EB-2011-0144

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 or orders approving just and reasonable rates and other charges for electricity distribution to be effective January 1, 2012.

INTERROGATORIES

FROM THE

SCHOOL ENERGY COALITION

[For assistance of the Applicant and the Board, some of the calculations described below are set out in detail in two Excel spreadsheet models enclosed with these interrogatories.]

1. Please confirm that the following chart correctly calculates the distribution bill amounts of ten Ontario LDCs based on the current approved monthly customer charges and distribution volumetric rates for 2011. Please provide quantitative reasons, in as much detail as is reasonably possible within the time frames of this proceeding, explaining why the Applicant's distribution bills to customers are significantly higher than those of its peers.

Annual Distribution Bill Comparison - Top Ten LDCs 2011 Rates
(monthly charge and volumetric rate)

Utility	*Residential*		*GS<50*		*GS>50*		*Large*		*Overall Ranking*
	800 kwh	*% of Avg*	*2000 kwh*	*% of Avg*	*250 KW*	*% of Avg*	*10 MW*	*% of Avg*	
Powerstream	$271.32	92.69%	$616.68	96.02%	$11,423.52	94.13%	$150,572.04	37.37%	80.05%
Hydro One Brampton	$253.32	86.54%	$583.32	90.83%	$8,547.36	70.43%	$308,266.20	76.52%	81.08%
Veridian	$282.72	96.58%	$569.88	88.73%	$10,687.32	88.07%	$298,353.48	74.06%	86.86%
London Hydro	$287.64	98.26%	$570.24	88.79%	$8,306.22	68.45%	$516,621.00	128.23%	95.93%
Horizon	$309.72	105.81%	$587.52	91.48%	$9,621.42	79.28%	$432,013.20	107.23%	95.95%
Kitchener-Wilmot	$278.28	95.07%	$596.04	92.81%	$14,769.48	121.71%	$333,957.24	82.89%	98.12%
Hydro Ottawa	$301.20	102.90%	$621.12	96.71%	$12,128.52	99.94%	$509,337.84	126.43%	106.49%
EnWin	$320.40	109.45%	$691.44	107.66%	$15,070.26	124.19%	$353,362.68	87.71%	107.25%
Enersource	$254.52	86.95%	$750.96	116.93%	$13,334.10	109.88%	$512,472.24	127.20%	110.24%
Toronto Hydro	$368.11	125.75%	$835.13	130.04%	$17,464.55	143.92%	$613,803.96	152.36%	138.02%
AVERAGE	$292.72		$642.23		$12,135.28		$402,875.99		

2. Please confirm that the following chart correctly calculates the dollar amount of PP&E per customer of the ten largest Ontario LDCs (excluding Hydro One) based on the 2010 Electricity Distributors Yearbook published by the Board. Please provide quantitative reasons, in as much detail as is reasonably possible within the time frames of this proceeding, explaining why the Applicant's PP&E per customer is significantly higher than that of its peers. Please explain, in light of the disparity in fixed assets between the Applicant and its peers, why a further expansion of capital spending is required in 2012-2014.

PP&E per Customer

Utility	*PPE/Customer*	*% of Average*
London Hydro Inc.	$1,330	**69%**
Horizon Utilities Corporation	$1,420	74%
Veridian Connections Inc.	$1,484	77%
Kitchener-Wilmot Hydro Inc.	$1,699	88%
Hydro Ottawa Limited	$1,772	92%
Hydro One Brampton Networks Inc.	$1,928	100%
PowerStream Inc.	$2,116	110%
EnWin Utilities Ltd.	$2,156	112%
Enersource Hydro Mississauga Inc.	$2,295	119%
Toronto Hydro-Electric System Limited	$3,066	159%
AVERAGE	$1,927	

3. Please confirm that the following chart correctly calculates the dollar amount of capital additions per customer of the ten largest Ontario LDCs (excluding Hydro One) based on the 2010 Electricity Distributors Yearbook published by the Board. Please provide quantitative reasons, in as much detail as is reasonably possible within the time frames of this proceeding, explaining why the Applicant's capital additions per customer for 2010 are significantly higher than those of its peers. Please explain, in light of the existing disparity in capital spending between the Applicant and its peers, why a further expansion of capital spending is required in 2012-2014.

