Glen A. Winn
14 Carlton St.
Toronto, Ontario
M5B 1K5

Telephone: 416.542.2517
Facsimile: 416.542.3024
regulatoryaffairs@torontohydro.com

November 8, 2011

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

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

Dear Ms. Walli:

Re: Toronto Hydro-Electric System Limited's ("THESL")
2012-2014 Application for Electricity Distribution Rates
OEB File No. EB-2011-0144

Pursuant to the Board's Procedural Order 4, enclosed are THESL's updated responses to the interrogatories identified at the Oral Hearing.

As noted in THESL's submissions on November 1, 2011, while THESL's witness panel will be informed of the interrogatories and the answers, given that this is not the full hearing on THESL's application, the panel may not be in a position to provide certain "expert" technical details regarding all of the responses to this second tranche of interrogatories. Such details would ordinarily be presented by way of multiple witness panels with various levels of detail. Accordingly, and where the information sought is relevant to the preliminary issue and otherwise admissible, THESL will endeavour to answer any such questions by way of undertaking(s).

Please direct any questions or comments to my attention.

Yours truly,

[original signed by]

Glen A. Winn
Manager, Regulatory Applications & Compliance

.encl

:GAW/acc

cc: J. Mark Rodger, Counsel for THESL
Intervenors of Record for EB-2010-0144

RESPONSES TO ENERGY PROBE RESEARCH FOUNDATION INTERROGATORIES ON PRELIMINARY ISSUE

INTERROGATORY 10:

Reference(s): **Exhibit A1, Tab 1, Schedule 2, pages 23 & 24**
Exhibit D1, Tab 8, Schedule 1
Exhibit D1, Tab 6, Schedule 5

The CAPEX figures used in Table 1 in Exhibit A1, Tab 1, Schedule 2 reflect the figures shown in Table 1 of Exhibit D1, Tab 8, Schedule 1, which is labeled "Summary of Capital Budget". Please reconcile the figures shown 2012 through 2014 with the additions to gross assets shown in Tables 5, 6 & 7 in Exhibit D1, Tab 6, Schedule 5. Which set of CAPEX figures are actually included in rate base for each of 2012 through 2014?

RESPONSE:

The average net fixed asset figures derived from the average of the opening and closing cost, and accumulated depreciation figures presented in Exhibit D1, Tab 6, Schedule 5, Tables 5, 6, and 7 are the figures used in rate base for each of 2012 through 2014.

The figures shown in Table 1 of Exhibit A1, Tab 1, Schedule 2, in the row titled "Proposed CAPEX", are proposed total capital spending for 2012, 2013, and 2014. Total capital spending in any given year of "$X" amount, translates into less than "$X" amount of capital additions due to energization rates being less than 100%, Some in-period capital spending will remain in CWIP until the assets are put into service in the following period(s) and become "used and useful" and at that time are recorded as additions to fixed assets.

RESPONSES TO ENERGY PROBE RESEARCH FOUNDATION INTERROGATORIES ON PRELIMINARY ISSUE

INTERROGATORY 11:

Reference(s): Exhibit A1, Tab 1, Schedule 2, Table 1

Are any of the proposed capital expenditures shown in Table 1 discretionary for 2012, 2013, or 2014? If yes, please provide a table that shows for each of 2012, 2013, and 2014 the total amount of capital expenditures that would be added to rate base each year and the corresponding discretionary and non-discretionary components of the additions.

RESPONSE:

THESL does not consider any of its proposed capital expenditures to be discretionary.

RESPONSES TO ENERGY PROBE RESEARCH FOUNDATION INTERROGATORIES ON PRELIMINARY ISSUE

INTERROGATORY 14:

Reference(s): Exhibit A1, Tab 1, Schedule 2, page 25

a) Please provide a table that shows for 2008 through 2014 the actual and forecasted levels of compensation for each year, along with a break out of the amount charged to OM&A and the amount capitalized.

b) Please confirm that THESL has assumed a 3% increase in payroll costs in each of 2012, 2013 and 2014 to reflect general inflation.

c) Please show the impact on the figures in the table provided in response to part (a) if the 3% increase in payroll costs was reduced to 2% in each year.

d) Please show the impact on the figures in the table provided in response to part (a) if the 3% increase in payroll costs was reduced to 1% in each year.

RESPONSE:

a) The table showing 2008 through 2014 the actual and forecasted is provided below.

All Inclusive (Base Wages, Overtime, Incentive Pay, Benefits)	2008 Historical Actual	2009 Historical Actual	2010 Historical Actual	2011 Bridge	2012 Test	2013 Test	2014 Test
Total Compensation	178,510,702	193,838,537	209,915,570	**242,106,155**	**273,563,834**	**293,347,045**	**311,114,278**
Total Compensation Charged to OM&A	96,609,992	105,060,487	112,136,898	141,142,523	157,341,036	168,253,143	179,389,506
Total Compensation Capitalized	81,900,710	88,778,050	97,778,673	100,963,632	116,222,798	125,093,902	131,724,772

b) THESL confirms an average 3 % increase was assumed in base salary cost in each of 2012, 2013 and 2014.

RESPONSES TO ENERGY PROBE RESEARCH FOUNDATION INTERROGATORIES ON PRELIMINARY ISSUE

c) The table below shows payroll costs reduced to 2% in each year:

2012 Test	2013 Test	2014 Test
270,557,035	**290,122,134**	**307,693,483**
155,611,666	166,403,452	177,417,064
114,945,368	123,718,682	130,276,419

d) The table below shows payroll costs reduced to 1% in each year:

2012 Test	2013 Test	2014 Test
267,904,515	**287,277,799**	**304,676,880**
154,086,062	164,772,045	175,677,681
113,818,453	122,505,754	128,999,199

RESPONSES TO ENERGY PROBE RESEARCH FOUNDATION INTERROGATORIES ON PRELIMINARY ISSUE

INTERROGATORY 18:

Reference(s): Exhibit A1, Tab 1, Schedule 2, page 1
Exhibit O1, Tab 1, Schedule 1-1

Consider the following alternative form of regulation. Assume the Board approves the use of the Third Generation Incentive Regulation Mechanism including the use of the Incremental Capital Module ("ICM") where the incremental capital was all of the Board approved capital spending in the year in excess of the materiality threshold, as calculated above in Interrogatory # 5b (using a GDP-IPI of 2.0%).

a) For 2012, please calculate the revenue requirement following the guidelines in section 2.2 of Chapter 3 of the Filing Requirements for Transmission and Distribution Applications dated June 22, 2011 assuming the Board approves the capital expenditures as proposed by THESL.

b) Please calculate the rate rider associated with the revenue requirement calculated in part (a) above.

c) Assuming a GDP-IPI of 2.0% and the rate rider calculated in (b) above, please provide tables in the same format and level of detail as shown in Exhibit O1, Tab 1, Schedule 1-1 for 2012.

RESPONSE:

Assumptions used :

- GDP-IPI of 2.0%
- Stretch Factor of -0.60%
- Price Cap Index of 0.68%
- Growth Factor of 0.46%

RESPONSES TO ENERGY PROBE RESEARCH FOUNDATION INTERROGATORIES ON PRELIMINARY ISSUE

- Threshold Capex of $192.9M
- Incremental Capex less Threshold is $397.2M ($590 - $192.8M)
- CCA is $31.8 (8% of $397.2)

a) Please see Incremental Capital Adjustment calculation in Appendix.A.

b) Please see Calculation of Incremental Capital Rate Rider in Appendix B.

c) Please see Bill Impacts in Appendix C.

Incremental Capital Adjustment

Current Revenue Requirement

Current Revenue Requirement - Total			$ 522,044,343	A

Return on Rate Base

Incremental Capital CAPEX			$ 397,149,383	B
Depreciation Expense			$ 5,249,817	C
Incremental Capital CAPEX to be included in Rate Base			$ 391,899,566	D = B - C
Deemed ShortTerm Debt %	4.0%	E	$ 15,675,983	G = D * E
Deemed Long Term Debt %	56.0%	F	$ 219,463,757	H = D * F
Short Term Interest	4.47%	I	$ 700,716	K = G * I
Long Term Interest	5.95%	J	$ 13,053,391	L = H * J
Return on Rate Base - Interest			$ 13,754,107	M = K + L
Deemed Equity %	40.0%	N	$ 156,759,826	P = D * N
Return on Rate Base -Equity	8.57%	O	$ 13,434,317	Q = P * O
Return on Rate Base - Total			$ 27,188,424	R = M + Q

Amortization Expense

Amortization Expense - Incremental		C	$ 5,249,817	S

Grossed up PIL's

Regulatory Taxable Income		O	$ 13,434,317	T
Add Back Amortization Expense		S	$ 5,249,817	U
Deduct CCA			$ 31,771,951	V
Incremental Taxable Income			-$ 13,087,816	W = T + U - V
Current Tax Rate (F1.1 Z-Factor Tax Changes)	28.3%	X		
PIL's Before Gross Up			-$ 3,697,308	Y = W * X
Incremental Grossed Up PIL's			-$ 5,153,043	Z = Y / (1 - X)

Ontario Capital Tax

Incremental Capital CAPEX			$ 397,149,383	AA
Less : Available Capital Exemption (if any)			$ -	AB
Incremental Capital CAPEX subject to OCT			$ 397,149,383	AC = AA - AB
Ontario Capital Tax Rate (F1.1 Z-Factor Tax Changes)	0.000%	AD		
Incremental Ontario Capital Tax			$ -	AE = AC * AD

Incremental Revenue Requirement

Return on Rate Base - Total		Q	$ 27,188,424	AF
Amortization Expense - Total		S	$ 5,249,817	AG
Incremental Grossed Up PIL's		Z	-$ 5,153,043	AH
Incremental Ontario Capital Tax		AE	$ -	AI
Incremental Revenue Requirement			$ 27,285,199	AJ = AF + AG + AH + AI

Calculation of Incremental Capital Rate Rider - Option A Fixed and Variable

Rate Class	Service Charge % Revenue A	Distribution Volumetric Rate % Revenue kWh B	Distribution Volumetric Rate % Revenue kW C	Service Charge Revenue D = $N * A	Distribution Volumetric Rate Revenue kWh E = $N * B	Distribution Volumetric Rate Revenue kW F = $N * C	Total Revenue by Rate Class G = D + E + F	Billed Customers or Connections H	Billed kWh I	Billed kW J	Service Charge Rate Rider K = D / H / 12	Distribution Volumetric Rate kWh Rate Rider L = E / I	Distribution Volumetric Rate kW Rate Rider M = F / J	Service Charge Rate Rider (DOS)	Distribution Volumetric Rate kWh Rate Rider	Distribution Volumetric Rate kW Rate Rider (DOS)
Residential	25.9%	14.2%	0.0%	$ 7,063,280.00	$ 3,868,523.19	$ -	$ 10,931,803.19	623,406	4,986,768,673	0	$0.944179	$0.000776		$0.93	$0.00078	
General Service Less Than 50 kW	3.6%	9.0%	0.0%	$ 992,838.16	$ 2,453,357.44	$ -	$ 3,446,195.60	65,792	2,139,318,076	0	$1.257544	$0.001147		$1.24	$0.00115	
General Service 50 to 999 kW	1.1%	0.0%	28.6%	$ 288,489.37	$ -	$ 7,798,987.19	$ 8,087,476.56	13,067	10,116,374,153	26,935,191	$1.839872	$0.000000	$0.289546	$1.81		$0.2856
General Service 1,000 to 4,999 kW	0.8%	0.0%	8.9%	$ 219,093.63	$ -	$ 2,437,705.07	$ 2,656,798.71	514	4,626,928,262	10,587,119	$35.521017	$0.000000	$0.230252	$35.03		$0.2271
Large Use	0.3%	0.0%	4.5%	$ 87,819.20	$ -	$ 1,224,976.20	$ 1,312,795.40	47	2,376,778,323	4,993,733	$155.707799	$0.000000	$0.245303	$153.57		$0.2419
Street Lighting	0.5%	0.0%	1.8%	$ 131,592.37	$ -	$ 478,648.98	$ 610,241.35	162,777	110,165,016	322,023	$0.067368	$0.000000	$1.486382	$0.07		$1.4660
Unmetered Scattered Load	0.2%	0.6%	0.0%	$ 65,341.12	$ 174,201.31	$ -	$ 239,542.43	21,729	56,231,585	0	$0.250590	$0.003098		$0.25	$0.00310	
Unmetered Scattered Load	0.0%	0.0%	0.0%	$ 345.93	$ -	$ -	$ 345.93	1,130	0	0	$0.025518			$0.03		
				$ 8,848,799.78	$ 6,496,081.93	$ 11,940,317.44	$ 27,285,199.16									
							-									
							N									

Enter the above rate riders onto Sheet
"J2.8 Incremental Capital Rate Rider"
of the 2011 OEB IRM3 Rate Generator.

