balance. The remaining balance, representing settlement variances arising after January 1, 2004, is deferred in a regulatory liability account.

Under such regulation, the variances are allowed to be deferred which would be recorded as revenue when incurred under Canadian GAAP for unregulated businesses. In the absence of rate regulation, revenues in 2005 would have been \$5,971,000 higher [2004 - \$3,739,000] and interest income in 2005 would have been \$1,112,000 lower [2004 - \$1,705,000]. The deferred balance for unapproved settlement variances continues to be calculated and attract carrying charges in accordance with the OEB's direction. The manner and timing of disposition of the variance has not been determined by the OEB.

Toronto Hydro-Electric System Limited

NOTES TO FINANCIAL STATEMENTS

[all tabular amounts in thousands of dollars]

December 31, 2005

8. OTHER ASSETS

Other assets consist of the following:

	2005 \$	2004 \$
Deferred debt issue costs, net of accumulated amortization of \$792,000 [2004 - \$493,000]	2,197	2,496
Long-term advances and deposits	1,566	744
Other	366	445
	4,129	3,685

9. CURRENT PORTION OF OTHER LONG-TERM LIABILITIES

	2005 \$	2004 \$
Current portion of obligations under capital leases [note 17]	1,877	2,514
Customers' advance deposits	37,029	14,043
	38,906	16,557

10. PROMISSORY NOTE PAYABLE

On July 1, 1999, THESL 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 THESL 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/common equity structure of THESL [65:35] permitted by the OEB. At the same time, the Initial Note was replaced by a promissory note ["Replacement Note"] issued by THESL, 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.

Toronto Hydro-Electric System Limited

NOTES TO FINANCIAL STATEMENTS

[all tabular amounts in thousands of dollars]

December 31, 2005

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, THESL issued a promissory note to the Corporation in the principal amount of \$980,231,000.

THESL's promissory note is payable to the Corporation on demand and is bearing interest at the Debt Cost Rate ["DCR"] plus 5 basis points. Interest is calculated and payable quarterly in arrears on the last business day of March, June, September and December. The DCR refers to the rate of interest per annum that at all time is equal to the DCR prescribed from time to time by the OEB in its Electricity Distribution Rate Handbook. The DCR at December 31, 2005 was 6.8% [2004 - 6.8%].

11. EMPLOYEE FUTURE BENEFITS

Pension

For the year ended December 31, 2004, THESL's current service pension costs payable to OMERS were \$6,674,000 [2004 - \$5,848,000].

Employee future benefits other than pension

THESL has a number of unfunded benefit plans providing retirement and post-employment benefits [excluding pension] to most of its employees. THESL pays certain medical and life insurance benefits under unfunded defined benefit plans on behalf of its retired employees. THESL pays accumulated sick leave credits, up to certain established limits based on service, in the event of retirement, termination or death of certain employees.

In October 1994, the former Toronto Hydro-Electric Commission introduced the voluntary exit incentive program for eligible employees. Under the terms of the program, certain employees receive a retirement supplement payment over the term of their retirement and the life of any surviving spouse.

THESL 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, 2005.

Toronto Hydro-Electric System Limited

NOTES TO FINANCIAL STATEMENTS

[all tabular amounts in thousands of dollars]

December 31, 2005

[a] Accrued benefit obligation:

	2005 \$	2004 \$
Balance at beginning of year	128,303	113,188
Experience loss at beginning of year	423	—
Current service cost	2,694	1,897
Interest cost	7,603	7,308
Benefits paid	(4,948)	(5,230)
Actuarial losses	20,468	11,140
Balance at end of year	154,543	128,303

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

	2005 \$	2004 \$
Accrued benefit obligation	154,543	128,303
Unamortized net actuarial loss	(34,527)	(13,721)
Unamortized past service costs	(5,440)	(6,185)
Post-employment benefits liability	114,576	108,397

[c] Components for net periodic defined benefit costs:

	2005 \$	2004 \$
Current service cost	2,694	1,897
Interest cost	7,603	7,308
Actuarial losses	20,891	11,140
Cost incurred in the period	31,188	20,345
Differences between costs incurred and costs recognized in the period in respect of:		
Actuarial gain	(20,806)	(11,140)
Past service costs	745	745
	(20,061)	(10,395)
Defined benefit costs recognized	11,127	9,950
Capitalized as part of property, plant and equipment	3,672	2,985
Charged to operations	7,455	6,965

Toronto Hydro-Electric System Limited

NOTES TO FINANCIAL STATEMENTS

[all tabular amounts in thousands of dollars]

December 31, 2005

[d] Significant assumptions:

	2005 %	2004 %
Accrued benefit obligation as of December 31:		
Discount rate	5.0	5.9
Rate of compensation increase	4.0	3.3
Benefit costs for years ended December 31:		
Discount rate	5.9	6.5
Rate of compensation increase	4.0	3.3
Assumed health care cost trend rates at December 31:		
Rate of increase in dental costs	4.5	4.5

For December 31, 2005, medical costs are assumed to increase at 10.5% graded down by 1.0% annual decrements to 4.5% in 2011 and thereafter.

For December 31, 2004, medical costs are assumed to increase at 10.5% graded down by 1.0% annual decrements to 4.5% in 2009 and thereafter.

[e] Sensitivity analysis:

Assumed health care cost trend rates have a significant effect on the amounts reported for health care plans. A one-percentage-point change in assumed health care cost trend rates have the following effects for 2005:

	Increase \$	Decrease \$
Net periodic benefit cost (at 5.9%)	1,649	(1,252)
Accrued benefit obligation at December 31, 2005 (at 5.0%)	24,324	(18,597)

Toronto Hydro-Electric System Limited

NOTES TO FINANCIAL STATEMENTS

[all tabular amounts in thousands of dollars]

December 31, 2005

12. ASSET RETIREMENT OBLIGATIONS

Effective January 1, 2004, the Corporation adopted the new CICA Standard for accounting for ARO [note 3[k]]. A reconciliation between the opening and closing ARO liability balances is provided below:

	2005 \$	2004 \$
Balance, beginning of year	4,274	4,040
ARO liabilities incurred in the year	1,525	139
ARO liabilities settled in the year	(351)	(140)
Accretion expense	243	235
Balance, end of year	5,691	4,274

At December 31, 2005, THESL estimates the undiscounted amount of cash flows required over the next ten years to settle the ARO is \$6,836,000 [December 31, 2004 - \$5,278,000]. Discount rates ranging from 4.35% to 5.93% were used to calculate the carrying value of the ARO liabilities. No assets have been legally restricted for settlement of the liability.

13. OTHER LONG-TERM LIABILITIES

	2005 \$	2004 \$
Obligations under capital leases [note 17]	2,063	3,802
Security deposits	3,277	—
Other	207	205
	5,547	4,007

During 2005, THESL acquired "Property, plant and equipment" through capital lease transactions totaling \$43,000 [2004 - \$1,615,000]. These non-cash transactions have been excluded from the statement of cash flows.

Toronto Hydro-Electric System Limited

NOTES TO FINANCIAL STATEMENTS

[all tabular amounts in thousands of dollars]

December 31, 2005

14. SHARE CAPITAL

Share capital consists of the following:

	2005 \$	2004 \$
Authorized		
The authorized share capital of THESL 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 2005, the board of directors of THESL declared and paid dividends totaling \$114,526,000 to the Corporation [2004 - \$49,200,000].

Toronto Hydro-Electric System Limited

NOTES TO FINANCIAL STATEMENTS

[all tabular amounts in thousands of dollars]

December 31, 2005

15. 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 provided as follows:

Statement of income	2005 \$	2004 \$
Rate reconciliation		
Income before PILs	126,488	103,960
Statutory Canadian federal and provincial income tax rate	36.12%	36.12%
Expected taxes on income	45,688	37,550
Increase (decrease) in income taxes resulting from		
Large corporations tax net of surtax	1,468	2,806
Utilization of temporary differences previously not benefited	11,158	(96)
Other	2,800	3,565
Provision for PILs	61,114	43,825
Effective tax rate	48.32%	42.16%
Components of provision for PILs		
Current tax provision	61,114	43,825
Provision for PILs	61,114	43,825

Balance sheet

Future income taxes relating to THESL have not been recorded in the accounts as they are expected to be recovered through future revenues. As at December 31, 2005, future income tax assets of \$251,704,000 [2004 - \$243,841,000], based on substantively enacted income tax rates, have not been recorded. In the absence of rate regulated accounting, THESL's provision for PILs would have been recognized using the liability method rather than the taxes payable method. As a result, the provision for PILs in 2005 would have been \$7,863,000 lower [2004 - \$4,962,000 higher].

As at December 31, 2005, THESL has accumulated a deferred PILs amount, representing the difference between actual billings that relate to the recovery of PILs and the OEB-approved PILs, totaling an under-recovery of \$4,948,000 [2004 - \$13,489,000]. Cumulative interest included in the amount was calculated following OEB direction and totaled \$2,858,000 [2004 - \$2,313,000].

Toronto Hydro-Electric System Limited

NOTES TO FINANCIAL STATEMENTS

[all tabular amounts in thousands of dollars]

December 31, 2005

16. RELATED PARTIES

Toronto Hydro Energy Services Inc. ["TH Energy"], Toronto Hydro Telecom Inc ["THTI"] and Toronto Hydro Street Lighting Inc. ["THSLI"] are wholly-owned subsidiaries of the Corporation. The Corporation is wholly owned by the City.

	2005 \$	2004 \$
Long-term note payable to the Corporation	180,000	180,000

The long-term note payable to the Corporation bears interest at a rate of 6.16% per annum, with a maturity date of May 6, 2013, extendable upon mutual consent. At December 31, 2005, the fair value of the long-term note payable is \$200,173,000 [2004 - \$196,529,000], which has been calculated by discounting the future cash flow of the long-term note payable at the estimated yield to maturity of a similar debt instrument.

Included in "Accounts receivable, net of allowance for doubtful accounts" are amounts due from related parties as follows:

	2005 \$	2004 \$
Due from THTI	—	472
Due from THSLI	225	148
Due from TH Energy	90	—
	315	620

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

	2005 \$	2004 \$
Due to the Corporation	9,334	13,259
Due to THTI	2,388	—
Due to TH Energy	—	11,168
	11,722	24,427

Toronto Hydro-Electric System Limited

NOTES TO FINANCIAL STATEMENTS

[all tabular amounts in thousands of dollars]

December 31, 2005

At December 31, 2005, the promissory note of \$980,231,000 was payable to the Corporation [2004 - \$980,231,000]. For the year ended December 31, 2005, interest expense was paid to the Corporation in the amount of \$67,146,000 [2004 - \$67,255,000] *[note 10]*.

For the year ended December 31, 2005, THESL provided street lighting electricity to the City in the amounts of \$11,089,000 [2004 - \$9,590,000].

During 2005, THESL purchased corporate and management services from the Corporation totaling \$52,275,000 [2004 - \$80,324,000] in the ordinary course of business, with these services charged to operating expenses and measured at their exchange amounts.

During 2005, THESL provided water heater services to TH Energy totaling \$5,274,000 [2004 - \$4,624,000], with the recovery of these services charged to operating expenses and measured at their exchange amounts.

During 2005, THESL provided procurement and fleet services to THTI, the Corporation and THSLI in the amounts of \$235,000, \$704,000 and \$517,000, respectively, in the ordinary course of business and measured at their exchange amounts. [2004 - \$84,000, \$1,815,000 and \$405,000, respectively]

For the year ended December 31, 2005, THESL incurred property taxes payable to the City of \$7,030,000 [2004 - \$7,825,000].

For the year ended December 31, 2005, THESL billed THTI pole attachment and duct rental services totaling \$2,225,000 [2004 - \$4,854,000] at prevailing market prices and normal trade terms.

During 2005, THESL purchased project management services from TH Energy for \$73,000 [2004 - \$569,000].

