



PUBLIC INTEREST ADVOCACY CENTRE
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Michael Janigan
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613-562-4002

October 17, 2014

VIA MAIL and E-MAIL

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

Dear Ms. Walli:

Re: DRAFT EB-2014-0116 Toronto Hydro-Electric System Limited

Please find enclosed the interrogatories of VECC in the above-noted proceeding.

Yours truly,

Michael Janigan
Counsel for VECC

Attachment

cc: Ms. Daliana Coban
regulatoryaffairs@torontohydro.com

REQUESTOR NAME VECC
INFORMATION REQUEST ROUND NO: # 1
TO: Toronto Hydro-Electric System Limited (THESL)
DATE: October 15, 2014
CASE NO: EB-2014-0116
APPLICATION NAME 2015-2019 CIR Rates Application

(Note: All References are to the Application as updated in September 2014 unless otherwise indicated)

1.0 ADMINISTRATION (EXHIBIT 1)

1.0-VECC-1

Reference: All

- a) For all adjustments made as part of the interrogatory process please provide a tracking table showing the adjusted revenue requirement, the category under which the adjustment is made (rate base, OM&A etc.) and a reference to the interrogatory for which that change was made. An example of this form of table is shown below.

Reference		Regulated Return	Regulated Rate of	Rate Base	Working Capital	Working Capital	Amortization	PILs	OM&A	Service Revenue	Base Revenue	Gross Revenue
Reference		Regulated Return	Regulated Rate of	Rate Base	Working Capital	Working Capital	Amortization	PILs	OM&A	Service Revenue	Base Revenue	Gross Revenue
OEB IR# 24 (a) & (b)	Original Submission	\$10,824.12	7.08%	\$152,808.3	\$125,598.1	\$18,839.72	\$7,816.33	\$1,212.31	\$10,183.8	\$30,036.6	\$28,980.64	\$5,012.44
EP IR# 13 (e)	Adjust Infrastructure	\$11,168.5	7.31%	\$152,808,	\$125,598,	\$18,839,7	\$7,816,33	\$1,212,31	\$10,183,8	\$30,381,0	\$29,325,1	\$5,356,91
EP TCQ # 9 & EP IR # 19 (a)	Ontario Debt to 1 Day Change	99	0.23%	317	185	28	1	0	38	77	15	4
EP TCQ # 9 & VECC TCQ # 1 (b) & (c)	PILs Correction - Input Error - Bldg amount in Class 1b Change	\$344,475	7.31%	\$0	\$0	\$0	\$0	\$0	\$0	\$344,475	\$344,475	\$344,475
EP IR # 11 (b) & VECC TCQ # 1 (a)	AFUDC Rate on Capitalized Interest Change	\$11,168,59	7.31%	\$152,808,	\$125,598,1	\$18,839,7	\$7,816,33	\$1,213,48	\$10,183,8	\$30,382,2	\$29,326,28	\$5,358,08
VECC TCQ # 1 (b) & (c)	Adjust Purchase kWh for CDM Adjmts Change	9	7.31%	317	85	28	1	4	38	52	9	9
Decision EB-2010-0002	Power Rates Change	\$0	7.31%	\$0	\$0	\$0	\$0	\$1,175	\$0	\$1,175	\$1,175	\$1,175
EP IR # 21	Adjust Oct 15/10 Navigant Numbers, Power, GA & \$68.38 RPP Rates Change	\$11,196,0	7.31%	\$153,183,	\$125,598,	\$18,839,7	\$7,823,92	\$1,213,33	\$10,183,8	\$30,417,1	\$29,361,1	\$5,392,98
EP IR 23 (c) / 29 (a) & (b) EP TCQ 14 (a)	Adjust NW & CN kW for Purchase & CDM Adjmts Change	54	7.31%	959	185	28	0	6	38	47	85	4
EP IR 40 & EP TCQ 21 (a)	Adjust NW & CN kW for IESO & HONI January 1, 2011 Price Increases Change	\$27,455	7.31%	\$375,642	\$0	\$0	\$7,589	-\$148	\$0	\$34,896	\$34,896	\$34,896
EP IR 41 / EP TCQ 21(b)	OMERS increase for 2012 &	\$11,196,0	7.31%	\$153,183,	\$125,598,	\$18,839,7	\$7,823,92	\$1,213,33	\$10,183,8	\$30,417,1	\$29,361,1	\$5,279,23
		54	7.31%	959	185	28	0	6	38	47	85	8
		\$0	7.31%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	-\$113,746
		\$11,204,8	7.31%	\$153,304,	\$126,398,	\$18,959,8	\$7,823,92	\$1,215,19	\$10,183,8	\$30,427,7	\$29,371,8	\$5,289,87
		32	7.31%	058	846	27	0	9	38	88	26	4
		\$8,778	7.31%	\$120,099	\$800,661	\$120,099	\$0	\$1,863	\$0	\$10,641	\$10,641	\$10,641
		\$11,202,0	7.31%	\$153,266,	\$126,149,	\$18,922,4	\$7,823,92	\$1,214,61	\$10,183,8	\$30,424,4	\$29,368,5	\$5,286,56
		97	7.31%	641	397	10	0	9	38	73	10	4
		-\$2,735	7.31%	-\$37,417	-\$249,449	-\$37,417	\$0	-\$580	\$0	-\$3,315	-\$3,315	-\$3,315
		\$11,212,7	7.31%	\$153,412,	\$127,120,	\$19,068,0	\$7,823,92	\$1,216,87	\$10,183,8	\$30,437,3	\$29,381,4	\$5,299,46
		40	7.31%	249	117	18	0	7	38	74	12	5
		\$10,642	7.31%	\$145,608	\$970,720	\$145,608	\$0	\$2,259	\$0	\$12,901	\$12,901	\$12,901