Capital Additions per Customer

Utility	*Capex/Customer*	*% of Average*
Horizon Utilities Corporation	$165.49	60%
London Hydro Inc.	$180.79	65%
EnWin Utilities Ltd.	$218.58	79%
Kitchener-Wilmot Hydro Inc.	$240.53	87%
Veridian Connections Inc.	$247.32	90%
Enersource Hydro Mississauga Inc.	$259.09	94%
Hydro One Brampton Networks Inc.	$265.94	96%
PowerStream Inc.	$285.99	104%
Hydro Ottawa Limited	$297.64	108%
Toronto Hydro-Electric System Limited	$601.45	218%
AVERAGE	$276.28	

4. Please confirm that the following chart correctly calculates the dollar amount of OM&A per customer of the ten largest Ontario LDCs (excluding Hydro One) based on the 2010 Electricity Distributors Yearbook published by the Board. Please provide quantitative reasons, in as much detail as is reasonably possible within the time frames of this proceeding, explaining why the Applicant's OM&A per customer is significantly higher than that of its peers. Please explain, in light of the disparity in operating costs between the Applicant and its peers, why further large increases in operating costs are required in 2012-2014.

OM&A per Customer

Utility	*OM&A/Customer*	*% of Average*
Kitchener-Wilmot Hydro Inc.	$147.31	71%
Hydro One Brampton Networks Inc.	$150.37	73%
Horizon Utilities Corporation	$168.41	81%
Veridian Connections Inc.	$182.72	88%
Hydro Ottawa Limited	$192.44	93%
PowerStream Inc.	$204.53	99%
London Hydro Inc.	$204.70	99%
Enersource Hydro Mississauga Inc.	$249.14	120%
EnWin Utilities Ltd.	$259.61	125%
Toronto Hydro-Electric System Limited	$311.95	151%
AVERAGE	$207.12	

5. Please confirm that the following chart correctly calculates the dollar amount of Distribution Revenue per customer of the ten largest Ontario LDCs (excluding Hydro One) based on the 2010 Electricity Distributors Yearbook published by the Board. Please provide quantitative reasons, in as much detail as is reasonably possible within the time frames of this proceeding, explaining why the Applicant's Distribution Revenue per customer is significantly higher than that of its peers. Please explain, in light of the disparity in revenues between the Applicant and its peers, why further increases in revenues are required in 2012-2014.

Dx Revenue per Customer

Utility	*Revenue/Customer*	*% of Average*
Horizon Utilities Corporation	$382.47	75%
London Hydro Inc.	$421.07	83%
Kitchener-Wilmot Hydro Inc.	$423.49	83%
Veridian Connections Inc.	$434.20	85%
Hydro One Brampton Networks Inc.	$472.43	93%
Hydro Ottawa Limited	$493.52	97%
PowerStream Inc.	$501.23	98%
EnWin Utilities Ltd.	$594.30	117%
Enersource Hydro Mississauga Inc.	$615.66	121%
Toronto Hydro-Electric System Limited	$752.26	148%
AVERAGE	$509.06	

6. Please explain, in light of the data shown in questions 1 through 5, what the primary differences are in attributes between the Applicant and the other nine utilities listed that a) allow those utilities to control their capital spending, operating costs, and rates more effectively than the Applicant, or b) cause the Applicant to have a substantially higher underlying cost structure than its peers.

7. [Ex A1/1/1, p. 2] Please confirm that all figures in the Application are filed on the basis of Canadian GAAP, and none are filed on the basis of US GAAP (except to the extent that they produce identical results).

8. [Ex A1/1/1, p. 4 and A1/1/2, p. 21] Please confirm the Applicant's position that both the IRM2 and IRM3 systems established by the Board fail to provide adequately for "the need for infrastructure renewal" currently being experienced by "most utilities", including the Applicant. Please confirm the Applicant's position that the Board's IRM regime is contrary to the Fair Return Standard.

9. [Ex. A1/1/1, p. 4] Please confirm that, on May 20, 2008, the Applicant as part of the Coalition of Large Distributors supported multi-year IRM and proposed to the Board that a capital module be included, with a 125% threshold to qualify, allowing recovery of all capital spending in excess of depreciation. Please confirm that the Applicant's proposal has been rejected by the Board in its policy document dated July 14, 2008 entitled "Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors" (the "3GIRM Report") and subsequent decisions interpreting that policy document.