During 2005, THESL purchased electricity of \$403,000 [2004 - \$1,065,000] from TH Energy. At December 31, 2005, included in "Accounts payable and accrued liabilities" is \$nil [2004 - \$277,000].

Toronto Hydro-Electric System Limited

NOTES TO FINANCIAL STATEMENTS

[all tabular amounts in thousands of dollars]

December 31, 2005

For the year ended December 31, 2005, THESL earned electricity revenues of \$204,248,000 [2004 - \$230,518,000] from TH Energy. At December 31, 2005, included in "Unbilled revenue" is \$21,793,000 [2004 - \$22,412,000] of unbilled revenue due from TH Energy related to electricity revenues.

For the year ended December 31, 2005, THESL billed building occupancy charges to TH Energy, the Corporation and THSLI in the amounts of \$254,000, \$1,270,000 and \$161,000, respectively, in the ordinary course of business and measured at their exchange amounts [2004 - \$nil, \$nil and \$nil, respectively].

17. LEASE COMMITMENTS

Operating lease obligations

As at December 31, 2005, the future minimum annual lease payments under property and computer hardware operating leases with remaining lease terms from one to five years are as follows:

	\$
2006	844
2007	467
2008	145
2009	21
2010	15
Total minimum lease payments	1,492

Toronto Hydro-Electric System Limited

NOTES TO FINANCIAL STATEMENTS

[all tabular amounts in thousands of dollars]

December 31, 2005

Capital lease obligations

As at December 31, 2005, the future minimum annual lease payments under vehicle capital leases with remaining lease terms from one to six years are as follows:

	\$
2006	1,877
2007	1,481
2008	578
2009	346
Thereafter	106
Total amount of future minimum lease payments	4,388
Less interest	448
	3,940
Current portion <i>[note 9]</i>	1,877
Long-term portion <i>[note 13]</i>	2,063

18. FINANCIAL INSTRUMENTS

Credit risk

Financial assets expose THESL to credit risk. Credit risk is the loss from non-performance by suppliers, customers or financial counter-parties. At December 31, 2005, there are no significant concentrations of credit risk with respect to any class of financial assets.

Fair value of financial instruments

The carrying value of cash and cash equivalents, accounts receivable, loan receivable from related party, accounts payable and accrued liabilities and promissory note payable approximates their fair value due to the immediate or short-term maturity of these financial instruments.

Toronto Hydro-Electric System Limited

NOTES TO FINANCIAL STATEMENTS

[all tabular amounts in thousands of dollars]

December 31, 2005

19. FINANCIAL GUARANTEES

Participants in the wholesale market for electricity that is administered by the IESO are required to satisfy prescribed prudential requirements. In addition, counter-parties under contracts for the purchase and sale of electricity and customers under purchase contracts may require parental financial guarantees or other forms of credit support.

The City has authorized the Corporation to provide up to \$500,000,000 in financial support [including guarantees] with respect to prudential requirements and as security for obligations under third party contracts. At December 31, 2005, no parental guarantees have been issued on behalf of THESL [2004 - \$nil].

At December 31, 2005, \$80,000,000 [2004 - \$80,000,000] was utilized under the Corporation's revolving credit facility in the form of letters of credit to support the prudential requirements of THESL.

20. CONTINGENCIES

Consumers' Gas Decision

On April 22, 2004, in a decision in a class action commenced against The Consumers' Gas Company Limited (now Enbridge Gas Distribution Inc.), the Supreme Court of Canada [the "Supreme Court"] ruled that Consumers' Gas Company ["Consumers' Gas"] 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 Consumers' Gas 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. THESL is not a party to the Consumers' Gas class action. It is, however, subject to the two class actions described below in which the issues are analogous.

The first is an action commenced against a predecessor of THESL and other Ontario municipal electric utilities under the Class Proceedings Act, 1992 seeking \$500,000,000 in restitution for late payment charges collected by them from their customers that were in excess of the interest limit stipulated in section 347 of the *Criminal Code*. This action is at a preliminary stage. Pleadings have closed but examinations for discovery have not been conducted and the classes have not been certified as the parties were awaiting the outcome of the Consumers' Gas class action.

Toronto Hydro-Electric System Limited

NOTES TO FINANCIAL STATEMENTS

[all tabular amounts in thousands of dollars]

December 31, 2005

The second is an action commenced against a predecessor of THESL under the Class Proceedings Act, 1992 seeking \$64,000,000 in restitution for late payment charges collected by it from its customers that were in excess of the interest limit stipulated in section 347 of the *Criminal Code*. This action is also at the preliminary stage. Pleadings have closed and examinations for discovery have been conducted but, as in the first action, the classes have not been certified as the parties were awaiting the outcome of the Consumers' Gas class action.

The claims made against THESL and the definitions of the plaintiff classes are identical in both actions. As a result, any damages payable by THESL in the first action would reduce the damages payable by THESL in the second action, and vice versa.

It is anticipated that the first action will now proceed for determination in light of the reasons of the Supreme Court in the Consumers' Gas class action.

THESL may have defences available to it in these actions that were not disposed of by the Supreme Court in the Consumers' Gas class action.

Also, the determination of whether the late payment charges collected by THESL from its customers were in excess of the interest limit stipulated in section 347 of the *Criminal Code* is fact specific in each circumstance. Accordingly, given the preliminary status of these actions, it is not possible at this time to quantify the effect, if any, of the Consumers' Gas decision on these actions or of these actions on the financial performance of the Corporation.

21. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2005 financial statements.

22. SUBSEQUENT EVENTS

Dividends

On March 2, 2006, the board of directors of THESL declared dividends in the amount of \$47,800,000. The dividends will be paid on March 10, 2006.

PILs amount included in Rates

	RES	GS<50	50-1000 Non-Interval	50-1000 Interval	1000-5000	>5000	Street Light	GS WH	RES WH
2001 PILS Customer Charge	0.16630	0.20420	0.34750	0.19510	3.46090	35.97460	0.00360		
2001 PILS Distribution Rate	0.00016	0.00021	0.05884	0.05817	0.04909	0.04165	0.03900	0.00021	0.00016
2002 PILS Customer Charge	1.82920	2.24600	3.82280	2.14650	38.07040	395.72070	0.03980		
2002 PILS Distribution Rate	0.00171	0.00231	0.64724	0.63990	0.54002	0.45812	0.42896	0.00231	0.00171
2004 Apr PILS Customer Charge	1.64380	1.92180	2.70470	2.52010	61.65190	214.71650	0.02870	0.00000	0.00000
2004 Apr PILS Distribution Rate	0.00210	0.00270	0.68610	0.67200	0.53710	0.43080	0.54790	0.00270	0.00210
2005 Apr PILS Customer Charge	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
2005 Apr PILS Distribution Rate	0.00440	0.00330	0.70812	0.69533	0.57486	0.45827	0.72020	0.00330	0.00440

PILs Revenue Collected in Rates

	2002	2003	2004	2005	2006
Jan		\$ 5,317,066	\$ 5,375,228	\$ 5,249,598	\$ 5,208,059
Feb		\$ 4,922,031	\$ 4,935,067	\$ 4,767,533	\$ 4,911,712
Mar	\$ 5,128,917	\$ 5,072,630	\$ 4,994,877	\$ 4,990,076	\$ 5,071,451
Apr	\$ 4,844,074	\$ 4,853,275	\$ 4,729,326	\$ 4,608,387	\$ 4,463,329
May	\$ 4,963,624	\$ 4,765,135	\$ 4,749,755	\$ 4,672,416	
Jun	\$ 5,167,317	\$ 4,996,389	\$ 4,781,694	\$ 5,379,127	
Jul	\$ 5,881,045	\$ 5,294,225	\$ 4,818,314	\$ 5,973,653	
Aug	\$ 5,666,001	\$ 5,267,442	\$ 4,802,895	\$ 5,783,567	
Sep	\$ 5,259,679	\$ 4,881,929	\$ 4,739,821	\$ 4,936,440	
Oct	\$ 5,034,408	\$ 4,871,659	\$ 4,536,844	\$ 4,774,191	
Nov	\$ 5,063,288	\$ 4,814,453	\$ 4,531,281	\$ 4,778,520	
Dec	\$ 5,321,901	\$ 5,093,549	\$ 4,918,299	\$ 5,439,661	
Total	\$ 52,330,253	\$ 60,149,784	\$ 57,913,401	\$ 61,353,168	\$ 19,654,550

Notes:

- {1} In the 2002 January 25, 2002 Application, THESL applied for 2001 PILs Deferral Account Allowance (\$5M) and 2002 PILs Proxy (\$55M) to be included in the rates effective March 1, 2002.
{2} Rate change April 1, 2004
{3} Rate change April 1, 2005
{4} Rate change May 1, 2006

Customer Charge	0.1663	0.2042	0.3411	8.8386	35.9746	0.0036	
Distribution Rate	0.0002	0.0002	0.0588	0.0491	0.0416	0.0390	0.0002
Customer Charge	1.8292	2.246	3.7516	97.2251	395.7207	0.0398	
Distribution Rate	0.0017	0.0023	0.6472	0.5400	0.4581	0.4290	0.0018

Billing quantities from Revenue Model

	RES	GS<50	50-1000	1000-5000	>5000	Street Light	Unmetered WH
# customers	583,523	67,274	10,527	482	46	16,067	-
	kWh	kWh	kVA	kVA	kVA	kVA	kWh
Jan-02	499,242,279	241,161,462	1,887,137	912,011	462,728	26,461	18,012,187
Feb-02	458,277,079	212,781,726	1,794,018	876,663	443,003	26,461	16,167,911
Mar-02	450,617,117	234,576,408	2,016,231	931,093	466,361	26,461	18,607,657
Apr-02	418,910,743	218,071,115	1,809,264	906,562	424,314	26,461	17,298,383
May-02	417,323,664	203,470,994	1,977,285	960,001	461,945	26,461	12,495,316
Jun-02	441,560,926	215,288,152	2,092,122	1,015,756	488,774	26,461	13,221,017
Jul-02	526,487,299	256,694,991	2,494,504	1,211,118	582,781	26,461	15,763,844
Aug-02	500,899,197	244,219,215	2,373,267	1,152,256	554,457	26,461	14,997,696
Sep-02	452,551,077	220,646,528	2,144,193	1,041,037	500,939	26,461	13,550,079
Oct-02	425,746,215	207,577,506	2,017,191	979,376	471,268	26,461	12,747,500
Nov-02	429,182,590	209,252,951	2,033,473	987,281	475,072	26,461	12,850,390
Dec-02	461,226,975	224,876,563	2,170,158	1,060,995	510,543	26,461	13,809,849

PILS revenue

	RES	GS<50	50-1000	1000-5000	>5000	Street Light	Unmetered WH	Total Monthly Revenue
	1,164,420	164,835	43,084	51,123	19,858	697	-	
Jan-02								
Feb-02								
Mar-02	838,148	592,071	1,423,623	548,521	233,074	12,382	37,081	\$ 5,128,917
Apr-02	779,174	550,411	1,277,487	534,069	212,060	12,382	34,472	\$ 4,844,074
May-02	776,222	513,561	1,396,123	565,551	230,867	12,382	24,901	\$ 4,963,624
Jun-02	821,303	543,387	1,477,207	598,397	244,276	12,382	26,347	\$ 5,167,317
Jul-02	979,266	647,898	1,761,322	713,488	291,258	12,382	31,414	\$ 5,881,045
Aug-02	931,673	616,409	1,675,719	678,811	277,102	12,382	29,887	\$ 5,666,001
Sep-02	841,745	556,912	1,513,974	613,291	250,355	12,382	27,003	\$ 5,259,679
Oct-02	791,888	523,926	1,424,300	576,965	235,527	12,382	25,403	\$ 5,034,408
Nov-02	798,280	528,154	1,435,797	581,622	237,428	12,382	25,608	\$ 5,063,288
Dec-02	857,882	567,588	1,532,307	625,048	255,155	12,382	27,520	\$ 5,321,901

