EB-2010-0142

IN THE MATTER of the *Ontario Energy Board Act 1998*, Schedule B to the *Energy Competition Act*, 1998, S.O. 1998, c.15;

AND IN THE MATTER OF an Application by Toronto Hydro Electric System Limited for an Order or Orders approving just and reasonable rates and other service charges for the distribution of electricity, effective on May 1, 2011.

INTERROGATORIES

FROM THE

SCHOOL ENERGY COALITION

[General Note: All questions except the first have been assigned to a Board-approved issue, but most actually relate to multiple issues, as the issues and the facts surrounding them are generally interconnected. Please do not interpret the assignment of any question to an issue as a limitation on the scope of the question.]

Issue 1. GENERAL

1. Please confirm that there are 814 publicly-funded schools in the Applicant's franchise area. Please advise how many schools are in the GS<50 and GS>50 rate classes. Please advise how many schools, if any, are separately sentinel lights customers.

Issue 1.1 Has Toronto Hydro responded appropriately to all relevant Board directions from previous proceedings?

Issue 1.2 Are Toronto Hydro's economic and business planning assumptions for 2011 appropriate?

Issue 1.3 Is service quality, based on the OEB specified performance indicators, acceptable?

2. [B1/14/1]

a. Please comment on the observation that while SAIFI and SAIDI have generally trended favourably in recent years, CAIDI, particularly over the period 2006-2009, has not trended favourably. Please reconcile the trend in CAIDI results with the comment "Generally, system reliability performance has shown improvement between 2008 and 2009, some of which may be attributed to THESL's investment programs".

b. Please comment on whether Customer Interruption (CI) and Customer Hours Interrupted (CHI) performance records interruptions to a household the same as it does to a commercial customer that may have multiple tenants.

3. [F1/1/3] THESL's preventive maintenance costs are proposed to increase by 39.5% in 2011 over 2008 notwithstanding the transfer of wood pole inspection from the preventive maintenance budget in 2010 to the predictive maintenance budget in 2011. Please explain THESL's view as to whether, and if so, when, preventive maintenance should start favourably impacting CAIDI.

Issue 1.4 Is the overall increase in the 2011 revenue requirement reasonable?

4. [A1/3/1] Please confirm that the overall distribution rate increase proposed for 2011 is 11.6% (i.e. $60.3 million divided by $518.1 million). Please provide a detailed list of all steps taken by the Applicant in the development of this Application to minimize the overall level of the rate increase. Please provide

   a. all presentations and reports to the Board of Directors or senior management, and

   b. all internal impact analyses and calculations

   dealing with steps taken or proposed to be taken to minimize the overall level of the rate increase. Where such steps were proposed and rejected, please describe the rationale for rejecting those proposals.

5. [B1/5/1, App. A, p. 15] Please advise where goals of a) maintaining rates as low as possible, and b) maintaining or improving reliability, are included in the "2009 Achievements" or the "2010 Objectives".

6. [C1/4/1/ App. A,] With respect to business planning:

   a. P. 1. Please provide the current approved five year plan and the immediately previous five year plan. If there is a five year plan currently awaiting Board of Directors approval, or to be presented to the Board of Directors before December 31, 2010, please provide that plan when it has been approved.

   b. P. 3. Please provide the presentation to the Board of Directors in June dealing with "the underlying goals and objectives of THESL".

c. P. 6. Please provide the presentation to the Board of Directors accompanying the 2011 business plan. Please confirm that the business plan has been approved by the Board of Directors.

Issue 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?

7. Please provide any benchmarking or productivity studies, analyzing THESL's value for money, productivity, operating cost, capital cost, or other financial performance, conducted over the past 3 years.

8. The Applicant has indicated in this and other rate proceedings that it is currently catching up after insufficient capital investment in its system in prior years. Please provide an analysis of the impact of this catchup problem on the application of any IRM models to the Applicant in 2012 and beyond.

2. LOAD and REVENUE FORECAST

Issue 2.1 Is the load forecast and methodology appropriate and have the impacts of Conservation and Demand Management initiatives been suitably reflected?

