



EB-2010-0142

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 approving just and
reasonable rates and other charges for electricity distribution
to be effective May 1, 2011.

PROCEDURAL ORDER No. 1

Toronto Hydro-Electric System Limited ("Toronto Hydro") filed an application with the Ontario Energy Board (the "Board") on Aug 23, 2010 under section 78 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B), seeking approval for changes to the rates that Toronto Hydro charges for electricity distribution, to be effective May 1, 2011. The Board has assigned the File Number EB-2010-0142 to this application.

The Board issued a Notice of Application and Hearing on September 15, 2010. The Board received 11 requests for intervenor status. No objections were received. The Board approves these intervention requests. A list of the intervenors is attached as Appendix A.

The following parties also applied for cost award eligibility: Association of Major Power Consumers in Ontario, Building Owners and Managers Association of the Greater Toronto Area, Canadian Union of Public Employees, Local One ("CUPE One"), Consumers Council of Canada, Energy Probe, Pollution Probe, School Energy Coalition and Vulnerable Energy Consumers Coalition. No objections were received. The Board finds that each of these parties, except for CUPE One is eligible for a cost award under the Board's *Practice Direction on Cost Awards*. The Board has determined that CUPE One is not eligible for an award of costs as it does not meet the criteria outlined in the Board's *Practice Direction on Cost Awards*.

The Notice of Application indicated that the Board would proceed by way of an oral hearing pending any objections. A number of parties indicated a preference for an oral hearing and no parties opposed one. The Board intends to proceed by way of an oral hearing preceded by written interrogatories.

The Board considers some of the issues that arise from the application to be of importance from a policy perspective. Therefore, the Board will consider the appropriateness of having all identified issues being eligible for settlement. The Board will make its determination on this matter, as well as establishing subsequent procedural steps, upon completion of its review of the responses to the first round of interrogatories, as outlined in this procedural order.

A draft issues list is attached as Appendix B. Intervenors and Toronto Hydro may make submissions on the list and propose changes for the Board's consideration. In proposing additional issues parties should provide justification and give consideration to whether the item is already included under one of the proposed issues. Similarly, parties proposing to remove or limit the scope of an issue on the draft list should provide justification. Parties are also encouraged to propose which issues should be considered on a written basis and which should be subject to an oral hearing. After reviewing these submissions, the Board will issue a final issues list. Only matters that are on the final issues list will be considered in this proceeding.

The Board requests that intervenors indicate whether they intend to file evidence in this proceeding.

The Board considers it necessary to make provision for the following matters related to this proceeding. The Board may issue further procedural orders from time to time.

THE BOARD ORDERS THAT:

1. Toronto Hydro and intervenors may make submissions on the draft issues list (attached as Appendix B) and shall file any submissions with the Board and deliver them to each intervenor no later than **Monday October 25, 2010**.
2. Toronto Hydro may respond to the submissions of intervenors, and intervenors may respond to the submissions of Toronto Hydro or other intervenors by filing

those responses with the Board and delivering them to each intervenor no later than **Friday, October 29, 2010**.

3. Board staff seeking information and material that is in addition to the Applicant's pre-filed evidence, and that is relevant to the hearing, shall request the same by written interrogatories filed with the Board and delivered to the intervenors and the Applicant on or before **Tuesday, November 16, 2010**.
4. Intervenors seeking information and material that is in addition to the Applicant's evidence, and that is relevant to the hearing, shall request the same by written interrogatories filed with the Board and delivered to the intervenors and the Applicant on or before **Friday, November 19, 2010**.
5. Responses by the Applicant to interrogatories shall be filed with the Board and delivered to all parties on or before **Monday, December 6, 2010**.

All filings to the Board must quote the file number, EB-2010-0142, be made through the Board's web portal at www.errr.oeb.gov.on.ca, and consist of two paper copies and one electronic copy in searchable / unrestricted PDF format. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at www.oeb.gov.on.ca. If the web portal is not available, parties may email their documents to the address below. Those who do not have internet access are required to submit all filings on a CD or diskette in PDF format, along with two paper copies. Those who do not have computer access are required to file 7 paper copies.

