

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

Telephone: 416.542.2517
Facsimile: 416.542.3024
regulatoryaffairs@torontohydro.com



January 28, 2011

via email – signed original to follow by courier

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

Dear Ms. Walli:

**Re: Toronto Hydro-Electric System Limited's ("THESL")
2011 Electricity Distribution Rate Application - Undertaking Responses
OEB File No. EB-2010-0142**

On January 24, 2011, THESL received 15 Undertakings during the Technical Conference. Enclosed are responses to all but JT1.3, 1.5, 1.6, 1.10, and 1.13 which THESL expects to submit early next week.

Also enclosed are the outstanding responses to the Technical Conference Questions (Board Staff 2 and Consumers Council of Canada 15) that were not included in the hard copies provided at the start of the Conference.

Please contact me if you have any questions.

Yours truly,

[original signed by]

Glen A. Winn
Manager
Regulatory Applications & Compliance

encl.

:GAW/acc

cc: J. Mark Rodger, Counsel for THESL
Intervenors of Record for EB-2010-0142

TECHNICAL CONFERENCE QUESTIONS OF ONTARIO ENERGY BOARD STAFF

1 **QUESTION 2:**

2 **Reference(s):** **Board Staff Interrogatory #2**

3

4 This interrogatory requested that THESL identify any rates and charges included in its
5 conditions of service and if there were any such rates and charges, to explain whether in
6 THESL's view, these rates and charges should be included on its tariff sheet.

7

8 In its response, THESL identified a number of such rates and charges producing revenue
9 of \$10.15 million in 2009.

10

11 In explaining why these rates and charges were not incorporated on the tariff sheet,
12 THESL referenced the Electricity Distribution Rate Handbook, which permitted LDCs to
13 apply a charge or a rate to a customer without approval of the Board if the charge or rate
14 is "either (i) a charge for a specific customer related to a cost recovery for the provision
15 of one-time services, or (ii) a general customer charge that is a flow-through of third
16 party costs."

17 a) Appendix A of THESL's response lists the Conditions of Service Rates and Charges.

18 Each of the listed charges mention fees which do not appear to be customer specific,
19 or a flow through of third party charges. Please discuss why THESL believes these
20 charges meet the Electricity Distribution Rate Handbook criteria it has outlined.

21 b) Table 1 shows "Revenue from Conditions of Service Rates and Charges" for the 2006
22 to 2011 period. Please explain why this revenue is forecast to drop from the 2009

23 Actual level of \$10.15 million to the 2011 Test year level of \$7.9 million.

**TECHNICAL CONFERENCE QUESTIONS OF ONTARIO ENERGY
BOARD STAFF**

1 **RESPONSE:**

2 a) THESL does not assert that these rates and charges meet the stated Distribution Rate
3 Handbook criteria.

4

5 b) The drop in the revenue forecast from the 2009 Actual level of \$10.15 million to the
6 2011 Test year level of \$7.9 million is due to a decrease in Line Hose removals
7 resulting from THESL's decision to outsource this activity to a third party. In
8 addition, a decrease in customer demand projects has been budgeted to decline based
9 on historical trends as it is dependent on the number and type of activities requested
10 by customers each year.

**TECHNICAL CONFERENCE QUESTIONS OF CONSUMERS
COUNCIL OF CANADA**

1 **QUESTION 15:**

2 **Reference(s): Board Staff 2/Appendix B**

3

4 Please explain what is included in the Miscellaneous Revenue amount of \$5.6693 million
5 and provide an explanation as to why the revenue in that category has been decreasing.

6 Why is there a decrease from 2010 to 2011?

7

8 **RESPONSE:**

9 Miscellaneous revenue consists mainly of scrap sales revenue and customer demand
10 services.

11

12 Miscellaneous Revenue is budgeted to decline in customer demand projects based on
13 historical trends as THESL has seen a decrease in this revenue stream which is dependent
14 on the number and type of activities requested by customers each year. Also see response
15 to Technical Conference Question 6 by Board Staff.