1.0 – VECC - 2

Reference: 1B/T2/S5/Appendix C

- a) In its Reply Submission to the issue of confidentiality with respect to the sale of property THESL makes the following statement: “*Toronto Hydro has proposed to credit all net proceeds of sale from the Properties back to ratepayers.*”. Yet in Attachment A of the above reference (Navigant Assessment) it states in reference to operating center moves and sales that “[N]one of the funds will be used for facilities or equipment for the delivery of electricity to THESL customers. Please explain this apparent discrepancy.

1.0-VECC-3

Reference: 1A/T2/S1/pg.27

- a) Please provide the THESL’s CPI actual/forecast for each of the years 2012 through 2019. Please provide the source for these figures.

1.0-VECC-4

Reference: 1A

- a) Based on THESL’s current forecasts please provide a chart showing the annual bill of a residential customer at 1000kWh/month for each of the years 2011 through 2019. Please show the forecast/assumptions.
b) Please prepare a graph which compares this annual amount to the actual and forecast CPI for the same period.

1.0-VECC-5

Reference: 1B/T2/S5/Appendix B & T6/pg.3 Table 1

- a) At section 1.4 of the PSE Benchmarking Report its notes that in many U.S. jurisdiction weather-normalized SAIFI/SAIDI statistics (excluding major event days) are used in order to gauge reliability performance during normal operating conditions. Please provide the author’s view of why this is done and explain any significant impact such a difference has when comparing Ontario to U.S. Utilities.

- b) Using Table 1 in the Report please identify the utilities eliminated from the analysis due to the absence of having comparable SAIFI/SAIDI data.
- c) Since THESL track outages by cause code please explain why benchmark or targets for reduction of interruptions by the defective equipment, scheduled outage or other more informative statistics were not used.