All communications should be directed to the attention of the Board Secretary at the address below, and be received no later than 4:45 p.m. on the required date.

ADDRESS

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

E-mail: Boardsec@oeb.gov.on.ca
Tel: 1-888-632-6273 (toll free)
Fax: 416-440-7656

DATED at Toronto, October 18, 2010

ONTARIO ENERGY BOARD

Original Signed By

John Pickernell
Assistant Board Secretary

Appendix "A"
To The Procedural Order No. 1
Applicant and List of Intervenors
EB-2010-0142
Toronto Hydro-Electric System Limited
October 18, 2010

**Toronto Hydro-Electric System Limited
EB-2010-0142**

APPLICANT & LIST OF INTERVENORS

October 18, 2010

APPLICANT

Rep. and Address for Service

Toronto Hydro-Electric System Limited **Glen Winn**

Manager of Rate Applications
Toronto Hydro-Electric System Limited
14 Carlton Street
Toronto, ON M5B 1K5

Tel: 416-542-2517
Fax: 416-542-2776
regulatoryaffairs@torontohydro.com

APPLICANT COUNSEL

J. Mark Rodger
Counsel
Borden Ladner Gervais LLP
Scotia Plaza 40 King St. W
Toronto ON M5H 3Y4
Tel: 416-367-6190
Fax: 416-361-7088
mrodger@blgcanada.com

INTERVENORS
AMPCO

Rep. and Address for Service

Adam White
President
Association of Major Power Consumers in Ontario
372 Bay Street
Suite 1702
Toronto ON M5H 2W9
Tel: 416-260-0225
Fax: 416-260-0442
awhite@ampco.org

**Toronto Hydro-Electric System Limited
EB-2010-0142**

APPLICANT & LIST OF INTERVENORS

- 2 -

October 15, 2010

AMPCO

Shelley Grice

Consultant
AITIA Analytics Inc.
c/o AMPCO
372 Bay Street
Suite 1702
Toronto ON M5H 2W9
Tel: 416-260-0225
Fax: 416-260-0442
shelley.grice@rogers.com

**Building Owners and
Managers Assoc. of the
Greater Toronto Area (BOMA)**

Chris Conway

Building Owners and Managers Assoc. of the Greater
Toronto Area (BOMA)
20 Queen Street West
Suite 2012
Toronto ON M5H 3R3
Tel: 416-596-8065
Fax: 416-596-1085
cconway@bomatoronto.org

Consumers Council of Canada Julie Girvan

Consultant
Consumers Council of Canada
62 Hillside Ave. East
Toronto ON M4S 1T5
Tel: 416-322-7936
Fax: 416-322-9703
jgirvan@ca.inter.net

**Toronto Hydro-Electric System Limited
EB-2010-0142**

APPLICANT & LIST OF INTERVENORS

- 3 -

October 15, 2010

Consumers Council of Canada Robert B. Warren

Counsel
WeirFoulds LLP
The Exchange Tower
Suite 1600, P.O. Box 480
130 King Street West
Toronto ON M5X 1J5
Tel: 416-947-5075
Fax: 416-365-1876
rwarren@weirfoulds.com

CUPE Local One

John Camilleri
President
CUPE Local One
890 Yonge St.
Suite 1001
Toronto ON M4W 3P4
Tel: 416-968-2549
Fax: 416-968-6836
jcamilleri@cupeone.com

Stephanie Hobbs
Sack Goldblatt Mitchell LLP
20 Dundas St. W.
Suite 1100
Toronto ON M5G 2G8
Tel: 416-979-4235
Fax: 416-591-7333
shobbs@sgmlaw.com

**Toronto Hydro-Electric System Limited
EB-2010-0142**

APPLICANT & LIST OF INTERVENORS

- 4 -

October 15, 2010

**Energy Probe Research
Foundation**

David MacIntosh

Case Manager
Energy Probe Research Foundation
225 Brunswick Avenue
Toronto ON M5S 2M6
Tel: 416-964-9223 Ext: 235
Fax: 416-964-8239
DavidMacIntosh@nextcity.com

