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Ontario

BY EMAIL

March 23, 2009

Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4

Dear Ms. Walli:

Re: Board Staff Interrogatories
Toronto Hydro 2009 Rates
Board File No. EB-2009-0069

Dear Ms. Walli:

Please see attached Board Staff Interrogatories for the above proceeding. Please forward the attached interrogatories to Toronto Hydro and all intervenors in this proceeding.

Yours truly,

Original Signed By

Colin Schuch
Case Manager

/ attach.

Toronto Hydro 2009 Rates
Board Staff Interrogatories
EB-2009-0069

BOARD STAFF INTERROGATORIES

1. Please provide a table similar to the table below that breaks out the revenue requirement into its constituent parts.

Toronto Hydro ($ millions)

	2008 Board-approved	2009 per Original Filing (EB-2007-0680)	2009 Adjustments (per Board Decision)	2009 as filed by Toronto	Variance (2009 filing vs. 2008 Board-approved)
Capital Expenditures					
Working Capital					
Total Rate Base					
Cost of Capital					
OM&A Expenses					
Depreciation and amortization Expense					
PILs					
Service Revenue Requirement					
Revenue Offsets					
Base Distribution Revenue Requirement					

2009 Debt Costs

2. Ref: Sched. 2A

In its draft Rate Order evidence, Toronto Hydro has updated its long-term debt for 2009 from a weighted average cost of long-term debt of 5.50%, per Exhibit E1 / Tab 4 / Schedule 2 of its November 12, 2007 Application update, to 5.57%. The tables shown in Schedule 2A and reproduced below document the original and proposed debt costs.

2009 Debt Costs

As Updated Nov 12, 2007 (Exhibit E1, Tab 4, Schedule 2)

	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6
1	Description	Issue Date	Maturity	Principal ($)	Coupon Rate	Carrying Cost ($)
2	$980M City Note[1]	May 6, 2003	May 6, 2013	735,173,206	5.36%	39,405,284
3	$180M Debenture	May 6, 2003	May 6, 2013	180,000,000	6.16%	11,088,000
4	City Note Replacement	Dec 31, 2007	Dec 2017	245,057,739	5.20%	12,743,002
5	New Capex	Jan 1, 2009	Jan 2010	10,000,000	5.70%	570,000
6	New Capex	Sept 1, 2009	Jan 2010	65,000,000	5.71%	1,240,556
7	City Note Replacement	Dec 31, 2009	Dec 2039	245,057,739	6.56%	44,043
8	Financing Costs[2]					465,550
9	Avg of Monthly Debt Outstanding			1,192,578,328	5.50%	65,556,435

As per Cost of Capital Guidelines

	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6
1	Description	Issue Date	Maturity	Principal ($)	Coupon Rate	Carrying Cost ($)
2	$980M City Note[1]	May 6, 2003	May 6, 2013	735,173,206	5.36%	39,405,284
3	$180M Debenture	May 6, 2003	May 6, 2013	180,000,000	6.16%	11,088,000
4	1st tranche City Note Replacement	Dec 31, 2007	Dec 2017	245,057,739	5.20%	12,743,002
7	2nd tranche City Note Replacement[3]	Oct 1, 2009	Oct 2039	245,057,739	7.25%	4,475,090
8	Financing Costs[2]					411,486
9	Avg of Monthly Debt Outstanding			1,221,998,923	5.57%	68,122,862

Notes:
1. Coupon rate reflects amended City Note adjusted for Board's November 30/06 Report on Cost of Capital
2. Includes amortized issue costs
3. Coupon Rate reflects Conference Board of Canada forecast of long-term Govt Bonds of 3.70%, plus Corporate Spread of 3.5%, plus administrative cost of 5 basis points

The changes are as follows:

- Elimination of new capex debt financing of $10,000,000 at 5.70% on January 1, 2009 with a maturity of 1 year (January 2010);
- Elimination of new capex debt financing of $65,000,000 at 5.71% on September 1, 2009 with a maturity of 4 months (January 2010); and
- Change to the 2nd tranche City Note replacement, with a principal of $245,057,739, from an issuance of December 31, 2009 for 30 years at 6.56%, to an issuance forecasted on October 1, 2009 for 30 years at 7.25%.

Note 3 of Schedule 2A states that the 7.25% forecasted Coupon Rate for the City Note Replacement “reflects Conference Board of Canada forecast of long-term Govt Bonds of 3.70%, plus Corporate Spread of 3.5%, plus administrative cost of 5 basis points.”

