**EB-2009-0139**

**IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c.O.15, Sch. B;**

**AND IN THE MATTER OF an Application by Toronto Hydro Electric System Limited for an Order or Orders setting just and reasonable rates commencing May 1, 2010.**

 **REVISED INTERROGATORIES**

## OF THE

#  SCHOOL ENERGY COALITION

***The identification of one or more relevant issues for each of the following interrogatories is in no way intended to restrict the scope of the interrogatory as asked. Each interrogatory should be interpreted using the plain meaning of the words. Many interrogatories, while applicable to one or more named issues, will also depending on the material produced have relevance to other issues as well.***

1. ***Issues 7.1-7.3.*** Please confirm that the Applicant has 809 schools operated by publicly funded school boards in its franchise area. Please advise how many schools are in each of the GS<50 and GS>50 classes.
2. ***Issues 2.1, 3.1, 4.1.*** Attached to these interrogatories is a spreadsheet setting out the figures for the Applicant from the OEB’s Electricity Distributor Yearbooks for each of 2005 through 2008, together with calculations of percent change from 2005 to 2008 in a number of categories. Please confirm that the figures from the Yearbook have been transcribed correctly, and that the percentages calculated are correct.
3. ***Issues 1.4, 3.1, 4.1, 5.1.*** Please file the Applicant’s current strategic plan or multi-year business plan, or similar document. If the Applicant’s plan is contained in a plan for the holding company, or the corporate group, please provide that full upstream plan.
4. ***Issues 1.4, 3.1, 4.1.*** With respect to the Applicant’s 2010 capital and operating budgets:
	1. Please file the 2010 capital and operating budgets that were presented to the Applicant’s Board of Directors (or the Board of Directors of THC, if applicable) for approval, together with all materials (such as supporting schedules, powerpoints, memos, explanatory notes, etc.) used in describing or supporting the budgets or obtaining approval for them. If the formal process includes presentation to, or approval by, a committee of the Board of Directors, please file the materials provided to that committee, if different from what was provided to the Board of Directors.
	2. In the event that the 2010 capital and operating budgets do not yet have Board of Directors approval, please advise the planned date prior to the end of the current fiscal year that such approval will be sought, and any other components of the budgeting schedule that are currently known and not already provided in the prefiled evidence.
5. ***Issues 3.1, 4.1.*** [Ex. A1/1/1, p. 9] Please provide a comprehensive table showing all spending, whether OM&A or capital, in the Test Year relating to the secondary system, together with comparative figures in each category for 2008 and 2009. Please prepare the table in two ways: assuming the Street Lighting assets are transferred to THESL, and assuming they are not. For each operating or capital cost shown on the table, please identify whether it is allocated for ratemaking purposes only to the Street Lighting, Sentinel Lighting, and USL classes, or it applies to other classes as well.
6. ***Issue 2.2.*** [Ex. A1/1, p. 15] Please provide a list of all “gain on sale” amounts in each of 2008 and 2009, with forecast for 2010, including descriptions of each transaction.
7. [Ex. B1/5/1] With respect to the 2008 Annual Report:
	1. ***Issues 5.1, 5.2.*** Page 2. Please file the current shelf prospectus for THC, and for THESL, if any. If only THC has such a document, please explain why, after the reorganization of THC and THESL, it continues to be appropriate to borrow for distribution utility needs in the parent company rather than directly through the utility. Please provide any correspondence, reports, or other documentation relating to the cost to the unregulated affiliate THESI of obtaining capital on a standalone basis, and without THESL or THC guarantees.
	2. ***Issue 4.3.*** MDMA page 7. Please describe any impact on required working capital of the favourable cash flow impacts of “billing and collection activities”, and advise the extent, if any, to which that favourable variance is continuing in the Bridge Year, and/or is expected to continue in the Test Year.