TECHNICAL CONFERENCE UNDERTAKING RESPONSE

1 **UNDERTAKING NO. JT1.1:**

2 **Reference(s): S1, Tab 4, Schedule 1**
3 **S1, Tab 4, Schedule 2**
4 **S1, Tab 4, Schedule 6**
5 **S1, Tab 4, Schedule 8**
6 **S1, Tab 4, Schedule 10**

7

8 To provide table in response to CCC technical conference questions 1, 2, 6, 8 and 10 with
9 forecast, granted in the application and actual numbers.

10

11 **RESPONSE:**

12 The tables in the attached Appendix provide the information requested in CCC technical
13 conference questions 1, 2, 6, and 8. In many cases, Board-approved values are not
14 available as none were specifically approved at this level of spending.

15

16 Information for Legal Costs, as requested in CCC technical conference question 10, is not
17 available with the requested level of detail, other than the historical values provided in
18 Exhibit R1, Tab 4, Schedule 21, and the aggregated values contained within Table 3.

Table 1 - Distribution Expenses Summary (\$ Millions)

	2008 Test	2008 Approved*	2008 Actual	2009 Test	2009 Approved*	2009 Actual	2010 Test	2010 Approved	2010 Bridge
Operation	59.6	57.2	45.7	65.4	59.2	49.0	64.6		61.6
Maintenance	46.5	46.5	41.3	48.8	48.8	46.5	43.5		42.6
Billing and Collection	32.4	35.6	31.9	32.8	38.6	35.1	37.0		33.7
Community Relations (Excl. CDM)	3.6	3.0	3.5	3.7	3.2	5.5	4.5	N/A	3.7
Community Relations (CDM)	1.5	0.0	0.0	1.6	0.0	0.0	0.0		0.0
Administrative and General	35.1	35.4	46.1	36.2	33.8	47.3	61.8		60.6
Other Distribution Expenses	17.3	13.5	14.0	18.1	12.0	11.8	8.7		8.7
Amortization Expense	153.7	146.9	149.0	160.9	154.4	155.5	167.0	166.4	164.5
Total	349.7	338.1	331.6	367.3	350.0	350.7	387.1		375.4

* The Board did not approve 2008 and 2009 amounts in any subcategories; the values presented are THESL's recast values after implementing the Board's Decision

Table 2 - Summary of Distribution O&M (\$ Millions)

	2008 Test	2008 Approved	2008 Actual	2009 Test	2009 Approved	2009 Actual	2010 Test	2010 Approved	2010 Bridge
Maintenance Programs	27.7		26.8	29.9		33.3	34.5		34.0
Fleet	12.7		9.2	13.2		10.9	11.8		11.6
Facilities	38.6		25.4	39.6		22.9	25.8		25.6
Procurement	9.4	N/A	8.4	9.7	N/A	8.8	9.3	N/A	9.3
Control Centre	7.1		7.2	7.4		7.0	7.4		7.7
Operations Support	48.1		37.1	51.3		37.1	46.0		43.8
Customer Services	51.9		41.0	55.6		46.1	51.9		47.6
Customer Driven Operating	0.0		0.8	0.0		0.7	0.8		0.1
Total	195.6		155.9	206.6		166.9	187.6		179.6

Table 3 - Distribution Expenses Administrative and General (\$ Millions)

	2008 Test	2008 Approved	2008 Actual	2009 Test	2009 Approved	2009 Actual	2010 Test	2010 Approved	2010 Bridge
Governance	12.1		14.9	11.3		11.9	4.8		5.0
Charitable Contributions	0.1		0.1	0.1		0.2	0.6		0.3
Finance	4.5		4.3	4.7		4.5	10.0		10.5
Treasury, Rates, and Regulatory	14.1		9.9	13.8		12.2	14.1		13.2
Legal	2.7		3.1	2.8		2.9	4.3		4.5
Communications	3.9	N/A	4.3	4.0	N/A	3.6	4.4	N/A	3.9
Information Technology	28.6		21.4	29.6		22.8	25.2		23.7
Environmental Health and Safety	3.2		9.7	3.3		12.2	12.1		11.9
Organizational Effectiveness	5.7		1.1	6.0		1.4	1.7		2.3
Strategic Management	0.0		1.1	0.0		1.4	1.7		2.3
Total	74.67		68.8	75.4		71.7	77.2		75.4

Table 4 - Other Revenue (\$ Millions)