2012 Summary Table - Monthly Bill Impacts - Percentage Change from Current Rates

Class	Consumption/Demand	Distribution (incl. Incr. Capital Rate Riders)	Distribution + Rate Riders	Total Bill
Residential	800 kWh	5.8%	14.7%	3.9%
General Service < 50 kW	2000 kWh	5.8%	12.9%	3.4%
General Service 50-999 kW	150,000 kWh / 388 kVA	5.8%	23.6%	2.9%
General Service 1000-4999 kW	800,000 kWh / 1778 kVA	5.8%	27.0%	2.5%
Large Use	4,500,000 kWh / 9,434 kVA	5.8%	29.4%	2.3%
Steet Lighting	9,182,083 kWh / 25,506 kVA	5.8%	-5.5%	-2.7%
Unmetered Scattered Loads	365 kWh	5.8%	4.6%	2.6%

RESIDENTIAL - 800 kWh	Current			Proposed			Impact	
	Volume	Rate $	Charge $	Volume	Rate $	Charge $	Change $	Change %
Service Charge (per 30 days)	1	18.25	18.25	1	18.37	18.37	0.12	0.7%
Distribution	800	0.01520	12.16	800	0.02	12.24	0.08	0.7%
Smart Meter Rider (per 30 days)	1	0.68	0.68	1	1.28	1.28	0.60	88.2%
GEA Rate Rider	-	-	-	1	0.46	0.46	0.46	n/a
LRAM Rider	-	-	-	800	0.00011	0.09	0.09	n/a
Regulatory Assets - 2010/12 Rate Rider	800	(0.00189)	(1.51)	800	(0.00049)	(0.39)	1.12	-74.1%
Regulatory Assets - Global Adjustment - RPP	-	-	-	-	-	-	-	n/a
Regulatory Assets - 2011 Rate Rider	800	(0.00043)	(0.34)	-	-	-	0.34	-100.0%
Contact Voltage	1	0.16	0.16	-	-	-	(0.16)	-100.0%
Late Payment Penalty	1	0.24	0.24	1	0.24	0.24	-	0.0%
Incremental Capital Rate Rider - Service Charge				1	0.93	0.93	0.93	n/a
Incremental Capital Rate Rider - Distribution				800	0.00078	0.62	0.62	n/a
Foregone Revenue Rate Rider - fixed rate	-	-	-	-	-	-	-	n/a
Foregone Revenue Rate Rider - variable rate	800	(0.00017)	(0.14)	-	-	-	0.14	-100.0%
Sub Total A - Distribution			29.50			33.84	4.35	14.7%
RTST - Network	830	0.00703	5.84	830	0.00688	5.71	(0.12)	-2.1%
RTSR - Connection	830	0.00513	4.26	830	0.00520	4.32	0.06	1.4%
Sub Total B (including Sub-Total A) - Distribution			39.59			43.87	4.28	10.8%
Wholesale Market Rate	830	0.00520	4.32	830	0.00520	4.32	-	0.0%
RRRP	830	0.00130	1.08	830	0.00130	1.08	-	0.0%
DRC	800	0.00700	5.60	800	0.00700	5.60	-	0.0%
Standard Supply Service Charge	1	0.25	0.25	1	0.25	0.25	-	0.0%
SPC	830	-	-	830	-	-	-	n/a
Cost of Power Commodity - 1st Tier (May 1st 2010)	600	0.068	40.80	600	0.068	40.80	-	0.0%
Cost of Power Commodity - 2nd Tier (May 1st 2010)	230	0.079	18.18	230	0.079	18.18	-	0.0%
Total Bill (including Sub-Total B)			109.81			114.09	4.28	3.9%

	kWh
Consumption Details	**800**
Total Loss Factor	1.0376

GS < 50 kWh with 2,000 kWh	Current			Proposed			Impact	
	Volume	Rate $	Charge $	Volume	Rate $	Charge $	Change $	Change %
Service Charge (per 30 days)	1	24.30	24.30	1	24.47	24.47	0.17	0.7%
Distribution	2,000	0.02247	44.94	2,000	0.02262	45.25	0.31	0.7%
Smart Meter Rider (per 30 days)	1	0.68	0.68	1	1.01	1.01	0.33	48.5%
GEA Rate Rider	-	-	-	1	0.46	0.46	0.46	n/a
LRAM Rider	-	-	-	2,000	0.00008	0.16	0.16	n/a
Regulatory Assets - 2010/12 Rate Rider	2,000	(0.00179)	(3.58)	2,000	(0.00045)	(0.90)	2.68	-74.9%
Regulatory Assets - Global Adjustment - RPP	-	-	-	-	-	-	-	n/a
Regulatory Assets - 2011 Rate Rider	2,000	(0.00044)	(0.88)	-	-	-	0.88	-100.0%
Contact Voltage	1	0.16	0.16	-	-	-	(0.16)	-100.0%
Late Payment Penalty	1	0.69	0.69	1	0.69	0.69	-	0.0%
Incremental Capital Rate Rider - Service Charge				1	1.24	1.24	1.24	n/a
Incremental Capital Rate Rider - Distribution				2,000	0.00115	2.29	2.29	n/a
Foregone Revenue Rate Rider - fixed rate	1	-	-				-	n/a
Foregone Revenue Rate Rider - variable rate	2,000	(0.00008)	(0.16)				0.16	-100.0%
Sub Total A - Distribution			66.15			74.67	8.52	12.9%
RTST - Network	2,075	0.00680	14.11	2,075	0.00695	14.42	0.31	2.2%
RTSR - Connection	2,075	0.00463	9.61	2,075	0.00490	10.17	0.56	5.8%
Sub Total B (including Sub-Total A) - Distribution			89.87			99.26	9.39	10.4%
Wholesale Market Rate	2,075	0.0052	10.79	2,075	0.00520	10.79	-	0.0%
RRRP	2,075	0.0013	2.70	2,075	0.00130	2.70	-	0.0%
DRC	2,000	0.0070	14.00	2,000	0.00700	14.00	-	0.0%
Standard Supply Service Charge	1.00	0.25	0.25	1	0.25	0.25	-	0.0%
Special Purpose Charge	2,075	-	-	2,075	-	-	-	n/a
Cost of Power Commodity - 1st Tier (May 1st 2010)	750	0.068	51.00	750	0.068	51.00	-	0.0%
Cost of Power Commodity - 2nd Tier (May 1st 2010)	1,325	0.079	104.69	1,325	0.079	104.69	-	0.0%
Total Bill (including Sub-Total B)			273.30			282.69	9.39	3.4%

	kWh
Consumption Details	**2,000.00**
Total Loss Factor	1.0376

GS > 50 < 1000	Current			Proposed			Impact	
	Volume	Rate $	Charge $	Volume	Rate $	Charge $	Change $	Change %
Service Charge (per 30 days)	1	35.56	35.56	1	35.80	35.80	0.24	0.7%
Distribution	388	5.5956	2,171.09	388	5.6337	2,185.86	14.76	0.7%
Smart Meter Rider (per 30 days)	1	0.68	0.68	1	$1.26	1.26	0.58	85.3%
GEA Rate Rider	-	-	-	1	0.46	0.46	0.46	n/a
LRAM Rider	-	-	-	388	0.0207	8.03	8.03	n/a
Regulatory Assets - 2010/12 Rate Rider	388	(0.6119)	(237.42)	388	(0.2563)	(99.44)	137.97	-58.1%
Regulatory Assets - Global Adjustment - Non RPP	150,000	0.00053	79.50	150,000	0.00137	205.50	126.00	158.5%
Regulatory Assets - 2011 Rate Rider	388	(0.18070)	(70.11)	-	-	-	70.11	-100.0%
Contact Voltage	1	0.04	0.04	-	-	-	(0.04)	-100.0%
Late Payment Penalty	1	8.37	8.37	1	8.37	8.37	-	0.0%
Incremental Capital Rate Rider - Service Charge				1	1.81	1.81	1.81	n/a
Incremental Capital Rate Rider - Distribution				388	0.2856	110.81	110.81	n/a
Foregone Revenue Rate Rider - fixed rate	1	0.02000	0.02	-	-	-	(0.02)	-100.0%
Foregone Revenue Rate Rider - variable rate	388	0.00420	1.63	-	-	-	(1.63)	-100.0%
Sub Total A - Distribution			1,989.36			2,458.45	469.09	23.6%
RTST - Network	349	2.4351	849.85	349	2.5087	875.54	25.69	3.0%
RTSR - Connection	349	1.7630	615.29	349	1.8092	631.41	16.12	2.6%
Sub Total B (including Sub-Total A) - Distribution			3,454.50			3,965.40	510.90	14.8%
Wholesale Market Rate	155,640	0.0052	809.33	155,640	0.0052	809.33	-	0.0%
RRRP	155,640	0.0013	202.33	155,640	0.0013	202.33	-	0.0%
DRC	150,000	0.0070	1,050.00	150,000	0.0070	1,050.00	-	0.0%
Standard Supply Service Charge	1	0.25	0.25	1	0.25	0.25	-	0.0%
Special Purpose Charge	155,640	-	-	155,640	-	-	-	n/a
Cost of Power Commodity - 1st Tier (May 1st 2010)	750	0.068	51.00	750	0.068	51.00	-	0.0%
Cost of Power Commodity - 2nd Tier (May 1st 2010)	154,890	0.079	12,236.31	154,890	0.079	12,236.31	-	0.0%
Total Bill (including Sub-Total B)			17,803.72			18,314.62	510.90	2.9%

	kWh	kW	kVA	Hours Use	PF	Net/Conn
Consumption Details	150,000	349	388	430	90%	100%
Total Loss Factor	1.0376					