9. [K1/1/1 p. 3] The following table is taken from the Application and publicly-available information:

	THESL total normalized load (GWh)	THESL total load growth rate	IESO Historical and Forecast Grow Rate (August 2010 18-Month)
2005	26,686.0		
2006	26,732.8	0.2%	-1.90%
2007	26,353.7	-1.4%	-0.5%
2008	26,166.5	-0.7%	-1.8%
2009	25,566.2	-2.3%	-5.7%
2010	25,593.8	0.1%	1.5%
2011	25,285.6	-1.2%	0.3%

Over the period 2005-2009, THESL's relative load decline has proven to be much less than for the Ontario electricity market as a whole. However, for the bridge and test years, THESL is forecasting a reversal of the province-wide pattern as forecast by the IESO in its most recent 18 month outlook.

a. Please comment on why THESL forecasted growth rate for the bridge and test years lags the IESO's forecast for the province. Please provide any studies done by or for the Applicant dealing with the relative load growth of the Applicant's franchise area compared to the rest of the province.

b. Please provide the monthly forecasted total load for 2010 and the YTD normalized monthly loads.

Issue 2.2 Is the proposed amount for 2011 other revenues appropriate?

10. [I1/1/1 p. 3] THESL indicates that historical data on late payment charges justifies its forecast that the experience for the bridge year will be repeated for 2011.

    a. Please provide the supporting data and any analysis performed on this data, and indicate any changes that have occurred over the period with respect to collection practices.

    b. Please provide 2010 bridge year YTD results.

3. OPERATIONS, MAINTENANCE and ADMINISTRATION COSTS

3.1 Are the overall levels of the 2011 Operation, Maintenance and Administration budgets appropriate?

11. [F1/1/1] O&M is forecast for 2011 to be 24% above 2008 actual and 7.6% above 2010 bridge. For 2008 through 2011, please indicate the average annual staff complement in FTEs associated with the O&M activities in the respective years

12. [F1/1/3] THESL's preventive maintenance costs are proposed to increase by 39.5% in 2011 over 2008 notwithstanding the transfer of wood pole inspection from the preventive maintenance budget in 2010 to the predictive maintenance budget in 2011. Over this same period THESL's capital program has rapidly expanded, apparently targeted at replacing increasing amounts of high maintenance, worn out equipment.

    a. Please explain the rapid rate of increase of preventive maintenance spending in light of aggressive capital spending.

    b. Please indicate whether, and if so, when, THESL anticipates that preventive maintenance spending will stabilize or go down as the rebuilding of THESL's system proceeds.

13. [F1/1/6] THESL supports its request to increase its emergency maintenance spending from $6.6 million in 2010 to $7.5 million in 2011 based on “an overall increasing trend in emergency spending in recent years due to the nature of changing weather patterns”. Please provide the daily SAIDI Major Event Days data for 2003-2009, and 2010 YTD.

14. [C2/4/2 p. 1] THESL self supplies one full-service garage to support THESL’s fleet. Please provide any benchmarking analysis THESL has to determine how efficiently this service is provided. Please indicate what considerations would apply to contracting out fleet service and indicate the history of any tenders over the last 5 years intended to achieve this in whole or in part.

15. [F2/10/1 Table 1] Organizational Effectiveness and Environmental Health and Safety division costs are proposed to increase from $9.7 million in 2008 to $15.2 million in 2011. Please provide comparable spending data for 2006 and 2007.

16. [C2/3/3, p. 4] Please advise the extent, if any, to which the Applicant’s “reliability-based tree trimming program” has been made available to, or adopted by, other Ontario LDCs. Please advise the average tree trimming cycle that has resulted from this program at THESL, i.e. the percentage of line length trimmed per year for each year since this has been implemented, and compare that to the cycle/percentage in each of 2005, 2006 and 2007.

17. [D1/8/3-2, p. 2] Please provide the calculations underlying the numbers in Table 1.

18. [F1/1/1, p. 3] Please restate Table 2, adding columns for Board-approved for each year where there is an applicable Board-approved budget.

19. [F1/1/3] Please identify which of the activities in the Preventive Maintenance budget are new activities in 2010 or 2011, and advise the dollar amount of each.

20. [F1/6/3, pp. 6 and 7] Please advise the proportion of the additional labour costs associated with meter data management for TOU billing in each of 2009, 2010, and 2011 are expected to be transitional costs, and for those transitional costs when it is expected that they will no longer be required.

21. [F1/6/4, p.3] Please advise the reason why the new CIS does not currently have at least equivalent “automated delinquency” functionality to the old one, and quantify the dollar impact of this limitation in the test year.