2001 PILS Customer (0.1663	0.2042	0.3475	0.1951	3.4609	35.9746	0.0036	0.2042	0.1663
2001 PILS Distributor	0.0002	0.0002	0.0588	0.0582	0.0491	0.0416	0.0390	0.0002	0.0002
2002 PILS Customer (1.8292	2.246	3.8228	2.1465	38.0704	395.7207	0.0398	2.246	1.8292
2002 PILS Distributor	0.0017	0.0023	0.6472	0.6399	0.5400	0.4581	0.4290	0.0023	0.0017

Number of Customers from Revenue Model										PILS revenue - Customer portion									
RES	GS<50	50-1000 Non-Interval	50-1000 Interval	1000-5000	>5000	Street Light	GS Water Heaters	GS Water Heaters		RES	GS<50	50-1000 Non-Interval	50-1000 Interval	1000-5000	>5000	Street Light	GS Water Heaters	GS Water Heaters	Total
Jan-03	587,227	66,979	9,445	1,287	487	46	161,043			Jan-03	1,171,811	164,112	39,388	3,014	20,226	19,858	6,989		1,425,399
Feb-03	588,021	67,139	9,463	1,323	487	46	161,043			Feb-03	1,173,396	164,504	39,464	3,098	20,226	19,858	6,989		1,427,534
Mar-03	588,436	67,113	9,463	1,331	485	46	161,043			Mar-03	1,174,224	164,440	39,464	3,117	20,143	19,858	6,989		1,428,234
Apr-03	588,797	67,039	9,476	1,333	487	46	161,043			Apr-03	1,174,944	164,259	39,518	3,121	20,226	19,858	6,989		1,428,915
May-03	588,927	67,126	9,486	1,342	491	46	161,043			May-03	1,175,204	164,472	39,559	3,142	20,392	19,858	6,989		1,429,617
Jun-03	589,308	66,958	9,493	1,347	489	46	161,043			Jun-03	1,175,964	164,060	39,589	3,154	20,309	19,858	6,989		1,429,923
Jul-03	589,431	67,046	9,486	1,362	492	46	161,043			Jul-03	1,176,210	164,276	39,559	3,189	20,433	19,858	6,989		1,430,515
Aug-03	589,695	67,040	9,481	1,369	491	46	161,043			Aug-03	1,176,736	164,261	39,539	3,206	20,392	19,858	6,989		1,430,981
Sep-03	589,243	66,964	9,469	1,382	492	46	161,043			Sep-03	1,175,834	164,075	39,489	3,236	20,433	19,858	6,989		1,429,915
Oct-03	589,569	67,018	9,488	1,404	493	46	161,043			Oct-03	1,176,485	164,208	39,568	3,288	20,475	19,858	6,989		1,430,870
Nov-03	589,645	66,892	9,460	1,414	496	46	161,043			Nov-03	1,176,637	163,899	39,451	3,311	20,600	19,858	6,989		1,430,744
Dec-03	590,109	67,064	9,484	1,424	497	47	161,043			Dec-03	1,177,563	164,320	39,551	3,334	20,641	20,290	6,989		1,432,688

Billing Quantities from Revenue Model										PILS revenue - Distribution portion										
	RES kWh	GS<50 kWh	50-1000 Non- Interval kVA	50-1000 Interval kVA	1000-5000 kVA	>5000 kVA	Street Light kVA	GS Water Heaters kWh	RES Water Heaters kWh		RES	GS<50	50-1000 Non- Interval	50-1000 Interval	1000-5000	>5000	Street Light	GS Water Heaters	GS Water Heaters	Total
Jan-03	511,648,309	239,695,445	1,639,349	646,265	1,058,728	431,482	26,461	1,761,834	12,408,339	Jan-03	951,666	604,991	1,102,394	429,658	567,011	196,039	12,382	4,447	23,080	3,891,667
Feb-03	504,237,643	219,367,046	1,407,781	566,991	859,658	405,734	26,461	1,419,894	10,000,102	Feb-03	937,882	553,682	946,674	376,954	460,398	184,341	12,382	3,584	18,600	3,494,497
Mar-03	471,837,507	226,149,038	1,526,584	605,375	989,756	436,854	26,461	1,664,507	11,722,877	Mar-03	877,618	570,800	1,026,564	402,473	530,073	198,479	12,382	4,201	21,805	3,644,395
Apr-03	420,551,011	204,962,060	1,500,178	595,103	920,382	424,993	26,461	1,406,060	9,902,673	Apr-03	782,225	517,324	1,008,807	395,644	492,919	193,091	12,382	3,549	18,419	3,424,395
May-03	381,266,939	203,537,828	1,477,532	571,668	931,821	442,359	26,461	1,701,393	11,982,661	May-03	709,157	513,729	993,578	380,064	499,045	200,981	12,382	4,294	22,288	3,335,518
Jun-03	404,118,361	209,990,698	1,561,593	631,342	1,037,936	486,066	26,461	1,654,523	11,652,560	Jun-03	751,660	530,017	1,050,106	419,737	555,876	220,838	12,382	4,176	21,674	3,566,466
Jul-03	432,363,398	231,747,687	1,721,584	665,716	1,134,117	496,111	26,461	1,864,417	13,130,817	Jul-03	804,196	584,931	1,157,693	442,590	607,387	225,402	12,382	4,706	24,423	3,863,710
Aug-03	488,709,843	230,926,341	1,629,468	639,754	1,043,402	494,480	26,461	1,771,555	12,476,803	Aug-03	909,000	582,858	1,095,749	425,329	558,803	224,661	12,382	4,471	23,207	3,836,461
Sep-03	416,761,502	216,700,698	1,512,861	569,737	932,022	423,649	26,461	1,904,464	13,412,862	Sep-03	775,176	546,953	1,017,335	378,780	499,153	192,480	12,382	4,807	24,948	3,452,014
Oct-03	383,680,023	195,454,234	1,551,819	589,653	1,035,306	451,431	26,461	1,684,102	11,860,884	Oct-03	713,645	493,326	1,043,533	392,021	554,467	205,102	12,382	4,251	22,061	3,440,789
Nov-03	405,342,349	217,059,693	1,465,336	562,780	921,634	411,056	26,461	1,897,902	13,366,647	Nov-03	753,937	547,859	985,377	374,154	493,589	186,758	12,382	4,790	24,862	3,383,709
Dec-03	455,568,253	224,567,035	1,593,675	591,922	998,486	455,934	26,461	1,741,535	12,265,376	Dec-03	847,357	566,807	1,071,680	393,529	534,748	207,148	12,382	4,396	22,814	3,660,861
Total	5,276,085,138	2,620,157,802	18,587,759	7,236,307	11,863,247	5,360,148	317,526	20,472,188	144,182,601											

PILS revenue											
	RES	GS<50	50-1000 Non-Interval	50-1000 Interval	1000-5000	>5000	Street Light	GS Water Heaters	GS Water Heaters	Total	
Jan-03		2,123,477	769,103	1,141,782	432,671	587,237	215,897	19,372	4,447	23,080	5,317,066
Feb-03		2,111,278	718,186	986,137	380,052	480,624	204,199	19,372	3,584	18,600	4,922,031
Mar-03		2,051,842	735,240	1,066,027	405,590	550,215	218,337	19,372	4,201	21,805	5,072,630
Apr-03		1,957,169	681,583	1,048,324	398,765	513,145	212,949	19,372	3,549	18,419	4,853,275
May-03		1,884,360	678,202	1,033,138	383,206	519,437	220,839	19,372	4,294	22,288	4,765,135
Jun-03		1,927,624	694,077	1,089,694	422,891	576,185	240,696	19,372	4,176	21,674	4,996,389
Jul-03		1,980,405	749,207	1,197,252	445,779	627,820	245,260	19,372	4,706	24,423	5,294,225
Aug-03		2,085,737	747,119	1,135,287	428,535	579,195	244,519	19,372	4,471	23,207	5,267,442
Sep-03		1,951,011	711,028	1,066,824	382,016	519,586	212,338	19,372	4,807	24,948	4,881,929
Oct-03		1,890,130	657,534	1,083,101	395,308	574,942	224,960	19,372	4,251	22,061	4,871,659
Nov-03		1,930,573	711,757	1,024,828	377,465	514,189	206,616	19,372	4,790	24,862	4,814,453
Dec-03		2,024,919	731,127	1,111,231	396,863	555,389	227,438	19,372	4,396	22,814	5,093,549
Total		23,918,627	8,584,165	12,973,627	4,849,141	6,597,965	2,674,047	232,461	51,672	268,180	60,149,784
Q1		6,286,597	2,222,530	3,193,947	1,218,313	1,618,076	638,433	58,115	12,232	63,484	15,311,727
Q2		5,769,154	2,053,862	3,171,156	1,204,862	1,608,767	674,483	58,115	12,019	62,380	14,614,799
Q3		6,017,153	2,207,355	3,389,364	1,256,329	1,726,601	702,117	58,115	13,984	72,578	15,443,596
Q4		5,845,623	2,100,419	3,219,160	1,169,637	1,644,520	659,015	58,115	13,437	69,737	14,779,662

2001 PILS Customer Charge	0.1663	0.2042	0.3475	0.1951	3.4609	35.9746	0.0036	0.2042	0.1663
2001 PILS Distribution Rate	0.0002	0.0002	0.0588	0.0582	0.0491	0.0416	0.0390	0.0002	0.0002
2002 PILS Customer Charge	1.8292	2.2460	3.8228	2.1465	38.0704	395.7207	0.0398	2.2460	1.8292
2002 PILS Distribution Rate	0.0017	0.0023	0.6472	0.6399	0.5400	0.4581	0.4290	0.0023	0.0017
2004 PILS Customer Charge	1.6438	1.9218	2.7047	2.5201	61.6519	214.7165	0.0287	0.0000	0.0000
2004 PILS Distribution Rate	0.0021	0.0027	0.6861	0.6720	0.5371	0.4308	0.5479	0.0021	0.0027

*** Due to change in OEB model, customer/distribution split is changed

Number of Customers from Revenue Model									
RES	GS<50	50-1000 Non-Interval	50-1000 Interval	1000-5000	>5000	Street Light	GS Water Heaters	GS Water Heaters	
Jan-04	590,973	66,973	9,506	1,433	497	47	161,043		
Feb-04	591,378	67,046	9,529	1,442	497	47	161,043		
Mar-04	591,576	67,000	9,544	1,442	499	47	161,043		
Apr-04	591,585	66,919	9,550	1,457	498	47	161,043		
May-04	591,293	66,875	9,554	1,464	498	47	161,043		
Jun-04	591,523	66,789	9,560	1,478	494	47	161,043		
Jul-04	591,374	66,753	9,565	1,480	495	47	161,043		
Aug-04	590,996	66,715	9,590	1,486	494	47	161,043		
Sep-04	590,899	66,658	9,601	1,503	494	47	161,043		
Oct-04	590,303	66,496	9,584	1,513	495	47	161,043		
Nov-04	591,275	66,585	9,597	1,522	498	47	161,043		
Dec-04	594,976	66,505	9,621	1,525	498	47	161,043		

