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February 16, 2011

BY EMAIL & COURIER

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge St, Suite 2701
Toronto ON M4P 1E4

Dear Ms. Walli:

Board File No. EB-2010-0142
Toronto Hydro-Electric System Limited – 2011 Cost of Service Application
Interrogatories of Energy Probe – Accounting Update

Pursuant to Procedural Order No. 9 issued by the Board on February 1, 2011, please find attached the Accounting Update Interrogatories of Energy Probe Research Foundation (Energy Probe) in the EB-2010-0142 proceeding.

Should you require additional information, please do not hesitate to contact me.

Yours truly,

Original signed by

David S. MacIntosh
Case Manager

cc: Glen Winn, Toronto Hydro-Electric System Limited (By email)
Mark Rodger, Borden Ladner Gervais LLP (By email)
Olena Loskutova, Consultant to Energy Probe (By email)
Peter Faye, Energy Probe Counsel (By email)
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Ontario Energy Board

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 distribution rates and
other charges, effective May 1, 2011.

**ACCOUNTING UPDATE INTERROGATORIES OF
ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")**

February 16, 2011

**TORONTO HYDRO-ELECTRIC SYSTEM LIMITED
2011 RATES REBASING CASE
EB-2010-0142**

**ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES – ACCOUNTING UPDATE**

Interrogatory # 1

Ref: Exhibit Q1, Tab 2, Schedule 2

Table 1 on page 1 of the exhibit shows a Summary of Capital Budget. The impact of the accounting change on Sustaining Capital is a reduction of \$5.0 M or about 2.5% from the originally filed test year. The corresponding reduction in Operations capital is \$21 M or about 6.8%. Conversely, the impact of the update on Emerging Requirements capital is only about 0.7%.

- a) Please explain why the impact in percentage terms of the accounting update on Operations capital is much more than on Sustaining Capital.**
- b) Please explain why the impact on Emerging Requirements capital is much lower than either Sustaining capital or Operations Capital.**

Interrogatory # 2

Ref: Exhibit Q1, Tab 2, Schedule 6-1

Table 1 shows Distribution Administrative and General Expenses by category. Three of the categories (Finance, Communications and Information Technology) have increased as a result of the accounting update. As none of these appear to be related to the changes in depreciation or engineering capital cost allocation, it is not clear why any changes from the originally filed test year expenses would occur.

Please explain.

Interrogatory # 3

**Ref: Exhibit Q1, Tab 2, Schedule 6-1 &
Exhibit Q1, Tab 2, Schedule 6-3**

Table 1 on the first reference shows Distribution Administrative and General Expenses broken down by category. Table 1 on the second reference shows a summary of Distribution expenses in which the A&G totals do not match the totals in the first table.

Please explain.

Interrogatory # 4

Ref: Exhibit Q1, Tab 2, Schedule 7-2 Kinetrics Report on Useful Life of Assets

On page 2 of the report the following statements are made:

- “1. The initial list of assets and components was produced by THESL and Street Lighting and provided to Kinetrics for review.*
- 2. Upon review of the initial list, Kinetrics generated an intermediate asset list **that had a somewhat different background, granularity, and componentization, based on industry practices and Kinetrics experience.**” (Emphasis added)*

Please explain why estimates based on industry practices and Kinetrics experience is a better reflection of THESL assets than THESL’s own records.

Interrogatory # 5

Ref: Exhibit Q1, Tab 2, Schedule 7-2 Kinetrics Report on Useful Life of Assets

Table 1-1 on page 4 of the report shows the useful life of assets with minimum, typical and maximum life spans in years.

Please add a section to the table showing the life spans previously used by THESL for each asset so that a comparison can be readily made between the old and new standards.

Interrogatory # 6

Ref: Exhibit Q1, Tab 2, Schedule 7-2 Kinetrics Report on Useful Life of Assets

Please explain how the revised useful life of assets in this report affects THESL's asset condition assessment process and the resulting sustaining capital expenditures needed to replace aging assets.