	2008 Test	2008 Approved	2008 Actual	2009 Test	2009 Approved	2009 Actual	2010 Test	2010 Approved	2010 Bridge
Specific Service Charges	7.4		7.5	7.5		7.5	7.0		7.0
Late Payment Charges	5		4.8	5		5.1	4.8		4.8
Other Distribution Revenue	6.7	N/A	8.1	6.9	N/A	7.4	7.0	N/A	7.0
Other Income	7.3		10.3	2.3		3.6	0.0		5.5
Total	26.3		30.7	21.7	21.7	23.7	18.7	29.4	24.2

TECHNICAL CONFERENCE UNDERTAKING RESPONSE

1 **UNDERTAKING NO. JT1.2:**

2 **Reference(s):**

3

4 To provide summary of how Toronto Hydro compensation compares with the
5 comparators in annual informal benchmarking studies that Toronto Hydro contracts out.

6

7 **RESPONSE:**

8 Toronto Hydro conducts an informal benchmarking study through the use of a number of
9 surveys provided by compensation consultants.

10

11 Please refer to the attached Appendix for the Executive Summary of this informal study.

2011 Compensation Competitiveness Analysis

Executive Summary

Market Analysis Methodology

The goal of a competitiveness review is to map a reasonable sample of Toronto Hydro's positions to appropriate data sources. In doing so, a number of benchmark positions are identified against which market data is compared. The benchmark positions represent a cross function of grade levels, divisions and positions with significant number of incumbents.

Non-Bargaining Unit

To provide an objective analysis, THESL participates in a number of salary surveys on an annual basis from national firms such as Mercer, Towers Watson and Hay.

Bargaining Unit

Compensation data for bargaining unit positions are reviewed in the years in which negotiations take place. THESL is currently in a 5-year collective agreement with CUPE, which expires in 2014. In years in which negotiations take place, collective agreements that are in place for comparator organizations is assessed.

Market Analysis Results

Pay levels at the lower end of the grade structure for non-bargaining unit positions are above market competitive levels primarily due to compression from the bargaining unit positions and their pay rates. As one progresses along the grade structure, pay levels are no longer above market competitive levels but are at approximately market median levels. At the top level of the grade structure and executive level grade structure, THESL positions are no longer market competitive but below market median levels for total compensation.

TECHNICAL CONFERENCE UNDERTAKING RESPONSE

1 **UNDERTAKING NO. JT1.4:**

2 **Reference(s):**

3

4 To provide cost of additional shift for the test year, what savings are built into the
5 application, and to provide justification document, if one exists.

6

7 **RESPONSE:**

8 Six people were added at a fully burdened cost of \$445,182. No justification document
9 exists for this addition.

TECHNICAL CONFERENCE UNDERTAKING RESPONSE

1 **UNDERTAKING NO. JT1.7:**

2 **Reference(s): S1, Tab 4, Schedule 5**

3 **S1, Tab 8, Schedule 1**

4

5 To reconcile numbers in responses to CCC interrogatory no. 5 and VECC interrogatory
6 no. 1; for the balance of Bridge year OM&A and capital numbers, to describe which
7 compensation set is used; if it is the set filed with the application, to describe what
8 changes have to be made to reflect the fact that it wasn't correct; to describe what other
9 numbers in the application are based on 2010 requested, rather than the actual forecast.

10

11 **RESPONSE:**

12 THESL's application included 2010 Bridge year amounts that were based on forecast
13 information developed in the summer of 2010 as shown in Exhibit C2, Tab 1, Schedule 2,
14 Appendix A. The forecast 2010 compensation information provided in response to CCC
15 Technical Conference Question 5 is identical to the Bridge year information provided in
16 the application. The 2010 information provided in response to VECC Technical
17 Conference Question 1 is actual information for 2010.

18

19 The 2011 forecast information provided in response to VECC Technical Conference
20 Question 1 is identical to the 2011 test year forecast shown in THESL's application at
21 Exhibit C2, Tab 1, Schedule 2, Appendix A. This remains THESL's compensation
22 forecast for the test year, which coincides with the programs and costs presented for the
23 test year throughout the application.