Billing Quantities from Revenue Model

RES kWh	GS<50 kWh	50-1000 Non-Interval kVA	50-1000 Interval kVA	1000-5000 kVA	>5000 kVA	Street Light kVA	GS Water Heaters kWh	RES Water Heaters kWh	Total
Jan-04	519,498,589	237,212,926	1,674,540	638,917	1,021,359	513,267	26,461	2,196,808	14,505,971
Feb-04	507,703,943	221,058,187	1,403,984	560,011	846,894	413,132	26,461	1,843,936	12,175,888
Mar-04	454,834,567	217,122,191	1,491,143	582,619	981,885	431,436	26,461	2,749,004	18,152,237
Apr-04	431,630,904	211,789,460	1,497,131	571,284	764,489	389,031	26,461	3,578,526	23,629,739
May-04	363,225,926	192,160,569	1,526,185	588,711	1,068,714	465,452	26,461	3,059,023	20,199,356
Jun-04	371,624,927	198,990,656	1,542,530	605,205	1,019,011	522,330	26,461	1,841,526	12,159,973
Jul-04	415,789,958	223,213,556	1,473,929	725,108	1,069,743	472,154	24,919	2,188,368	15,316,577
Aug-04	464,725,676	219,572,223	1,425,068	684,607	1,005,539	468,791	24,919	2,131,769	14,922,384
Sep-04	442,472,692	218,149,327	1,463,914	668,897	967,570	433,751	24,919	2,058,013	16,464,100
Oct-04	379,762,239	195,814,904	1,377,629	678,132	1,003,268	453,833	24,919	1,977,928	13,845,498
Nov-04	402,256,301	211,184,558	1,391,372	644,873	896,685	404,282	24,919	2,011,282	16,090,252
Dec-04	481,742,545	229,719,825	1,530,925	698,059	972,071	442,021	24,919	2,230,290	15,612,027
Dec-04	1,482,037,099	675,393,304	4,569,666	1,781,546	2,850,137	1,357,835	79,382	6,789,748	44,834,096

RES	GS<50	50-1000 Non-Interval	50-1000 Interval	1000-5000	>5000	Street Light	GS Water Heaters	GS Water Heaters	Total
Jan-04	1,179,287	164,097	39,643	3,356	20,641	20,290	6,989		1,434,302
Feb-04	1,180,095	164,276	39,739	3,377	20,641	20,290	6,989		1,435,406
Mar-04	1,180,490	164,163	39,801	3,377	20,724	20,290	6,989		1,435,834
Apr-04	972,447	128,605	25,830	3,672	30,703	10,092	4,622		1,175,970
May-04	971,967	128,520	25,841	3,689	30,703	10,092	4,622		1,175,434
Jun-04	972,346	128,355	25,857	3,725	30,456	10,092	4,622		1,175,452
Jul-04	972,101	128,286	25,870	3,730	30,518	10,092	4,622		1,175,218
Aug-04	971,479	128,213	25,938	3,745	30,456	10,092	4,622		1,174,545
Sep-04	971,320	128,103	25,968	3,788	30,456	10,092	4,622		1,174,348
Oct-04	970,340	127,792	25,922	3,813	30,518	10,092	4,622		1,173,098
Nov-04	971,938	127,963	25,957	3,836	30,703	10,092	4,622		1,175,110
Dec-04	978,022	127,809	26,022	3,843	30,703	10,092	4,622		1,181,112

PILS revenue - Distribution portion

	RES	GS<50	50-1000 Non-Interval	50-1000 Interval	1000-5000	>5000	Street Light	GS Water Heaters	GS Water Heaters	Total
Jan-04	966,267	598,725	1,126,058	424,772	546,998	233,197	12,382	5,545	26,981	3,940,926
Feb-04	944,329	557,951	944,120	372,313	453,562	187,702	12,382	4,654	22,647	3,499,661
Mar-04	845,992	548,016	1,002,731	387,344	525,857	196,018	12,382	6,938	33,763	3,559,043
Apr-04	906,425	571,832	1,027,182	383,903	410,607	167,595	14,498	7,515	63,800	3,553,356
May-04	762,774	518,834	1,047,116	395,614	574,006	200,517	14,498	6,424	54,538	3,574,320
Jun-04	780,412	537,275	1,058,330	406,698	547,311	225,020	14,498	3,867	32,832	3,606,242
Jul-04	773,369	563,391	991,155	482,075	572,910	214,517	11,661	5,523	28,493	3,643,096
Aug-04	864,390	554,200	958,298	455,149	538,526	212,990	11,661	5,381	27,756	3,628,350
Sep-04	822,999	550,609	984,421	444,705	518,191	197,070	11,661	5,194	30,623	3,565,473
Oct-04	706,358	494,237	926,398	450,844	537,309	206,194	11,661	4,992	25,753	3,363,746
Nov-04	748,197	533,030	935,639	428,732	480,228	183,681	11,661	5,076	29,928	3,356,172
Dec-04	896,041	579,813	1,029,483	464,092	520,602	200,827	11,661	5,629	29,038	3,737,187

	RES	GS<50	50-1000 Non-Interval	50-1000 Interval	1000-5000	>5000	Street Light	GS Water Heaters	GS Water Heaters	Total
Jan-04	2,145,554	762,823	1,165,701	428,128	567,639	253,486	19,372	5,545	26,981	5,375,228
Feb-04	2,124,424	722,227	983,859	375,690	474,203	207,991	19,372	4,654	22,647	4,935,067
Mar-04	2,026,482	712,180	1,042,533	390,720	546,582	216,308	19,372	6,938	33,763	4,994,877
Apr-04	1,878,872	700,436	1,053,012	387,575	441,310	177,686	19,120	7,515	63,800	4,729,326
May-04	1,734,742	647,354	1,072,957	399,303	604,709	210,608	19,120	6,424	54,538	4,749,755
Jun-04	1,752,758	665,630	1,084,187	410,422	577,767	235,111	19,120	3,867	32,832	4,781,694
Jul-04	1,745,470	691,677	1,017,026	485,805	603,428	224,609	16,283	5,523	28,493	4,818,314
Aug-04	1,835,869	682,413	984,236	458,894	568,982	223,082	16,283	5,381	27,756	4,802,895
Sep-04	1,794,319	678,712	1,010,389	448,492	548,647	207,161	16,283	5,194	30,623	4,739,821
Oct-04	1,676,698	622,029	952,319	454,657	567,827	216,285	16,283	4,992	25,753	4,536,844
Nov-04	1,720,135	660,993	961,596	432,568	510,930	193,772	16,283	5,076	29,928	4,531,281
Dec-04	1,874,063	707,622	1,055,505	467,936	551,304	210,919	16,283	5,629	29,038	4,918,299
Total	22,309,385	8,254,096	12,383,318	5,140,190	6,563,327	2,577,020	213,172	66,740	406,152	57,913,401
Q1	6,296,460	2,197,229	3,192,092	1,194,538	1,588,423	677,785	58,115	17,137	83,391	15,305,173
Q2	5,366,372	2,013,420	3,210,155	1,197,300	1,623,786	623,406	57,359	17,806	151,170	14,260,775
Q3	5,375,658	2,052,802	3,011,651	1,393,191	1,721,057	654,852	48,849	16,098	86,871	14,361,030
Q4	5,270,895	1,990,644	2,969,421	1,355,161	1,630,062	620,976	48,849	15,698	84,719	13,986,424
Annual	22,309,385	8,254,096	12,383,318	5,140,190	6,563,327	2,577,020	213,172	66,740	406,152	57,913,401

2001 PILS Customer Charge	0.1663	0.2042	0.3475	0.1951	3.4609	35.9746	0.0036		
2001 PILS Distribution Rate	0.00016	0.00021	0.0588	0.0582	0.0491	0.0416	0.0390	0.00021	0.00016
2002 PILS Customer Charge	1.8292	2.2460	3.8228	2.1465	38.0704	395.7207	0.0398		
2002 PILS Distribution Rate	0.0017	0.0023	0.6472	0.6399	0.5400	0.4581	0.4290	0.0023	0.0017
2004 Apr PILS Customer Charge	1.6438	1.9218	2.7047	2.5201	61.6519	214.7165	0.0287	0.0000	0.0000
2004 Apr PILS Distribution Rate	0.0021	0.0027	0.6861	0.6720	0.5371	0.4308	0.5479	0.0027	0.0021
2005 Apr PILS Customer Charge	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
2005 Apr PILS Distribution Rate	0.0044	0.0033	0.7081	0.6953	0.5749	0.4583	0.7202	0.0033	0.0044

#Customers from Revenue Model									
RES	GS<50	50-1000 Non-Interval	50-1000 Interval	1000-5000	>5000	Street Light	GS Water Heaters	RES Water Heaters	
Jan-05	592,297	66,464	9,634	1,533	501	47	159,861		
Feb-05	593,094	66,628	9,638	1,546	501	47	159,861		
Mar-05	593,950	66,630	9,640	1,558	504	47	159,861		
Apr-05	593,966	66,556	9,632	1,560	505	47	159,861		
May-05	593,982	66,482	9,623	1,562	506	47	159,861		
Jun-05	594,499	66,668	9,640	1,574	507	47	159,861		
Jul-05	594,652	66,741	9,643	1,590	507	47	159,861		
Aug-05	594,858	66,807	9,645	1,597	509	47	159,861		
Sep-05	595,630	66,885	9,648	1,607	510	47	159,861		
Oct-05	595,500	66,923	9,658	1,609	514	47	159,861		
Nov-05	596,783	67,066	9,675	1,611	515	47	159,861		
Dec-05	597,469	67,147	9,671	1,627	517	47	159,861		

Billing Quantities from Revenue Model										
RES	GS<50	50-1000 Non-Interval	50-1000 Interval	1000-5000	>5000	Street Light	GS Water Heaters	RES Water Heaters	Total	
kWh	kWh	kVA	kVA	kVA	kVA	kWh	kWh	kWh		
Jan-05	500,289,731	235,728,558	1,600,761	731,188	1,003,857	463,308	26,461	3,144,960	16,329,386	
Feb-05	491,697,558	219,438,635	1,382,531	557,043	796,943	370,471	26,461	2,688,448	15,093,899	
Mar-05	471,469,627	226,210,599	1,468,866	655,752	934,272	422,575	26,461	4,322,732	24,104,132	
Apr-05	390,985,692	196,179,619	1,334,505	624,731	911,569	408,845	26,461	4,083,408	26,690,267	
May-05	387,372,123	203,994,028	1,420,779	608,588	927,720	421,315	26,461	4,062,508	24,275,397	
Jun-05	438,349,683	229,473,240	1,627,492	796,952	1,140,654	513,733	26,461	2,879,143	15,216,774	
Jul-05	557,936,588	251,647,796	1,671,915	776,543	1,108,669	482,360	26,461	3,208,911	17,374,484	
Aug-05	556,531,741	237,600,547	1,624,903	721,089	1,030,064	460,846	26,461	2,877,688	15,192,666	
Sep-05	422,768,179	202,959,686	1,434,140	690,431	1,036,966	478,486	26,461	2,895,659	15,215,505	
Oct-05	394,516,090	202,541,098	1,458,631	667,059	1,005,833	433,569	26,461	3,191,450	15,190,467	
Nov-05	398,022,755	205,442,535	1,488,703	661,078	938,697	424,387	26,461	3,276,866	16,261,414	
Dec-05	496,852,098	234,073,275	1,712,173	592,204	963,039	443,886	26,461	2,416,822	16,562,819	