GS > 1000 < 5000	Current			Proposed			Impact	
	Volume	Rate $	Charge $	Volume	Rate $	Charge $	Change $	Change %
Service Charge (per 30 days)	1	686.46	686.46	1	691.13	691.13	4.67	0.7%
Distribution	1,778	4.4497	7,911.57	1,778	4.4800	7,965.37	53.80	0.7%
Smart Meter Rider (per 30 days)	1	0.68	0.68	-	-	-	(0.68)	-100.0%
GEA Rate Rider	-	-	-	1	0.46	0.46	0.46	n/a
LRAM Rider	-	-	-	1,778	0.0294	52.27	52.27	n/a
Regulatory Assets - 2010/12 Rate Rider	1,778	(0.6922)	(1,230.73)	1,778	(0.3026)	(538.02)	692.71	-56.3%
Regulatory Assets - Global Adjustment - Non RPP	800,000	0.00055	440.00	800,000	0.00149	1,192.00	752.00	170.9%
Regulatory Assets - 2011 Rate Rider	1,778	(0.2133)	(379.25)	-	-	-	379.25	-100.0%
Contact Voltage	-	-	-	-	-	-	-	n/a
Late Payment Penalty	1.00	69.81	69.81	1	69.81	69.81	-	0.0%
Incremental Capital Rate Rider - Service Charge				1	35.03	35.03	35.03	n/a
Incremental Capital Rate Rider - Distribution				1,778	0.2271	403.78	403.78	n/a
Foregone Revenue Rate Rider - fixed rate	1.00	8.98	8.98	-	-	-	(8.98)	-100.0%
Foregone Revenue Rate Rider - variable rate	1,778	0.1492	265.28	-	-	-	(265.28)	-100.0%
Sub Total A - Distribution			7,772.80			9,871.83	2,099.03	27.0%
RTST - Network	1,600	2.3527	3,764.32	1,600	2.4225	3,876.00	111.68	3.0%
RTSR - Connection	1,600	1.7613	2,818.08	1,600	1.8084	2,893.44	75.36	2.7%
Sub Total B (including Sub-Total A) - Distribution			14,355.20			16,641.27	2,286.07	15.9%
Wholesale Market Rate	830,080	0.00520	4,316.42	830,080	0.00520	4,316.42	-	0.0%
RRRP	830,080	0.00130	1,079.10	830,080	0.00130	1,079.10	-	0.0%
DRC	800,000	0.00700	5,600.00	800,000	0.00700	5,600.00	-	0.0%
Standard Supply Service Charge	1	0.25	0.25	1	0.25	0.25	-	0.0%
Special Purpose Charge	830,080	-	-	830,080	-	-	-	n/a
Cost of Power Commodity - 1st Tier (May 1st 2010)	750	0.068	51.00	750	0.068	51.00	-	0.0%
Cost of Power Commodity - 2nd Tier (May 1st 2010)	829,330	0.079	65,517.07	829,330	0.079	65,517.07	-	0.0%
Total Bill (including Sub-Total B)			90,919.04			93,205.11	2,286.07	2.5%

	kWh	kW	kVA	Hours Use	PF	Net/Conn
Consumption Details	800,000	1,600	1,778	500	90%	100%
Total Loss Factor	1.0376					

Large Use	Current			Proposed			Impact	
	Volume	Rate $	Charge $	Volume	Rate $	Charge $	Change $	Change %
Service Charge (per 30 days)	1	3,009.11	3,009.11	1	3,029.57	3,029.57	20.46	0.7%
Distribution	9,434	4.7406	44,722.82	9,434	4.7728	45,026.94	304.12	0.7%
Smart Meter Rider (per 30 days)	1	0.68	0.68	-	-	-	(0.68)	-100.0%
GEA Rate Rider	-	-	-	1	0.46	0.46	0.46	n/a
LRAM Rider	-	-	-	9,434	0.0718	677.36	677.36	n/a
Regulatory Assets - 2010/12 Rate Rider	9,434	(0.7477)	(7,053.80)	9,434	(0.3005)	(2,834.92)	4,218.88	-59.8%
Regulatory Assets - Global Adjustment - Non RPP	4,500,000	0.00053	2,385.00	4,500,000	0.00148	6,660.00	4,275.00	179.2%
Regulatory Assets - 2011 Rate Rider	9,434	(0.23340)	(2,201.90)	-	-	-	2,201.90	-100.0%
Contact Voltage	-	-	-	-	-	-	-	n/a
Late Payment Penalty	1	304.62	304.62	1	304.62	304.62	-	0.0%
Incremental Capital Rate Rider - Service Charge				1	153.57	153.57	153.57	n/a
Incremental Capital Rate Rider - Distribution				9,434	0.2419	2,282.49	2,282.49	n/a
Foregone Revenue Rate Rider - fixed rate	1	45.52	45.52	-	-	-	(45.52)	-100.0%
Foregone Revenue Rate Rider - variable rate	9,434	0.16090	1,517.93	-	-	-	(1,517.93)	-100.0%
Sub Total A - Distribution			42,729.98			55,300.10	12,570.11	29.4%
RTST - Network	8,491	2.6820	22,772.86	8,491	2.6257	22,294.82	(478.04)	-2.1%
RTSR - Connection	8,491	1.9567	16,614.34	8,491	1.9149	16,259.42	(354.92)	-2.1%
Sub Total B (including Sub-Total A) - Distribution			82,117.19			93,854.33	11,737.15	14.3%
Wholesale Market Rate	4,584,150	0.0052	23,837.58	4,584,150	0.0052	23,837.58	-	0.0%
RRRP	4,584,150	0.0013	5,959.40	4,584,150	0.0013	5,959.40	-	0.0%
DRC	4,500,000	0.0070	31,500.00	4,500,000	0.0070	31,500.00	-	0.0%
Standard Supply Service Charge	1	0.25	0.25	1	0.25	0.25	-	0.0%
Special Purpose Charge	4,584,150	-	-	4,584,150	-	-	-	n/a
Cost of Power Commodity - 1st Tier (May 1st 2010)	750	0.068	51.00	750	0.068	51.00	-	0.0%
Cost of Power Commodity - 2nd Tier (May 1st 2010)	4,583,400	0.079	362,088.60	4,583,400	0.079	362,088.60	-	0.0%
Total Bill (including Sub-Total B)			505,554.01			517,291.16	11,737.15	2.3%

	kWh	kW	kVA	Hours Use	PF	Net/Conn
Consumption Details	4,500,000	8,491	9,434	530	90%	100%
Total Loss Factor	1.0187					

Street Lighting	Current			Proposed			Impact		
	Volume	Rate $	Charge $	Volume	Rate $	Charge $	Change $	Change %	
Connection Charge	162,353	1.30	211,059.44	162,353	1.31	212,494.64	1,435.20	0.7%	0.68%
Distribution	25,755	28.7248	739,807.22	25,755	28.9201	744,837.91	5,030.69	0.7%	0.68%
GEA Rate Rider	-	-	-	1	0.46	0.46	0.46	n/a	
Regulatory Assets - 2010/12 Rate Rider	25,755	(0.7499)	(19,313.67)	25,755	(0.3015)	(7,765.13)	11,548.54	-59.8%	
Regulatory Assets - Global Adjustment - RPP	-	-	-	9,271,748	0.00139	12,887.73	12,887.73	n/a	
Regulatory Assets - 2011 Rate Rider	25,755.00	(0.18680)	(4,811.03)	-	-	-	4,811.03	-100.0%	
Contact Voltage	162,353	0.92	149,365.14	-	-	-	(149,365.14)	-100.0%	
Late Payment Penalty	162,353	0.04	6,494.14	162,353	0.04	6,494.14	-	0.0%	
Incremental Capital Rate Rider - Service Charge				162,353	0.07	10,787.57	10,787.57	n/a	
Incremental Capital Rate Rider - Distribution				25,755	1.4660	37,757.37	37,757.37	n/a	
Foregone Revenue Rate Rider - fixed rate	162,353	(0.01)	(1,623.53)	-	-	-	1,623.53	-100.0%	
Foregone Revenue Rate Rider - variable rate	25,755.00	(0.16580)	(4,270.18)	-	-	-	4,270.18	-100.0%	
Sub Total A - Distribution			1,076,707.52			1,017,494.69	(59,212.83)	-5.5%	
RTST - Network	25,755	2.1658	55,780.18	25,755	2.2185	57,137.47	1,357.29	2.4%	
RTSR - Connection	25,755	2.1022	54,142.16	25,755	2.1474	55,306.29	1,164.13	2.2%	
Sub Total B (including Sub-Total A) - Distribution		-	1,186,629.86		-	1,129,938.45	(56,691.41)	-4.8%	
Wholesale Market Rate	9,620,365	0.0052	50,025.90	9,620,365	0.0052	50,025.90	-	0.0%	
RRRP	9,620,365	0.0013	12,506.47	9,620,365	0.0013	12,506.47	-	0.0%	
DRC	9,271,748	0.0070	64,902.23	9,271,748	0.0070	64,902.23	-	0.0%	
Standard Supply Service Charge	1	0.25	0.25	1	0.25	0.25	-	0.0%	
Special Purpose Charge	9,620,365	-	-	9,620,365	-	-	-	n/a	
Cost of Power Commodity - 1st Tier (May 1st 2010)	750	0.068	51.00	750	0.068	51.00	-	0.0%	
Cost of Power Commodity - 2nd Tier (May 1st 2010)	9,619,615	0.079	759,949.60	9,619,615	0.079	759,949.60	-	0.0%	
Total Bill (including Sub-Total B)			2,074,065.32			2,017,373.91	(56,691.41)	-2.7%	

	kWh	Connections	kW	KVA	Hours Use	PF	Net/Conn
Consumption Details	9,271,747.50	162,353	25,755	25,755.00	360	100%	100%
Total Loss Factor	1.0376						

USL	Current			Proposed			Impact	
	Volume	Rate $	Charge $	Volume	Rate $	Charge $	Change $	Change %
Service Charge (per 30 days)	1	4.84	4.84	1	4.87	4.87	0.03	0.7%
Connection Charge	1	0.49	0.49	1	0.4933	0.49	0.00	0.7%
Distribution	365	0.06070	22.16	365	0.0611	22.31	0.15	0.7%
GEA Rate Rider	-	-	-	1	0.46	0.46	0.46	n/a
LRAM Rider	-	-	-	-	-	-	-	n/a
Regulatory Assets - 2010/12 Rate Rider	365	(0.00197)	(0.72)	365	(0.00050)	(0.18)	0.54	-74.6%
Regulatory Assets - Global Adjustment - RPP	-	-	-	-	-	-	-	n/a
Regulatory Assets - 2011 Rate Rider	365	(0.00041)	(0.15)	-	-	-	0.15	-100.0%
Contact Voltage	1	1.51	1.51	-	-	-	(1.51)	-100.0%
Late Payment Penalty	1	0.09	0.09	1	0.09	0.09	-	0.0%
Incremental Capital Rate Rider - Service Charge				1	0.25	0.25	0.25	n/a
Incremental Capital Rate Rider - Connection Charge				1	0.03	0.03	0.03	n/a
Incremental Capital Rate Rider - Distribution				365	0.00310	1.13	1.13	n/a
Foregone Revenue Rate Rider - fixed rate - customer	1	(0.03)	(0.03)	-	-	-	0.03	-100.0%
Foregone Revenue Rate Rider - variable rate - connection	-	-	-	-	-	-	-	n/a
Foregone Revenue Rate Rider - variable rate	365	(0.00007)	(0.03)	-	-	-	0.03	-100.0%
Sub Total A - Distribution			28.16			29.44	1.28	4.6%
RTST - Network	379	0.00428	1.62	379	0.00474	1.80	0.17	10.7%
RTSR - Connection	379	0.00324	1.23	379	0.00358	1.36	0.13	10.5%
Sub Total B (including Sub-Total A) - Distribution			31.01			32.59	1.58	5.1%
Wholesale Market Rate	379	0.0052	1.97	379	0.0052	1.97	-	0.0%
RRRP	379	0.0013	0.49	379	0.0013	0.49	-	0.0%
DRC	365	0.0070	2.56	365	0.0070	2.56	-	0.0%
Standard Supply Service Charge	1	0.25	0.25	1	0.25	0.25	-	0.0%
Special Purpose Charge	-	-	-	-	-	-	-	n/a
Cost of Power Commodity - 1st Tier (May 1st 2010)	379	0.068	25.75	379	0.068	25.75	-	0.0%
Cost of Power Commodity - 2nd Tier (May 1st 2010)	-	0.079	-	-	0.079	-	-	n/a
Total Bill (including Sub-Total B)			62.03			63.61	1.58	2.6%