	3. ***Issues 3.2, 3.3.*** MDMA page 8. Please provide all “financial assistance” currently being provided by THESL to any of its affiliates. Please provide a copy of the City authorization referred to on this page.
	4. ***Issues 5.1, 5.2.*** MDMA page 11. Please file the most current Standard & Poors rating report.
	5. ***Issues 3.2, 3.3.*** MDMA page 15. Please provide the current receivable from the City for relocation and other construction services. Please explain why the receivable at the end of 2008 was $4.1 million, while the total invoices in 2007 and 2008 only totaled $2.3 million. Please provide full details on the payment terms for these services by the City.
	6. ***Issue 3.4.*** MDMA page 16. Please quantify the impact on post-employment benefit obligations, if any, in each of the Bridge Year and the Test Year arising out of changes in market interest rates, and identify any amounts included in the 2010 revenue requirement related to changes in these obligations arising out of interest rate changes.
	7. ***Issues 2.2, 3.1.*** FS page 4. Please provide a table showing the total customer deposits received, the total repaid, and the year end balance held, for each of the Historical, Bridge and Test Years.
	8. ***Issues 4.1, 4.2.*** FS page 10. Please provide the total AFUDC included in capital assets on the basis of actual for 2008, forecast for 2009, and budget for 2010.
	9. ***Issues 3.5, 4.1.*** FS page 17. Please confirm that THESL is recording meters as stranded (as described in Note 6) when they have been replaced by a smart meter, so as the smart meters roll out, the stranded meter NBV goes up, but conversely once the roll out is complete, the continuing amortization of the conventional meters in rate base results in a reduction over time in the stranded meters NBV.
	10. ***Issues 5.1, 5.2.*** FS page 24. Please confirm that the $500 million line of credit is the same credit that is referred to in E1/1/1, p. 4. If it is not, please describe the terms of the facility, including current quoted or indicative interest rate, and file the commitment letter, loan or facility agreement, and other documents creating the facility.
	11. ***Issues 5.1, 5.2.*** FS page 24. Please describe the terms of the $20 million line of credit, including current quoted or indicative interest rate, and file the commitment letter, loan or facility agreement, and other documents creating the line.
	12. ***Issue 3.7, 6.1.*** FS page 40. Please provide details of the results of the Ministry of Finance audits, and advise all impacts, if any, of those results on Account 1562 balances.
8. ***Issues 4.1, 4.2.*** [Ex.D1/8/9-8] With respect to the Capital Projects over $500K:
	1. Page 1. For each of the projects in Table 8, please provide the expected in-service date in 2010, if known.
	2. Page 1. For each of the projects in Table 8 in the Unplanned category (projects 16134 to 16148), please provide the actuals for that project category for each of the years 2006 through 2008, with forecast for 2009, and demonstrate how the “historical work of this nature for previous years” formed the foundation for the 2010 budget for the project.
	3. Page 22. Please identify where the proceeds of the sale of the property fronting the “Hollywood Municipal Substation” are recorded in the Application or, if they are not so recorded, how they have been accounted for. Please compare the costs in this project with the gain on sale for this land.
9. ***Issues 4.1, 4.2.*** [Ex. D1/8/10] With respect to the long-term capital plan:
	1. Page 4. Please file the 2007-2016 Electrical Distribution Capital Plan dated January 30, 2007 for comparison purposes.
	2. Page 14. Please provide the current values for each rate class for “system average operating, maintenance, and administrative expenditures”.
	3. Page 15. Please provide a table showing the numbers of “additional engineers, technicians and technologists” for 2010 as referred to in the plan, and tracking their cost by category to the $30.1 million total.
	4. Page 30. Please confirm that the $6.5 million for 2010 under 4.7.1 is incremental to the funds requested for recovery in EB-2009-0243, and is not described in that application.