22. [F1/6/5, p. 1] Please advise the amount of Customer Services costs borne by OPA programs related to CDM, rather than by distribution ratepayers in rates, and explain how those costs are excluded from revenue requirement.

23. [F2/1/1, p. 2] Please restate Table 1 excluding capital tax.

24. [F2/6/1, p. 3] Please confirm that the Applicant does not currently propose to include any interest relating to customer deposits in revenue offsets for the test year. Please confirm that customer deposits are used to reduce actual interest expense in the test year. Please explain how that the reduction of actual interest expense is reflected in the revenue requirement.

Issue 3.2 Is the proposed level of 2011 Shared Services and Other O&M spending appropriate?

25. [B1/4/1, p. 2] With respect to 1798594 Ontario Inc:

    a. Please provide the most recent financial statements (whether or not audited or published). Please provide partial year financials if a full year is not available.

    b. Please provide details on all transactions between that company and the Applicant.

    c. Please provide details on all expenses of the Applicant that relate to assets of that affiliate.

26. [B1/10/1? – exhibit not numbered] With respect to the parent company's MD&A:

    a. P. 17. Please provide complete details, including a copy of the primary agreement with all schedules, with respect to the transfer of the affiliate's "energy management services and generation activities and all employees" to the Applicant.   Please identify and quantify any liabilities or obligations of the affiliate that were assumed by the Applicant as part of, or as a result of, or in anticipation of, the transaction.

    b. P. 17. Please provide a detailed identification of all areas of the Application in which the operating costs or capital assets of those transferred business activities have an impact for the test year, including but not limited to OM&A, rate base, taxes, and PILs.

27. [C1/2/2] Please reproduce this table with three additional columns:

    a. Amount paid or allocated in 2009 - actual.

b. Amount expected to be paid or allocated in 2010 – preferably actual plus forecast.

c. Amount expected to be paid or allocated in 2011.

Issue 3.3 Are the methodologies used to allocate Shared Services and Other O&M costs to the distribution business for 2011 appropriate?

28. [C1/2/3-1 to 3-4] Please provide the current service agreements that are being replaced by these exhibits. Please provide an explanation of all material changes from the existing service agreements to the new service agreements. Please provide an estimate of the dollar impact of each change, and explain how historical and bridge year information relating to affiliate transactions should be adjusted to ensure that it is comparable to test year forecasts.

29. Please provide all invoices (or documents used in lieu of invoices) detailing charges from any affiliate to the Applicant in the last six months. Please provide all invoices (or documents used in lieu of invoices) detailing charges to any affiliate from the Applicant in the last six months.

30. [C1/2/3-1, s. 4.5] Please explain the rationale behind limiting the ability of the Applicant to obtain services from third parties if that would be in the best interests of the Applicant. Please describe the circumstances in which the parent company would exercise its right to refuse to allow provision of services by someone other than the parent company, or to refuse to allow the Applicant to provide services internally rather than obtaining them from the parent company.

Issue 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?

31. [C2/1/5 App. A p. 7]

    a. Please explain, with a worked example of results from 2009, the calculation of the Distribution Plan Capital per Unit KPI.

    b. Please indicate whether THESL has considered applying the following productivity measures to performance incentives and if not why not: improvements in O&M/customer, improvements in customers served/employee, improvements in energy distributed/employee.

    c. Please provide any labour productivity benchmarking related to the utility that is three years old or younger that THESL has conducted or commissioned or otherwise has in its possession or control.

32. [B1/10/1] With respect to incentive objectives:

   a. P. 34. Please provide the 2010 and 2011 “objectives for the CEO”, as well as details on the 2009 CEO objectives and the Compensation Committee’s assessment of the CEO’s performance against those objectives. Please show the resulting calculation of the CEO’s 2009 incentive compensation.

   b. P. 39. Please explain each of the “corporate performance objectives” listed, and described how they are calculated. For example, and without limiting the generality of the question, Call Centre is listed at a “70%” target. What is the percentage of, and what are the inputs into the percentage calculation?

33. [C1/4/1, App. B, p. 3] With respect to projections of payroll costs:

   a. Please advise the impact, if any, of using the 2010 “long term THESL operational staffing plan” as the starting point in preparing the Application. Please advise whether the 2011 “long term THESL operational staffing plan” has material changes and, if so, provide details.

   b. Please provide the communication from OE dealing with the “market rates as projected by OE” for non-union salary increases.

