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via RESS e-filing – original to follow by courier

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

Dear Ms. Walli:

**RE: Toronto Hydro-Electric System Limited's
Application for Approval of Contact Voltage Remediation Costs
OEB File No. EB-2010-0193**

On July 14, 2010, Toronto Hydro-Electric System Limited (THESL) filed responses to interrogatories received from Board Staff and intervening parties. On July 26, 2010, the Board issued Procedural Order 2, which directed THESL to file additional information to that contained in its interrogatory responses. In addition, on July 28, 2010, THESL received correspondence from the School Energy Coalition requesting an expanded response to its interrogatory 3.

THESL encloses its revised response to the OEB Staff interrogatory in question.

With respect to the email request from the School Energy Coalition, THESL relies on its response as originally filed.

Please contact me if you have any questions or comments.

Yours truly,

[original signed by Colin McLorg for]

Glen A. Winn
Manager, Regulatory Applications & Compliance

cc: Intervenor of Record for EB-2010-0193, by email only

INTERROGATORIES OF ONTARIO ENERGY BOARD STAFF

INTERROGATORY 3:

Reference(s): pp. 2-3, 2010 Application

It is stated that:

“THESL’s audited financial statements were publicly filed in March 2010. The Operating Expenses for THESL including contact voltage costs, are \$204.55 million. After subtracting actual 2009 amounts for donations and special events of \$0.3 million, THESL’s total actual controllable expenses are \$204.25 million.”

a) Please provide a copy of the referenced audited financial statements.

b) Please complete the tables below, based on the audited financial statements:

Table 1: 2009 Monthly Controllable Expenses (\$ millions)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total 2009
Operations													
Maintenance													
Billing and Collections													
Community Relations													
Administrative and General													
Other Distribution Expenses													
Amortization Expense													
Less: Donations and Special Events													
Total													\$204.25

Note: the format of the above table is derived from Exhibit D1, Tab 3, Schedule 1, page 1 of 5 of THESL’s EB-2009-0139 application with the addition of the “Donations and Special Events” deduction.

Table 2: 2009 Capital Budget (\$ millions)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total 2009
Sustaining													
Other Operations													
Total Operations													
General Plant													
Customer Services													
Information Technology													
Total Operational													
Emerging Requirements													
Total													

Note: the format of the above table is derived from Exhibit D1, Tab 7, Schedule 1, page 19 of 20 of THESL’s EB-2009-0139 application.

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RESPONSE:

a) Answered previously.

b) In its Procedural Order #2 of July 26, the Board stated:

The Board has now reviewed the responses to the interrogatories provided by Toronto Hydro. Based on this review, the Board has determined that it requires additional information to that provided by Toronto Hydro in its responses in order to complete the record of this proceeding.

Specifically, Board staff interrogatory #3(b) requested that Toronto Hydro provide breakdowns of 2009 Monthly Controllable Expenses and the 2009 Capital Budget. Toronto Hydro responded that it did not have any monthly audited financial data and, as such, did not provide the breakdowns. The Board does not require monthly audited financial data, but does require the monthly breakdowns of the annual data that is contained in the audited financial statements in the format requested in the Board staff interrogatory. The Board requires this information not only for the year 2009, as requested in the interrogatory, but also for the years 2007 and 2008.

With this clarification of the information required, THESL has undertaken to the greatest extent of its ability to provide the requested information. The information that it is reasonably possible for THESL to provide is set out at Appendix A to this response, and consists of 2009 Monthly Controllable Expenses, based on audited actual financial results and subject to qualifications described below.

The results shown in Appendix A reconcile to the annual audited data, filed by THESL in its previous response to this interrogatory, representing operating expenditures plus the allowed contact voltage expenditures based on the Board's December 10, 2009 Decision. However, THESL's financial system and processes are not designed to provide, in the requested USoA categories, financial figures on a monthly basis. Monthly figures are indicative only and may not reflect subsequent adjustments related to the reporting period in question. For external reporting purposes, THESL finalizes its results only on a quarterly basis. Furthermore, THESL's internal chart of accounts is entirely different from the USoA chart of accounts and therefore THESL is unable to reasonably 'map' actual monthly figures from its internal system to the categories requested in the interrogatory.