	Kwh	Customer	Connection
Consumption Details	365	1	1
Total Loss Factor	1.0376		

RESPONSES TO BUILDING OWNERS AND MANAGERS ASSOCIATION OF THE GREATER TORONTO AREA INTERROGATORIES ON PRELIMINARY ISSUE

INTERROGATORY 1:

Reference(s): A, T1, Sch. 2, p 24
D, T7, Sch. 6, pp 7 and 84

Due to the preliminary nature of this proceeding, we did not deem it prudent to review THESL's evidence in detail, thus, the answers to some of our questions may be already in the evidence. If that is the case, please provide the reference to the evidence, rather than reproducing the material in the Interrogatory Response.

(a) THESL appears to have filed the second annual version of its capital plan, entitled the Electrical Distribution Capital Plan ("EDCP"), 2012-2021 in this proceeding. The current version (1.42) apparently updates and supersedes Version 1.0, 2011-2020 EDCP, filed in August 2010 as part of EB-2010-0142 (D, T8, Sch. 10). You note at p 7 of the Current Version (1.42) that:

> "The EDCP focuses on capital investment programs to be executed over the next ten-year period, but does not provide details on specific projects to be executed within this time period. That is, the EDCP captures the *total* investments relating to the operational electrical and civil assets within the electrical distribution system operated by THESL. The information presented here does not cover investments relating to the GEA, corporate investments, or investments relating to IT, facilities, fleet, metering or street lighting services."

The plan shows CAPEX of $499.6M, $519.5M, and $540.1M for the years 2012, 2013, and 2014, respectively, while the CAPEX numbers shown at A, T, Sch. 2, p 24

RESPONSES TO BUILDING OWNERS AND MANAGERS ASSOCIATION OF THE GREATER TORONTO AREA INTERROGATORIES ON PRELIMINARY ISSUE

for those years as $590M; $615M, and $640M. I assume all or most of the difference is accounted for the categories of CAPEX outlined in the above quote. Could you reconcile the two sets of CAPEX numbers, for each of the years 2012, 2013, and 2014, by providing a breakdown of the additional CAPEX by category and/or project, that is not included in the Capital Plan, but is included in the table on p 24 of Ex. A, T1, Sch. 2?

(b) Would you outline, at a high level, the changes that the current Capital Plan makes to the CAPEX for 2012, 2013, and 2014, from the amounts shown for those years in Version 1.0 of the Capital Plan?

(c) Was version 1.0 the first version of the Long Term Capital Plan, or were there earlier versions or earlier Capital Plans? If so, please identify them in the evidence of previous cases, and briefly discuss the transition to comprehensive Long Term Capital Plan.

RESPONSE:

a) The proposed $590M; $615M, and $640M CAPEX figures shown in Exhibit A1, Tab 1, Schedule 2, represent THESL's total capital proposed for 2012, 2013, and 2014, respectively. These amounts are taken from Exhibit D1, Tab 8, Schedule 1, Table 1 which itemize each category of investment; the EDCP categories are a subset of that table. The additional categories in Exhibit D1, Tab 8, Schedule 1, Table 1, are AFUDC, Other, Fleet, Facilities, Customer Services, and Information Technology with their respective amounts. The Station Infrastructure amounts shown in the Electrical Distribution Capital Plan ("EDCP") are included in the Facilities budget.

RESPONSES TO BUILDING OWNERS AND MANAGERS ASSOCIATION OF THE GREATER TORONTO AREA INTERROGATORIES ON PRELIMINARY ISSUE

b) The capital spending associated with 2012, 2013 and 2014 reflect the programs and initiatives contained within the 2012-2021 EDCP, designed to ensure that distribution plant is sustainable, that critical issues are addressed and that greater value is ultimately delivered to customers.

THESL is continually reviewing, analyzing and updating its current state assessment of the electrical distribution system, to understand the current profile of system assets, to identify new risks and to identify the best approaches towards risk mitigation. This assessment is further enhanced through the constantly evolving and improving asset data and analytics and decision-support tools. As a result, there is a great deal of new information and analyses that were not available when preparing previous editions of the EDCP. This new information and results from newly performed analyses including the following:

- Newly released Asset Condition Assessment ("ACA") results reveal that one-third of the evaluated distribution assets are in Fair, Poor or Very Poor condition. These assets will require further attention over the next ten-year period. The ACA program currently covers approximately 50% of the total asset replacement value.
- A recently performed end-of-life analysis has revealed that out of the total system replacement value of approximately $12 billion, approximately $5.5 billion in assets need to be addressed over the next ten years. This includes $3.3 billion in assets already past their end-of-life criteria, along with $2.2 billion in additional assets that will exceed their end-of-life criteria within this ten-year period.

RESPONSES TO BUILDING OWNERS AND MANAGERS ASSOCIATION OF THE GREATER TORONTO AREA INTERROGATORIES ON PRELIMINARY ISSUE

- New information and analyses have identified new risks that may compromise the distribution system, including deteriorating civil infrastructure within the downtown and horseshoe regions, declining reliability trend of overhead system infrastructure, emerging reliability issues with specific assets and safety-related issues.
- A recently performed study has revealed that the power reliability within the City of Toronto is up to approximately forty times worse when compared to other world financial centres. To permit for long term improvements to power reliability, system re-design initiatives must be executed in parallel with the replacement of aging and deteriorating infrastructure, as opposed to replacing all end-of-life infrastructure over the next ten-year period.

Collectively, this new information has been incorporated into the 2012-2021 EDCP, and has resulted in increased capital requirements from 2012 into 2014. The Underground, Overhead and Secondary Network System portfolios each account for this new information, including age, asset condition and arising risks which pertain to new issues.

This new information has also been used to further mitigate risks associated with Critical Issues, such as Security of Supply, Load Growth, Safety-related risks and Externally-Initiated Plant Relocations. In addition, there are new portfolios within this latest edition of the EDCP in order to manage risks associated with aging and deteriorating Stations Infrastructure. HONI-related contributions towards Stations Enhancements programs, which were captured within separate schedules contained

RESPONSES TO BUILDING OWNERS AND MANAGERS ASSOCIATION OF THE GREATER TORONTO AREA INTERROGATORIES ON PRELIMINARY ISSUE

within previous EDR filings, are incorporated directly into the newest edition of the EDCP.

Structural changes have also been incorporated within the latest EDCP with respect to the different capital portfolios and programs. These include the following:

- Restructuring of the "Underground Direct Buried" and "Underground Rehab" portfolios into a single "Underground Systems" portfolio.
- Restructuring of the "Municipal Stations" and "Transformer Stations" portfolios into a single "Stations" portfolio.
- Inclusion of customer contributions directly into their respective portfolios (Customer Connections & Externally-Initiated Plant Relocation)
- Incorporating each of the 14 capital portfolios into three categories:
    - Grid Systems: Designed to manage asset-related risks within each grid system (overhead, underground, secondary network and stations)
    - Critical Issues: Designed to manage more critical system-wide risks
    - Other Distribution Investments: Designed to manage day-to-day operational issues and risks.

All of these adjustments have been incorporated and further illustrated within the most recent edition of the EDCP, and have been reflected in the capital spending from 2012 to 2014. Table 1 illustrates the adjustments in spending in between the 2011-2020 EDCP and 2012-2021 EDCP documents for 2012, 2013 and 2014, respectively.

RESPONSES TO BUILDING OWNERS AND MANAGERS ASSOCIATION OF THE GREATER TORONTO AREA INTERROGATORIES ON PRELIMINARY ISSUE

Table 1: Total Capital Requirement Comparison

EDCP Title	Version	Total Capital Spending ($ millions)		
		2012	2013	2014
EDCP 2011 - 2020	Revision 1.0	$489.1	$427.5	$389.1
EDCP 2012 - 2021	Version 1.42	$499.6	$519.5	$540.1

c) From 2007 to 2011, four editions of the EDCP have been released as part of historical and current electrical distribution rate (EDR) filings:

- "2007-2016 Electrical Distribution Capital Plan" (Exhibit D1, Tab 8, Schedule 10) was released as part of THESL's Rate Adjustment Application for 2008, 2009 and 2010 Electricity Distribution Rates (EB-2007-0680)
- "2010-2019 Electrical Distribution Capital Plan", Revision 3.4 (Exhibit D1, Tab 8, Schedule 10) was released as part of THESL's 2010 Electricity Distribution Rates Application (EB-2009-0139)
- "2011-2020 Electrical Distribution Capital Plan", Revision 1.0 (Exhibit D1, Tab 8, Schedule 10) was released as part of THESL's 2011 Electricity Distribution Rates Application (EB-2010-0142)
- "2012-2021 Electrical Distribution Capital Plan", Version 1.42 (Exhibit D1, Tab 7, Schedule 6) represents the most current version of the EDCP document, and was released as part of THESL's 2012-2014 Electricity Distribution Rates Application (EB-2011-0144)

For each EDCP edition produced, a number of analyses were performed with the most current data available at the time in order to construct portfolios and develop

RESPONSES TO BUILDING OWNERS AND MANAGERS ASSOCIATION OF THE GREATER TORONTO AREA INTERROGATORIES ON PRELIMINARY ISSUE

programs within these portfolios to address key issues within the THESL electrical distribution system.

THESL has been improving the tools it uses to understand the condition and age of its distribution plant since with the development of its first long-term plan with the presentation of more comprehensive plans in successive rate cases. More thorough inspection reports, repeated ACAs, deep analysis of failures, cause-codes, and reliability impacts associated with specific assets, has allowed THESL to more clearly understand what needs to be done to sustain the distribution plant over the long term. Other tools developed since the first plan provide the ability to identify, and combine projects in a way that balances risks with investment level. THESL's asset management tool set today is rigorous and comprehensive.