34. [C1/4/1, App. C, p. 2] Please provide the full calculation of the figures “30.09%” and “32.33%” on Table 5.

35. [C2/1/1] With respect to the Compensation Policy:

   a. P. 3. Please provide the most recent “compensation benchmarking study”.

   b. P. 3. Please provide details of all reviews of “competitiveness of selected positions” carried out in the last two years, including the results of those reviews.

   c. P. 4. Please advise the number of employees currently being “paid outside of the approved salary range for the position”.

   d. P. 5. Please advise the number of newly hired management employees in the last twenty-four months whose initial base salary was “at or above the job rate”.

36. [C2/1/2] With respect to the Compensation exhibit:

   a. P. 1. Please provide any cost-benefit analysis, business case, or similar study or analysis done with respect to the Trades School, whether before it was established, or at any subsequent time.

b. P. 3. Please provide, for each of the last five years including 2010, the “projected base salary budget increases and base salary policy increases for the coming year…obtained from external market sources”.

c. P. 4. Please provide [redacted versions] of the scorecards, weightings, and individual performance contracts for each of the ten individuals included in the Executive category. Please remove all identifying information from the documents before filing.

d. App. A. Please explain why the FTEs for Management/Non-Union are proposed to increase by 204, or 74.2%, over three years from 2008 to 2011, while the total FTEs are proposed to increase by 398, or 25.7%, for the same period.

e. App. A. Please explain the 16.0% increase in average total compensation for the ten executives. Please provide details of all market information showing comparable increases for executives in other companies.

f. App. A. Please explain why the average yearly base wages for Executive and Managerial employees are proposed to each increase by 11.5% over three years, while the increases for Management/Non-Union at 5.6% and Union and 8.2% are significantly lower.

37. [C2/1/5] With respect to Workforce Staffing:

a. P. 2. Please provide the percentage of THESL’s January 1, 2007 total workforce that has actually retired since that date. Please exclude all voluntary or involuntary terminations, and cessation of employment due to death or disability. If that retirement percentage is less than 17.3% (i.e. 60% of the 28.8% referenced six year forecast), please explain the difference.

b. P. 3. Please extend Table 1 backwards to 2003 and include actuals from 2003 through 2009.

c. P. 3. The 2010 figure in Table 1 includes 2009 retirements that did not occur and were “rolled forward”. Please calculate a similar figure for each of 2003 through 2009, i.e. retirements for those years forecast on the same basis.

d. P. 3. Please provide all presentations or reports to the Board of Directors or any Board committee dealing with the aging workforce and/or policies or strategies to address increasing retirements over time.

e. P. 4. Please advise what percentage of the THESL workforce is in “supervisory, engineering, trades and technical positions”.

   f. P. 6. Please provide the referenced contracts with Power Line Plus, Entera, and AECON.

   g. P. 7. Please provide the most recent information in the possession of the Applicant on the <u>average</u> age of the Ontario or Canadian work force.

   h. P. 9. Please add a row to Table 4, setting out the total payroll and other costs for the referenced apprentices.

38. [F2/10/1, p. 4] Please restate Table 1 on a comparable year over year basis, i.e. the costs in 2008 and 2009 for Talent Management, Employee/Labour Relations, and Compensation, Benefits and HRIS, are included under those categories rather than under the first six categories.

Issue 3.5 Is Toronto Hydro's depreciation expense appropriate?

39. [D1/12/1] The 2006 Electricity Distribution Rates Handbook Appendix B provides amortization rates used by THESL in the EB-2010-0142 application. Please compare the average age of the assets removed from service under the proposed capital plan with the amortization rates found in the 2006 EDR.

Issue 3.6 Are the amounts proposed for capital and property taxes appropriate?

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

40. [F1/6/1, p. 4] Please provide a calculation showing all revenue requirement impacts in the test year of the new CIS, including cost of capital, depreciation, tax shield, and incremental operating costs or savings.

41. [H1/1/1, p. 3] Please define "FTY" and describe how it impacts the calculation of CCA. Please confirm that CCA has been calculated in the Application based on the calendar test year 2011.

4. CAPITAL EXPENDITURES and RATE BASE

Issue 4.1 Are the amounts proposed for Rate Base appropriate?

