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March 25, 2011

***via RESS and courier***

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
2300 Yonge St  
Toronto, ON M4P 1E4

Dear Ms. Walli:

**RE: Toronto Hydro-Electric System Limited (THESL)  
OEB File No. EB-2010-0142  
Application for Existing Rates to be Made Interim**

## **Purpose**

Toronto Hydro-Electric System Limited ("THESL") hereby applies to the Board for an Order making THESL's existing distribution rates interim, effective May 1, 2011. Existing distribution rates and riders were approved by the Board under file number EB- 2009-0139, and became effective May 1, 2010.

THESL's interim rate request is made to provide sufficient time for all parties to complete the processes necessary for implementation of 2011 distribution rates, while preserving THESL's ability to recover its approved 2011 revenue requirement in the event that final 2011 rates are not able to be implemented as of May 1, 2011.

## **Justification**

THESL submitted its application for 2011 distribution rates to the Board on August 23, 2010, ahead of the Board's scheduled application submission date of August 31, 2010.

The application complied with Board filing requirements, and throughout the course of the proceeding, THESL met every procedural deadline set by the Board.

Nevertheless, the regulatory calendar for the Board, THESL, and stakeholders over the course of the proceeding and up to this time has been very pressing, including the requirement for THESL to file significant updated evidence resulting from material accounting changes. Accordingly, it is apparent to THESL that the conclusion of this proceeding, up to the issuance of a final Rate Order by the Board, very likely cannot be achieved under a schedule that would permit implementation of approved 2011 rates on May 1. While THESL understands that the Board will release its Decision in due course and without unnecessary delay, it expects that at least three to four weeks from the date of issue of the Decision will be required for THESL to prepare a draft rate order, for Board Staff and intervenors to review that draft order, and for the Board to issue a final rate order. After receipt of the final Order, THESL must also confirm that approved rates are accurately implemented in its billing system.

THESL believes that each of these activities is fundamentally important and necessary to the implementation of just and reasonable rates, and that sufficient time for proper completion of these tasks should certainly be allowed. However, in the result, THESL anticipates that a final Order may not be reasonably expected before July 1.

Furthermore, THESL is in the process of implementing a new customer billing system. THESL had formerly anticipated that implementation of new rates (on May 1) would not coincide with implementation of its new billing system, which is scheduled for early July. Implementation of the new customer billing system also requires a period of approximately one month for system stabilization.

As a result of the combination of these factors, THESL now believes that it is likely that billing under new rates cannot begin until August 1 at the earliest.

For consumption occurring on and after May 1, 2011, THESL must begin billing of customers by mid-May. THESL has no ability to suspend billing beyond that time to await implementation of approved 2011 rates. If existing rates are not made interim effective May 1, 2011, THESL will not be able to bill consumption occurring between April 30 and the rate implementation date at the correct, 2011 approved rates, and will consequently incur material and unrecoverable financial harm. On the basis of the proposed Settlement filed with the Board March 25, THESL's gross revenue deficiency in 2011 is approximately \$0.6 million per week. THESL submits that while a delay relative to May 1 in issuing a final Order is likely unavoidable, it would be unreasonable and unfair for THESL to bear a significant financial penalty as a result.

For these reasons, THESL requests that the Board order that existing distribution rates be made interim effective May 1, 2011.

## **Implementation**

THESL's proposal is to implement the approved final (i.e., regular 12-month) rates for 2011 effective August 1, 2011, together with a set of fixed term rate riders expiring April 30, 2012 to collect the foregone revenue for May, June and July 2011. The foregone revenue rate riders would have both fixed and variable components, and would be determined for each class based on the forecast billing units and the revenue forecast to have been collected from each class. THESL would continue to be at risk for any variance between actual and forecast billing units for the May to July period, and there would be no 're-billing' for consumption taking place from May 1 to July 31. In 2012, absent a further change in rates, the foregone revenue rate riders would expire on April 30, 2012 and the '12-month' or regular rates for 2011 would persist until the issuance of a new rate order.

THESL proposes that its existing rate riders that have April 30, 2011 expiry dates would terminate on April 30, 2011 as originally intended, but otherwise that its existing base rates along with existing rate riders expiring later than April 30, 2011, including the smart meter rate adder, would continue unchanged. THESL also proposes that the recently approved LPP rate rider also be implemented on August 1 for a period of 21 months rather than the 24 months authorized (upon THESL's request) in the EB-2010-0295 Decision.

This is substantially the approach taken by the Board in the case of THESL's 2008 rates and THESL believes that this approach is practical and would minimize undesirable effects on customers that might arise from the unplanned extension of otherwise expiring rate components or from undue rate instability.

In addition to granting this request for rates to be made interim, THESL requests that the Board provide for THESL's proposed implementation approach in its EB-2010-0142 Decision.

## **Disposition**

In view of the imminent closing of the 2010 rate year and the need for THESL to plan and effect changes to its billing system in order to implement rates under these special circumstances, THESL requests that the Board determine this application at its earliest convenience.

For all matters pertaining to this application for interim rates, please contact me.

Yours truly,

*[Original signed by Pankaj Sardana]*

Pankaj Sardana

[regulatoryaffairs@torontohydro.com](mailto:regulatoryaffairs@torontohydro.com)

cc: Registered Intervenors in EB-2010-0142  
J. Mark Rodger, Counsel to THESL