Customer Experience

1.0-VECC-6

Reference: 1B/T2/S7/Appendix B

- a) At page 14 of the Innovative Research Group Customer Consultation Report (“Report”) it provides various responses to the workbook and subsequent survey. Please provide the actual sample size for each rate class surveyed and for whom results are shown in this Report.
- b) Please comment on the statistical significance of the survey response vis-à-vis the population size for each class.
- c) At page 24 of the Report it shows the outages experienced over the past 2 years. Please show the actual outages for the last 2 years for the classes that were included in that response. Please explain how they compare.
- d) At page 20 of the Report it shows customer response to the question of how THESL can improve service. The responses sum to 102%. Please explain why.
- e) With respect to the responses on page 20 please explain how respondents were required to indicate their preference. That is, were the responses mutually exclusive or were they ranked (i.e. collectively exhaustive)?
- f) At page 33 it asks if customers prefer to replace equipment when it breaks down even it means power outages. The response was - 73% would prefer proactive replacement. What “equipment” is being discussed in this question? What portion of outages for each year 2011 through 2013 was due to faulty equipment (i.e. non-weather, animal, or human interference related)?
- g) At page 34 it states that “*More than half (56%) of residential respondents agree that it is “very important” for Toronto Hydro to invest now in modernizing the grid.*” What information was provided to the

respondents in order for them to understand the meaning of “modernizing the grid”?

- h) At page 40 it indicates that 47% of respondents believe THESL should change some of the priorities. What priorities were ranked/reviewed by the respondents? Which priorities did the respondents believe need changing?
- i) What information and questions did THESL give/ask consumers in respect to the complement or compensation of THESL employees and its executives?

1.0-VECC-7

Reference: 1B/T2/S7/Appendix B:

- a) Beginning at page 106 of the survey result there are summaries of customer telephone surveys. The stated purpose of these surveys was “*to obtain statistically significant quantitative feed on the proposed DSP and to assess reaction to customer opinions obtained from the previous research phases.*” Were the same questions asked in both surveys? If yes, please provide a table that compares the results of the two surveys.

2.0 RATE BASE (EXHIBIT 2)

2.0 – VECC - 8

Reference: 2A/T1/S1/pg.7-8

- a) Please provide a breakdown of the \$66.7 in capital additions that were above the Board approved in 2011 (i.e. Stray Voltage equipment/715 Milner/Other).
- b) Please explain why this amount Stray Voltage Equipment and Milner Property purchase were unknown at the time of the 2011 rebasing application.

2.0-VECC-9

Reference: 2A/T1/S2/Continuity Schedule

- a) In 2011 through 2013 THESL shows significant additions and retirements to its Transportation Equipment (Account 1935). In 2014 no retirements are forecast and notwithstanding the forecast addition of 4.4 million in such equipment. Please explain why there are not retirements forecast for Transportation Equipment in 2014?
- b) Please explain why there are no Transportation Equipment Retirements in 2015.

2.0-VECC-10

Reference: 2A/T1/S2/Continuity Schedule

- a) THEL's forecast contribution & grants for 2014 and 2015 appear to be significantly lower than past actuals (see table below). Please explain how the 2014 and 2015 forecast for contributions is calculated. If it is calculated based on specific connection projects please show these.

Description	Account	2011	2012	2013	2014 (MIFRS)	2015
Capital Contributions	1995	36,381,079	22,061,046	23,083,937	17,606,991	15,285,779

2.0-VECC-11

Reference 2A/T5/S1/pg.17

- a) Please show the allocation of the \$10.9 million difference in value of transferred street lighting assets (39.8-28.9) as between that due to normal asset evolution and that due to valuation changes.

2.0-VECC-12

Reference 2A/T6/S1/pg.2

- a) Why did THESL change the interest rate used for CWIP to the weighted average cost of borrowing (from Board approved rate)?

What is the cost difference in 2015 of these methodologies? Given the short-term nature of project financing why would THESL's (Board's) cost of short-term not be more appropriate than the weighted costs?

2.0-VECC-13

Reference 2A/T6/S2/Appendix 2-AA

- a) Please explain the category Contingency Enhancement that begins in 2015.
- b) Please explain the category of General Plant costs called "Inflation" is included in the capital budget.

2.0-VECC-14

Reference: 2A/T6/S2/Appendix 2-AA & 2A/Tab 1/Schedule 1

- a) Please explain the reasons for the large drop in capital/additions/spending in 2012 as compared to the previous and subsequent years.

2.0-VECC-15

Reference: 2A/T10/S2/ pg.4

Pre-ambule – the purpose of these questions is to better understand how MEDs are defined and used by THESL.