	5. Page 32. Please file the long term load forecast that shows “growing load” requiring a “spike” in spending in 2016.
	6. Page 35. Please file the Rear Lot Conversion Plan, together with any business case supporting its implementation.
	7. Page 37. Please advise when the Lead Cable Replacement Program commenced. If it has not yet commenced, please provide the commencement date and a detailed rationale for the selection of that date, as opposed to advancing or delaying the start of the project. In either case, please provide the planning document on which this Program is based, and the business case supporting its implementation, together with any Board of Directors or Committee approval documentation (such as presentations, memos, and other materials provided in support of the approval sought).
	8. Page 40-1. For each of the categories of spending in Figures 11 through 14 in which there is a spike in 2010, please estimate the underspending in each of the years 2001 through 2009 that led to the backlog required to be caught up in 2010. Also, for each of those categories please estimate the increased maintenance costs (all maintenance types) in 2010 associated with the accumulated deterioration of the assets through underinvestment.
	9. Page 43. Please reproduce the table in Appendix A adding actuals for each of the years 2005 through 2008, and forecast (6+6 or 9+3, if possible) for 2009, for each of the capital categories in the table.
10. ***Issues 2.1, 2.2, 3.1, 4.1, 4.2.*** [Ex. D1/9/1, and many other places in the Application] Please provide a comprehensive table showing all capital and operating costs of any type, and all revenue items and cost offsets, in this Application that would be different (or zero) depending on whether the EB-2009-0180/3 applications are allowed or denied by the Board. For example, if the $5.2 million for “upgrading of streetlighting cable” would not be incurred if the applications were denied, that would be a reduction of capital costs. Or, if the $9.2 million for “handwell standardization” would be shared with THESI, if THESI continued to own the streetlighting assets, please estimate the split of the spending between THESL and THESI if the said applications are denied by the Board.
11. ***Issues 4.1, 4.2.*** [Ex. D1/9/2] Please confirm that all of the items listed in Table 1 are expected to be in-service in 2010.
12. ***Issues 4.1, 4.2.*** [Ex. D1/9/3] With respect to the WPF Program:
	1. Page 3. Please described the statistical analysis that results in the selection of 7 interruptions per year and 12 interruptions per year as the thresholds for action levels.
	2. Page 4. Please confirm that the figures in Table 1, and the representation in Figure 4, are cumulative, such that, for example, the FESI-7 category includes all of the feeders in FESI-8, and so on, and thus the total of all FESI-5 through FESI-12 feeders is actually 84 feeders.
	3. Page 8-9. Please explain how Item 3 relates to the Worst Performing Feeder Program. Please identify any assessment of the feeders at the selected station that causes that station to be categorized as “worst performing”.
13. ***Issues 4.1, 4.2.*** [Ex. D1/9/5] Please file the detailed plan forming the foundation of the $250 million budget for these relocations, and the $27.8 million component in the Test year.
14. ***Issues 4.1, 4.2.*** [Ex. D1/9/6] Please provide details, including nature, cost, and timing, of the components of the Bremner TS project, if any, that are expected to be in-service in the Test Year. Please estimate the total revenue requirement impact in the Test Year (capital in-service and operating costs) resulting in whole or in part from the Bremner TS project.
15. ***Issue 3.5.*** [Ex. D1/12/1] Please advise any changes to amortization rates or policies that have been implemented by the Applicant since 2005.
16. ***Issue 2.1.*** [Ex. D2/1/1/App. A, p. 13-14] Given that the yearbook data shows kwh purchased and all peak demand levels dropping for the Applicant from 2005 to 2008, please justify the 1.25% annual long term annual increase in load referred to. Please provide the joint study referred to on this page, and the Applicant’s assessment as to the extent to which this long term forecast is still valid. If this long-term forecast is no longer consistent with the Applicant’s expectations, please advise the current forecast equivalent to Table 1, and assess the impact of the updated forecast on the project.
17. ***Issue 5.1.*** [Ex. E1/1/1, p. 4] Please describe the terms of the short term credit facility, including current quoted or indicative interest rate, and file the commitment letter, loan or facility agreement, and other documents creating the facility.
