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*via RESS e-filing – signed original to follow by courier*

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
PO Box 2319  
2300 Yonge St, 27<sup>th</sup> floor  
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Toronto Hydro-Electric System Limited's ("THESL")  
Interrogatory Responses on Late Payment Penalty Proceeding  
OEB File No. EB-2010-0295**

THESL received interrogatories from Board Staff, Donald R. Rennick, Vulnerable Energy Consumers Coalition, and School Energy Coalition. Pursuant to item 2 on the Board's Procedural Order 1, enclosed are two sets of THESL's responses to these interrogatories.

Please contact me if you have any questions.

Yours truly,

*[original signed by]*

Colin J. McLorg  
Manager  
Regulatory Policy & Relations

encl.  
:CJM/acc

## INTERROGATORIES OF ONTARIO ENERGY BOARD STAFF

1 **INTERROGATORY 1:**

2 **Reference(s):**            **none provided**

3

4 The EDA updated Appendix A to account for the administrative error in relation to the  
5 exclusion of Port Colborne Hydro Inc's amounts from Schedule G of the Minutes of  
6 Settlement. As a result of the revision, the amounts attributed to THESL have been  
7 reduced, from \$7,723,348 to \$7,711,217; and the amount THESL is proposing to recover  
8 from ratepayers (Recovery Amount) will also change.

9 (i) Please update Table 2, found at page 4 of THESLs supplementary evidence to reflect  
10 the change in the Allocated amounts.

11 (ii) The uniform rate rider applicable to all rate classes should the Board adopt a per-  
12 customer method of allocation and recovery is estimated to be \$0.88/per customer/30  
13 days. Please update the as-filed estimate to reflect the change to the Recovery  
14 Amount.

15

16 **RESPONSE:**

17 Please see Table 2 below updated for the revision to Appendix A. Because the change to  
18 the THESL Recovery amount is minor, no change occurs in the figure of \$0.88/per  
19 customer/30 days.

## INTERROGATORIES OF ONTARIO ENERGY BOARD STAFF

**Table 2: Class Rate Riders by Manner of Recovery - Updated for Revised Appendix A**

THESL Allocated Amount	\$7,711,217					
less Recovered Legal Costs	\$185,628					
THESL Recovery Amount	\$7,525,589					
Allocation to classes	Residential	General Service <50 kW	General Service 50-999 kW	General Service 1000-4999 kW	Large User	Total
Percentage of LPP Revenue	53.00%	21.40%	20.10%	4.60%	0.90%	100.00%
Allocated Amount by Class	\$ 3,988,562	\$ 1,610,476	\$ 1,512,643	\$ 346,177	\$ 67,730	\$ 7,525,589
Volume Units (kWh v kW)	4,986,768,673	2,139,318,076	26,935,191	10,587,119	4,993,733	
Volumetric Rider (cents)	0.080	0.075	5.616	3.270	1.356	
Number of Customers	623,406	65,792	13,067	514	47	702,826
Customer Charge Rider per 30 days	\$ 0.53	\$ 2.01	\$ 9.51	\$ 55.36	\$ 118.44	
Allocation and Recovery per Customer per 30 days						\$ 0.88

## **INTERROGATORIES OF ONTARIO ENERGY BOARD STAFF**

1 **INTERROGATORY 2:**

2 **Reference(s):**           **none provided**

3

4 The EDA has sought Board approval for a deferral account to track the recovery of the  
5 Allocated Amounts. Is that also THESLs proposal? If it is, please identify the deferral  
6 account that THESL is proposing to use for this purpose.

7

8 **RESPONSE:**

9 THESL concurs with the EDA proposal for a variance account to track any eventual  
10 differences between the allowed amounts and the amounts actually collected, as  
11 described at paragraph 71 of the collective evidence. THESL awaits the Board's  
12 direction in this matter but would normally use the RARA account for this purpose.

## **INTERROGATORIES OF DONALD D. RENNICK**

**INTERROGATORY 1:**

**Reference(s):            Table 2 on Page 6 of the supplementary evidence letter dated  
November 12, 2010**

Please explain why you are contemplating, in the event that the OEB allows recovery of the settlement amount, that a monthly rate (i.e., Residential rider \$.53) be charged for each 30 day period. This would result in the overcharging of customers in all classes in the amount of \$28,863.74.