10. [A1/1/2, p. 3] Please confirm it is the Applicant's position that, once any distributor files a cost of service application seeking a rate increase in excess of the IRM level of increase, a decision on whether cost of service regulation or incentive regulation should apply "cannot be made without a full hearing of the evidence", just as with any other cost of service proceeding. Please advise whether the basis of this position is a legal requirement, a regulatory policy requirement, or both, and in either case please provide the details of that justification. Please advise whether it is the Applicant's position that the Board cannot, as an alternative to looking in detail at the Applicant's forecasts, look at comparisons to other LDCs to determine whether the Applicant's levels of spending are reasonable. If this is the Applicant's position, please advise whether the basis of that position is a legal requirement, regulatory policy considerations or both.

11. [A1/1/2, p. 12] Please confirm it is the Applicant's position that the 3GIRM Report is not based on "evidence upon which the Board formed the expectation" that distributors manage within the IRM revenue envelope. Please confirm that the Applicant has either not seen the February 2008 report by Pacific Economics Group entitled "Calibrating Rate Indexing Mechanisms for Third Generation Incentive Regulation in Ontario" ("PEG Report"), or believes that the PEG Report does not analyze reasonable levels of revenue and rates necessary for distributors to recover their costs.

12. [A1/1/2, p. 24 and D1/7/6, p. 9] Please confirm that the Applicant is proposing capital spending for the three years 2012-2014 equal to 86% of the Applicant's net closing PP&E for 2010. Please confirm that for the ten years 2012-2014 the Applicant proposes to more than triple the net fixed asset component of its rate base. If these estimates are incorrect, please provide correct amounts.

13. [A1/1/2, p. 30 and B1/10/1, p. 12] Please reconcile the Applicant's reported good reliability results in its Annual Information Return with the allegation that it has "in many cases failing distribution infrastructure".

14. [B1/5/1, p.2] Please provide estimates of the operating expense savings in each of the Bridge and three Test Years from the "expansion of online web tools", including but not limited to the savings associated with the diversion of telephone calls from the call centre.

15. [B1/5/1, MD&A, p. 17] Please confirm that the following remains true today: "The City owns all of the outstanding shares of the Corporation and has the power to determine the composition of the Board of Directors and influence major business and corporate decisions, including its financing programs and dividend payments".

16. [B1/10/1, p. 19] Please provide a copy of the most recent and updated Shareholder Direction and all amendments to it.

17. [B1/10/1, p. 37] Please provide the most recent consultant's report recommending "compensation levels for the NEOs".

18. [B1/10/1, p. 41] Please provide a definition and explanation of the metric "Distribution Plant Capital per Unit".

19. [C2/1/2, App. A] Please confirm that the Applicant is proposing to increase Union FTEs from current levels by 12.8% over three years, and Management/Non-Union FTEs by 16.4%.

20. [D1/3/1, p. 1] Please confirm that, at the proposed levels of distribution expenses, the Applicant would have:

    a. A compound annual growth rate in distribution expenses (excluding Amortization) of 9.4% per year from 2008 to 2011 ($182.6 million to $239.3 million);

    b. A compound annual growth rate in distribution expenses (excluding Amortization) of 7.6% per year from 2011 to 2014 ($239.3 million to $298.7 million);

    c. A compound annual growth rate in distribution expenses (excluding Amortization) of 8.6% per year from 2008 to 2014 ($182.6 million to $298.7 million, an increase of $116.1 million per year).