18. ***Issues 5.1, 5.2.*** [Ex. E1/6/1] With respect to the DBRS Report dated October 8, 2008:
	1. Please provide the most recent DBRS Rating Report for the Applicant or its parent company, or, if there is no more recent report, any other updating documents, including letters and other communications, relating to the rating of, and risks of, the Applicant or its parent company.
	2. Page 6. Please confirm that the repayment dates for the City note listed on this page remain correct. If they are not correct, please provide updated information.
	3. Page 6. Please confirm that the three year revolving credit facility for $500 million remains in place. If so, unless provided in response to other interrogatories, please provide details of the terms and, file the commitment letter, loan or facility agreement, and other documents creating the facility.
19. ***Issues 5.1, 5.2.*** [Ex. E1/7] With respect to the promissory notes:
	1. Schedule 1-1. Please confirm that this note is equivalent in principal amount and date to a note owing by THC to the City of Toronto. If it is not, please identify the lender to THC, if any. Please file that upstream note and any subsequent amendments to it, as well as any supporting documents. Please confirm that neither the note signed by THESL, nor the note from THC to the ultimate creditor, is repayable at the option of the borrower.
	2. Schedule 1-2. Please confirm that this note is equivalent in principal amount and date to a note owing by THC to the City of Toronto. Please file that upstream note and any subsequent amendments to it, as well as any supporting documents. Please confirm that neither the note signed by THESL, nor the note from THC to the ultimate creditor, is repayable at the option of the borrower.
	3. Schedule 1-3. Please confirm that this note is equivalent in principal amount and date to a note owing by THC to the City of Toronto. Please file that upstream note and any subsequent amendments to it, as well as any supporting documents. Please confirm that neither the note signed by THESL, nor the note from THC to the ultimate creditor, is repayable at the option of the borrower.
20. ***Issues 3.1, 4.1.*** With respect to all OM&A and capital costs, please provide a table showing the dollar impact on each spending category of all changes in accounting policy, categorization of expenses, allocation of expense categories to departments, and similar changes, since 2007. For all material changes, please describe the rationale for the change.
21. ***Issue 3.1.*** [Ex. F1/1/1] Please provide a table providing an estimate, for each category and year in Table 2, of the spending caused by or related to the secondary system included in the figures in Table 2. If it is easier, this can be consolidated into the response to IR #5 above.
22. ***Issue 3.1.*** [Ex. F1/1/2] Please provide details (including the actual text) of each change to the THESL Annual Plant Maintenance Manual implemented in after 2006, or planned for the Test Year, together with the rationale for the change and any cost estimates in the possession of the Applicant associated with the change.
23. ***Issue 3.1.*** [Ex. F1/1/3] With respect to Preventative Maintenance:
	1. Page 4. Please provide any report or analysis on which the change to a reliability-based tree pruning program was based. Please identify any other utilities that have adopted this approach in place of the traditional approach. Please estimate the incremental cost of the reliability-based approach over the traditional approach in the Test Year, and provide the basis of that estimate.
	2. Page 6. Please describe in more detail the “street lighting verification program in preparation for the transfer of the streetlight assets to THESL”. Please confirm that this program is intended to take place prior to the transfer of the assets. Please advise why this expenditure is not considered a transaction cost associated with the purchase of the assets. Please explain why this expenditure is being incurred by the purchaser rather than the vendor.
24. ***Issues 3.1, 4.1.*** [Ex. F1/1/4, p. 5] Please file any analysis, report, assessment or other document or documents providing information on the current condition of the “aging streetlight assets”, including any valuations of those assets, any forecasts of maintenance costs, or similar documents.
25. ***Issue 3.1.*** [Ex. F1/2/1. p. 5, and many other places in the Application] Please provide a table showing all costs that were included in the 2008 Board-approved OM&A budget but were delayed, the year to which they were delayed, including the original budgeted cost and the ultimate cost, if known.