TECHNICAL CONFERENCE UNDERTAKING RESPONSE

1 **UNDERTAKING NO. JT1.8:**

2 **Reference(s):**

3

4 To advise whether any penalties were included in “all other categories” account.

5

6 **RESPONSE:**

7 THESL confirms there were no penalties included in the “all other categories” account
8 for 2008, 2009, 2010.

TECHNICAL CONFERENCE UNDERTAKING RESPONSE

1 **UNDERTAKING NO. JT1.9:**

2 **Reference(s):**

3

4 To provide list of 100 projects at bottom of prioritization list, excluding projects already
5 underway.

6

7 **RESPONSE:**

8 Please see attached Appendix A. This list shows the lowest ranking distribution system
9 projects as rated by the AIS prioritization tool. In the event of any reduction this will be
10 used as guidance in the actual determination of deferrals. More detailed analysis would
11 need to be done on each individual project. All THESL capital (including IT, Fleet, etc.)
12 needs to be considered in the final analysis, as well as the impacts to O&M programs and
13 costs associated with capital project deferrals.

Project Name	Capital Cost
W11490 Transformer Smart Metering Installation PH#1	\$833,012
W11492 Transformer Smart Metering Installation PH#2	\$879,226
W11493 Transformer Smart Metering Installation PH#3	\$871,405
W11494 Transformer Smart Metering Installation PH#4	\$806,872
W11583 Transformer Smart Metering Installation PH#5	\$921,510
W11496 Submersible Vault TSM Installation	\$829,888
W11495 Padmounted TSM Installation	\$1,274,691
W11500 PLM Installation at Various Locations	\$105,180
S11465 Main TS: PILC Replacement Feeder A25MN	\$9,064
S11466 Main TS: PILC Replacement Feeder A27MN	\$9,064
S11110 SONET & Copper Infrastructure Data Collection	\$102,575
S11097 Stations 2011: Design of Stations Capital Projects	\$460,982
W10096 O'Hara St OH VC	\$1,816,536
Hazelwood B7HW Conversion OH	\$1,491,000
X11487, Loc#4312 King St. West/Yonge St.	\$2,233,040
W11203 A3-4T Strachan Feeder Transfer new A9-10T	\$882,979
W11219 Rathburn SAF1 Conversion	\$5,666,074
A11498 Handwell Standardization Remediation	\$10,156,601
W10013 Forest Hill Rear Lot VC Phase - 3 (Electrical)	\$3,916,909
X11234, Loc#4481 Eglinton Ave East/Holly St.	\$1,805,429
X11533, Loc #4818 Rebuild Vault Richmond/Bay 240/416 V	\$1,250,000
E11291 White Birch SCNAR43M24 Rear Lot Rebuild	\$1,669,866
X11591 Vault Location#4374 Rebuild Vault - Bloor St. West/Avenue Rd	\$695,000
S11429 Dufferin TS: Transfer A37DN and A40DN	\$81,673
X12054 Voltage conversion TOB5DN	\$5,017,986
Leakers and Piece Outs of George & Duke Feeders	\$654,876
X11245, Loc#4541 St. Clair Ave/yonge St.	\$901,389
Terauley Feeders Piece Outs & Leakers	\$606,560
X11441, Loc#4512 Eglinton Ave. West/Holly St.	\$809,855
W11168 Albion MG-F1 Silverstone VC Rear Lot	\$3,668,268
W11192 Eglinton MS Stage#3 B-3-5-EG OH Conversion	\$1,868,849
X11481, Loc#4438 St. Patrick St/Queen St. West	\$782,401
X11577, 4kV O/H Conversion to Network	\$4,500,000
X11440, Loc#4642 St. Clair Ave West/Yonge St.	\$761,140
W11218 Rathburn F2 & F3 4kV VC	\$315,447
X11610 Vault Location #4339 Rebuild Vault - Bloor St. East/Church St. (Charles North Network)	\$1,280,000
DC_S11094 2011 Station Enhancement: Defective Equipment Various MS's	\$349,627
A390CE PILC Cable Replacement Part 3	\$415,000
A310CE PILC Cable Replacement Part 2	\$415,000
S11446 Strachan TS: Feeder Transfers from A3-4T to A9-10T SWGR	\$316,056
X11304 Replace / upgrade A11GL lead cable	\$4,126,591
W10280 Feeder Tie A37DN to A70CE	\$1,723,640
S11196 SONET System Recoverable Costs From HONI	\$138,326
E11159 Crow Trail/Horseley Hill 26M34 UG Rehab Area B (Electrical)	\$1,316,428
A390CE PILC Cable Replacement Part 2	\$321,000
E11160 Crow Trail/Dunsfold 26M34 UG Rehab Area C (Electrical)	\$1,235,230
W10281 Feeder Tie A41DN to A69W	\$1,236,396
S11232 Lawrence-Kennedy MS: Upgrade Station Perimeter Fence	\$150,000
S11112 Improve SONET Redundancy: Parkdale MS (PQ) to Strachan TS (T)	\$114,697
E11382 Livingston Guild VC Rear Lot Rebuild	\$4,438,224
W10279 Feeder Tie A40DN to A71CE	\$1,094,768
W11141 Removal Friable Asbestos C.C. & Vaults	\$327,292
DC_S11095 2011 Station Reactive Capital: Defective Equipment Various MS's	\$210,672
A320CE PILC Cable Replacement Part 2	\$321,000
X11305 Replace / upgrade A12GL lead cable	\$1,385,786
X11560, Loc#4313 Rebuild Vault Eglinton Ave. East/Lillian St	\$715,000
W11033 High Level primary feeder upgrade	\$598,979
X11306 Replace / upgrade A13GL lead cable	\$1,263,244
X11272 Replace/Upgrade PILC Cable TOA80E	\$2,352,055
S11400 THESL Telecom Standby Services for Cogeco Inc.	\$88,453
W10307 Feeder Tie A32DN to A62W	\$1,318,753
W11397 Hollywood BDF2 VC	\$290,479
E11360 Rebuild Saunders King VC	\$2,424,431
A390CE PILC Cable Replacement Part 1	\$196,000
X11307 Replace/Upgrade PILC Cable TOA20DX	\$1,085,881
W11567 URD 600A Installation and Automation	\$642,451
X12208, Loc#4485 105 Adelaide St. West - Rebuild Vault Roof	\$240,500
E11333 Rebuild Brimley Anson VC PEF1	\$2,159,668
S11480 Installation of On-Line DGA Units at Sentinel & Sherbourne MS's	\$130,512
E11584 Sheppard LRT Phase 1 McCowan to Malvern UG Cable Replacement SCNAH9M23	\$1,163,639
E11158 Crow Trail 26M34 Underground Rehab Area A (Electrical)	\$743,806
A310CE PILC Cable Replacement Part 1	\$196,000
S11491 Jane MS: Install Fire Resistant Barrier	\$141,764
E11197 Lesmill MS F2 Charnwood Rear Lot Voltage Conversion	\$3,188,967
Total:	\$98,511,662

