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**BY E-MAIL**

September 3, 2014

Rob Barrass  
Manager and Counsel, Regulatory Affairs  
Toronto Hydro-Electric System Limited  
14 Carlton Street  
Toronto, ON M5B 1K5

Dear Mr. Barrass:

**Re: Toronto Hydro-Electric System Limited ("THESL")  
Application for Rates  
Board File Number EB-2014-0116**

As you are aware, Board staff has engaged Larry Kaufmann of Kaufmann Consulting/Pacific Economics Group (PEG) to review THESL's pre-filed evidence in the EB-2014-0116 proceeding in the areas of forecast costs, incentive rate-setting proposals, benchmarking/productivity evidence and proposals addressing the treatment of capital during the incentive rate-setting period.

In order to allow Dr. Kaufmann to more completely review THESL's evidence in these areas, the information outlined in the attachment to this letter is requested.

Board staff acknowledges that some of the requested information may appear to be of the type that would normally be obtained through the interrogatory process. However, Board staff believes that the earlier provision of this information by THESL would facilitate the application review process by both Board staff and intervenors.

Board staff notes that some of these requests are directed to THESL's consultant Power System Engineering (PSE) and some to THESL itself.

Board staff understands that THESL may request, in accordance with the Practice Direction on confidentiality, that some information be treated as confidential. The final

decision as to any such requests will be made by the Board Panel reviewing the application.

Please advise as to whether THESL has any concerns with these requests. It would be appreciated if THESL could provide this information by Wednesday September 10<sup>th</sup>.

Yours truly,

*Original Signed By*

Kirsten Walli  
Board Secretary

Attachment

Board Staff Information Requests

To PSE

1. For PSE's combined Ontario-US cost benchmarking model; US-THESL cost benchmarking model; US-THESL SAIFI benchmarking model; and US-THESL SAIDI benchmarking model; please provide the following:
  - a. All data used in the respective study, in the form of a Microsoft Excel spreadsheet
  - b. All other Excel files that made use of the source data and produced measures that were used, directly or indirectly, by the respective benchmarking models
  - c. All Excel or other files used to produce the Tables and Figures in the PSE benchmarking report
  - d. The computer code used to generate results for the respective benchmarking models
  - e. The output of the computer program for each respective model; this output should include and clearly identify:
    - i. All coefficient estimates
    - ii. All standard errors of coefficient estimates
    - iii. The number of observations for each regression equation
    - iv. The actual and predicted values for the dependent variable in the regression, on average for the three most recent sample years, for each company in the sample
    - v. The p-value on the test of the hypothesis that the actual value of the dependent variable is equal to the predicted value, on average over the three most recent sample years, for each company in the sample
    - vi. The Rbar-squared for each respective model
    - vii. The Durbin-Watson statistic for each regression

- viii. The number of observations for which monotonicity conditions were satisfied
  - ix. The number of observations for which concavity conditions were satisfied
- 2. Please confirm the units for the km of line data used in the study, specifically:
  - a. For the overhead line length data used by PSE for THESL, were the data expressed as circuit km, conductor km, or pole km?
  - b. For the underground line length data used by PSE for THESL, were the data expressed as circuit km, conductor km, or pole km?
  - c. For the overhead line length data used by PSE for the US sample, were the data expressed as circuit km, conductor km, or pole km?
  - d. For the underground line length data used by PSE for the US sample, were the data expressed as circuit km, conductor km, or pole km?
- 3. Please state whether or not the cost data for US sample companies include any of the following accounts:
  - a. Account 904: Uncollectible Accounts
  - b. Account 926: Pensions and Benefits
  - c. Account 927: Franchise Fees
  - d. Accounts 408-409: Federal income taxes, Other income taxes, Taxes other than income taxes
- 4. Please identify any other FERC accounts there were eliminated from PSE's definition of OM&A cost for either THESL or the US sample.
- 5. Please describe the process and formulae used to allocate the Administrative and General (A&G) expenses of vertically-integrated US utilities to that utility's electricity distribution function. Relatedly, please explain whether 100% of A&G expenses of vertically integrated utilities were assigned to electricity distribution.

6. PSE says that the US cost data used in its cost benchmarking study were consistent with the Ontario cost benchmarking data used by PEG in 4<sup>th</sup> Generation Incentive Regulation. Please explain the steps PSE took to make the following cost adjustments to the US cost data, and reference the relevant parts of the worksheets making these adjustments:

- a. Adding contributions in aid of construction to capital expenditures
- b. Removing the capital costs of all transmission substations greater than 50 kV
- c. Removing the costs of high voltage OM&A expenses
- d. Removing CDM expenditures

To THESL

7. THESL reports 9,913 circuit km of distribution line on its 2012 RRR filing. Please reconcile this value with the value used for 2012 km of line for THESL in PSE's benchmarking report.

8. Please provide:

- a. The total MVa capacity of substations owned by THESL.
- b. The MVa capacity of the Cavanaugh station and any other THESL-owned station that takes incoming power at voltage levels greater than or equal to 50 kV.

9. Please provide data for RRR accounts 5645, 5646, and 5647 for each year from 2002 to 2012.