42. [D1/1/1, p. 2, and D1/2/1, pp. 3 and 4] Please confirm that rate base for the bridge year is expected to be less than 2010 Board-approved. Please explain the reasons for the shortfall, including variances in the opening and closing rate bases from Board-approved, variations in working capital and amortization, and any other material inputs.

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

43. Please provide all communications since July 1, 2009 to or from members of the ten-person executive group dealing in whole or in part with potential future limitations on capital spending, or dealing in whole or in part with any need to accelerate spending due to future uncertainty about budget availability for capital projects.

44. [C2/2/1, p. 3] Please confirm that the "optimizing benefits" of sites selected are formally quantified to determine whether a higher cost site is justified. Please provide the most recent example of such a calculation (i.e. the actual internal document calculating the optimizing benefits) for a site that was selected despite a higher cost.

45. [C2/2/2, p. 3] Please provide a table listing all projects "advanced" to 2010, and for each identify the dollar amount of the project and the year it would otherwise have been completed had it not been advanced. Please provide a similar table listing all projects "advanced" to 2011.

46. [D1/7/1] With respect to the Summary of the Capital Budget:

    a. Please provide two listings, each of proposed projects that would not be included in the capital expenditures budget for the test year, if the approved budget were set by the Board at:

        i. $400 million;

        ii. $350 million.

    b. P. 3. Please reconcile the "expected increase in failures" with the increase in the capital and maintenance budgets in the last three years. Please identify the point in the future at which the Applicant expects that increasing capital and operating expenses will result in failures decreasing.

    c. P. 16. Please restate this table so that, for each of the "Emerging Requirements", the amounts included in 2008, 2009 or 2010 in any "Operational Investments" category are instead included on the appropriate line of Emerging Requirements, so that the past and forecast figures are on a comparable basis.

47. [D1/8/1] With respect to Operational Investments:

a. P. 14. Please provide all studies or other evidence in the Applicant's possession that "rear lot services in suburbs are deteriorating".

b. P. 15. Please define "CMO" and "CI".

c. P. 19. Please estimate the annual added cost of using "tree-proof cable".

d. P. 20. Please confirm that the "box design construction" assets being removed are not all at end of life. Please estimate the average age, and the percentage, of assets being removed that are not at end of life.

e. P. 25. Please advise the number of stations in which switchgear was replaced in each of 2005 through 2010.

48. [D1/8/8-2] Please provide the cost-benefit analysis showing cost savings or other quantified benefits for each of the major projects included in this exhibit.

49. [D1/8/10] With respect to the ten year Capital Plan:

a. App. A. The Capital Plan proposes over $4 billion of capital spending in the next ten years. Please confirm that no explicit or implicit approvals are being sought from the Board with respect to any capital expenditures proposed, expected or forecast beyond the test year.

b. P. 5. Please provide a side-by-side comparison of the 2011 capital plan in this document with the figures of $397.1 million of capital additions in the test year in D1/2/1, p.5, and $498.0 of capital expenditures in the test year in D1/7/1, p. 16. Please reconcile any differences.

c. P. 6. Figure 1 provides a graphical comparison of the 2009 and 2010 10-yr plans over time. Please add to this figure lines for the 10-yr capital plans for 2005-2008, in addition to the lines for 2009 and 2010.

d. P. 12. Please define the term "spending shock".

50. [D1/9/7] Please quantify and provide details of all spending on Secondary Upgrades in the bridge or test year relating to assets acquired by the Applicant from an affiliate after 2008.

51. [D2/1/1, p. 2] Please confirm that payments to HONI will not be recoverable from ratepayers until the project in respect of which the payments are made is “used and useful”, i.e. 2013. If this is not the case, please provide the reference in the Accounting Procedures Handbook that stipulates a different timing for recovery of such payments.

Issue 4.3 Are the inputs used to determine the Working Capital component of the Rate Base appropriate and is the methodology used appropriate?

Issue 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?

52. [C1/6/1]

    a. Please comment on how value for money is considered in THESL’s asset management policy.

    b. THESL is rolling out new asset management strategies: PAS 55 and Reliability Centered Maintenance (RCM) originally developed for aviation. In the past two years, THESL has also developed FIM and AIS for asset management purposes. What deficiencies associated with the previous asset management strategies and systems necessitated this change?

    c. Please indicate the impact of past utility amalgamation on the capital budget that THESL is requesting. When does THESL anticipate that the amalgamation impacts will be substantially completed?