26. ***Issue 3.1.*** [F1/7/1] With respect to Customer Services:
	1. Page 3. Please describe the role of Customer Services in the implementation of IFRS.
	2. Page 6. Please provide details of the $1.9 million bad debt adjustment.
	3. Page 6-7. Please explain why there are additional resources assigned as a result of CC&B, and then further additional costs for personnel returning from the CC&B project.
	4. Page 6. Please describe why there is an increase in bad debt from 2009, a recession year, to 2010, a recovery year.
	5. Page 6. Please describe and, if possible, quantify all meter reading and other savings that arise to offset the additional communications costs associated with Smart Meters.
27. ***Issues 2.1, 3.1.*** [F1/7/3] With respect to Billing and Remittance:
	1. Page 3. Please describe the Flat Rate Water Heater Conversion Program. Please identify any loss of load that is expected to result from this program. Please advise whether the program includes conversion of electric water heaters to more efficient natural gas. If there is a report, plan or other document that describes the program, please file it.
	2. Page 4. Please quantify all meter reading and other savings that arise due to Smart Meters, and compare to all incremental operating costs associated with Smart Meters.
	3. Page 4. Please advise the amount of O&M included in the 2010 Test Year budget for the costs of operating the Low Income Program.
	4. Page 5. Please describe the “payables” component of the billing system required for distributed generation. Please describe the Applicant’s assumptions as to the administrative role of the distributor in settlement with FIT and microFIT generators.
	5. Page 5. Please describe how the “normal duties” of seconded staff were being carried out while they were involved in the new CIS project, and what cost reductions will arise once those staff are able to re-assume their former positions.
	6. Page 5. Please confirm that the new accounting standards referred to are IFRS. If that is the case, please advise why IFRS implementation is being assumed for 2010.
28. ***Issue 3.1.*** [F1/7/4] With respect to Collections:
	1. Page 2. Please calculate the impact on the overall lead/lag of the Applicant, and therefore on required working capital, of the improvement in DSO.
	2. Page 3. Please confirm that the CIS related training costs are a one-time cost, and quantify that one-time cost. Please confirm that, under current Canadian GAAP, those costs are not considered a capital cost associated with the project.
29. ***Issues 2.2, 3.1.*** [F2/6/1] Please describe in more detail the issue presented relating to interest on customer deposits, the options for resolution of the issue to avoid double counting, and the solution being proposed by the Applicant.
30. ***Issue 3.1.*** [F2/9/1] With respect to Information Technology:
	1. Page 3. Please describe the SDLC process. If it is documented in a plan, manual, or memo, please file that document.
	2. Page 3. Please describe the Client Partnership Agreements. If these are agreements between IT and other THESL departments, please provide samples of those agreements.
	3. Page 4. Please identify the “several major initiatives” causing the $2.3 million cost increase.
	4. Page 7. Please explain why IFRS capitalization rules are being applied in 2010. Please provide a table showing, for all expense items in the Test Year budget (not just those relating to Information Technology), the impact by line item of implementing IFRS rules in 2010.
31. ***Issues 3.1, 3.4.*** [F2/10/1] With respect to Organizational Effectiveness:
	1. Page 2. Please provide a table showing the number of employees, by category, that retired in each of the years 2001 through 2009. If the information is available, please provide the average retirement age of all employees in each of those years.
	2. Page 5. Please file all demographic studies or projections relating to the THESL workforce, or electricity distributors generally, in the Applicant’s possession that have not already been provided in this proceeding.
	3. Page 8. Please describe, and if possible quantify, the primary reasons, aside from retirements, for the “high attrition” amongst THESL personnel. Please provide any information in the Applicant’s possession on the impact on attrition rates of the Applicant’s designation for the years 2005 through 2008 as one of Canada’s Top 100 Employers.