- a) Please explain how a Major Event Day ("MED) thunderstorm is delineated from a "regular" thunderstorm. Are there certain conditions under which equipment flooding is categorized as part of a MED and others when it is not? Please explain how THESL divines the difference between a "major event day" and "something major that happens on a day"

2.0-VECC-16

Reference: 2A/T5/S1/pg.6 2B/Section D2/Overview of Assets Managed/pg.13 & 4A/T2/S1/pg.

- a) In the discussion regarding streetlighting assets it states that the OIP study shows approximately 27% of poles were older than 1970. The table at 2B/Section D2, page 13 appear to show wood poles with an age of about 40%. At Exhibit 4A its states that 31% of poles will

exceed 45 years. Are the findings of the Distribution plan similar or different than those for similar assets done for the streetlighting transfer?

- b) Does the estimate of pole age have a bearing on THESL’s pole replacement program?

2.0-VECC-17

Reference: 2B/Section D/Appendix A – 2014 Asset Condition Assessment Audit

- a) Please explain how THESL is responding to recommendation 6 of the Audit:

“Consider adopting the recommended Health Index formulations presented in the Kinectrics 2010 Audit. If required, continue refining the recommended Health Index formulations and determine what is feasible from an operational perspective”.

2.0-VECC-18

Reference: 2B/Section E8.3/pg.23

- a) Please update the ERP spending for 2014 to show the actual spending to date.
- b) Has THESL completed its selection of a vendor(s) for this project? If not when is this expected to occur?

2.0-VECC-19

Reference: 2B/ E8.1 & 1A/T6/S2/ Appendix 2-AA

- a) Based on the preliminary budget of \$52.1 million, please provide the annual 2015 to 2019 capital improvement budgets that are included in the rate plan for the Rexdale property.
- b) When does THESL expect to have a detailed budget for renovation of this property?
- c) Please reconcile the “Facilities” line for 2014-2019 (1st table) with Table B (2nd table) from the Distribution Plan showing OCCP capital expenditures.

System Service Investments Sub-Total	104.1	86.8	56.5	62.5	49.5	73.9
Fleet and Equipment Services	2.6	3.9	3.2	3.7	3.5	3.6
Facilities	90.3	53.8	24.2	2.0	2.0	1.9
IT Hardware	5.2	5.9	8.0	7.4	9.8	5.6
IT Software	10.1	15.5	16.2	15.8	16.8	16.8
Radio Project	-	6.7	13.7	-	-	-
ERP*	0.9	17.7	33.6	-	-	-
Program Support	0.4	1.2	0.5	-	-	-
General Plant Investments Sub-Total	109.5	104.6	99.4	28.9	32.1	27.9

TABLE B: HISTORIC AND FUTURE SPENDING

Year	Historical Spending					Future Spending				
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
CAPEX (\$M)	0.0	17.3	0.0	7.7	82.7	37.4	14.8	0.0	0.0	0.0

3.0 OPERATING REVENUE (EXHIBIT 3)

3.0 –VECC - 20

Reference: E3/T1/S1, pages 3-4

OEB Exh3_T01_S01_Modelling Input Data

Preamble: The text on page 3 (lines 7-8) indicates that historical cumulative CDM impacts are added back to system purchased energy. The text on page 4 (lines 14-16) goes on to explain the load forecast models are developed on a class basis.

- a) Please confirm that the dependent kWh/day variable was based on the purchased energy for each customer class?
- b) If purchased energy was the basis, please explain why it was used as opposed to using delivered energy by class.
- c) If based on purchased energy, how were the monthly purchased energy values determined for each class (i.e., what loss factor was applied to the delivered energy for year/class)?
- d) For those customer classes where calendar month based meter readings and, therefore, actual energy use were not available for all of the historical period (2002-2013), please explain how the kWh for each calendar month were established in order to derive the kWh/day dependent variable.
- e) Please provide the data file (with formulae intact) that calculates the purchased kWh/day as set out in the file referenced above based on the monthly usage by class, where this monthly usage by class reconciles (for the years 2009-2013) with the actual annual usage by class set out in Table 3 (Exhibit 3/Tab 1/Schedule 1, Attachment B-1, page 1).