TECHNICAL CONFERENCE UNDERTAKING RESPONSE

1 **UNDERTAKING NO. JT1.11:**

2 **Reference(s): S1, Tab 7, Schedule 3**

3

4 To provide equivalent table for 2011 as appears in SEC technical conference question
5 no. 3.

6

7 **RESPONSE:**

Projected 2011:

Summary Description	Projected Number of Vehicles	Average Age
Bucket	149	4.8
Cable Truck	7	1.8
Car	43	3.5
Crane	22	4.0
Cube Van	66	7.4
Derrick	22	4.6
Dump	11	3.4
Equipment	51	11.4
Line Truck	6	6.2
Pickup	124	2.6
Trailer	64	
Van	192	3.3
Grand Total	757	

TECHNICAL CONFERENCE UNDERTAKING RESPONSE

1 **UNDERTAKING NO. JT1.12:**

2 **Reference(s): S1, Tab 7, Schedule 4**

3

4 To provide equivalent table for 2008 and 2009 as per SEC technical conference question
 5 no. 4.

6

7 **RESPONSE:**

	(\$ MILLIONS)						
KEY ELEMENTS	2006	2007	2008	2009	2010	2011	TOTAL
ACQUIRED EHS DIVISION			3.8			0.4	4.2
ACQUIRED TRADES TRAINING SCHOOL		0.8					0.8
INCREASE IN HIRING ACTIVITES				1.4		0.8	2.2
TRAINING PROGRAMS			0.8		1.4	1.7	3.9
REORG (FROM ONE DEPT TO TWO DEPTS/TALENT MGMT & LR)					0.5		0.5
SUBTOTAL	0	0.8	4.6	1.4	1.9	2.9	11.6
OE & EHS DIVISION COSTS (\$ MILLIONS)	3.3	4.4	9.7	12.2	11.9	15.2	

