

**EB-2009-0139**

**TORONTO HYDRO-ELECTRIC SYSTEM LIMITED  
SETTLEMENT AGREEMENT**

**January 22, 2010**

**Evidence:** Exhibit H1, Tab 1; Exhibit R1, Tab 1, Schedule 48; Exhibit R1, Tab 3, Schedule 30

**Supporting parties:** THESL, AMPCO, BOMA, CCC, EP, SEC and VECC.

**Parties taking no position:** PP and SSMWG.

3.7 Is the amount proposed for PILs, including the methodology, appropriate?

**Partial Settlement:** For the purposes of settlement, the intervenors accept THESL's evidence that it has followed the Board's methodology to determine PILs, however the amount of PILs is dependent on the net income, and therefore the PILs amount to be included in revenue requirement is dependent on the determination of Issues 5.1 and 5.2.

**Evidence:** Exhibit H1, Tab 1; Exhibit R1, Tab 1, Schedule 49

**Supporting parties:** THESL, AMPCO, BOMA, CCC, EP, SEC and VECC.

**Parties taking no position:** PP and SSMWG.

#### **4. CAPITAL EXPENDITURES AND RATE BASE**

4.1 Are the amounts proposed for Rate Base appropriate?

**Partial Settlement:** For the purposes of settlement the intervenors, with the exception of PP, accept the proposed amounts for Rate Base, based on the revised capital budget discussed under 4.2 below.

**Evidence:** Exhibit D1, Tab 1-15; Exhibit R1, Tab 3, Schedule 39

**Supporting parties:** THESL, AMPCO, BOMA, CCC, EP, SEC and VECC.

**Party taking no position:** SSMWG.

**Opposing party:** PP.

4.2 Are the amounts proposed for 2010 Capital Expenditures appropriate including the specific Operational and Emerging Requirements categories?

**Partial Settlement:** As part of this settlement proposal, THESL agrees to reduce its 2010 capital budget from \$423.6M originally requested in the Application to \$350M, excluding any capital expenditures on its proposed Transit City program. THESL agrees to record in a deferral account for future disposal, subject to the Board's standard prudence review, any revenue requirement impact in 2010 of up to \$27.8M of capital expense actually incurred related to its proposed Transit City program. All of the parties, with the exception of PP, agree that the revised

capital expenditure levels are appropriate, including the treatment of any capital expenditures in connection with the Transit City initiative.

THESL will accommodate the reduction in its capital budget by slowing down the pace of non-critical renewal and new emerging capital programs. THESL will review its prioritization schedule to ensure that it yields the maximum benefits for its customers. THESL believes that the level of capital expenditures agreed to as part of this settlement will still allow for the majority of the required capital projects to proceed, avoiding material effects to customers or the system in the Test Year.

It is THESL's intention to file another COS application in 2010 for implementation for May 1, 2011. This will provide the Board and parties with an opportunity to review the status of THESL's capital program again next year.

**Evidence:** Exhibit D1, Tab 7-9; Exhibit R1, Tab 1, Schedule 56, 58-63, 67, 72, 73, 75, 76, 78; Exhibit R1, Tab 4, Schedule 32, 33, 36, 38, 39; Exhibit R1, Tab 6, Schedule 4-32; Exhibit R1, Tab 9, Schedule 8-14; Exhibit R1, Tab 11, Schedule 19-20

**Supporting parties:** THESL, AMPCO, BOMA, CCC, EP, SEC and VECC.

**Party taking no position:** SSMWG.

**Opposing party:** PP.

4.3 Are the inputs used to determine the Working Capital component of the Rate Base appropriate and is the methodology used consistent with the methodologies approved by the Board in previous Toronto Hydro rate applications?

**Complete Settlement:** For the purpose of settlement the intervenors accept the proposed working capital calculation.

**Evidence:** Exhibit D1, Tab 14; Exhibit R1, Tab 1, Schedule 80; Exhibit R1, Tab 11, Schedule 49

**Supporting parties:** THESL, AMPCO, BOMA, CCC, EP, SEC and VECC.

**Parties taking no position:** PP and SSMWG.

4.4 Does Toronto Hydro's Asset Condition Assessment information and Investment Planning Process adequately address the condition of the distribution system assets and support the O&MA and Capital expenditures for 2010?

**Partial Settlement:** For the purpose of settlement the intervenors, except for PP, accept that THESL's Asset Condition Assessment and Investment Planning Process adequately support the revised levels of spending.