Please confirm the correctness of the above observations regarding the changes to Toronto Hydro's long-term debt.

Please provide the exact source of the Conference Board of Canada forecast (Issue, date of publication) and the basis for the Corporate Spread estimated at 3.5%.

Please provide the tables shown in Schedule 2A in working Microsoft Excel format, showing all numbers and formulae.

3. Ref: Sched. 2A

Please provide further explanation of the 2nd tranche City Note Replacement.

i) What debt of Toronto Hydro does this replace?
ii) Who is or will be the debt holder?
iii) Is the debt holder an affiliated company?
iv) This debt is not currently in place, but is forecasted to be issued for October 1, 2009. Please provide details of the current status of the negotiations for this debt.
v) Please indicate what efforts Toronto Hydro has made to secure the debt financing at a more competitive rate. If it has not done so, please indicate the reasons why.

4. Ref: Sched. 2A

The first City Note Replacement was issued on December 31, 2007 with a term of 10 years at 5.20%. However, Toronto Hydro forecasts issuing the 2nd tranche City Note Replacement for 30 years at a significantly higher rate, which appears to be influenced by current economic conditions.

i) Please indicate why Toronto Hydro forecasts that it needs to lock-in the 2nd Note for a long period at rates higher than has been seen for most of this decade.

ii) Please explain the benefit to Toronto Hydro's ratepayers for locking in significant debt at this rate for the 30-year term.

5. Ref: Sched. 2A

Please provide the weighted average 2008 Board-approved cost of debt. In doing so, please also include a breakdown by individual security showing the same level of detail as shown in schedule 2A.

Net Fixed Assets

6. Ref: 2009 Capital Expenditures and Resulting Net Fixed Assets / Sched. 1 / line 2

Preamble: On page 2 of the DRO, Toronto states that the sum of reductions in 2009 capital expenditures is $61.8 million. The reduction in capital expenditures combined with the Board's adjustment to 2008 rate base results in average net fixed assets for 2009 of $1,775.7 million. The average net fixed assets for 2009 as filed was $1,870.2 million.

Please describe the Board's adjustments to 2008 rate base that has reduced the 2009 average net fixed assets by $32.7 million ($94.5 million - $61.8 million). In so doing, please provide the detailed calculations for the 2009 average net fixed assets balance.

2009 Volume Forecast

7. Ref: Sched. 3

Has the 2009 volume forecast shown on Sched. 3 received Board approval? If so, please provide the Board decision reference.

8. Ref: Manager's Summary – Appendix A (pg.4) / DRO – Sched. 3

Preamble: On page 4 of Appendix A, the 2009 forecast of kWh units in the residential rate class is 5,193,268,381 and the 2009 forecast of kWh units in the GS < 50kW rate class is 2,505,206,926. In schedule 3 of the DRO, the 2009 forecast of kWh units in the residential rate class is 5,387,207,864 and the 2009 forecast of kWh units in the GS < 50kW rate class is 2,545,941,998.

Please explain the reasoning for this difference in numbers.
If this is an error, please revise the 2009 forecast of kWh units for the Residential and GS < 50kW rate classes using the correct numbers.

Revenue-to-Cost Ratios

9. Ref: Assigned Revenue-to-Cost Ratios / Sched. 4

Preamble: For 2008 rates, the Board directed Toronto to set the revenue-to-cost ratio for the Unmetered Scattered Load rate class at 62.5% and at 40% for the Street Lighting rate class, and to reduce the revenue-to-cost ratios for the GS 50-999 kW and GS 1000-4999 kW proportionately. For 2009 rates, Toronto states that it has maintained the methodology used to move the revenue-to-cost ratios towards unity for the Unmetered Scattered Load and Street Lighting rate classes, with the offsetting reduction in the GS 50-999 kW and GS 1000-4999 kW rate classes.

Please confirm, and provide the supporting calculation details, for the revenue-to-cost ratio reduction in the GS 50-999 kW and GS 1000-4999 kW rate classes. Please show how it is proportional to the increase in revenue-to-cost ratios in the Unmetered Scattered Load and Street Lighting rate classes for 2009.

2006/2007 Smart Meter Deferral account clearance

10. Ref: Smart Meter App. p.2 of 17

Please provide both the document reference and the wording from the Board's accounting order or directive that describes the methodology to be used for recording amounts in the Smart Meter deferral account.

2008 Excess Revenue from Expired Rate Riders

11. Ref: Expired Rev. App. p.4 of 11 Table 1

What was the rate of interest used to calculate the carrying costs of the excess revenue collected?