8 The majority of the incremental costs were due to re-structuring in the following areas:

- 9 • The trades training department was moved from a division of operations to the
 10 Organizational Effectiveness division, specifically the Organizational
 11 Development department in 2007.
- 12 • Environmental, Health and Safety department was moved into the Organizational
 13 Effectiveness Division to form the new Organizational Effectiveness and
 14 Environment, Health and Safety Division in 2008.
- 15 • HR Services department was split into two departments, Talent Management and
 16 Employee/Labour Relations in 2010. The primary reason was due to the large
 17 increase in volume of recruitment and the need to focus resources to hire
 18 employees in order for THESL to deliver on its capital plan.

TECHNICAL CONFERENCE UNDERTAKING RESPONSE

1 The other area of incremental costs was due to increased focus on compliance, technical
2 and leadership training since the acquisition of the trades training school.

3

4 In addition, there was an expense of \$1.4M that was incorrectly charged to the OE
5 division in 2009 and removed in 2010 regarding one of THESL's properties.

TECHNICAL CONFERENCE UNDERTAKING RESPONSE

1 **UNDERTAKING NO. JT1.14:**

2 **Reference(s): R1, Tab 1, Schedule 23**

3

4 Re: Board Staff interrogatory no. 23 (b), to provide breakdown of average cost of \$360
5 per meter into the different types of meters; to explain if they are three-phase or one-
6 phase meters; to explain price differences and OM&A costs.

7

8 **RESPONSE:**

9 The unit cost to install the remaining smart meters is approximately \$360 per meter.

10

11 For residential customers, which generally require single phase meters, the average
12 installed unit cost is estimated to be \$102 per meter. For commercial and industrial
13 customers, which use a combination of single-phase or three-phase meters, and a
14 combination of self-contained and transformer-type meters, the average installed unit cost
15 is estimated to be \$532 per meter.

16

17 Various types of meters will be installed, depending on the electrical characteristics of the
18 supply to the specific customer services. The most common will be the Elster R2S meter,
19 which will be used for 120/240 volt single phase services, 120/208 volt network services,
20 and some 600 volt three-phase delta services. The Elster A3RL and A3TL meters will be
21 used for a variety of 120/208 volt and 347/600 volt three-phase services. For locations
22 where the Elster meters are not suitable, three-phase meters from other manufacturers
23 such as Itron, with an internal Smartsynch communication module, will be used.

24

25 An additional \$1.3 million will be spent to upgrade the Operational Data Store for added
26 smart meter functionality.

TECHNICAL CONFERENCE UNDERTAKING RESPONSE

- 1 The smart meter operating costs for 2011 are \$2.4 million. These consist of labour,
- 2 vehicles and materials to respond to failed smart meters or communication equipment,
- 3 sample testing of the first generation smart meters, clerical and administrative support,
- 4 office space and IT cost allocations.

TECHNICAL CONFERENCE UNDERTAKING RESPONSE

1 **UNDERTAKING NO. JT1.15:**

2 **Reference(s): S1, Tab 1, Schedule 20**

3

4 To provide breakdown and explanation for the approximately \$7.2 million for IFRS costs
5 in account 1508, board staff question no. 20.

6

7 **RESPONSE:**

8 Please see the attached Appendix A.

Appendix A: Detailed Breakdown of IFRS Costs

	2008 Actual	2009 Historical	2010 Bridge	Total
New Employees Specific to IFRS	-	583,311	1,213,441	1,796,752
External Services - IFRS Advisor	744,000	1,204,599	1,522,051	3,470,650
External Services - Auditor	-	102,364	300,000	402,364
External Services - Other ¹	-	52,000	88,000	140,000
Contract Services - Contract/Temporary Staff	-	220,214	915,033	1,135,247
Other ²	-	20,444	110,000	130,444
	744,000	2,182,932	4,148,525	7,075,457
Carrying charges				83,530
Total IFRS Costs				7,158,987

¹ Includes actuarial costs and recruiting services.

² Includes costs for communication, office supplies, employee and IT expenses.