3.0 –VECC - 21

Reference: September 23, 2014 Update Letter

- a) With respect to page 13, please explain what the sources and effect of the “updated” CDM estimates are (i.e. what was the source of the update and what years’ values were impacted?).
- b) Please explain how/why this update affected the estimation of the forecast models set out in Appendix A-2.

3.0 –VECC - 22

Reference: E3/T1/S1, page 3 and page 12
 OEB Exh3_T01_S01_Modelling Input Data

Preamble: The referenced data file contains historical CDM kWh/day for each customer class.

- a) Please confirm that the cumulative CDM impacts used in the data file are “purchased energy impacts” and provide the relevant loss factors used for each class (by year).
- b) Please provide a schedule that sets out the total gross CDM savings impact of each historic year’s CDM programs on that year’s and subsequent years’ purchased energy in the following format:

Program Year	CDM Impact (Gross) by Calendar Year (MWh)							
	2006	2007	2008	2009	2010	2011	2012	2013
2006								
2007	X							
2008	X	X						
2009	X	X	X					
2010	X	X	X	X				
2011	X	X	X	X	X			
2012	X	X	X	X	X	X		
2013	x	x	x	x	x	x	x	
Total								

- c) Please provide either copies of the reports (or links to the OEB/OPA/THESL web-sites where they can be found) that support/validate the values set out in response to part (b) along with

specific references to where in each document the relevant data is sourced from.

- d) Please explain how the cumulative annual savings for each year were translated into monthly savings and illustrate the process using 2013 data.
- e) Please explain more fully why, as indicated on page 12, THESL believes that gross CDM savings numbers are the correct values to apply in its load forecast modelling.
- f) Has THESL undertaken any load forecast analyses using net CDM values? If so, please provide the models and the associated forecasts for 2015-2019.
- g) If THESL has not undertaken load forecast analysis using net CDM values, please undertake the following:
 - i. provide a revised data file with net CDM kWh/day by class (as opposed to gross CDM kWh/day by class);
 - ii. provide revised load forecast equations for each class using this data;
 - iii. provide forecasts for 2015-2019 by customer class using these models.

3.0 –VECC - 23

Reference: E3/T1/S1, page 5 (lines 6-10)

- a) Did THESL undertake any similar analysis to determine whether 18 degrees Celsius was the appropriate balance point for the CDD measure?
- b) If not, why not?
- c) If yes, please provide the results.

3.0 –VECC - 24

Reference: E3/T1/S1, page 6

- a) Please document and/or illustrate the change in trend for the GS<50 and Large Use classes as between the 2002-2009 period and the 2010-2013 period.
- b) Please demonstrate that such a change in “tend” does not exist for the Residential and GS>50 classes.

3.0 –VECC - 25

Reference: E3/T1/S1, page 7

- a) Given there is demonstrable trend in HDD and CDD why didn't THESL use the 20-year trend for each for purposes of its load forecast?

3.0 –VECC - 26

Reference: E3/T1/S1, page 8

- a) What is the source for the historic population and unemployment values used in developing the load forecast models?
- b) Does this historic data differ (in terms of definition) from the forecast values produced by the Conference Board of Canada? If so, how was this accounted for in the load forecast?
- c) Please provide the Conference Board forecast used and indicate the date it was published.
- d) Is there a more recent Conference Board forecast now available? If so, please provide.
- e) Why was it necessary to “derive” the unemployment and population forecasts used in load forecast analysis as opposed to directly using the forecasts from the Conference Board of Canada?
- f) Please explain in more detail how the unemployment and population forecasts were “derived”.
- g) What “loss factors” were used for each customer class to translate the 2015-2019 forecasts by customer class from “purchased” to “delivered energy”?
- h) Please provide a data file that shows for 2015-2019:
 - i. The calculation of the “purchased kWh/day by class (before CDM adjustments) using the load forecast model proposed for each.
 - ii. The derivation of the annual kWh by class, as set out in Table 3 (Exhibit 3/Tab 1/Schedule 1, Attachment B-1, page 1).

