

14 Carlton Street
Toronto, Ontario
M5B 1K5

Telephone: 416.542.2572
Facsimile: 416.542.2776
regulatoryaffairs@torontohydro.com



June 30, 2004

Mr. Peter O'Dell, Acting Board Secretary
Ontario Energy Board
P.O. Box 2319, 26th Floor
2300 Yonge Street
Toronto, Ontario M4P 3E4

Via facsimile (416) 440 7656 – Original to follow by mail

Dear Mr. O'Dell:

**Re: Proposed Amendments to the Affiliate Relationships Code for Gas Utilities
RP-2004-0140**

I write on behalf of Toronto Hydro-Electric System Limited ("TH Electric System") in response to your letter dated June 3, 2004, advising of the Board's proposal to amend the Affiliate Relationships Code for Gas Utilities ("Gas ARC"). TH Electric System appreciates this opportunity to comment on the Board's proposed amendments. As requested, an original and one copy of this letter are enclosed, along with an electronic copy in Adobe Acrobat format.

The Board's proposed amendments seek to further codify transfer pricing rules for Gas Utilities in response to a number of issues around the interpretation of these rules. TH Electric System has reviewed the Board's proposal and notes that the Board has reserved decision on whether similar amendments should be made to the Affiliate Relationships Code for electric utilities ("Electricity ARC").

It may be that ownership and corporate structure of electric utilities are quite different from those of the gas utilities in this province and consequently the offering of shared services through an affiliated holding company much more narrowly focused within the electricity industry. In view of this, affiliate relationship rules implemented for gas utilities may not appropriately extend to electric utilities that offer shared services to affiliates through a holding company.

TH Electric System expects that the Board would review various aspects of affiliate relationships within the electricity industry before making similar amendments to the Electricity ARC and looks forward to having an opportunity to provide more detailed comments at that time.

Yours truly,

"R. Zebrowski"

R. Zebrowski, Vice-President
Regulatory Services

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