In addition, please explain the reasoning that a uniform rate of \$.88/customer per 30 days would be a reasonable solution. Residential customers would pay approx 66% more than their allotted share of the recovery if this method were adopted.

**RESPONSE:**

a) The surplus of \$28,864 is a result of rounding the calculated rates (\$0.052586/per customer/30 days for residential customers, as updated) to two decimal places, which is the highest degree of precision possible for per-customer rates. It is established regulatory practice to round rates to the required degree of precision. However, in the case of rate riders utilities usually record actual under- or over-collection of approved amounts for disposition at a later time.

b) It is the role of the Board to determine the most reasonable approach to each particular matter before it. The Board may find that a uniform rate per customer is reasonable on the basis of materiality and simplicity.

## **INTERROGATORIES OF VULNERABLE ENERGY CONSUMERS COALITION**

### **INTERROGATORY 1:**

**Reference(s):**       **THESL Supplementary Evidence, pages 2-3**  
                              **EDA Evidence, paragraphs #3 and #64**

- a) Please clarify whether the percentages shown in Table #1 represent:
- The proportion of late payment revenue paid by each customer class, or
  - The proportion of late revenues that were allocated to each customer class as an offset in the determination of distribution rates.
- b) Does THESL agree with the EDA Evidence statement that “the (LPP) revenues were used to mitigate the rates of all customers? If not, who benefited from LPPs?
- c) If the response to part (b) is affirmative, please explain how the revenues from late payment charges were used to “benefit” THESL’s customers. In doing so, please explain how the revenues were assigned to THESL’s various customer classes during the “exposure period (as described in the EDA Evidence, paragraphs #46-#48).

### **RESPONSE:**

- a) The allocation percentages shown in Table 1 are based on a three-year historical average (2007-2009) of Late Payment Penalties collected from each rate class.
- b) Yes. Historical or forecast LPP revenues were used as revenue offsets to reduce the base distribution revenue requirement, recoverable from all customers.
- c) During the initial portion of the ‘exposure’ period, THESL and its predecessors operated as non-profit Hydro-Electric Commissions and all revenues received were used for the operation of the utilities. During the latter portion of the ‘exposure

## INTERROGATORIES OF VULNERABLE ENERGY CONSUMERS COALITION

1 period', after the commencement of OEB regulation, either historical or forecast LPP  
2 revenues (depending on the regulatory regime) were considered as revenue offsets.

3  
4 In THESL's case, LPP revenues are currently allocated as revenue offsets to the  
5 various classes in the same manner as other sources of revenue offsets, in accordance  
6 with the Board-approved cost allocation model. In that model, the weighted number  
7 of bills (variable name CWNB, weighted by billing complexity factors) is the  
8 allocator for this purpose. The percentage of the total allocator value for each class is  
9 given in Table 1 below.

10

11

**Table 1: Allocation of Revenue Offsets by Class**

	<div style="display: flex; justify-content: space-between; padding: 0 10px;"> <span>GS &gt; 1000 &lt; Large Use</span> </div>							
	Total	Residential	GS <50	GS>50<1000	5000	>5MW	Street Lights	USL
Weighted Bills	6,470,230	3,740,437	1,579,012	1,031,162	43,176	8,460	204	67,780
Percent by Class	100.00%	57.81%	24.40%	15.94%	0.67%	0.13%	0.00%	1.05%

## **INTERROGATORIES OF VULNERABLE ENERGY CONSUMERS COALITION**

1 **INTERROGATORY 2:**

2 **Reference(s):** **THESL Supplementary Evidence, page 4**

3

4 Preamble: THESL states that the rate rider would be \$0.88/per customer/per 30 days if a  
5 per-customer method of allocation and recovery was adopted.

6 a) Please confirm whether the allocation and recovery is per customer or per metered  
7 customer.

8 b) Please provide a schedule setting out the derivation of the \$0.88 value and indicate  
9 the sources for the customer data used.