3.0 –VECC - 27

Reference: E3/T1/S1, page 10

OEB Exh3_T01_S01_Modelling Input Data

Preamble: Although the CSMUR class was not created until 2013 it is noted that historical values are reported starting in December 2007.

- a) Since there has been no analysis presented relating CSMUR usage

with weather, please explain how the CSMUR usage for 2012 was “weather corrected”.

- b) Do the historical Residential kWh/day values for the period prior to December 2007 include any usage by customers that would now be classified as CSMUR?
- c) If so, doesn't this distort the data used to develop the Residential load forecast model?

3.0 –VECC - 28

Reference: E3/T1/S1, page 10

- a) Please confirm that the forecast monthly peak demand referred to at lines 18-19 is the forecast billing peak demand for the class as opposed to the class' Non-Coincident or Coincident peak demand.
- b) Please provide the “historic relationship between energy and demand” used for each class (per lines 19-20) and indicate how it was determined.
- c) Please clarify which of the following approaches is used to calculate the billing demand for the relevant customer classes (net of CDM):
 - o Approach 1: First, forecast billed energy by class (prior to removing CDM); then second, apply historic relationship between energy and billed demand to determine billed demand (prior to removing CDM) and, finally, remove cumulative CDM impacts on billing demand (per Table 5), OR
 - o Approach 2: First forecast billed energy by class (prior to removing CDM); then second, remove the cumulative energy CDM impacts and, finally, apply historic relationship between energy and billed demand to determine billed demand (with CDM removed).
- d) If Approach 1 was used please set out how the cumulative demand impacts (per Table 5) were calculated. In particular, where they determined by applying the historic energy-demand relationship for the class to the cumulative energy impacts in Table 4? If not, please provide a schedule that sets out the determination of the values in Table 5.

3.0 –VECC - 29

Reference: E3/T1/S1, page 11

- a) Are the 7 TWh provincial total and THESL’s share of 1.5 TWh Gross CDM or Net CDM values? If net, what is the “gross” equivalent and how was it calculated?

3.0 –VECC - 30

Reference: E3/T1/S1, pages 12-14

- a) Please complete the following schedule:

CDM Program Year	Forecast Gross CDM Impact by Calendar Year (MWh)					
	2014	2015	2016	2017	2018	2019
2006						
2007						
2008						
2009						
2010						
2011						
2012						
2013						
2014						
2015	X					
2016	X	X				
2017	X	X	X			
2018	X	X	X	X		
2019	X	X	X	X	X	
Total						

In doing so please ensure:

- o The annual totals for 2014 to 2019 match those set out in Table 4 (Exhibit 3/Tab 1/Schedule) or explain why they do not.
 - o The table entries for the 2014-2019 program years match those set out in Table 6 or explain why they do not.
- b) Please explain more fully how the values in Tables 5 and 7 were derived.
- c) Please provide a schedule that sets out for each customer class and for the THESL overall for the individual years 2006-2013:

- i. The annual delivered energy (net of CDM) – consistent with Appendix B-1, Table 1
 - ii. The annual purchased energy (net of CDM) (i.e., (i) adjusted for losses)
 - iii. The historic cumulative CDM savings for each year (at the purchase level) consistent with the modelling data input.
 - iv. The annual purchases (grossed up by CDM) consistent with the modelling input data (i.e. (ii) + (iii)).
- d) Please provide a schedule that sets out for each customer class and for THESL overall for the years 2014-2019:
- i. The forecast of annual purchased energy (grossed up for CDM) based on the forecasting models.
 - ii. The assumed cumulative CDM savings for each year (at the purchase level) consistent with the modeling data input (i.e. Table 4).
 - iii. The assumed annual purchases net of CDM (i.e., (i) – (ii))
 - iv. The forecast total delivered energy – consistent with Appendix B-1, Table 1.