53. [D1/7/1]

    a. In EB-2009-0139 THESL’s capital budget request was negotiated from $423.6 million originally requested in the application to $350M, excluding any capital expenditures on its proposed Transit City program. Please detail what spending programs originally proposed in that prior application were reduced. During the stakeholder consultation session on July 15th, this reduction was described by THESL as having created a “snowplow effect” on the 2010 capital plan. Please identify where each of those previous reductions are now found in the test year budget within the current Application. Please explain THESL’s justification for employing this approach to capital planning.

    b. Many aspects of THESL’s application are influenced by the scale of the proposed long term capital budget plan including but not limited to facilities, fleet services, contract management, human resource management, and training. Please provide a summary of how these other components should be adjusted based on changes to the capital budget. For example, if the capital budget is reduced by $100 million, what is the impact on each other area, and to what extent is that impact linear given various levels of capital budget reduction?

54. [D1/7/1 p3-4 and D1/8/3-2] The installed cost per customer connection is budgeted to rise by about 25% between the bridge and test years. A change in the treatment of “Enhancement Cost” is associated with this increase. Please explain with a worked calculation based on the forecast numbers for the bridge and test years the change in treatment.

55. [C1/6/1 p. 5]

    a. Please comment on whether THESL’s Asset Condition Assessment has been used to extend service lives of equipment. If so, provide examples.

    b. The Feeder Investment Model presented indicates that asset age is a dominant driver for risk cost. Please provide any quantitative analysis THESL has supporting that approach.

56. [D1/7/1 p. 5,13] With respect to the capital contribution to HONI:

    a. Please explain in detail all measures THESL has taken and is taking to ensure that the capital contributions required by HONI for the Leaside-Birch reinforcement, Windsor/John TS and Bremner TS are optimized and that the required improvements could not be achieved at lower cost through alternative procurement approaches, whether self-supply by THESL or contracting out.

    b. Please comment on the design decision at Bremner TS and John TS to rely on 13.8 kV secondary side voltage including the impact on line losses over the long term of not employing a higher voltage.

57. [D1/3/1] With respect to the variance analysis presented comparing year over year changes in distribution expenses, please quantify impact of the cost drivers itemized under tables 1 through 4.

5. CAPITAL STRUCTURE AND COST OF CAPITAL

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

58. [B1/10/1, p. 20] With respect to dividends from the Applicant to its parent company:

a. Please indicate the dividend payments made from THESL over the last 6 years, an estimate for the bridge year and forecast for the test year. For each year, indicate the ratio of dividends to post PILS net income.

b. Please advise why the dividend in 2009 was nil.

c. Please provide THESL's dividend policy.

d. In light of the capital demands on the utility, please provide THESL's view as to what dividend-to-net income ratio, and resulting drain on retained earnings, would cause an impact on borrowing rates.

Issue 5.2 Is the proposed Long-Term Debt Rate appropriate?

59. [E1/1/1, p. 3] Please provide the most recent S&P ratings report on the Company, together with all updates of that report.

60. [E1/6/1] This exhibit provides a DBRS report issued November 19, 2009. Please provide all new issue, updates, press releases and other documents related to THESL or its parent issued by DBRS since November 19, 2009.

Issue 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

Issue 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

Issue 7.1 Is Toronto Hydro's cost allocation appropriate?

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

Issue 7.3 Is it appropriate for Toronto Hydro to establish a separate rate class for multi-unit residential customers that are served directly by Toronto Hydro through its suite metering provision?

Issue 7.4 Are the proposed revenue to cost ratios for each class appropriate?

61. [L1/1/1] Please recalculate rates on the basis that the revenue to cost ratio for Large Use remains at 108.1, and the revenue to cost ratio for each of GS>50 and Intermediate are the same, and all other revenue to cost ratios are as proposed in the Application.

Issue 7.5 Are the fixed-variable splits for each class appropriate?

Issue 7.6 Are the proposed Retail Transmission Service rates appropriate?

Issue 7.7 Are the proposed Total Loss Factors appropriate?

8. SMART METERS

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

Issue 8.2 Are the proposed 2011 smart metering costs appropriate?

9. SMART GRID PLAN

Issue 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?

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

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

Submitted on behalf of the School Energy Coalition this 19th day of November, 2010.

Jay Shepherd
Counsel for School Energy Coalition