Consequently, the monthly figures presented in Appendix A are indicative only and do not reflect a 'closing of the books' on a monthly basis in the same fashion as occurs quarterly. In addition, the mapping of the figures in THESL's native chart of accounts to the USoA is not

INTERROGATORIES OF ONTARIO ENERGY BOARD STAFF

1 an exercise that is performed or required to be done on a monthly basis. THESL's systems
2 do not allow this exercise to be readily and accurately done on a monthly basis. However,
3 THESL performed this exercise manually for the 2009 fiscal year to provide, as best as
4 possible, the information requested in the interrogatory.
5

6 Together, these factors make it the case that the 'intra-quarter' monthly figures presented
7 represent only an estimate of the periodic expenditures in each of the USoA categories and
8 are thus of little probative value. THESL also observes that these figures were not required
9 in the original EB-2009-0243 Decision.
10

11 With respect to the balance of the data referred to in PO #2, THESL has carefully reviewed
12 the available information and now reports to the Board that monthly breakdowns of
13 controllable expenses (i.e., opex mapped to USoA accounts) for the years 2007 and 2008, as
14 well as monthly capital data, are not possible to produce with reasonable effort, and would in
15 any event represent judgemental mappings substantially after the fact with little probative
16 value. Furthermore, this information was not required by the original EB-2009-0243
17 Decision.
18

19 THESL was guided, properly, by the original EB-2009-0243 Decision, which was definitive
20 at page 9 in stating:
21

22 The Panel therefore finds that it would be reasonable in the circumstances for any relief
23 provided in this Decision to be **conditional on THESL's actual spending in controllable**
24 **OM&A expenditures for the 2009 year** (ending December 31, 2009). In the event that
25 THESL's actual controllable OM&A expenditures are below the level reflected in THESL's
26 2009 approved base rates, the amount of the relief eligible for recovery found below shall be
27 reduced by the amount of the underspending. To emphasize, this finding is not intended to
28 reopen the testing of the 2009 revenue requirement nor the prudence of the actual 2009
29 OM&A spending.
30

31 Based on the information filed in the proceeding from THESL's 2010 rates application, the
32 total OM&A level used to derive 2009 rates was \$250.0 million. Excluding amortizations
33 expenses of \$154.4 million, the total controllable expenses used to derive 2009 rates was
34 \$195.6 million. Any underspending in OM&A controllable expenses below \$195.6 million
35 shall be deducted from the conditional relief found in this Decision. **THESL's audited**
36 **2009 statements shall be the basis of determining the level of underspending, if any.**
37 (emphasis added)
38

39 The Board in its Decision made no reference whatsoever to any data for 2007 and 2008, or
40 to 2009 capital data. Nor was 2009 monthly controllable expense data required, which is
41 known by the Board not to be audited; rather, the only required data was annual, audited
42 OM&A controllable expenses. Therefore THESL believes that it has more than met the
43 case required to be met in accordance with the terms of the Board's Decision.

Appendix A – Monthly 2009 Controllable OM&A

2009	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Operations	\$ 5.3	\$ 3.1	\$ 3.3	\$ 5.1	\$ 2.8	\$ 4.6	\$ 2.5	\$ 3.1	\$ 4.8	\$ 4.4	\$ 4.2	\$ 5.9	\$ 49.0
Maintenance	\$ 3.7	\$ 14.7	\$ 4.1	\$ 3.0	\$ 4.3	\$ 3.3	\$ 3.3	\$ 4.9	\$ 3.4	\$ 4.0	\$ 2.5	\$ 4.2	\$ 55.5
Billing and Collections	\$ 2.9	\$ 3.2	\$ 2.8	\$ 2.0	\$ 4.1	\$ 1.2	\$ 2.9	\$ 3.5	\$ 4.4	\$ 1.1	\$ 2.8	\$ 4.1	\$ 35.1
Community Relations	\$ 0.2	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.4	\$ 0.4	\$ 0.5	\$ 0.3	\$ 1.9	\$ 5.5
Administrative and General	\$ 3.7	\$ 3.2	\$ 4.8	\$ 2.8	\$ 3.4	\$ 3.1	\$ 2.3	\$ 4.1	\$ 4.5	\$ 3.2	\$ 4.4	\$ 7.7	\$ 47.3
Other Distribution	\$ 1.0	\$ 1.0	\$ 0.9	\$ 1.0	\$ 1.0	\$ 0.9	\$ 1.0	\$ 1.0	\$ 1.0	\$ 0.9	\$ 1.0	\$ 1.0	\$ 11.8
Amortization	\$ 12.9	\$ 12.9	\$ 13.0	\$ 12.9	\$ 13.0	\$ 13.0	\$ 13.0	\$ 12.8	\$ 13.1	\$ 12.8	\$ 12.8	\$ 13.0	\$ 155.5
Total	\$ 29.9	\$ 38.3	\$ 29.2	\$ 27.1	\$ 29.0	\$ 26.4	\$ 25.4	\$ 29.8	\$ 31.6	\$ 27.0	\$ 28.0	\$ 38.0	\$ 359.7
Less: Amortisation	\$ (12.9)	\$ (12.9)	\$ (13.0)	\$ (12.9)	\$ (13.0)	\$ (13.0)	\$ (13.0)	\$ (12.8)	\$ (13.1)	\$ (12.8)	\$ (12.8)	\$ (13.0)	\$ (155.5)
Total OM&A	\$ 17.0	\$ 25.4	\$ 16.2	\$ 14.2	\$ 16.0	\$ 13.4	\$ 12.4	\$ 17.0	\$ 18.5	\$ 14.1	\$ 15.2	\$ 25.0	\$ 204.3