PILS revenue - Customer portion										
RES	GS<50	50-1000 Non-Interval	50-1000 Interval	1000-5000	>5000	Street Light	GS WH	RES WH	Total	
Jan-05	973,618	127,731	26,057	3,863	30,888	10,092	4,588		1,176,836	
Feb-05	974,928	128,046	26,068	3,896	30,888	10,092	4,588		1,178,505	
Mar-05	976,335	128,050	26,073	3,926	31,073	10,092	4,588		1,180,136	
Apr-05	-	-	-	-	-	-	-	-	-	
May-05	-	-	-	-	-	-	-	-	-	
Jun-05	-	-	-	-	-	-	-	-	-	
Jul-05	-	-	-	-	-	-	-	-	-	
Aug-05	-	-	-	-	-	-	-	-	-	
Sep-05	-	-	-	-	-	-	-	-	-	
Oct-05	-	-	-	-	-	-	-	-	-	
Nov-05	-	-	-	-	-	-	-	-	-	
Dec-05	-	-	-	-	-	-	-	-	-	

rate change April 1, 2005

PILS revenue - Distribution portion										
RES	GS<50	50-1000 Non-Interval	50-1000 Interval	1000-5000	>5000	Street Light	GS WH	RES WH	Total	
Jan-05	1,050,608	636,467	1,098,282	491,358	539,172	199,593	14,498	8,491	34,292	4,072,762
Feb-05	1,032,565	592,484	948,554	374,333	428,038	159,599	14,498	7,259	31,697	3,589,028
Mar-05	990,086	610,769	1,007,789	440,665	501,797	182,045	14,498	11,671	50,619	3,809,940
Apr-05	1,720,827	646,794	944,995	524,024	187,361	19,057	13,463	117,471	4,608,387	
May-05	1,704,923	672,558	1,006,088	423,171	533,308	193,075	13,394	106,842	4,672,416	
Jun-05	1,929,288	756,561	1,152,466	554,146	655,715	235,427	19,057	9,492	66,973	5,379,127
Jul-05	2,455,621	829,670	1,183,923	539,955	637,329	221,050	19,057	10,580	76,470	5,973,653
Aug-05	2,449,438	783,357	1,150,632	501,397	592,142	211,191	19,057	9,488	66,867	5,783,567
Sep-05	1,860,710	669,148	1,015,549	480,079	596,109	219,275	19,057	9,547	66,967	4,936,440
Oct-05	1,736,366	667,767	1,032,891	463,828	578,212	198,691	19,057	10,522	66,857	4,774,191
Nov-05	1,751,799	677,333	1,054,186	459,669	539,618	194,483	19,057	10,804	71,571	4,778,520
Dec-05	2,186,772	771,727	1,212,430	411,778	553,611	203,419	19,057	7,968	72,897	5,439,661

rate change April 1, 2005

PILS revenue										
RES	GS<50	Interval	Interval	1000-5000	>5000	Street Light	GS WH	RES WH	Total	
Jan-05	2,024,226	764,198	1,124,340	495,222	570,059	209,685	19,086	8,491	34,292	5,249,598
Feb-05	2,007,493	720,530	974,622	378,229	458,926	169,691	19,086	7,259	31,697	4,767,533
Mar-05	1,966,421	738,818	1,033,862	444,591	532,870	192,137	19,086	11,671	50,619	4,990,076
Apr-05	1,720,827	646,794	944,995	524,024	187,361	19,057	13,463	117,471	4,608,387	
May-05	1,704,923	672,558	1,006,088	423,171	533,308	193,075	13,394	106,842	4,672,416	
Jun-05	1,929,288	756,561	1,152,466	554,146	655,715	235,427	19,057	9,492	66,973	5,379,127
Jul-05	2,455,621	829,670	1,183,923	539,955	637,329	221,050	19,057	10,580	76,470	5,973,653
Aug-05	2,449,438	783,357	1,150,632	501,397	592,142	211,191	19,057	9,488	66,867	5,783,567
Sep-05	1,860,710	669,148	1,015,549	480,079	596,109	219,275	19,057	9,547	66,967	4,936,440
Oct-05	1,736,366	667,767	1,032,891	463,828	578,212	198,691	19,057	10,522	66,857	4,774,191
Nov-05	1,751,799	677,333	1,054,186	459,669	539,618	194,483	19,057	10,804	71,571	4,778,520
Dec-05	2,186,772	771,727	1,212,430	411,778	553,611	203,419	19,057	7,968	72,897	5,439,661
Total	23,793,884	8,698,461	12,885,983	5,586,461	6,771,924	2,435,484	228,769	122,679	829,522	61,353,168
Q1	5,998,140	2,223,546	3,132,824	1,318,042	1,561,855	571,512	57,257	27,422	116,608	15,007,207
Q2	5,355,039	2,075,913	3,103,548	1,411,713	1,713,048	615,863	57,171	36,349	291,286	14,659,929
Q3	6,765,768	2,282,174	3,350,103	1,521,431	1,825,580	651,516	57,171	29,614	210,304	16,693,660
Q4	5,674,937	2,116,828	3,299,508	1,335,275	1,671,442	596,593	57,171	29,294	211,325	14,992,372
Annual	23,793,884	8,698,461	12,885,983	5,586,461	6,771,924	2,435,484	228,769	122,679	829,522	61,353,168

rate change April 1, 2005

2001 PILS Customer Charge	0.1663	0.2042	0.3475	0.1951	3.4609	35.9746	0.0036		
2001 PILS Distribution Rate	0.00016	0.00021	0.0588	0.0582	0.0491	0.0416	0.0390	0.00021	0.00016
2002 PILS Customer Charge	1.8292	2.2460	3.8228	2.1465	38.0704	395.7207	0.0398		
2002 PILS Distribution Rate	0.0017	0.0023	0.6472	0.6399	0.5400	0.4581	0.4290	0.0023	0.0017
2004 Apr PILS Customer Charge	1.6438	1.9218	2.7047	2.5201	61.6519	214.7165	0.0287	0.0000	0.0000
2004 Apr PILS Distribution Rate	0.0021	0.0027	0.6861	0.6720	0.5371	0.4308	0.5479	0.0027	0.0021
2005 Apr PILS Customer Charge	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
2005 Apr PILS Distribution Rate	0.0044	0.0033	0.7081	0.6953	0.5749	0.4583	0.7202	0.0033	0.0044
2006 May PILS Customer Charge	1.2583	1.6858	2.6833	2.7086	75.2453	289.2999	0.0268	0.0000	0.0000
2006 May PILS Distribution Rate	0.0016	0.0019	0.5233	0.5216	0.4363	0.3724	0.3771	0.0019	0.0016

#Customers from Revenue Model									
RES	GS<50	50-1000 Non-Interval	50-1000 Interval	1000-5000	>5000	Street Light	GS Water Heaters	RES Water Heaters	
Jan-06	597,795	67,209	9,707	1,642	519	47	159,861		
Feb-06	598,290	67,183	9,705	1,653	504	46	159,861		
Mar-06	598,190	67,145	9,675	1,683	517	47	159,861		
Apr-06	597,720	67,108	9,686	1,689	519	47	159,861		
May-06									
Jun-06									
Jul-06									
Aug-06									
Sep-06									
Oct-06									
Nov-06									
Dec-06									

Billing Quantities from Revenue Model

RES	GS<50	50-1000 Non-Interval	50-1000 Interval	1000-5000	>5000	Street Light	GS Water Heaters	RES Water Heaters	Total
kWh	kWh	kVA	kVA	kVA	kVA	kVA	kWh	kWh	
Jan-06	479,784,500	218,525,281	1,468,545	704,776	958,660	429,453	26,461	3,160,136	15,586,241
Feb-06	476,564,855	218,888,076	1,392,607	565,441	790,611	357,731	26,461	2,834,445	15,093,445
Mar-06	459,670,582	222,192,714	1,386,889	675,317	944,107	426,931	26,461	4,235,650	21,064,204
Apr-06	375,372,183	191,857,594	1,347,412	605,283	888,114	383,357	26,461	3,740,504	19,553,180
May-06									
Jun-06									
Jul-06									
Aug-06									
Sep-06									
Oct-06									
Nov-06									
Dec-06									

PILS revenue - Customer portion

RES	GS<50	50-1000 Non-Interval	50-1000 Interval	1000-5000	>5000	Street Light	GS WH	RES WH	Total
Jan-06	-	-	-	-	-	-	-	-	-
Feb-06	-	-	-	-	-	-	-	-	-
Mar-06	-	-	-	-	-	-	-	-	-
Apr-06	-	-	-	-	-	-	-	-	-
May-06	-	-	-	-	-	-	-	-	-
Jun-06	-	-	-	-	-	-	-	-	-
Jul-06	-	-	-	-	-	-	-	-	-
Aug-06	-	-	-	-	-	-	-	-	-
Sep-06	-	-	-	-	-	-	-	-	-
Oct-06	-	-	-	-	-	-	-	-	-
Nov-06	-	-	-	-	-	-	-	-	-
Dec-06	-	-	-	-	-	-	-	-	-

rate change May 1, 2006

PILS revenue - Distribution portion

RES	GS<50	50-1000 Non-Interval	50-1000 Interval	1000-5000	>5000	Street Light	GS WH	RES WH	Total
Jan-06	2,111,653	720,467	1,039,912	490,053	551,094	196,804	19,057	10,419	68,599
Feb-06	2,097,483	721,663	986,138	393,169	454,490	163,937	19,057	9,345	66,430
Mar-06	2,023,127	732,558	982,089	469,569	542,729	195,649	19,057	13,965	92,709
Apr-06	1,652,108	632,545	954,135	420,873	510,540	175,680	19,057	12,332	86,059
May-06	-	-	-	-	-	-	-	-	-
Jun-06	-	-	-	-	-	-	-	-	-
Jul-06	-	-	-	-	-	-	-	-	-
Aug-06	-	-	-	-	-	-	-	-	-
Sep-06	-	-	-	-	-	-	-	-	-
Oct-06	-	-	-	-	-	-	-	-	-
Nov-06	-	-	-	-	-	-	-	-	-
Dec-06	-	-	-	-	-	-	-	-	-

rate change May 1, 2006

PILS revenue

RES	GS<50	Interval	Interval	1000-5000	>5000	Street Light	GS WH	RES WH	Total
Jan-06	2,111,653	720,467	1,039,912	490,053	551,094	196,804	19,057	10,419	68,599
Feb-06	2,097,483	721,663	986,138	393,169	454,490	163,937	19,057	9,345	66,430
Mar-06	2,023,127	732,558	982,089	469,569	542,729	195,649	19,057	13,965	92,709
Apr-06	1,652,108	632,545	954,135	420,873	510,540	175,680	19,057	12,332	86,059
May-06	-	-	-	-	-	-	-	-	-
Jun-06	-	-	-	-	-	-	-	-	-
Jul-06	-	-	-	-	-	-	-	-	-
Aug-06	-	-	-	-	-	-	-	-	-
Sep-06	-	-	-	-	-	-	-	-	-
Oct-06	-	-	-	-	-	-	-	-	-
Nov-06	-	-	-	-	-	-	-	-	-
Dec-06	-	-	-	-	-	-	-	-	-
Total	7,884,372	2,807,232	3,962,274	1,773,665	2,058,853	732,070	76,228	46,061	313,797
Q1	6,232,263	2,174,687	3,008,139	1,352,792	1,548,313	556,390	57,171	33,729	227,738
Q2	1,652,108	632,545	954,135	420,873	510,540	175,680	19,057	12,332	86,059
Q3	-	-	-	-	-	-	-	-	-
Q4	-	-	-	-	-	-	-	-	-
Annual	7,884,372	2,807,232	3,962,274	1,773,665	2,058,853	732,070	76,228	46,061	313,797

rate change May 1, 2006

that includes

\$46.9M PILS per year

or \$3.9M average per month

**Ontario Energy
Board**
P.O. Box 2319
26th. Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416- 481-1967
Facsimile: 416- 440-7656
Toll free: 1-888-632-6273

**Commission de l'Énergie
de l'Ontario**
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2300, rue Yonge
Toronto ON M4P 1E4
Téléphone: 416- 481-1967
Télécopieur: 416- 440-7656
Numéro sans frais: 1-888-632-6273



BY PRIORITY POST

February 26, 2002

Mr. Richard Zebrowski
Vice President
Toronto Hydro-Electric System Limited
14 Carlton Street
Toronto, ON
M5B 1K5

FEB 28 2002

Dear Mr. Zebrowski:

**Re: Toronto Hydro-Electric System Limited
March 2002 LDC Rate Adjustments
Board File No. RP-2002-0002/EB-2002-0011**

The Board has today issued its Decision and Order in the above matter and an executed copy is enclosed herewith.

Yours truly,

A handwritten signature in black ink, appearing to read "P. O'Dell", written over a horizontal line.

Peter H. O'Dell
Assistant Board Secretary

Encl.



RP-2002-0002
EB-2002-0011

IN THE MATTER OF the *Ontario Energy Board Act*,
1998, S.O. 1998, c.15 (Schedule B);

AND IN THE MATTER OF an Application by Toronto
Hydro-Electric System Ltd. for an order or orders
approving or fixing just and reasonable rates.