RESPONSES TO BUILDING OWNERS AND MANAGERS ASSOCIATION OF THE GREATER TORONTO AREA INTERROGATORIES ON PRELIMINARY ISSUE

INTERROGATORY 2:

Reference(s): A, T1, Sch. 2

Can you provide, for at least the last five years, year by year, the company's:

- capital expenditures, both proposed and approved, either in a Settlement Conference or in a Board Decision;
- depreciation;
- excess of proposed and approved capital expenditures over depreciation ("CEED");

RESPONSE:

Please refer to Table 1 and Table 2 below:

Table 1: Summary of Proposed Capital Expenditures and Depreciation ($M)

	Test 2006	Test 2007	Test 2008	Test 2009	Test 2010
Capital Expenditures	203.3	Note A	294.4	301.5	423.6
Depreciation	128.5	Note A	153.7	160.9	167.0
Difference	74.8	Note A	140.7	140.6	256.6

Table 2: Summary of Approved Capital Expenditures and Depreciation ($M)

	Test 2006	Test 2007	Test 2008	Test 2009	Test 2010
Capital Expenditures	153.5	Note A	230.1	240.1	350.0
Depreciation	126.9	Note A	146.9	154.4	166.4
Difference	26.7	Note A	83.2	85.7	183.6

RESPONSES TO BUILDING OWNERS AND MANAGERS ASSOCIATION OF THE GREATER TORONTO AREA INTERROGATORIES ON PRELIMINARY ISSUE

Note A. In 2007 an Incentive Rate Mechanism (IRM) adjustment application was submitted.

RESPONSES TO BUILDING OWNERS AND MANAGERS ASSOCIATION OF THE GREATER TORONTO AREA INTERROGATORIES ON PRELIMINARY ISSUE

INTERROGATORY 3:

Reference(s): A, T1, Sch. 2

Would you provide, beginning from the beginning of the period during which the Ontario Electricity distributors were rate-regulated by the OEB, in what years THESL submitted cost-of-service applications and cost-of-service "rebasing applications" or "IRM annual adjustment" applications. Please note the type of application submitted in each year, and in respect of each year's application, whether the OEB provided, as part of its decision in that proceeding, any explicit direction on what type of submission, "COS", "COS rebasing" or IRM adjustment THESL should file in the subsequent year? Has THESL ever made an IRM annual adjustment filing?

RESPONSE:

Table 1 on the following page summarizes the requested information. THESL and the majority of other utilities in the Province followed the PBR regime until 2006. The PBR regime itself was interrupted by the statutory rate freeze, which was lifted in stages in 2004 and 2005. For 2006 THESL chose the forward test year COS filing option. For 2007 THESL filed on an IRM basis. For 2008-2010, THESL filed on a three-year forward test period basis, and was granted a two-year forward test period. For 2009 THESL filed a formulaic update application as part of the approved multi-year test period. For each of 2010 and 2011 THESL filed forward test year COS applications. Other than for the 2009 test year, when the formulaic update was prescribed by the Board and followed from THESL's proposed multi-year test period, the Board has not prescribed a form of filing.

RESPONSES TO BUILDING OWNERS AND MANAGERS ASSOCIATION OF THE GREATER TORONTO AREA INTERROGATORIES ON PRELIMINARY ISSUE

1 **Table 1**

Year	Type of Filing	Explicit Direction
2000	PBR	No
2001	PBR	No
2002	PBR	No
2003	No filing – rate freeze	No
2004	PBR - Regulatory Assets Recovery	No
2005	PBR – Regulatory Assets Recovery, PILs, MBRR	No
2006	COS – Forward Test Year	No
2007	IRM	No
2008	COS – 2 year Future Test Year	Yes – update for Year 2
2009	Year 2 Update for prior application	No
2010	COS – 1 year Future Test Year	No
2011	COS – 1 year Future Test Year	No

RESPONSES TO ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO INTERROGATORIES ON PRELIMINARY ISSUE

INTERROGATORY 3:

Reference(s): Exhibit A1, Tab 1, Schedule 2, Page 26, Table 3

a) Please provide the number of Union + Non-Union management FTEs for 2008, 2009 and 2010.

b) Please provide the most recent figure for 2011 of Union + Non-Union management FTEs.

RESPONSE:

a) and b)

FTEs	2008	2009	2010	2011
Union	1,220	1,220	1,226	1,323
Non-Union	326	354	431	520
Total	1,546	1,574	1,657	1,843

Note: The increase in non-union positions in 2010 and 2011 is a result of restructuring within THC with the associated reduction in shared service costs for THESL.

RESPONSES TO ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO INTERROGATORIES ON PRELIMINARY ISSUE

INTERROGATORY 4:

Reference(s): Exhibit A1, Tab 1, Schedule 2, Page 30

On Page 30, the evidence states "All of this evidence pointed to the pressing need to invest substantially in THESL's aging, and in many cases failing distribution infrastructure. This investment is needed both to restore acceptable levels of service in areas experiencing unacceptably poor reliability, and to replace end of life equipment where the risk of failure is high."

Has THESL studied the factors causing failures and how age correlates? If so, please discuss.

RESPONSE:

Please refer to the "Toronto Hydro-Electric System Limited 2010 Asset Condition Assessment Audit" report developed by Kinectrics Inc. and submitted by THESL as part of the 2010 EDR submission (EB-2010-0142, Exhibit D1, Tab 8, Schedule 11). The report contains formulas used by THESL to calculate Health Indices for each of the distribution assets. Age is typically heavily weighted in the formulas, and thus a large factor in determination of the overall asset condition. Asset condition is then relatable to asset failure probability i.e., assets in the worst condition are the most likely to fail in the near future.

RESPONSES TO CITY OF TORONTO INTERROGATORIES ON PRELIMINARY ISSUE

INTERROGATORY 1:

Reference(s): none provided

The City of Toronto has concerns about the Ontario Energy Board's Cost Allocation model, specifically with respect to the costs allocated to the Street Lighting (SEL) customer class. It is vital that the City be able to explore this issue and challenge the model in a public hearing before the Board.

For the purposes of this question please assume that THESL's 2012-14 rates are to be set using the OEB's IRM rate-setting methodology. So assuming, please:

a) provide the 2012-14 SEL distribution rates;
b) describe in detail how these rates would be calculated;
c) discuss how other changes to SEL rates (e.g., due to the inclusion in rate base of SEL assets and proposed changes to the computed Revenue:Cost ratio) would be treated and the reasons for this treatment;
d) describe how differences between THESL's proposed SEL rates and those authorized for other LDCs in Ontario would be tested and reconciled;
e) discuss how allocated SEL distribution costs respond to reduced energy use by the customer class;
f) discuss how THESL's SEL distribution rates compare to those authorized for other customer classes;
g) discuss how the load characteristics of the SEL customer class compares to those of other customer classes who are charged lower distribution rates; and

RESPONSES TO CITY OF TORONTO INTERROGATORIES ON PRELIMINARY ISSUE

h) discuss whether in a rates proceeding that uses the OEB's IRM rate-setting methodology it would be THESL's position that the City could explore the issues described in parts b) -g) above fully and fairly.

RESPONSE:

a) Rates are set using the IRM model only for one year at a time. The inputs to the IRM model for the 2012-2014 rate years are not yet known (and are provided by the OEB). However, based on the latest parameters of the IRM model (GDP-IPI of 1.3%, Productivity of 0.72%, and stretch factor of 0.6%), the distribution rates are as follows:

	2011 Approved	2012 IRM	2013 IRM	2014 IRM
Customer chg ($/connection per 30 days)	1.30	1.27	1.25	1.22
Distribution chg ($/kVA per 30 days)	28.7248	28.1503	27.5873	27.0356

b) The rates would be set according to the mechanics of the IRM model. The IRM model changes the previous year's rates by a percentage according to inputs for inflation, productivity and stretch factor. In addition, if the Incremental Capital Module applies, a rate adder also applies for all rate classes.

c) The Ontario Energy Board is the authority that sets the scope and process for proceedings before it. THESL's understanding is that these issues would not be explored in the context of an IRM-PCI proceeding, but could be explored in a COS context.

RESPONSES TO CITY OF TORONTO INTERROGATORIES ON PRELIMINARY ISSUE

d) Please see response to (c) above.

e) In the short- to medium-term, THESL distribution costs related to energy use or demand – for all rate classes – are mainly fixed. For example, the cost of poles and conductors, once they are in place, do not vary with load.

f) THESL's current approved distribution rates for all classes are based on historical rates, the approved revenue requirement, and the results of applying the Board's cost allocation model. This model is designed to allocate costs to each class on a causal basis, using various allocation methodologies. These methodologies were developed as part of the Board's Cost Allocation Review process (EB-2005-0317) and resulted in the cost allocation model. The resulting rates for each rate class are summarized in Exhibit M1, Tab 1, Schedule 1, Table 1.

g) Load characteristics are only one of the inputs into the allocation of costs by customer class which determine distribution rates charged for each class of customer. Exhibit L1, Tab 2, Schedule 1, pages 1 and 3 provide information on kWh and coincident peak demand, and non-coincident peak demand by class. A summary of this information is in the table below.

RESPONSES TO CITY OF TORONTO INTERROGATORIES ON PRELIMINARY ISSUE

	Streetlighting	Residential	GS<50 kW	GS 50-999 kW	GS 1000-4999 kW	Large Use	USL
Annual kWh	111,260,970	5,037,295,612	2,071,525,044	10,268,957,200	4,685,622,966	2,501,484,518	52,097,299
(% of total)	0.4%	20.4%	8.4%	41.5%	18.9%	10.1%	0.2%
Annual kW	322,725	-	-	26,934,430	10,637,920	5,229,315	-
(% of total)	0.7%	-	-	62.5%	24.7%	12.1%	-
4CP (Coincident Peak)	28,063	4,039,891	1,856,974	7,092,595	2,703,544	1,406,121	25,998
(% of total)	0.2%	23.6%	10.8%	41.3%	15.8%	8.2%	0.2%
4NCP Primary (Non-Coincident Peak)	112,216	4,605,538	1,879,642	6,888,620	2,905,098	1,497,834	30,300
(% of total)	0.6%	25.7%	10.5%	38.4%	16.2%	8.4%	0.2%

h) Please see response to (c) above.

RESPONSES TO CITY OF TORONTO INTERROGATORIES ON PRELIMINARY ISSUE

INTERROGATORY 2:

Reference(s): none provided

For each of the historic years 2006-2010 inclusive:

a) Please provide THESL's actual OEB authorized Base Distribution rates in the same format as EM1/T1/S1/p2/Tbl1.

b) Please provide or confirm that ED1/T7/S2/p1 provides THESL's actual quality of service using the OEB's Service Quality Indicator metrics.

c) Please provide or confirm that ED1/T7/S3 provides THESL's actual reliability of service (i.e., SAIDI, SAIFI and CAIDI.)

RESPONSE:

a)

	2006	2007	2008	2009	2010	2011
Connection Charge ($/connection/30 days)	0.26	0.26	0.66	0.89	1.32	1.30
Volumetric Charge ($/kVA/30 days	3.59	3.60	15.37	19.7581	29.2169	28.7248

b) Exhibit D1, Tab 7, Schedule 2, page 1 includes all of the OEB Service Quality Indicators plus Underground Cable Locates which was discontinued by the OEB in 2008, and Call Center call Quality, which is a THESL metric and not an OEB metric.

c) THESL confirms that its actual SAIDI, SAIFI, and CAIDI reliability indices are included in the referenced Exhibit.

RESPONSES TO CITY OF TORONTO INTERROGATORIES ON PRELIMINARY ISSUE

INTERROGATORY 8:

Reference(s): none provided

ED1/T3/S1-2/p3 and EF2/T1/S6/AppA/p1 both provide information on THESL's regulatory expenses.

a) Please provide the estimated costs of the this Application;

b) Considering THESL's circumstances, please estimate the costs of an application to adjust THESL's rates under the OEB's IRM rate setting methodology; and

c) Please discuss the impact on rates of the recovery of these separate amounts.