Olena Loskutova

Energy Probe Research Foundation
c/o Energy Probe
225 Brunswick Ave.
Toronto ON M5S 2M6
Tel: 416-964-9223 Ext: 234
Fax: 416-964-8239
olena.loskutova@gmail.com

Peter Faye

Counsel
Consultant
42 Eastwood Crescent
Markham ON L3P 5Z7
Tel: 905-294-2013
Fax: Not Provided
pfaye@rogers.com

Horizon Utilities Corporation

Indy Butany-DeSouza

Vice President
Horizon Utilities Corporation
55 John Street North
Hamilton ON L8G 5G5
Tel: 905-317-4785
Fax: Not Provided
indy.butany@horizonutilities.com

**Toronto Hydro-Electric System Limited
EB-2010-0142**

APPLICANT & LIST OF INTERVENORS

- 5 -

October 15, 2010

Pollution Probe Foundation

Basil Alexander

Klippensteins, Barristers & Solicitors
160 John St. Suite 300
Toronto ON M5V 2E5
Tel: 416-598-0288
Fax: 416-598-9520
basil.alexander@klippensteins.ca

Jack Gibbons

Public Interest Economics
625 Church St. Suite 402
Toronto ON M4Y 2G1
Tel: 416-926-1907 Ext: 240
Fax: 416-926-1601
jgibbons@pollutionprobe.org

PowerStream Inc.

Christine Dade

Manager
PowerStream Inc.
161 Cityview Boulevard
Vaughan ON L4H 0A9
Tel: 905-532-1052
Fax: 905-532-4616
Christine.dade@powerstream.ca

School Energy Coalition

Jay Shepherd

Jay Shepherd Professional Corporation
2300 Yonge St.
8th Floor, Suite 806
Toronto ON M4P 1E4
Tel: 416-483-3300
Fax: 416-483-3305
jay.shepherd@canadianenergylawyers.com

**Toronto Hydro-Electric System Limited
EB-2010-0142**

APPLICANT & LIST OF INTERVENORS

- 6 -

October 15, 2010

School Energy Coalition

Wayne McNally

SEC Coordinator
Ontario Public School Boards' Association
c/o Ontario Public School Boards Association
439 University Avenue
18th Floor
Toronto ON M5G 1Y8
Tel: 416-340-2540
Fax: 416-340-7571
wmcnally@opsba.org

Tom Adams

c/o Jay Shepherd Professional Corporation
2300 Yonge St. 8th Floor Suite 806
Toronto, ON M4P 1E4
Tel: 416-483-3300
Fax: 416-483-3305
tom.adams.energy@gmail.com

**Smart Sub-metering Working
Group**

Dennis O'Leary

Aird & Berlis LLP
181 Bay Street
Suite 1800
Box 754
Toronto ON M4J 2T9
Tel: 416-865-4711
Fax: 416-863-1515
doleary@airdberlis.com

**Toronto Hydro-Electric System Limited
EB-2010-0142**

APPLICANT & LIST OF INTERVENORS

- 7 -

October 15, 2010

Vulnerable Energy Consumers Coalition Michael Buonaguro

Counsel
Public Interest Advocacy Centre
34 King St. E., Suite 1102
Toronto ON M5C 2X8
Tel: 416-767-1666
Fax: 416-348-0641
mbuonaguro@piac.ca

Roger Higgin
Managing Associate
Econalysis Consulting Services Inc.
34 King St. E.
Suite 1102
Toronto ON M5C 2X8
Tel: 416-348-0193
Fax: 416-348-0641
rhiggin@econalysis.ca

Bill Harper
Econalysis Consulting Services Inc.
34 King Street East Suite 1102
Toronto On M5C 2X8
Tel: 416-348 0193
Fax: 416-348-0641
bharper@econalysis.ca

Appendix B
To The Procedural Order No. 1
Draft Issues List
EB-2010-0142
Toronto Hydro-Electric System Limited
October 18, 2010

**Toronto Hydro-Electric System (“Toronto Hydro”)
Distribution Rate Hearing**

EB-2010-0142

Draft Issues List

1. GENERAL

- 1.1 Has Toronto Hydro responded appropriately to all relevant Board directions from previous proceedings?
- 1.2 Are Toronto Hydro’s economic and business planning assumptions for 2011 appropriate?
- 1.3 Is service quality, based on the OEB specified performance indicators, acceptable?
- 1.4 Is the overall increase in the 2011 revenue requirement reasonable given the overall bill impact on consumers?
- 1.5 When would it be appropriate for Toronto Hydro to commence filing rate applications under incentive regulation? Is this application an appropriate base case for a future IRM application? If not, why not?

