

**Board Staff Interrogatories
2012, 2013 and 2014 Electricity Distribution Rates
Preliminary Issue – Early Rebasing
Toronto Hydro-Electric System Limited
EB-2011-0144**

1) Ref: EA1/T1/S2/p. 1.

It is stated that:

“THESL believes that at present, there are essentially two alternate forms of regulation: the Third Generation Incentive Regulation Mechanism (“IRM”) and Cost of Service Regulation (“COS”)

- a) Please state whether or not under THESL’s view of regulation, there would be differences between a cost of service application such as THESL has filed in the present proceeding and a periodic rebasing application as would be filed under the IRM form of regulation.
- b) If THESL believes there would be differences, please explain what they are and how the present application would have differed from what has been filed, were it to have been filed as a rebasing application under THESL’s view of regulation.

2) Ref: EA1/T1/S2/p. 21.

It is stated that:

“THESL believes that, as matter of fact, different distributors across the province face varied circumstances in terms of conditions of plant, the need for capital expenditures, and load and customer growth. In turn, these different circumstances produce different outcomes when the IRM regulatory framework is applied, both for customers of those utilities and for the utilities themselves.”

- a) Please discuss the extent to which THESL regards its circumstances as unique relative to other distributors in the province.
- b) Please provide a quantitative assessment that demonstrates the uniqueness of THESL’s circumstances particularly with respect to THESL’s capital program growth, need for increases in OM&A, load growth and any other elements THESL considers relevant.

3) Ref: EA1/T1/S2/p. 28.

Table 5: “ROE Consequences of IRM-PCI” shows that THESL’s ROE under ICM-PCI drops from the 2011 Approved level of 9.58% to a level of 4.97% in 2012, 0.45% in 2013 and -3.41% in 2014.

THESL's comment on this table is that:

"This analysis clearly shows that an unsustainable reduction in ROE would occur in the first test year and worsen substantially in the subsequent test years. However, by presenting the results of this analysis, THESL specifically does not imply that it would ever be possible in practice for THESL to undertake the proposed expenditures and investments without the corresponding revenue requirements."

- a) Please provide THESL's achieved ROE calculated on the same basis as in Table 5 for the actual years 2008 to 2010 and the most current forecast for 2011. Please state whether the 300 basis point off-ramp threshold has been exceeded, or is anticipated to be exceeded in any of these years.
- b) In the event, the Board was to determine that it would not provide THESL with the revenue requirements referenced above and THESL made the expenditure and investment cuts implied, please provide any forecasts THESL has of its ROE level in the 2012 to 2014 period under such circumstances, or prepare an alternate version of Table 5 making such assumptions and providing a complete explanation as to what they are. Please comment on the resulting ROE and whether or not THESL believes that it would still be below the 300 basis point off-ramp level in the 2012 to 2014 period and if so, why.