BEFORE: Paul Vlahos
Vice Chair and Presiding Member

George Dominy
Vice Chair and Member

DECISION AND ORDER

On December 21, 2001 the Ontario Energy Board ("the Board") issued filing guidelines to all electricity distribution utilities for the March 1, 2002 distribution rate adjustments. Supplemental instructions were issued on January 18, 2002.

Toronto Hydro-Electric System Ltd. ("the Applicant") filed an Application ("the Application"), dated January 25, 2002, for an order or orders under section 78 of the *Ontario Energy Board Act, 1998* approving or fixing just and reasonable rates for the distribution of electricity, effective March 1, 2002.

The Applicant filed a revised application on January 29, 2002, amending its Payments in Lieu of Taxes ("PILs") calculations; a second revision on February 7, 2002, amending the calculation some of its proposed rates; and a third revision on February 22, 2002 in regards of PILs calculations (collectively "the Revised Application").

The Board published a generic Notice in newspapers across Ontario informing ratepayers of the distribution rate adjustments to be effective March 1, 2002 and providing the opportunity for ratepayers to participate in the proceeding or comment on the utility's application. In response to the Board's generic Notice, the Board received a total of 148 submissions in the form of a letter, facsimile, or e-mail. The total may be apportioned to the following four categories:

- 100 were copies of a template submission seeking an oral hearing, wanting to make oral submissions, claiming that rates are not just and reasonable. Another 9 were of the same template but indicated they did not wish to make an oral submission.
- 10 indicated that there should be an oral hearing and wanted to make a submission.
- 11 indicated that there should be an oral hearing but did not wish to make an oral submission.
- 18 made substantive submissions.

In some cases the submission named a specific electricity distributor, in other cases it did not. In total, 33 submissions named the Applicant.

By letter dated February 11, 2002 the Board directed electricity distributors to serve the Notice to the municipal corporation in the distributors' service area. No submissions were received.

The Applicant applied to adjust its distribution rates for the following:

- Input Price Inflation (IPI) and Productivity Factor as provided for in the Performance Based Regulation (PBR) Plan.
- the second of three installments of the utility's incremental Market Adjusted Revenue Requirement (MARR), \$39,765,559.
- the 2001 deferred Payments in Lieu of Taxes (PILs), \$5,000,000.
- the 2002 Payments in Lieu of Taxes (PILs), \$55,000,000.
- a change in the Applicant's late payment penalty and a provision to account for the revenue losses incurred by this change, \$6,555,000.

Copies of the Application and supporting material are available for review at the Board's offices.

While the Board has considered all of the evidence filed in this proceeding, the Board has only referenced the evidence to the extent necessary to provide background to its findings.

Board Findings

As noted above, a number of persons have written to the Board requesting that the Board hold an oral hearing in the matter of the applications by electricity distributors.

Under subsection 5.1(2) of the *Statutory Powers Procedure Act*, the Board shall not hold a written hearing where a party satisfies it that there is good reason not to hold a written hearing, in which case the Board will proceed by way of an oral or electronic hearing. Good reasons for proceeding by way of an oral hearing may include the existence of questions of credibility in which the Board will be assisted by the ability to observe the demeanor of witnesses or the complexity of evidence which parties should have the ability to test through cross-examination. Another good reason may be where an oral hearing would allow the Board to more expeditiously deal with an application.

The persons who have requested an oral hearing have not cited any such reasons but have in most cases merely stated that “the rates are not just and reasonable” and that they “would like the opportunity to present to the Board on this matter”.

The current proceeding is an extension of the process undertaken by the Board to restructure Ontario's electricity distribution industry. To facilitate this work, the Board developed a regulatory framework that was the result of extensive consultation and public hearings. The current applications are the result of this framework, which is largely formulaic and includes for the first time the provision for the legislative requirement of PILs.

Persons have received an opportunity to make their concerns known to the Board through the published Notice which invited written submissions on the applications. The Board notes that a written hearing is a public process in which all documents received by the Board are available to the public. The Board further notes that most of the issues raised by the submissions of the persons requesting an oral hearing are outside of the scope of the Board's jurisdiction in this proceeding. For example, some persons raised issues of privatization of electricity services and limitations in international trade agreements on the ability of the government to make changes to Ontario's electricity system in the future. One of the submissions received by the Applicant made references to the Applicant's June, 2000 rate increase proposal and to decisions regarding a proposed sale, without mentioning the name of the utility's name. These are not relevant to the Board's duty in this proceeding to approve just and reasonable rates for an individual distributor regulated by the Board.

Therefore, the Board has decided not to hold an oral hearing in this matter.

The Board finds that the Applicant's proposals in the Revised Application conform with the Board's earlier decisions, directives and guidelines and the resulting rates are just and reasonable.

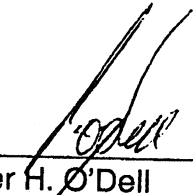
THE BOARD ORDERS THAT:

- 1) The rates set out in Appendix "A" of this Order are approved effective March 1, 2002.

- 2) The Applicant shall notify its customers of the rate changes coincident with the first bill reflecting the new rates.

DATED at Toronto, February 26, 2002.

ONTARIO ENERGY BOARD



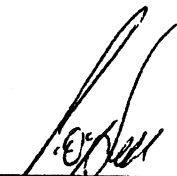
Peter H. O'Dell
Assistant Board Secretary

Appendix "A"

RP-2002-0002
EB-2002-0011

February 26, 2002

ONTARIO ENERGY BOARD



Peter H. O'Dell
Assistant Board Secretary

Toronto Hydro - Electric System Limited
Schedule of Rates and Charges
Effective March 1, 2002

RP-2002-0002
EB-2002-0011

Time Periods for Time of Use (Eastern Standard Time)

Winter: All Hours, October 1 through March 31

Summer: All Hours, April 1 through September 30

Peak: 0700 to 2300 hours (local time) Monday to Friday inclusive, except for public holidays including New Year's Day, Good Friday, Victoria Day, Canada Day, Civic Holiday (Toronto) Labour Day, Thanksgiving Day, Christmas Day and Boxing Day.

Off Peak: All Other Hours.

Cost of Power rates valid only until subsection 26(1) of the Electricity Act, 1998 comes into effect.

NOTE RE: Non-Distributor Related Charges:

IMO-billed charges for transmission, energy and other items, as well as other charges such as Debt Reduction Charge, may change or be introduced upon Electricity Market Opening.

RESIDENTIAL

Monthly Service Charge	(per month)	\$14.22
Distribution Volumetric Rate	(per kWh)	\$0.0134
Cost of Power Rate	(per kWh)	\$0.07195

RESIDENTIAL (Time of Use)

NOTE: This service will be discontinued upon the opening of the electricity market and is currently available only to customers subscribing to this service as of December 1, 2000.

Monthly Service Charge	(per month)	\$15.36
Distribution Volumetric Rate	(per kWh)	\$0.0134
Cost of Power - Winter Peak	(per kWh)	\$0.13885
Cost of Power - Winter Shoulder	(per kWh)	\$0.07015
Cost of Power - Winter Off Peak	(per kWh)	\$0.04195
Cost of Power - Summer Peak	(per kWh)	\$0.10355
Cost of Power - Summer Shoulder	(per kWh)	\$0.05915
Cost of Power - Summer Off Peak	(per kWh)	\$0.03115

GENERAL SERVICE < 50 KW

Monthly Service Charge	(per month)	\$18.85
Distribution Volumetric Rate	(per kWh)	\$0.0181
Cost of Power Rate	(per kWh)	\$0.07215

Toronto Hydro - Electric System Limited
Schedule of Rates and Charges - Page 2
Effective March 1, 2002

RP-2002-0002
EB-2002-0011

GENERAL SERVICE > 50 KW (Non Time of Use) [Greater than 50 kW and up to 1,000 kW]

Monthly Service Charge	(per month)	\$30.10
Distribution Volumetric Rate	(per Max kVA)	\$5.1300
Cost of Power Demand Rate	(per kW)	\$3.27
Cost of Power Energy Rate	(per kWh)	\$0.06365
Transformer Ownership Allow.	(per Max kVA)	\$0.63

GENERAL SERVICE > 50 kW (Optional Time of Use) [Greater than 50 kW & up to 1000 kW]

Monthly Service Charge	(per month)	\$30.02
Distribution Volumetric Rate	(per Max kVA)	\$5.1200
Cost of Power - Winter Peak	(per kW)	\$3.29
Cost of Power - Summer Peak	(per kW)	\$3.24
Cost of Power - Winter Peak	(per kWh)	\$0.09555
Cost of Power - Winter Off Peak	(per kWh)	\$0.04195
Cost of Power - Summer Peak	(per kWh)	\$0.08055
Cost of Power - Summer Off Peak	(per kWh)	\$0.03115
Transformer Ownership Allow.	(per Max kVA)	\$0.63

GENERAL SERVICE > 1000 kW (Time of Use) [Greater than 1000 kW & up to 5000 kW]

Monthly Service Charge	(per month)	\$826.93
Distribution Volumetric Rate	(per Max kVA)	\$4.2500
Cost of Power - Winter Peak	(per kW)	\$3.73
Cost of Power - Summer Peak	(per kW)	\$3.34
Cost of Power - Winter Peak	(per kWh)	\$0.09395
Cost of Power - Winter Off Peak	(per kWh)	\$0.04195
Cost of Power - Summer Peak	(per kWh)	\$0.07795
Cost of Power - Summer Off Peak	(per kWh)	\$0.03115
Transformer Ownership Allow.	(per Max kVA)	\$0.63

Toronto Hydro - Electric System Limited
Schedule of Rates and Charges - Page 3
Effective March 1, 2002

RP-2002-0002
EB-2002-0011

LARGE USE

Monthly Service Charge	(per month)	\$3,185.96
Distribution Volumetric Rate	(per Max kVA)	\$3.6300
Cost of Power - Winter Peak	(per kW)	\$4.04
Cost of Power - Summer Peak	(per kW)	\$3.38
Cost of Power - Winter Peak	(per kWh)	\$0.09255
Cost of Power - Winter Off Peak	(per kWh)	\$0.04135
Cost of Power - Summer Peak	(per kWh)	\$0.07585
Cost of Power - Summer Off Peak	(per kWh)	\$0.03065
Transformer Ownership Allow.	(per Max kVA)	\$0.63

STREET LIGHTING (Time of Use)

Monthly Service Charge	(per connection)	\$0.30
Distribution Volumetric Rate	(per kW)	\$3.4800
Cost of Power - Winter	(per kW)	\$27.73
Cost of Power - Summer	(per kW)	\$13.21

COGENERATION BACKUP: GENERAL SERVICE (Effective Until Electricity Market Opening)

For any customer with demand less than 5,000 kW and local generation.

After Electricity Market Opening, the standby facility charge will be replaced by the applicable class distribution rate.

Etobicoke Office:

Standby Facility Charge - per kW/month for reserved capacity

Customer owned transformer	(per kW)	\$1.00
Utility owned transformer	(per kW)	\$1.60

When customer is assessed a demand charge for backup power, the standby charge will only be applicable to that portion of their reserve for which a demand charge was not applied.

Demand Charges

Winter Peak - all kW	(per kW)	\$13.24
Summer Peak - all kW	(per kW)	\$9.91

Winter Energy Charges

Peak/Shoulder Period - all kWh	(per kWh)	\$0.07425
Off Peak Period - all kWh	(per kWh)	\$0.04415

Summer Energy Charges

Peak/Shoulder Period - all kWh	(per kWh)	\$0.06265
Off Peak Period - all kWh	(per kWh)	\$0.03265

Toronto Hydro - Electric System Limited
Schedule of Rates and Charges - Page 4
Effective March 1, 2002

RP-2002-0002
EB-2002-0011

COGENERATION BACKUP: GENERAL SERVICE (Effective Until Electricity Market Opening)
[continued from previous page]

North York Office:

Customers are charged the General Service Time of Use rate and:
Standby Facility Charge - applicable to the difference between the
greater of the contracted demand or the maximum demand in the
previous eleven months, and the billing demand for the current
month.