RESPONSE:

a) The preparation and defence of this application is expected to be in the order of $1.7M including cost awards, OEB costs, internal staff costs and external legal and consultant support costs. A one-year cost of service application, based on EB-2011-0142, is in the order of $1.1M.

b) THESL has no historical information, or experience with the IRM form of application and is unable to provide a reliable forecast of the cost to prepare, defend and implement rates under that model. However, it is reasonable to assume that costs would be substantially lower if there were no ICM capital to present or defend. If there were ICM capital to defend, costs would be much higher than the base case without ICM capital, and potentially almost as costly as a full cost of service if substantial capital were proposed.

RESPONSES TO CITY OF TORONTO INTERROGATORIES ON PRELIMINARY ISSUE

c) The costs are all expensed. However, internal costs, which represent about 50% of the application cost, are not incremental. The remaining 50% are external costs that are incremental and become part of incremental revenue requirement.

RESPONSES TO VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES ON PRELIMINARY ISSUE

INTERROGATORY 3:

Reference(s): **Exhibit A1 Tab 1 Schedule 2 page 24 Table 1**
Exhibit A1 Tab 1 Schedule 2 page 28 Table 5
Exhibit A1 Tab 1 Schedule 2 page 30 lines 16-19
Exhibit A1 Tab 1 Schedule 2 page 33 lines 21-25
Exhibit D1, Tab 8, Schedule 1, page 5, Table 1

On the basis of the Board's statements in the Supplementary Report and the EB-2008-0187 Decision, together with the character of the ICM expenditures in the applications where use of the ICM was permitted, THESL understands it to be the Board's position that the ICM is not intended for, and would not be approved for, the type of capital program that THESL has conducted for several years and proposes to continue.

a) Please redraft Tables 1 and 5 on the basis that "the type of capital program that THESL has conducted for several years and proposes to continue" qualifies for the use of the ICM. Please do so using two different scenarios:
   1) A scenario in which all of THESL's Capital Budget qualifies for the ICM (for illustrative purposes), and
   2) A scenario within which only those parts of the Capital Program relating to the asserted need to "invest substantially in THESL's aging and, in many cases failing, distribution infrastructure" to "both restore acceptable levels of service in areas experiencing unacceptably poor reliability, and to replace end of life equipment where the risk of failure is high". Please describe any assumptions THESL makes, in accordance with the above description, with respect to the

RESPONSES TO VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES ON PRELIMINARY ISSUE

portions of the capital program set out in Exhibit D1, Tab 8, Schedule 1, page 5, Table 1 that qualify for ICM treatment in this scenario.

Please separately include the calculation of the ICM in each case.

RESPONSE:

a)

1) The following tables reproduce Tables 1 and 5 under the assumption that all of THESL's proposed capital qualifies for the ICM. All other assumptions made for the original tables (i.e., PCI of 0% for all years) remain. The assumption that OPEX costs would remain unchanged is an extreme assumption, as the OPEX amounts are tied to capital amounts, and would need to increase in the event the CAPEX amounts were approved.

Table 1: PCI+ICM Capex vs Proposed CAPEX

	2012	2013	2014
PCI+ICM Capex Amount	551.7	583.6	601.2
Proposed CAPEX	590.0	615.0	640.0
Shortfall	38.3	31.4	38.8
Percentage of Proposed CAPEX funded by PCI+ICM Capex	94%	95%	94%

RESPONSES TO VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES ON PRELIMINARY ISSUE

Table 5: ROE Consequences of IRM-PCI+ICM

	2011 Approved	2012	2013	2014
Equity Returns under PCI-ICM BDRR	$88,068,069	$100,147,610	$99,036,498	$91,905,418
Proposed ROE	9.58%	9.58%	9.58%	9.58%
ROE under PCI BDRR	9.58%	9.50%	8.11%	6.56%
Proposed Effective PILs Rate	13.39%	13.39%	13.39%	13.39%
PILs	$11,791,223	$13,408,524	$13,259,760	$12,304,997

2) THESL maintains that its entire capital program as presented is required and a meaningful scenario as requested here cannot be presented.

RESPONSES TO VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES ON PRELIMINARY ISSUE

INTERROGATORY 4:

Reference(s): Exhibit I1, Tab 1, Schedule 1 page 8 lines 2-4

Preamble:

THESL disposes of obsolete facilities and real estate on a periodic basis. In 2010, gains of $3.7 million resulted from the unplanned disposal of THESL idle properties such as Godard, Combermere and Rivalda.

a) Please estimate the value of "obsolete facilities and real estate" owned by THESL, and therefore potentially available to it to offset revenue requirement during the potential IRM years of 2012, 2013 and 2014.

RESPONSE:

a) THESL submits that the underlying premise of the question is incorrect. The OEB's 3rd Generation IRM construct operates as a formulaically-driven price cap over rates which are set in a rebasing year. Therefore, the notion of having properties available to "offset revenue requirement" does not apply as there is no revenue offset under the price cap mechanism. Nevertheless, THESL understands this question to imply that the company could have surplus properties available for sale during the IRM period which could alleviate revenue pressures, and will answer the question accordingly.

THESL notes that it is fundamentally imprudent to cover a utility's distribution service costs from the sale of assets as "normal course of business". This is akin to a scenario of burning one's furniture to keep warm. Instead, the financially prudent way to operate a utility is to examine all of the cost of service evidence and to then

RESPONSES TO VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES ON PRELIMINARY ISSUE

adduce whether the company's revenue offset forecast in each of the test years is reasonable.

For THESL's 2012 Rates Application, the net, after-tax gain on sale from surplus properties is forecast to be $nil as the properties that have been identified as potentially surplus could require significant environmental remediation. THESL has not identified any surplus properties for 2013 and 2014.

Environmental remediation costs associated with the sale of surplus distribution properties isnot unusual. Such properties may have contained equipment and accessories that used askarel (PCPs), oil and oil-based fluids, asbestos and other environmentally hazardous substances in operation or in storage for decades. While, in many instances, the equipment has been removed and only vacant lots remain, environmentally unfriendly substances could have leached into the land over the years. Prior to listing a property for sale THESL initiates an environmental assessment for each property, and it is this initial assessment which underpins THESL's forecast of the costs that could be incurred on the property prior to it being listed for sale.

As an example, THESL incurred over $3.9 million in environmental remediation costs for two of the "named properties" from EB-2007-0680 (175 Goddard Street and 211 Sterling Road) which, for myriad reasons the company could not predictably forecast when it first declared these properties as surplus. In one instance, significant environmental problems were caused by manufacturing operations from the neighbouring property by a company which became financially insolvent, thereby

RESPONSES TO VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES ON PRELIMINARY ISSUE

leaving THESL with no recourse but to clean its own property using its own financial resources. In the second instance, the soil had high levels of sodium which required expensive soil remediation work.

Therefore, it is unlikely that THESL will be able to rely upon any net after-tax gains from potential surplus properties to help it offset revenue pressures that will arise under IRM.

RESPONSES TO VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES ON PRELIMINARY ISSUE

INTERROGATORY 5:

Reference(s): A1/Tab1/Sch1/pgs. 1- 5

a) Please explain why three years (versus 1, 2 or 4) was chosen for the proposed rates?

b) Please explain why THESL's proposal to make future year adjustments due to rate base variation from forecast is not symmetrical (i.e. if actual rate base exceeds forecast rate base by more than 2% a review is held, but if falls below forecast by more than 2% no review is held).

c) Is THESL's proposal that it be subject to a cost of service hearing if in future years the actual rate base is higher than 2% of forecasted rate base?

RESPONSE:

a) THESL chose three years rather than some other number of years because it strikes a balance, in THESL's view, between the uncertainty associated with certain long-term forecasts impacting costs and revenues, and regulatory efficiency associated with multi-year cost of service applications.

b) THESL sought to propose a mechanism which safeguards ratepayer interests while affording a measured degree of flexibility for the utility, without imposing undue regulatory burden on the Board or any other parties.

Capital expenditure programs are subject to contingencies which are impossible to forecast, including strikes and labour disruptions (not necessarily at THESL), abnormal weather, changes in applicable regulations, statutes, or administrative requirements, and other factors. Not all of these are necessarily unfavourable or such

RESPONSES TO VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES ON PRELIMINARY ISSUE

as to impede the completion of projects. In any given year, at year end THESL may be ahead of or behind schedule with respect to its portfolio of capital projects, including capital contributions to Hydro One.

To protect the interests of ratepayers, THESL proposed, without limitation, that in the case that THESL was behind schedule, only the actual year end ratebase for the former year be taken as the opening ratebase in the subject test year for purposes of determining rates.

It is true that the Board or other parties might have concerns were it to be the case that THESL fell significantly behind on its capital programs, and nothing in THESL's proposal precludes (or could preclude) the Board requiring a hearing to address those concerns. However, THESL does not anticipate that would occur and did not see the merit in proposing that a 'symmetrical' hearing be required in the case of capital under-spending, given the protection already embodied in its proposal.

Conversely, THESL believes that it should be afforded flexibility, within reasonable limits, to advance work on its capital programs if environmental factors are conducive to that. THESL has proposed 2% of ratebase as a reasonable ceiling to permit that flexibility. Again, nothing in THESL's proposal can preclude or inhibit any Board inquiry into the capital spending above the approved amount for the prior test year.

Finally, to provide assurance to all parties that THESL regards itself as completely accountable for its capital expenditures, THESL proposed that were capital spending in the prior year to exceed the approved level plus 2% of ratebase, the default

RESPONSES TO VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES ON PRELIMINARY ISSUE

presumption would be that that capital spending would be not automatically form the basis of opening ratebase in the following year, but would be subject to review by the Board.

c) THESL proposes that the review described directly above would not be a 're-opener' but could be confined to addressing only the question of whether the actual year end ratebase from the former year would be the appropriate opening value of ratebase in the subject test year for purposes of revenue requirement determination.

RESPONSES TO VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES ON PRELIMINARY ISSUE

INTERROGATORY 7:

Reference(s): A1/Tab1/Schedule 2

a) Please provide the analysis and presentation provided to THESL senior management for the current rate proposal.

b) What alternative rate plans did THESL? Please provide the analysis, studies and reports that were relied upon to determine the way in which it would file its application.

RESPONSE:

a) While verbal updates were given to THESL senior management throughout THESL's 2012-2014 multi-year rates application development process, the only "presentation" material that was provided to senior management is the briefing note attached as Schedule 1 below. This same briefing note was also provided to the media as an information "backgrounder" and is found at Appendix A of this Schedule.

b) Only one alternative rate plan, IRM, is available to THESL. THESL concluded that this rate plan is inappropriate for the reasons set out at Exhibit A1, Tab 1, Schedule 2.