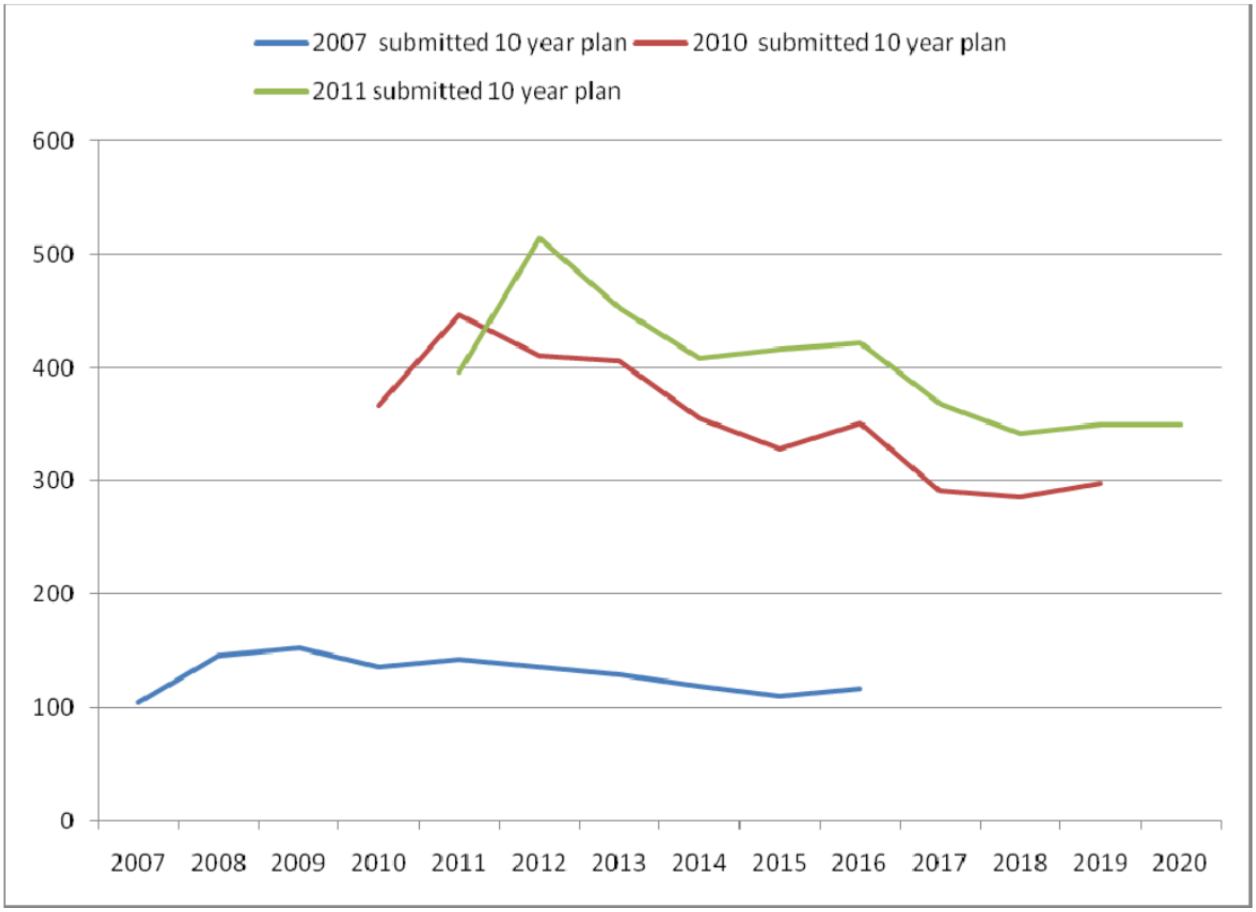
    d. A compound annual growth rate from 2008 to 2014 of:

        i. 5.9% for Maintenance Expenses;
        ii. 11.8% for Administrative and General Expenses; and
        iii. 12.0% for Operations Expenses

21. [D1/3/1, p. 1] Please provide a dollar estimate, by category of Distribution Expense, of the impact of productivity initiatives at the utility in reducing the increases from 2008 to 2014 to the amounts proposed. If possible, please provide these estimates by year, including both past and future years.

22. [D1/3/1, p. 1] Please explain why the Applicant needed a 9.6% per year past annual increase in Distribution Expenses when all other Ontario LDCs (excluding Hydro One) had an increase in their Distribution Expenses from $745.2 million to $834.1 million (based on 2010 vs. 2008 Electricity Distributors' Yearbook data), a compound annual growth rate of 5.8% over those two years. Please explain why, in light of its past history of high OM&A increases, the Applicant believes it needs to continue at a 7.6% per year rate despite that level also being well above industry norms.

23. [D1/7/6, p. 9] Please update the attached table provided by the Applicant in EB-2010-0142 [Ex. R1/9/49, p. 2 in that proceeding], by adding a further line showing the proposed capital spending in the 2012 10 year plan.



Submitted by the School Energy Coalition this 14th day of October, 2011.

Jay Shepherd