Customer owned transformer	(per kW)	\$1.00
Utility owned transformer	(per kW)	\$1.60

Toronto Office:

Standby Facility Charge - applicable to the firm demand above contract demand and should not exceed the manufacturer's rated output of the generator	(per kW)	\$1.34
Demand Charges - calculated only if back-up is required at the time of Toronto Hydro's peak.		
Winter Peak	(per kW)	\$13.09
Summer Peak	(per kW)	\$9.76
Winter Energy Charges		
Peak/Shoulder Period	(per kWh)	\$0.07435
Off Peak Period	(per kWh)	\$0.04425
Summer Energy Charges		
Peak/Shoulder Period	(per kWh)	\$0.06265
Off Peak Period	(per kWh)	\$0.03265

York Office:

Standby Facility Charge for capacity reserved (includes York Office's share @ \$1.10/kW)	(per kW)	\$3.36
Demand Charges		
Winter Peak/Shoulder all planned outages	(per kW/day)	\$0.43
Winter Peak/Shoulder all forced outages	(per kW/day)	\$1.16
Summer Peak/Shoulder all planned outages	(per kW/day)	\$0.30
Summer Peak/Shoulder all forced outages	(per kW/day)	\$0.82
Winter Energy Charges		
Peak/Shoulder Period	(per kWh)	\$0.07065
Off Peak Period	(per kWh)	\$0.04215
Summer Energy Charges		
Peak/Shoulder Period	(per kWh)	\$0.05965
Off Peak Period	(per kWh)	\$0.03125

Toronto Hydro - Electric System Limited
Schedule of Rates and Charges - Page 5
Effective March 1, 2002

RP-2002-0002
EB-2002-0011

COGENERATION BACKUP: LARGE USE SERVICE (Effective Until Electricity Market Opening)

For any customer with demand greater than 5,000 kW and local generation.

North York Office:

Monthly Service Charge	(per month)	\$2,000.00
Standby Facility Charge	(per kW)	\$1.00
Demand Charges		
Winter Peak	(per kW)	\$12.41
Summer Peak	(per kW)	\$9.29
Winter Energy Charges		
Peak/Shoulder Period - all kWh	(per kWh)	\$0.07015
Off Peak Period - all kWh	(per kWh)	\$0.04185
Summer Energy Charges		
Peak/Shoulder Period - all kWh	(per kWh)	\$0.05915
Off Peak Period - all kWh	(per kWh)	\$0.03105

Toronto Office:

Same as Toronto Office General Service Cogeneration Backup (Effective Until Electricity Market Opens.)		
Standby Facility Charge - applicable to the firm demand above contract demand and should not exceed the manufacturer's rated output of the generator	(per kW)	\$1.34
Demand Charges - calculated only if back-up is required at the time of Toronto Hydro's peak.		
Winter Peak	(per kW)	\$13.09
Summer Peak	(per kW)	\$9.76
Winter Energy Charges		
Peak/Shoulder Period	(per kWh)	\$0.07435
Off Peak Period	(per kWh)	\$0.04425
Summer Energy Charges		
Peak/Shoulder Period	(per kWh)	\$0.06265
Off Peak Period	(per kWh)	\$0.03265

UN-METERED SCATTERED LOADS

(e.g. Telephone Booths, Sentinel Lights, Bill Boards, Crosswalks and Traffic Lights)

Administration and Processing	(per customer/month)	\$2.89
Distribution Service Charge	(per connection)	\$0.29
Distribution Volumetric Rate	(per kWh)	\$0.0179
Cost of Power Rate	(per kWh)	\$0.07215

The above rates per kWh are applied to the rated loads multiplied by the monthly hours' use.

Distribution and Cost of Power Charge per kW of connected load	
Unmetered Lighting Load (360 hours' use per month)	\$32.42
24-Hour Supply (730 hours' use per month)	\$65.74

Toronto Hydro - Electric System Limited
Schedule of Rates and Charges - Page 6
Effective March 1, 2002

RP-2002-0002
EB-2002-0011

REAL TIME PRICING (Effective Until Electricity Market Opening)

The rates are set according to the tripartite agreement among the utility, its customer and Ontario Power Generation Inc. (OPGI).

North York Office:

Administration Charge	(per month)	\$2,000.00
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Scarborough Office:

Incremental Local Costs	(per kW)	\$1.00
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York Office:

Administration Charge	(per month)	\$2,000.00
plus 5% of incremental kWh to recover losses and a penalty if power factor is below 90%		

SPECIFIC SERVICE CHARGES

Customer Administration:

New Account Setup	\$8.80
Arrears Certificate	\$15.00
Dispute Involvement Charge	\$10.00

Non-Payment of Account:

Late Penalty (Overdue Account	(per month)	1.50%
Account Interest Charge) on	(per annum)	19.56%
unpaid balance		

Returned Cheque - Actual Bank Charges plus	\$	15.00
Collection of Account Charge	\$	9.00

Disconnect/Reconnect Charges (non payment of account)

During Regular Hours	\$	20.00
After Hours	\$	50.00

Billing Related:

Special Meter Reading	\$	10.00
Duplicate invoices for previous billing	\$	2.00
Micro fiche and other historical data record	\$	3.00

Miscellaneous:

Service Calls:

-Visits to customer premises for service beyond the meter Plus Materials	\$	25.00
-Timer Control for Water Heater	(per month)	\$ 2.90

Diversity Adjustment Credit	Winter - per kW	\$	1.40
(discontinued at Market Opening)	Summer - per kW	\$	1.30

Toronto Hydro - Electric System Limited
Schedule of Rates and Charges - Page 7
 Effective March 1, 2002

RP-2002-0002
 EB-2002-0011

Water Heater Service

Water Heater Equipment Rental (NOTE: Unregulated Rates)

Tank Size Gallons	Monthly Rental Charge
40	\$4.60
50	\$5.00
60	\$5.30
100	\$11.25
Heavy Duty 100	\$15.43

Toronto Office Only (Effective until Electricity Market Opening)

Tank Size Gallons	Monthly Rental Charge
30	\$4.45
40	\$5.51
60	\$6.11
Light Duty 80	\$8.33
80	\$11.25
100	\$11.92
Heavy Duty 100	\$15.43
120	\$18.22

Allowance for Controlled Water Heating and Flat Rate Water Heating

NOTE: The allowance for controlled water heating and the flat rate water heating service will be discontinued upon the opening of the electricity market and are currently available only to customers subscribing to these services as of December 1, 2000.

Allowance for controlled water heating	(per month)	\$4.30
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Flat Rate Water Heater Schedule:

Flat Rate Water Heater

Element Size Bottom	Top	Tank Size Gallons	Est. kWh consumption	Monthly Energy Charge w/o allowance with allowance
400	400	30	155.8	\$13.30 \$9.00
500	500	30	194.8	\$16.62 \$12.32
600	600	30	233.7	\$19.94 \$15.64
700	700	30	260.4	\$22.22 \$17.92
800	800	40	289.1	\$24.67 \$20.37
900	900	40	317.6	\$27.10 \$22.80
1000	1000	40	346.1	\$29.54 \$25.24
1000	2000	40	367.8	\$31.40 \$27.10
1000	3000	40	367.8	\$31.40 \$27.10
1000	3000	60	412.3	\$35.20 \$30.90

Toronto Hydro - Electric System Limited
Schedule of Rates and Charges - Page 8
 Effective March 1, 2002

RP-2002-0002
 EB-2002-0011

Flat Rate Water Heater Schedule [continued from previous page]:

Flat Rate Water Heater

Element Size <u>Bottom</u>	<u>Top</u>	Tank Size <u>Gallons</u>	Est. kWh <u>consumption</u>	Monthly Energy Charge	
				<u>w/o allowance</u>	<u>with allowance</u>
1250	1250	60	432.7	\$36.93	\$32.63
1500	1500	60	519.2	\$44.32	\$40.02
1500	2000	60	551.7	\$47.08	\$42.78
1500	3000	60	551.7	\$47.08	\$42.78
1500	4500	60	551.7	\$47.08	\$42.78
1500	4500	80	619.4	\$47.58	\$43.28
2000	2000	60	551.7	\$46.94	\$42.64
2000	2000	80	619.4	\$52.87	\$48.57
2000	2000	100	619.4	\$52.87	\$48.57
2000	3000	60	551.7	\$47.08	\$42.78
2500	2500	60	551.7	\$47.08	\$42.78
2500	2500	80	693.8	\$59.21	\$54.91
2500	2500	100	693.8	\$59.21	\$54.91
3000	3000	40	551.7	\$47.08	\$42.78
3000	3000	60	551.7	\$47.08	\$42.78
3000	3000	80	777.0	\$66.32	\$62.02
3000	3000	100	777.0	\$66.32	\$62.02
3800	3800	60	698.8	\$59.65	\$55.35
2000	4500	60	735.5	\$62.78	\$58.48
2000	5000	60	735.5	\$62.78	\$58.48
2000	6000	60	735.5	\$62.60	\$58.30
3000	4500	60	828.6	\$70.72	\$66.42

Flat Rate Water Heater (per kW) \$36.88

For elements with ratings above 3,000 Watts the following charges are applied:

Energy: \$62.02 per month plus \$3.37 per 100 watts in excess of 3,000 watts

Rental: (NOTE: Unregulated Rate)

\$11.92 per month plus \$0.288 per 100 watts in excess of 3,000 watts

Toronto Hydro - Electric System Limited
Schedule of Rates and Charges - Page 9
Effective March 1, 2002

RP-2002-0002
EB-2002-0011

Unmetered Off-Peak - 16 Hour Control - System Owned

NOTE: This service will be discontinued upon the opening of the electricity market and is currently available only to customers subscribing to this service as of December 31, 2000.

Heater Element Size in kW	Tank Size Gallons	Est. kWh consumption	Monthly Energy Charge
3.0/3.0	40	293.4	\$17.54
3.0/3.0	60	431.8	\$24.37
4.5/4.5	Light Duty 80	566.1	\$31.03
4.5/4.5	80	566.1	\$31.03
4.5/4.5	100	661.1	\$35.71

Unmetered Off-Peak - 11 Hour Control - System Owned

NOTE: This service will be discontinued upon the opening of the electricity market and is currently available only to customers subscribing to this service as of December 31, 2000.

Heater Element Size in kW	Tank Size Gallons	Est. kWh consumption	Monthly Energy Charge
3.0/3.0	40	325.4	\$24.39
3.0/3.0	60	478.3	\$34.19
4.5/4.5	Light Duty 80	630.1	\$43.79
4.5/4.5	80	630.1	\$43.79
4.5/4.5	100	734.5	\$50.48

Ontario Energy
Board
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26th. Floor
Toronto ON M4P 1E4
Telephone: (416) 481-1967
Facsimile: (416) 440-7656

Commission de l'Énergie
de l'Ontario
C.P. 2319
2300, rue Yonge
26e étage
Toronto ON M4P 1E4
Téléphone: (416) 481-1967
Télécopieur: (416) 440-7656



March 15, 2004

Richard Zebrowski
Vice President, Regulatory Services
Toronto Hydro-Electric System Limited
14 Carlton Street
Toronto ON
M5B 1K5

Dear Mr. Zebrowski:

**Re: Distribution Rate Application
Board Decision and Order and Interim Rate Schedule**

Attached is the Board's Decision and Order and Interim Rate Schedule with respect to your company's distribution rate application regarding the partial recovery of Regulatory Assets.

Yours truly,

A handwritten signature in black ink, appearing to read "P. O'Dell", with a long horizontal line extending from the end of the signature.