2. LOAD and REVENUE FORECAST

- 2.1 Is the load forecast and methodology appropriate and have the impacts of Conservation and Demand Management initiatives been suitably reflected?
- 2.2 Is the proposed amount for 2011 other revenues appropriate?

3. OPERATIONS, MAINTENANCE and ADMINISTRATION COSTS

- 3.1 Are the overall levels of the 2011 Operation, Maintenance and Administration budgets appropriate?
- 3.2 Is the proposed level of 2011 Shared Services and Other O&M spending appropriate?
- 3.3 Are the methodologies used to allocate Shared Services and Other O&M costs to the distribution business for 2011 appropriate?
- 3.4 Are the 2011 Human Resources related costs (wages, salaries, benefits, incentive payments, labour productivity and pension costs) including employee levels, appropriate? Has Toronto Hydro demonstrated improvements in efficiency and value for dollar associated with its compensation costs?
- 3.5 Is Toronto Hydro’s depreciation expense appropriate?
- 3.6 Are the amounts proposed for capital and property taxes appropriate?

3.7 Is the amount proposed for PILs, including the methodology, appropriate?

3.8 Is Toronto Hydro's proposal to recover a one-time Late Payment Penalty Settlement expense in the amount of \$7.75 million appropriate?

4. CAPITAL EXPENDITURES and RATE BASE

4.1 Are the amounts proposed for Rate Base appropriate?

4.2 Are the amounts proposed for 2011 Capital Expenditures appropriate including the specific Operational and Emerging Requirements categories?

4.3 Are the inputs used to determine the Working Capital component of the Rate Base appropriate and is the methodology used consistent with the methodologies approved by the Board in previous Toronto Hydro rate applications?

4.4 Does Toronto Hydro's Asset Condition Assessment information and Investment Planning Process adequately address the condition of the distribution system assets and support the O&MA and Capital expenditures for 2011?

5. CAPITAL STRUCTURE AND COST OF CAPITAL

5.1 Is the proposed Capital Structure, Rate of Return on Equity, and Short-Term Debt Rate appropriate?

5.2 Is the proposed Long-Term Debt Rate appropriate?

5.3 Is the proposed dollar cost of Long-Term Debt appropriate after having regard to the transaction undertaken by the holder of the \$490 million promissory notes in March 2010?

6. DEFERRAL and VARIANCE ACCOUNTS

6.1 Is the proposal for the amounts, disposition and continuance of Toronto Hydro's existing Deferral and Variance Accounts appropriate?

7. COST ALLOCATION and RATE DESIGN

7.1 Is Toronto Hydro's cost allocation appropriate?

7.2 Is Toronto Hydro's suite metering cost allocation study appropriate?

7.3 Are the proposed revenue to cost ratios for each class appropriate?

7.4 Are the fixed-variable splits for each class appropriate?

7.5 Are the proposed Retail Transmission Service rates appropriate?

7.6 Are the proposed Total Loss Factors appropriate?

8. SMART METERS

8.1 Is Toronto Hydro's proposal to include its 2011 smart meter costs in rate base as a regular distribution activity appropriate?

9. SMART GRID PLAN

9.1 Does Toronto Hydro's Smart Grid Plan meet the Board's filing guidelines and the objectives set out in the Green Energy and Green Economy Act, 2009?

9.2 Has Toronto Hydro appropriately addressed the Smart Grid Plan expenditures in the context of its overall Capital and O&M budgets?

9.3 Is Toronto Hydro's approach to allocating Smart Grid Plan O&M and Capital costs to its distribution customers appropriate?