3.0 –VECC - 31

Reference: E3/T1/S1, page 14 and Appendix C1

- a) Please explain more fully how the customer count for each class was “extrapolated” from historic levels.
- b) Please explain how the separate customer count forecasts for the Residential and CSMUR classes were developed.
- c) Please explain the basis for the 2014 Large Use class customer count.
- d) Please provide the customer count for each class as of June 30, 2014.

3.0 –VECC - 32

Reference: E3/T1/S1, page 12

- a) Is THESL aware of any other Ontario electricity distributor that has based its load forecast CDM adjustments on estimates of “gross” CDM savings?
- b) Please explain why, if the CDM adjustments made by THESL are based on “gross” CDM savings the LRAMVA should only be based on “net” CDM savings.
- c) For each of the years 2015-2019 please set out THESL’s proposal,

by customer class, for the CDM savings (kWh or kW as applicable) that it views should be used as the basis for calculating the LRAMVA.

3.0 –VECC - 33

Reference: E3/T1/S1, Appendix A-1

- a) Please provide an electronic version of Appendix A-1 where the forecast monthly 2014-2019 values for columns 2-9 are included and the calculation of the annual delivered energy by customer class (per Appendix B-1, Table 1) is performed.

3.0 –VECC - 34

Reference: E3/T2/S1, pages 1-7

- a) Please confirm that the values shown in Tables 1 & 2 are in millions of dollars and the Appendix 2-H values are in thousands of dollars.
- b) With respect to page 2 (lines 18-23) does the \$8.1 M cover all of the OM&A costs incurred by THESL for the maintenance street-lighting assets? If not, what is the difference?
- c) Please confirm that the interest income shown excludes any interest income/expense associated with deferral or variance accounts.

3.0 –VECC - 35

Reference: E3
E8/T1/S1, pg. 7

- a) Where are the customers, loads and revenues from THESL's Standby Power Service Classification reflected in Exhibit 3? Please address separately the revenues from the Service Charge and the revenues from the Distribution Volumetric Rate.
- b) Please provide a schedule that sets out for each of the years 2010-2013 the following:
 - i. The number of Standby Power customers,
 - ii. The billed kW (by customer class)
 - iii. The annual revenues from Standby Power charges.
- c) What are the forecast billing quantities and associated revenues for 2014 and 2015?

4.0 OPERATING COSTS (EXHIBIT 4)

4.0 - -VECC - 36

Reference: 4A/T2/S1/pg.13

- a) It states on page 13 that in 2013 there were a total of 252 incidents of overhead asset failures – excluding major day events. Please provide the equivalent figures for 2010 through 2014 to-date.

4.0 - -VECC - 37

Reference: 4A/T2/S1/pg.34

- a) It is unclear as to whether Table 5 represents the vegetation management budget of THESL for 2011 through 2015. If not please provide this. If there is a projected increase in the 2015 vegetation management budget from 2014 please explain this in light of the extraordinary amount of tree trimming that was done due to the 2013/14 ice-storm.
- b) In 2014 THESL renewed its tree pruning service contract at a 16% increase. Please quantify the impact this had on 2015 vegetation management. Please identify how long this contract is for. In renewing this contract explain whether the post ice-storm demand for vegetation management had an impact of the service contract.

4.0 - -VECC - 38

Reference: 4A/T2/S1/pg.71

- a) THESL states that the failure rate of smart meters is 1.5%. How does this compare to the failure rate of the previous generation of conventional meters that were replaced? What is THESL's estimate of the incremental cost of smart meter maintenance as compared to the previous generation of thermal meters?

4.0 --VECC -39

Reference: 4A/T2/S2/pg.7

Pre-Amble: With respect to Corrective Maintenance, the evidence states: *Historic expenditures have shown a downward trend due to an increasing emphasis in recent years on planned capital and preventative maintenance activities, particularly on distribution assets, and more efficient corrective work execution practices.*

- a) Yet Table 2 shows an increase in 2015 in this category and notwithstanding the proposed major increases in the capital budget. Please explain the reason for this.

4.0 - VECC - 39

Reference: 4A/T2/S3/

- a) Please articulate the difference between the Emergency Response program (\$15.3 million) and the Disaster Preparedness Management Program (\$2.4 million).