BACKGROUND POINTS: 2012-2014 TORONTO HYDRO RATES APPLICATIONS

- **The Applications have been filed at this time to meet the requirements of the Ontario Energy Board (OEB). The deadline for filing was August 26, 2012.**

- **The application is a multi-year "cost of service"- based application intended to cover the years 2012 – 2014. Importantly, this multi-year application is also intended to facilitate regulatory efficiency, in that Toronto Hydro will not need to come before the OEB annually to explain its on-going capital requirements.**

- **The key elements of this application are the continuation of the renewal of the distribution system, and the renewal of our ageing workforce.**

- **Increased spending on the renewal of the grid began in earnest in 2005 and is necessary to modernize the system and address ageing and failing infrastructure, so that we can maintain the reliability and quality of electricity service to our customers.**

- **Many neighbourhoods in Toronto are suffering through monthly outages. Approximately 40 per cent of the outages in Toronto are being caused by equipment failures. This is the serious, systemic infrastructure problem that has been addressed in the past 5 rates applications and is a key facet of this multi-year rates application.**

- **The need for infrastructure renewal is not a new issue for most utilities in North America (and is not limited to electrical infrastructure). We have highlighted this requirement in all of our recent applications to the Ontario Energy Board.**

- **In 2011 we will spend approximately $380 million on infrastructure renewal. Under this application, our capital spending will increase to $640 million per year in 2014.**

- **We are aware of the cost pressures generated by the increased spending on infrastructure renewal, and we are very sensitive to the effect of rising electricity costs on our customers. However, forgoing this work now will lead to more costly system renewal requirements in the future, and a continued deterioration of service.**

- **We are undertaking this capital plan at a time when approximately one-third of our workforce is expected to retire within the next 5 years. Many of these employees are skilled electrical tradespersons who must be replaced. It takes five years of apprenticeship training to fully certify a power line person.**

- **It is critical that new electrical trades' apprentices be hired now so that they can train with our experienced power line persons. To accomplish this, we are gradually hiring young apprentices into our five-year apprenticeship program. These apprentices are working alongside our experienced trades people, before the older employees retire.**

- **If this application is approved by the OEB, the average residential customer**

would see an increase on the distribution portion of their hydro bill of about $5.52 per month in 2012, an additional $4.20 per month in 2013, and a further $4.71 per month in 2014.

- **The increasing cost of electricity distribution is largely in line with other consumer services. Still, the relative cost of electricity to an average Toronto household has not increased significantly from over the past decade, and in fact, as a percentage of total non-discretionary household spending, it has dropped from 2.3 percent to 1.5[1].**

[1] Statistics Canada, Spending Patterns in Canada, Catalogue no. 62-202-X

RESPONSES TO VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES ON PRELIMINARY ISSUE

INTERROGATORY 8:

Reference(s): A1/Tab1/Schedule 2

a) When do THESL's contracts with its unionized employees expire?

RESPONSE:

a) THESL's collective agreements with CUPE LOCAL ONE, and The Society of Energy Professionals, expire on January 31, 2014, and December 31, 2011, respectively.

RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES ON PRELIMINARY ISSUE

INTERROGATORY 1:

Reference(s): none provided

[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.]

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.

RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES ON PRELIMINARY ISSUE

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		

RESPONSE:

THESL cannot confirm the accuracy of the calculations with respect to THESL distribution bills. SEC appears to have used an inaccurate factor to adjust for the 30-day basis of THESL bills, with the result that the THESL bill is overstated. Otherwise, THESL confirms that the other bill calculations appear to be correct.

With respect to the balance of the question, please refer to THESL's response to SEC interrogatory 6.

RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES ON PRELIMINARY ISSUE

INTERROGATORY 2:

Reference(s): none provided A1/Tab1/Schedule 2

[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.]

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.

RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES ON PRELIMINARY ISSUE

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	

RESPONSE:

THESL confirms that based on the data in the OEB's 2010 Yearbook of Electricity Distributors, the information on PP&E per customer for each utility in the table provided is correct.

With respect to benchmarking comparisons with other distributors, please refer to THESL's response to SEC Interrogatory 6.

Further capital spending on THESL's system is necessary for the purposes of infrastructure replacement and renewal, and for all the other areas set out in Exhibit D1, independently of conditions which may prevail on the systems of other distributors.

RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES ON PRELIMINARY ISSUE

INTERROGATORY 3:

Reference(s): none provided

[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.]

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.

RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES ON PRELIMINARY ISSUE

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	

RESPONSE:

THESL confirms that based on the data in the OEB's 2010 Yearbook of Electricity Distributors, the information on capital additions per customer for each utility in the table provided is correct.

With respect to benchmarking comparisons with other distributors, please refer to THESL's response to SEC Interrogatory 6.

With respect to why further capital expenditures are necessary, please refer to THESL's response to SEC Interrogatory 2.

RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES ON PRELIMINARY ISSUE

INTERROGATORY 4:

Reference(s): none provided

[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.]

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.

RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES ON PRELIMINARY ISSUE

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	

RESPONSE:

THESL confirms that based on the data in the OEB's 2010 Yearbook of Electricity Distributors, the information on OM&A and other expenses per customer for each utility in the table provided is correct.

With respect to benchmarking comparisons between utilities, please refer to THESL's response to SEC Interrogatory 6.

RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES ON PRELIMINARY ISSUE

With respect to the need for operating expenditures, THESL has presented extensive prefiled evidence at Exhibits F1 and F2. THESL's needs for infrastructure and workforce renewal continue to be significant drivers of operating expenditures.

RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES ON PRELIMINARY ISSUE

INTERROGATORY 5:

Reference(s): none provided

[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.]

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.

RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES ON PRELIMINARY ISSUE

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	

RESPONSE:

THESL confirms that based on the data in the OEB's 2010 Yearbook of Electricity Distributors, the information on total Power and Distributions Revenue plus Cost of Power and related costs per customer for each utility in the table provided is correct.

With respect to benchmarking comparisons between utilities, please refer to THESL's response to SEC Interrogatory 6.

With respect to the need for distribution revenue, this follows from THESL's existing ratebase and its capital and operating plans. THESL has prefiled extensive evidence on these areas at Exhibits C2, D1, E1, F1, F2, H1, I1, and J1. Workforce and infrastructure

RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES ON PRELIMINARY ISSUE

renewal continue to be significant drivers of THESL's expenditures to serve its customers.

RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES ON PRELIMINARY ISSUE

INTERROGATORY 6:

Reference(s): none provided

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.

RESPONSE:

The conclusions embodied in SEC interrogatories 1 – 6 are based on simplistic comparisons of ratios computed from data that is not necessarily comparable and reflects only end-state outcomes, such as cost per customer, without adjustment or recognition of differences in underlying cost drivers. THESL does not resist comparisons on a fair basis to other utilities, but does not believe that comparisons of the sort exhibited in SEC interrogatories 1 – 6 afford any insight as to the reasons for differences, or provide adequate support for conclusions regarding differential performance levels, as SEC suggests.

Specifically, cost 'snapshots' taken at a particular point in time reflect many different dimensions of circumstances and cost drivers that may be markedly different between utilities, including:

1. Service area characteristics such as urban/suburban/rural profile, growth rate, traffic congestion, degree of vegetation impingement, requirements for coordination with other utilities, municipal requirements/restrictions regarding

RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES ON PRELIMINARY ISSUE

road occupancy, presence of cost of living premiums in wages, requirements for externally initiated plant relocations, prevalence of adverse weather, percentage of multi-unit buildings, effective population served;

2. Customer base characteristics such as customer density, customer turnover, percentage of low income customers, percentage of accounts with delinquency or bad debt;
3. Distribution system characteristics such as capacity and peak load served, state and trend in vintage and condition of plant, degree of standardization, prevalence of non-distribution attachments, degree of underground plant and underground utility congestion, percentage of rear lot construction, percentage of direct buried underground feeders, percentage of system funded through contributions;
4. Employee-base characteristics such as average age and seniority, number of apprentices, collective bargaining agreement provisions;
5. Financial characteristics such as ratings, return on equity, debt to capitalization ratios, debt service ratios;
6. Customer service characteristics including service quality and reliability.

Moreover, these characteristics may vary markedly even between adjoining utilities.

These explanatory factors are not captured in the data contained in the Yearbook. For example, the Yearbook does not provide the percentage of non-revenue producing capital, the percentage of plant at or past end of life, or the percentage of plant contributed. Precisely because no underlying-cause analysis is present in snapshot comparisons, it is not possible to conclude on the basis of those comparisons that cost levels exhibited by one utility are more or less justified than those of another utility.

RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES ON PRELIMINARY ISSUE

INTERROGATORY 7:

Reference(s): 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).

RESPONSE:

THESL's Application has been presented in US GAAP .

RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES ON PRELIMINARY ISSUE

INTERROGATORY 12:

Reference(s): **A1/1/2, p. 24**
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.

RESPONSE:

THESL confirms the first part of this interrogatory. For the second part, assuming the 10 year period is 2012-2021, the estimated increase in NFA is closer to 3.0

RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES ON PRELIMINARY ISSUE

INTERROGATORY 13:

Reference(s): **A1/1/2, p. 30**
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".

RESPONSE:

While THESL's reliability indicators are below (i.e., better than) the composite Canada-wide averages as reported by the CEA and noted in THESL's Annual Information Form, THESL does not consider these statistics as indicating that THESL's reliability is currently at an acceptable level. In addition, contrary to what was implied, THESL has not and does not consider its current reliability results as "good". In fact, as noted in Exhibit D1, Tab 7, Schedule 5, pages 63-65, THESL's reliability indicators are in many cases well above (i.e., much worse than) those of other comparable major international cities.

RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES ON PRELIMINARY ISSUE

INTERROGATORY 14:

Reference(s): 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.

RESPONSE:

THESL began offering on-line web tools and information services in 2009 to meet emerging customer demands for web-based communication channels as well as to improve customer satisfaction and offset the growing call centre activity resulting from major industry changes e.g., introduction of smart meters, TOU rates, HST and the like.

While measurement or monitoring technology have not been implemented to track the success of these web tools, call diversion estimates are based on supporting research e.g., ESource, which has been used to derive the estimated number of calls diverted using the number of web hits per year as identified in Exhibit B1, Tab 5, Schedule 1, page 2. Historical call volume data indicates a gradual increase in calls over the last five years; however, considering the number of major events and associated web hits one can reasonably assume the on-line services are diverting calls and avoiding an increase in operating costs.

As additional online services are implemented, a conservative net benefit is projected, which will be used as an opportunity to provide customers with an enhanced customer experience, stressing first time right principles. Future measurement and monitoring

RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES ON PRELIMINARY ISSUE

technology will be used to help track the success of the online services as well as provide customer research to continually enhance the service to better serve customers and effectively align call centre resources with customers' needs.

RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES ON PRELIMINARY ISSUE

INTERROGATORY 15:

Reference(s): 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".

RESPONSE:

The City owns all of the outstanding shares of the Corporation and has the power to determine the composition of the Corporation's Board of Directors. The Corporation has the right to appoint the independent directors of THESL. The Corporation's Board of Directors approves the Corporation's financing programs and dividend payments in accordance with applicable law.

RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES ON PRELIMINARY ISSUE

INTERROGATORY 16:

Reference(s): B1/10/1, p. 19

Please provide a copy of the most recent and updated Shareholder Direction and all amendments to it.

RESPONSE:

The Shareholder Direction from the City of Toronto to Toronto Hydro Corporation is a restricted document between the Corporation and its sole shareholder. Therefore, THESL cannot provide a copy of this document.

However, key aspects of the Shareholder Direction can be found in Section 5.1 of the Corporation's 2010 Annual Information Form ("AIF") which is a public document available on SEDAR (www.SEDAR.com), and which can also be found in the Exhibit reference used in this IR. For convenience, the relevant section of the Corporation's 2010 AIF is reproduced below.