10

11 **RESPONSE:**

12 a) The value is calculated based on the number of customers in the metered rate classes  
13 (Residential, GS < 50kW, GS 50-999 kW, GS 1000-4999 kW, and Large User class).

14

15 b) Please see response to OEB Interrogatory 1. The value of \$0.88 per customer per 30  
16 days is derived by dividing THESL's total recoverable amount by the total number of  
17 customers, then by 365 (days), then multiplying by 30 to adjust to a 30-day basis.



## INTERROGATORIES OF SCHOOL ENERGY COALITION

1 **INTERROGATORY 1:**

2 **Reference(s):** **EDA para 45**

3

4 Please provide a table showing the late payment penalties charged to customers for each  
5 calendar year.

6

7 **RESPONSE:**

8 Given the reference provided, THESL understands this interrogatory to refer to the  
9 'period of exposure'. It is not possible for THESL to produce detailed financial  
10 information for that period within the limited time provided to produce interrogatory  
11 responses. However, as set out at Exhibit I1, Tab 1, Schedule 3 in the EB-2010-0142  
12 proceeding, late payment penalties charged to customers were or are forecast to be (all in  
13 \$000s):

- 14 • 2009 Actual \$5,098.3
- 15 • 2010 Bridge \$4,800.0
- 16 • 2011 Test \$4,900.0

## **INTERROGATORIES OF SCHOOL ENERGY COALITION**

1 **INTERROGATORY 2:**

2 **Reference(s):** **EDA para 10**

3

4 Please provide a copy of the agreement by which THESL became liable for the existing  
5 obligations, including legal claims, of any predecessor entity that carried on the  
6 electricity distribution business. To the extent, if any, that there were disclosures of  
7 existing claims at the time of the transfer of the electricity distribution business, please  
8 provide a copy of those disclosures.

9

10 **RESPONSE:**

11 THESL declines this interrogatory on the basis that this matter has already been  
12 determined by the Supreme Court and does not relate to any approved issue in this  
13 hearing.

## **INTERROGATORIES OF SCHOOL ENERGY COALITION**

1 **INTERROGATORY 3:**

2 **Reference(s):** **EDA para 10**

3

4 Please provide, for any LDC that was acquired by, or amalgamated with THESL after  
5 1998, a copy of the agreement by which THESL became liable for the existing  
6 obligations, including legal claims, of the predecessor entity that carried on the electricity  
7 distribution business. To the extent, if any, that there were disclosures of existing claims  
8 at the time of the acquisition or amalgamation, as the case may be, please provide a copy  
9 of those disclosures.

10

11 **RESPONSE:**

12 THESL declines this interrogatory on the basis that this matter has already been  
13 determined by the Supreme Court and does not relate to any approved issue in this  
14 hearing.

## **INTERROGATORIES OF SCHOOL ENERGY COALITION**

1   **INTERROGATORY 4:**

2   **Reference(s):**           **none**

3

4   Please provide details of any insurance in place at the time of incorporation or thereafter  
5   covering any form of third party claim against the distribution business.

6

7   **RESPONSE:**

8   THESL does not, and did not during the 'period of exposure', carry any insurance  
9   providing coverage applicable to THESL's liability in the court approved settlement of  
10   the LPP class action.

## INTERROGATORIES OF SCHOOL ENERGY COALITION

1 **INTERROGATORY 5:**

2 **Reference(s):** none

3

4 Please provide billed charges for goods or services other than electricity and its  
5 distribution on the same bill, a breakdown of the billed charges, by year, between  
6 electricity and its distribution, and all other charges. Please provide details of any late  
7 payment penalty policies that differed between the components of the bill, e.g. different  
8 interest rates, grace or notice periods, order of disconnection rules, etc.

9

10 **RESPONSE:**

11 During the period of OEB regulation, THESL has not billed for goods or services other  
12 than the supply and distribution of electricity, and consequential items mandated by  
13 statute such as HST. As a result there has been no differentiation of late payment penalty  
14 policy along the lines suggested above.

15

16 Prior to OEB regulation, THESL operated as a collection of non-profit HECs and records  
17 for that period cannot be obtained within the timelines prescribed by the Board for  
18 responding to interrogatories.