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January 18, 2011

VIA MAIL and E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge St.
Toronto, ON
M4P 1E4

Dear Ms. Walli:

Re: EB-2010-0142
NOTICE OF APPLICATION AND HEARING FOR AN ELECTRICITY DISTRIBUTION RATE CHANGE
Toronto Hydro-Electric System Limited

Please find enclosed the Technical conference questions of VECC in the above noted proceeding.

Thank you.

Yours truly,

Michael Buonaguro
Counsel for VECC
Encl.

EB-2010-0142
TECHNICAL CONFERENCE QUESTIONS FROM THE VULNERABLE ENERGY CONSUMERS COALITION

1. Exhibit R1 Tab 11 Schedule 6

   Reference(s):
   Exhibit C2 Tab 1 Schedule 2 Appendix A
   Exhibit C2 Tab 1 Schedule 5
   EB-2009-0139 Exhibit R1 Tab 11 Schedule 13

   THESL declined to update Appendix A for year to date (2010) headcount and compensation. Now that 2010 is over provide an update for 2010 data in the form of either a revised schedule or a variance report.

2. Exhibit R1Tab 11 Schedule 7

   Reference(s):
   Exhibit C2 Tab 1 Schedule 5
   EB-2008-0139 Exhibit R1 Tab 11 Schedule 14 parts b and **c**

   The second reference includes an updated forecast of retirements and 2010 hiring plan. Please provide a variance report and updated Tables 3 and 4. Please comment on the implications of 2010 Actual for the 2011 forecast.

3. Exhibit R1 Tab 11 Schedule 9

   Reference(s):
   Exhibit B1 Tab 14 Schedule 1 page 15
   Exhibit C2 Tab 3 Schedule 3 Page 3
   EB-2009-0139 Exhibit R1 Tab 11 Schedule 7

   This interrogatory asked about renewal of the tree trimming contract and 2011 accomplishment and costs. The response indicated that renewal of the Davey Tree Services contract was under negotiation. Please provide an update to the table provided in the response regarding 2011 circuit km and costs based on contracted information.

4. Exhibit R1Tab 11 Schedules 13 and 14

   Reference(s):
   Exhibit K1 Tab 1 Schedule 1 page 9
   Exhibit K1 Tab 4 Schedule 1 Table1

   The response to Part c includes an updated forecast of customers by class; please provide actuals and discuss the implications for the 2011 forecast.

Reference(s): Exhibit K1 Tab 6 Schedule 2 page 1

Please update the revenue forecast in table 1 for 2010 actuals.

5. <u>Exhibit R1 Tab 11Schedule 15</u>

   Reference(s): Exhibit K1 Tab 6 Schedule 2 page 1

   Please provide a comparison of forecast and Actual Other Revenue for 2010. Please discuss the implications for the 2011 forecast.

6. <u>Exhibit R1 Tab 11 Schedule 16</u>

   Reference(s): Exhibit F1 Tab 1 Schedule 1 Table 2

   Part a) Table 1 of the response provides a Summary of Distribution O&M 2010 to September. Please provide the 2010 actual and discuss implications for the 2011 forecast.

7. <u>Exhibit R1 Tab 11 Schedule 18</u>

   Reference(s): Exhibit F2 Tab 1 Schedule 1

   Please complete the Table in response to part a) for 2010 actuals.

8. <u>Reference: Exhibit R1 Tab 11 Schedule 25 response a) page 2:</u>

   "Maintaining the non-standard equipment and designs is not acceptable as grandfathered practice due to their negative impact on reliability."

   VECC understands the response to this question to mean that while the non-standard equipment and designs are acceptable as grandfathered practice in relation to the standards imposed on THESL, THESL plans to spend money to eliminate the non-standard equipment and designs in order to improve reliability. Is this understanding correct?

9. <u>Reference: Exhibit R1 Tab 11 Schedule 26 response a) pages 1 and 2:</u>

   With respect to the Greening the Fleet initiative, THESL states that it ". . . has not conducted a business case for this initiative because it has been undertaken as part of the company's commitment to become carbon neutral by 2020 rather than for purely financial reasons."

   THESL does go on, however, to note that it ". . . does consider the premium associated with specific types of vehicles in determining whether to acquire conventional or "green" technology. See the response to BOMA Interrogatory 9 (Exhibit R1, Tab 3, Schedule 9).

The response to BOMA Interrogatory 9 states that, presumably in relation to the Greening the Fleet initiative, "The annual estimated reduction in fuel consumption is 36,429 litres representing approximately $34,670 annually."

Please provide an estimate of the premium incurred by THESL in order to achieve the approximate annual savings of $34,670. Do the cumulative annual savings over the lifespan of the "green" fleet exceed the premium incurred to purchase the vehicles?