	4. Page 13. Please identify and describe the “departmental restructuring” referred to.
32. ***Issues 1.1, 3.1.*** [F2/11/1] With respect to Strategic Management:
	1. Page 1. Please list the current Key Performance Indicators, and provide their current metrics.
	2. Page 1. Please list any productivity improvement targets other than the KPIs, and provide their current metrics.
	3. Page 3. If there is a document setting out the “consistent methodology” for project management, please file.
33. ***Issue 3.7.*** [H1/1/1] Please file the actual tax returns for the Applicant for each of 2007 and 2008.
34. ***Issues 1.4, 2.2.*** [I1/1/1] With respect to Revenue Offsets:
	1. Page 2. Please advise all changes to the Specific Service Charges and Pole Attachment Rates since 2005. Please advise the percentage increase in revenue requirement in the same period, and explain why the Specific Service Charges and Pole Attachment Rates have not been increased to keep pace with operating costs and distribution rates.
	2. Page 3. Please explain why Late Payment Charges are not expected to increase by the same percentage that rates and average monthly bills are expected to increase.
35. ***Issue 6.1.*** [J1/1/2] With respect to Regulatory Assets:
	1. Page 5. Please calculate the rate riders by class for each of a 12 month and a 24 month clearance of the accounts.
	2. Page 10-11. Please provide an estimate of the annual revenue requirement impact (in the first year and then in the next year) of each $10 million of HONI contributions in the Test Year.
	3. Page 11. Ignoring the “other capital spending referred to”, please calculate the revenue requirement impact in each of 2008 and 2009 of the difference between the HONI contributions assumed for the purposes of setting rates, and the actual HONI contributions in each of those years.
36. ***Issue 1.4.*** [J1/2/4] Please reconcile the figure of $478 million of Distribution Revenue at existing rates for the 2009 Bridge Year on this page with the figure of $490.2 million for the Bridge Year in K1/6/1 or the figure of $491.8 million for the Bridge Year in K1/6/2.
37. ***Issue 1.4.*** [J1/2/5] Please explain why Income taxes are grossed up in the calculation. Please re-do the calculation with income taxes not grossed up.
38. ***Issue 1.1.*** [Q1/5/1] With respect to the KeyWillow study:
	1. Page 1. Please confirm that the principal author of the report was Stephen Kohout. If not, please identify the principal author. Please file the CV of the author, and any other information on the author’s expertise in utility productivity or benchmarking. Please confirm that the principal author will be available for cross-examination in the oral hearing in this proceeding.
	2. Page 1. Please confirm that KeyWillow has not done electric utility productivity studies prior to this study.
	3. Page 1. Please file any RFP or RFI for this project, together with the KeyWillow bid. If there was no RFP or RFI, please describe the procurement method used, and file any proposal from KeyWillow, together with the contract with the consultant and any written workplan. Please file all instructions to the consultant from the Applicant or its affiliates.
	4. Page 3 and subsequent. Please describe the extent, if any, that the consultant carried out an independent review of the productivity improvements by the Applicant, as opposed to relying on assumptions, facts and opinions provided by THESL personnel. For all statements of fact in the report, please identify those that the consultant has independently verified.
	5. Page 5. Please provide the document or documents shown to the consultant that describe the MCRS methodology, including any manuals or source documents for the methodology.
	6. Page 5. Please identify the frequency of performance review meetings, and show how that frequency has been increasing.
	7. Page 8. Please provide a full list of the corporate KPIs, and the metrics for each KPI for each of 2008, 2009 and 2010.
	8. Page 9. Please provide a copy of the Variable Performance Pay Program seen by the consultant.
	9. Page 15. Please provide a copy of the plan, memorandum, report, or other document describing the job consolidation and harmonization program.

Respectfully submitted on behalf of the School Energy Coalition this 20th day of November, 2009

**SHIBLEY RIGHTON LLP**

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Jay Shepherd