Peter H. O'Dell
Assistant Secretary

cc. Intervenors of record



RP-2004-0100
EB-2004-0086

IN THE MATTER OF the *Ontario Energy Board Act, 1998*,
S.O. 1998, c.15 (Schedule B);

AND IN THE MATTER OF an Application by Toronto
Hydro-Electric System Limited for an order or orders
approving or fixing just and reasonable rates.

BEFORE: Bob Betts
Presiding Member

Paul Vlahos
Member

DECISION AND ORDER

On January 15, 2004 the Ontario Energy Board ("the Board") issued filing guidelines to all electricity distribution utilities for distribution rate adjustments related to the recovery of Regulatory Assets, to be effective March 1, 2004 and implemented on April 1, 2004.

The Applicant filed an application for such adjustment. Notice of the proceeding was published on February 5, 2004 in major newspapers in the province.

While the Board had originally intended to approve the disposal of RSVA amounts on a final basis, on analysis of the applications by distributors and the reporting of RSVA amounts in these applications, the Board has now determined that all rate changes should be interim. In the Board's view, it would be premature to set these rates final based on the quality of the data contained in many of the applications and the fact that the audit sampling process by the Board has not been completed.

The Board received some interventions in these proceedings, mainly concerned with Phase Two of the process. The only intervenor to make specific submissions on Phase One of the proceeding was the School Energy Coalition, ("SEC") who objected to any interim increase in rates over and above the RSVA amounts on the basis that appropriate

evidence had not been filed on these amounts. The Board is not convinced by SEC's arguments and sees no reason that Phase One cannot proceed. Phase One only contemplates partial recovery on an interim basis at this time. In Phase Two, the Board will review all applications to ensure that only prudent and reasonably incurred costs are recovered over the four year period mandated by the Minister.

In light of the above, the Board finds that it is in the public interest to order as follows.

THE BOARD ORDERS THAT:

- 1) The rate schedule attached is approved on an interim basis, effective March 1, 2004, to be implemented on April 1, 2004. All other rates currently in effect that are not shown on the attached schedule remain in force. If the Applicant's billing system is not capable of prorating to accommodate the April 1, 2004 implementation date, the new rates shall be implemented with the first billing cycle for electricity taken or considered to have been taken from April 1, 2004.
- 2) The Applicant shall notify its customers of the rate changes by including the brochure provided by the Board through a different process, no later than with the first customer bill reflecting the new rates, and provide to the Board samples of any other notices sent by the Applicant to its customers with respect to the rate changes. The Board expects the Applicant to provide notice to all customers about the rate changes, no later than with the first bill reflecting the new rates.

DATED at Toronto, March 15, 2004

ONTARIO ENERGY BOARD

A handwritten signature in black ink, appearing to read "P. O'Dell", written over a horizontal line.

Peter H. O'Dell
Assistant Secretary

Interim Rates
Toronto Hydro - Electric System Limited
Schedule of Changed Distribution Rates and Charges

RP-2004-0100

EB-2004-0086

Effective Date: March 1, 2004

Implementation Date: April 1, 2004

RESIDENTIAL

Monthly Service Charge	(per 30 days)	\$14.03
Distribution Volumetric Rate	(per kWh)	\$0.0141

GENERAL SERVICE < 50 KW

Monthly Service Charge	(per 30 days)	\$18.59
Distribution Volumetric Rate	(per kWh)	\$0.0190

GENERAL SERVICE > 50 KW (Non-Interval Meters)

Monthly Service Charge	(per 30 days)	\$29.69
Distribution Volumetric Rate	(per kVa)	\$5.4600

GENERAL SERVICE > 50 KW (Interval Meters)

Monthly Service Charge	(per 30 days)	\$29.61
Distribution Volumetric Rate	(per kVa)	\$5.4500

GENERAL SERVICE INTERMEDIATE USE

Monthly Service Charge	(per 30 days)	\$815.60
Distribution Volumetric Rate	(per kVa)	\$4.5900

LARGE USE

Monthly Service Charge	(per 30 days)	\$3,142.32
Distribution Volumetric Rate	(per kVa)	\$4.0000

SMALL SCATTERED LOADS

Administration and Processing	(per customer / 30 days)	\$2.8500
Monthly Service Charge	(per connection / 30 days)	\$0.2900
Distribution Volumetric Rate	(per kWh)	\$0.0182

STREET LIGHTING

Monthly Service Charge	(per 30 days)	\$0.30
Distribution Volumetric Rate	(per kVa)	\$3.8500

**Ontario Energy
Board**

**Commission de l'Énergie
de l'Ontario**



RP-2005-0013

EB-2005-0081

IN THE MATTER OF the *Ontario Energy Board Act*,
1998, S.O. 1998, c.15 (Schedule B);

AND IN THE MATTER OF an Application by
Toronto Hydro - Electric System Limited for an
order or orders approving or fixing just and
reasonable rates.

BEFORE: Gordon Kaiser
Vice Chair and Presiding Member

Paul Vlahos
Member

Pamela Nowina
Member

DECISION AND ORDER

Background and Application

In November 2003 the Ontario government announced that it would permit local distribution companies to apply to the Board for the next installment of their allowable return on equity beginning March 1, 2005. The Government also indicated that the Board's approval would be conditional on a financial commitment to reinvest in conservation and demand management initiatives, an amount equal to one year's incremental returns.

Also in November 2003, the Government announced, in conjunction with the introduction of Bill 4, the *Ontario Energy Board Amendment Act, (Electricity Pricing), 2003*, that electricity distributors could start recovering Regulatory Assets in their rates, beginning March 1, 2004, over a four year period.

In February and March, 2004, the Board approved the applications of distributors to recover 25% of their December 31, 2002 Regulatory Asset balances (or additional amounts for rate stability) in their distribution rates on an interim basis effective March 1, 2004 and implemented on April 1, 2004.

On December 20, 2004 the Board issued filing guidelines to all electricity distribution utilities for the April 1, 2005 distribution rate adjustments. The guidelines allowed the applicants to recover three types of costs. These costs concern (i) the rate recovery of the third tranche of the allowable return on equity (Market Adjusted Revenue Requirement or "MARR"), (ii) the 2005 proxy allowance for payments in lieu of taxes ("PILs") and (iii) a second installment of the recovery of Regulatory Assets.

A generic Notice of the proceedings was published on January 25, 2005 in major newspapers in the province, which provided a 14 day period for submissions from interested parties. On February 4, 2005, the Board issued Procedural Order No. 1, providing for an extension for submissions until February 16, 2005 and also providing for reply submissions from applicants and other parties.

The Applicant filed an application for adjustments to their rates for the following amounts:

MARR: \$ 39,765,559

2005 PILs Proxy: \$ 60,612,136

Regulatory Assets: The Applicant also included the rate riders for the recovery of regulatory assets as subsequently approved by the Board in the December 9, 2004 Decision with Reasons and the March 14, 2005 Interim Order (RP-2004-0100/EB-2004-0354).

Submissions

The Board received one submission which addressed the 2005 rate setting process in general. This submission was made by School Energy Coalition (SEC). SEC objected to the guideline which caused the recovery of the 2005 PILs proxy to be reflected only on the variable charge. SEC was also concerned that monthly service charges and overall distribution charges varied significantly between utilities across the province. SEC also raised concerns regarding the consistency of, and access to, information on the applications as filed by the utilities.

Reply submissions to SEC's general submissions were received from the Coalition of Large Distributors, the Electricity Distributors Association, Hydro One Networks, and the LDC Coalition (a group of 7 distributors). These parties generally argued against the recommendations put forward by SEC, by and large indicating that the Board's existing processes for 2006 and 2007 have been planned to address these issues going forward and that these issues should not be added to the 2005 rates adjustment process.

The Applicant was not specifically named in any of these submissions.

The full record of the proceeding is available for review at the Board's offices.

Board Findings

The Board first addresses the general submission of SEC. While SEC raises important issues regarding electricity distribution rates, the Board has put in place a process which will address most of the issues raised by SEC on a comprehensive basis with coordinated cost of service, cost allocation and cost of capital studies for all distributors in 2006, 2007 and 2008. The Board does agree that unless there are compelling reasons to diverge from the Board's original filing guidelines for the 2005 distribution rate adjustment process, distributors should follow the guidelines in their applications.

The Board finds that the application conforms with earlier decisions of the Board (including approval for the Applicant's Conservation and Demand Management plan), directives and guidelines.

The Board will issue a separate decision on cost awards.

THE BOARD ORDERS THAT:

- 1) The rate schedule attached as Appendix "A" is approved effective March 1, 2005, to be implemented on April 1, 2005. All other rates currently in effect that are not shown on the attached schedule remain in force. If the Applicant's billing system is not capable of prorating to accommodate the April 1, 2005 implementation date, the new rates shall be implemented with the first billing cycle for electricity consumed or estimated to have been consumed after April 1, 2005.

- 2) The Applicant shall notify its customers of the rate changes, no later than with the first bill reflecting the new rates and include the brochure provided by the Board.

DATED at Toronto, March 18, 2005

ONTARIO ENERGY BOARD

Peter H. O'Dell
Assistant Board Secretary

Appendix "A"

**RP-2005-0013
EB-2005-0081**

March 18, 2005

ONTARIO ENERGY BOARD

Toronto Hydro Electric-System Limited
Schedule of Changed Distribution Rates and Charges

Effective Date: March 1, 2005
Implementation Date: April 1, 2005

RP-2005-0013
EB-2005-0081

RESIDENTIAL

Monthly Service Charge	(per customer/30 days)	\$13.64
Distribution Volumetric Rate	(per kWh)	\$0.0173
Interim Rate Rider	(per kWh)	\$0.0028

RESIDENTIAL (Time of Use)

Monthly Service Charge	(per customer/30 days)	\$14.78
Distribution Volumetric Rate	(per kWh)	\$0.0173
Interim Rate Rider	(per kWh)	\$0.0028

GENERAL SERVICE < 50 KW

Monthly Service Charge	(per customer/30 days)	\$18.27
Distribution Volumetric Rate	(per kWh)	\$0.0207
Interim Rate Rider	(per kWh)	\$0.0012

GENERAL SERVICE > 50 KW (Non Time of Use)

Monthly Service Charge	(per customer/30 days)	\$28.93
Distribution Volumetric Rate	(per kVA/30 days)	\$5.6400
Interim Rate Rider	(per kVA/30 days)	\$0.2600

GENERAL SERVICE > 50 KW (Time of Use)

Monthly Service Charge	(per customer/30 days)	\$29.23
Distribution Volumetric Rate	(per kVA/30 days)	\$5.6300
Interim Rate Rider	(per kVA/30 days)	\$0.0500

INTERMEDIATE USE

Monthly Service Charge	(per customer/30 days)	\$803.72
Distribution Volumetric Rate	(per kVA/30 days)	\$4.6600
Interim Rate Rider	(per kVA/30 days)	\$0.0400

LARGE USE

Monthly Service Charge	(per customer/30 days)	\$3,070.72
Distribution Volumetric Rate	(per kVA/30 days)	\$3.9500
Interim Rate Rider	(per kVA/30 days)	\$0.0500

Toronto Hydro Electric-System Limited
Schedule of Changed Distribution Rates and Charges

RP-2005-0013

EB-2005-0081

Effective Date: March 1, 2005

Implementation Date: April 1, 2005

SMALL SCATTERED LOAD

Administration and Processing	(per customer/30 days)	\$2.26
Monthly Service Charge	(per connection/30 days)	\$0.29
Distribution Volumetric Rate	(per kWh)	\$0.0201
Interim Rate Rider	(per kWh)	\$0.0012

STREET LIGHTING (TOU)

Monthly Service Charge	(per connection/30 days)	\$0.29
Distribution Volumetric Rate	(per kVA/30 days)	\$4.0800
Interim Rate Rider	(per kVA/30 days)	\$0.0300

The interim rate riders on this schedule reflect the recovery of regulatory assets as approved in the March 14, 2005 Interim Order.