5.1 Shareholder Direction

As sole shareholder of the Corporation, the City has adopted the Shareholder Direction that sets out the following corporate governance principles with respect to Toronto Hydro:

- the objectives of the City in connection with its relationship with Toronto Hydro;
- the principles that govern the operations of Toronto Hydro;
- the matters in addition to those set out in the OBCA that require the approval of the City as the sole shareholder of Toronto Hydro; and

RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES ON PRELIMINARY ISSUE

- certain financial and administrative arrangements between the Corporation and the City.

(a) Objectives

The City's objectives in connection with its relationship with Toronto Hydro are as follows:

- the value of Toronto Hydro should be maintained or increased;
- the City's income stream from Toronto Hydro should be comparable to the City's estimated financial benefit if Toronto Hydro had been sold as a going concern;
- Toronto Hydro's consumers should not be unduly impacted by the transfer of assets from the City and the Toronto Hydro-Electric Commission to Toronto Hydro; and
- the environmental impacts related to Toronto Hydro should be improved.

(b) Principles Governing Operations

The Shareholder Direction states that the business of Toronto Hydro is integral to the well being and the infrastructure of the City of Toronto and provides, among other things, that it is in the best interests of Toronto Hydro and the stakeholders affected by its business that Toronto Hydro conducts its affairs:

- on a commercially prudent basis, while engaging in recruitment practices designed to attract employees from the diverse community it serves and supporting the City's objectives where consistent with Toronto Hydro's business objectives, including procurement practices that encourage participation of equity-seeking groups, in a manner consistent with the energy policies established by the City from time to time, in a socially responsible

RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES ON PRELIMINARY ISSUE

manner that supports priority objectives of the City that are consistent with Toronto Hydro's business objectives and in accordance with the financial performance objectives of the City;

- to provide a reliable and efficient electricity distribution system that meets changing demand utilizing emerging green technologies as appropriate with an emphasis on customer satisfaction;
- in a safe and environmentally responsible manner while working with the City to achieve its climate change objectives; and
- in a manner that promotes energy conservation and environmental responsibility, works with the City to achieve its climate change objectives, keeps its property and facilities clean and well maintained and free from graffiti and protects and enhances the City's urban forest.

The Shareholder Direction provides that the Board is responsible for determining and implementing the appropriate balance among these principles.

RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES ON PRELIMINARY ISSUE

INTERROGATORY 17:

Reference(s): B1/10/1, p. 37

Please provide the most recent consultant's report recommending "compensation levels for the NEOs".

RESPONSE:

The most recent consultant report has yet to be concluded. THESL expects to receive a finalized report in early 2012.

RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES ON PRELIMINARY ISSUE

INTERROGATORY 18:

Reference(s): B1/10/1, p. 41

Please provide a definition and explanation of the metric "Distribution Plant Capital per Unit".

RESPONSE:

The Distribution Capital per Unit KPI is a measure used in the course of a particular calendar year, to track work accomplishment against plan. The measure is essentially total forecast cost/total forecast units on a portfolio basis. Units between portfolios, or units for a portfolio on a year over year basis are not comparable.

RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES ON PRELIMINARY ISSUE

INTERROGATORY 19:

Reference(s): 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%.

RESPONSE:

Confirmed.

RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES ON PRELIMINARY ISSUE

INTERROGATORY 20:

Reference(s): 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

RESPONSE:

THESL confirms the above.

RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES ON PRELIMINARY ISSUE

INTERROGATORY 21:

Reference(s): 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.

RESPONSE:

THESL is unable to present productivity results in the manner requested. Rather, THESL strives to improve its asset management and planning processes, recruitment, training and leadership programs, procurement practices, customer service delivery methods, and program attainment through structured management control and reporting systems. Taking this approach to organizational improvement provides synergies and efficiencies that transcend department or expense category boundaries. It is not possible to identify the specific dollar impacts of these efforts on individual expense categories.

RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES ON PRELIMINARY ISSUE

INTERROGATORY 22:

Reference(s): 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.

RESPONSE:

Please also refer to THESL's responses to SEC Interrogatories 1 through 6.

THESL has filed several volumes of evidence explaining and justifying its proposed revenue requirements for the test years. That evidence documents the need for increases relative to past years.

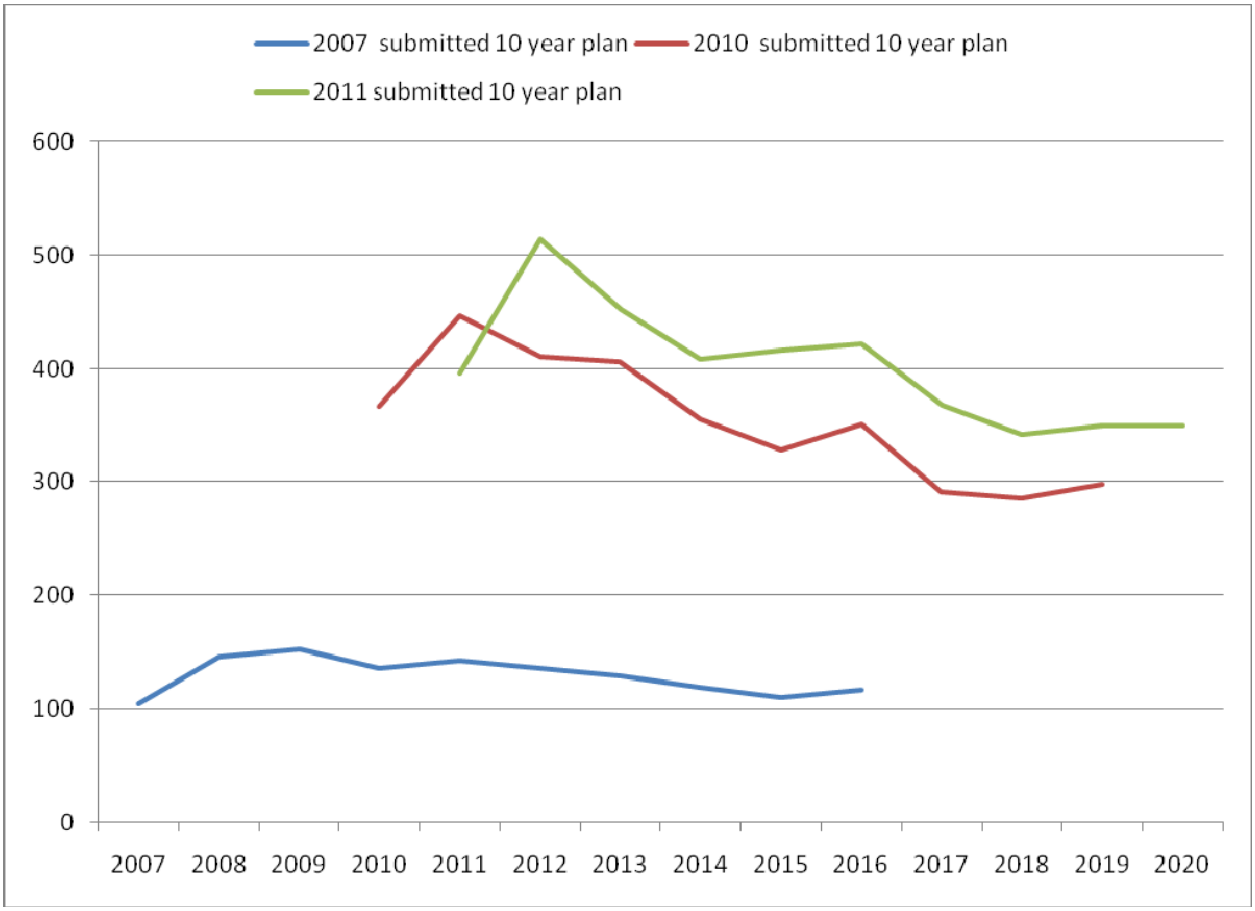
Otherwise, for the reasons set out in THESL's response to SEC Interrogatory 6, it is not possible or meaningful for THESL to comment on comparative figures for other distributors. THESL takes the position that its proposals should be judged on their own merits. This would not preclude fair comparisons to other distributors, but the simplistic end-state comparisons proposed by SEC take no account of differences in circumstances or cost drivers and are therefore misleading and unreliable.

RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES ON PRELIMINARY ISSUE

INTERROGATORY 23:

Reference(s): 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.



RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES ON PRELIMINARY ISSUE

RESPONSE:

Figure 1 illustrates the update to the original figure provided within EB-2010-0142 (Exhibit R1, Tab 9, Schedule 49, p. 2 in that proceeding). This figure includes a new plotted line (EDCP 2012 – 2021) representing the proposed capital spending within the 2012-2021 Electrical Distribution Capital Plan (EDCP). Capital expenditures associated with the Stations Infrastructure portfolio are not included as part of this plotted line, as these expenditures are included within the Facilities budget.

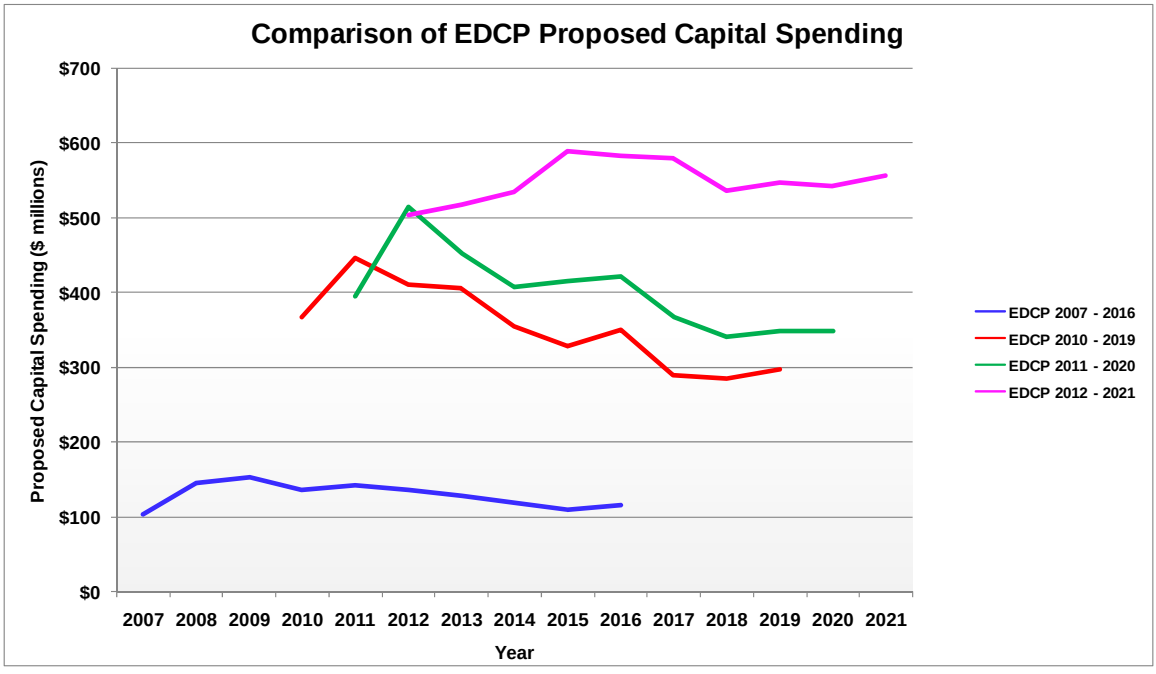


Figure 1: Comparison of EDCP Proposed Capital Spending