10. Reference: Exhibit R1 Tab 11 Schedule 27 response a), page 2:

"As stated in Exhibit D1, Tab 9, Schedule 1, the costs of exceeding the requirements imposed by Ontario Regulation 22/04 are related to the requirements of carrying legacy and/or obsolete inventory items to support the legacy installations, different operating and maintenance procedures which in part are addressed by the Standardization portfolios and cannot be easily quantified."

It appears to VECC from the answer provided that the only costs incurred by THESL that are properly considered costs to exceed the requirements imposed by Ontario Regulation 22/04 are the costs related to standardizing legacy or obsolete equipment (elsewhere referred to by VECC as having been "grandfathered"). Please confirm whether this understanding is correct. If it is incorrect please explain why.

11. Exhibit R1 Tab 11 Schedule 30

Reference(s):

Exhibit J1 Tab 2 Schedule 4 -Working Capital Allowance
Exhibit D1 Tab 14 Schedule 1 Table 1

This interrogatory asks for updated lead lag study and Working Capital changes due to HST from July 1 2010. The response is:

> THESL has not updated the study since the study filed in EB-2007-0680. THESL has updated the values that are used in the calculations based on the report to reflect the HST rate. THESL intentionally held off in updating its lead lag study because, in general, a rigorous lead lag study should be based on at least 12 months of revenue and expense data. Since the HST came into force in July 2010, THESL intends to update its lead lag study once the required data is available.

Provide either an updated lead/lag study or an updated estimate of HST impacts on the 2010 and 2011 working capital allowances and the change from 2010 and 2011 forecasts.

12. <u>Reference: Exhibit R1 Tab 11 Schedule 34 response c):</u>

"Figure 3 in the Capital Plan shows $200M of Underground Direct-Buried Cable that has reached the end of useful life. This cost of $200M (cable only) along with other costs associated with this portfolio were spread over six years to lessen the impact in required resources, the burden on SAIDI impacts due to planned outages, the number of permits applied for at the city and rate shock to the customer. The impact of each constraint is listed in order."

The response asserts that the proposed spending on Underground Direct-Buried Cable was influenced out of concern for, in part, the rate shock to the customer. The response does not, however, quantify the impact that concern had in this particular decision, although it infers that the rate shock to the customer was the least impactful of the relevant factors considered, the most impactful being the impact in required resources. Please set out what THESL's 6 (or, possibly, less than 6) year plan for spending on Underground Direct-Buried Cable would have been had rate shock not been a relevant factor.

13. <u>Reference: Exhibit R1 Tab 11 Schedule 35 response c):</u>

c) If THESL does not develop minimum level spending (or comparable) budgets for consideration in its planning process, please confirm that THESL must necessarily be unable to advise the Board whether, in the face of reductions by the Board to the applied for budgets, THESL is either able or unable to operate in the test year within the bounds of acceptable risk without first reviewing the impacts of its approved budgets from scratch.

"In its 2008 Decision with Reasons for EB-2007-0680, the Board stated at page 38, "the Board does not approve or disapprove any specific line item within the Company's claim. The Company can apply to [sic] funds provided in the envelope where it determines it ought to go." This approach has allowed THESL the flexibility necessary to defer or re-shape programs, transfer budget amounts, or adjust allocations or contracting in a way that allows THESL to operate within acceptable risks."

Viewed in conjunction with the question that was posed at part c), it appears to VECC that :

i) THESL is asserting that so long as the Board provides THESL with the flexibility to move funds within an approved spending envelope, THESL can operate within acceptable risks; and

ii) THESL makes the assertion described in i) without reference to a minimum spending envelope below which THESL cannot operate within acceptable risks despite its ability to move available funds at its discretion.

Please explain whether VECC's understanding as set out under i) is correct, and if so how it is that THESL can make that assertion without having conceived a minimum level of spending, either on a specific line item basis or on an envelope basis. If THESL has developed a minimum spending level on a line item or envelope basis please provide that information and describe how and when it was developed.

14. Reference: Exhibit R1 Tab 11 Schedule 38 responses b) & c)

Please confirm that the 2011 revenues based on current rates use in the calculation were those set out in Exhibit R1, Tab 11, Schedule 14 – net of the Transformer Allowance. If not, please explain.

15. Reference: Exhibit R1 Tab 11 Schedule 38 response h)

The original interrogatory requested that the Cost Allocation model be re-run in accordance with the Board's Filing Guidelines (i.e., remove TOA revenues from the each class and remove the TOA as a "cost"). The provided does not do so.

Please provide the requested re-run of the Cost Allocation model including both a full electronic copy of the run and a hard copy of Sheet O1.