4.0 - -VECC - 40

Reference: 4A/T2/S14 /pg.38s-43

- a) Please provide the training and conference budgets for THESL for the years 2011 through 2015 in the following format:
- Technical/engineering training;
 - Other training;
 - Executive /senior management training/conferences & travel

4.0 - -VECC -41

Reference: 4A

- a) Please provide the EDA membership fees paid or forecast to be paid by THESL for 2011 through 2015. Please provide separately other corporate memberships.
- b) Does THESL procure insurance through the MEARIE Group? If yes please provide the premiums paid for 2011 through 2015 (forecast). Were all property liability insurance services provided for through a tender or other competitive process or were they sole sourced?

4.0 - -VECC - 42

Reference: 4A/T2/S6/pg.2

- a) Table 2 shows “Damage prevention” rising from \$1.6 million in 2013 to a forecast of \$4.7 million in 2015. The accompanying explanations (beginning on page 7) describes how the sub-costs for this category (cable locates) have increased from 2011 to 2013. However, the overall costs for this category actually decreased from 2011 to 2013. That is, the reasons provided do not appear to support the increase from 2013 to 2015. Please explain why these costs are more than doubling between 2013 and 2014.
- b) Please provide the actual amounts spent on Damage Prevention as of the end of 3rd quarter of 2014.

4.0 - -VECC - 43

Reference: 8A/T2/S8/pg.9

- a) Table 3 shows both the total capital expenditures for 2011 through 2015 and the Preventative and Predictive Maintenance OM&A budgets for the same period. The accompanying evidence appears draw a relationship between the increase in the OM&A budgets and the accompanying increase in the capital budgets. Is THESL suggesting there a positive correlation – that is an increase in capital budgets is associated with an increase in OM&A (in this or any other OM&A category)?
- b) If yes please explain why. Specifically, please address the question as to why renewal of assets does not lead to lower preventative OM&A (and other) budgets. Please also explain what capital related activities directly related to capital expenditures cannot be capitalized.
- c) Table 3 appears to show that OM&A is in fact inversely related to capital budgets. That is, it shows an increase in preventative maintenance in 2012 when the capital budget declined significantly. Please comment.
- d) Please provide Table 3 so as to show the same categories for 2008 through 2011.

4.0 --VECC - 44

Reference: 4A/T2/S13/pg.3

- a) Please provide an estimate of the increase/decrease in billing, collection and customer care costs if THESL were to move all customers to monthly billing.
- b) Please explain what offset in working capital might be expected.
- c) If THESL has not previously undertaken any study of this issue please provide the best estimate and a general or directional explanation.

4.0 - -VECC - 45

Reference: 4A/T2/S13/pg.27

- a) Please explain the rationale for “Communications and Public Affairs” as a ratepayer as opposed to shareholder cost.

4.0 - -VECC - 46

Reference: 4A/T2/S17/Appendix A & S18/pgs. 1-4

- a) Please reconcile the one-time regulatory costs of \$3,543,366 shown in Appendix 2-M with \$3,193,366 in one-time costs related to the CIS application (shown in the table below)
- b) Please provide a breakdown on the legal fees of \$1,726,047 by type of activity (e.g. hearing, pre-application, etc..).
- c) How many practicing lawyers does THESL currently employ?

4.0 - VECC - 47

Reference: 4A/T1/S1/pg.4

- a) Please revise/update Table 1: (Historical,Bridge, Test Year OM&A by Program) to show in new columns
 - 2014 3rd quarter actuals;
 - remaining quarter forecast spend.
 - 2013 3rd quarter results
 - any flow through update to 2015 OM&A costs

4.0 - -VECC - 48

Reference: 4A/T4/S2/Appendix 2-K & 4A/T4/S5/pg.1

- a) Please update Appendix 2-k and Table 1 (Overtime and Incentive Pay) to show separately: Union and non-union, Management and Executive (VP and above).

5.0 COST OF CAPITAL (EXHIBIT 5)

5.0 – VECC - 49

Reference: 1C/T4/S7/Appendix A

- a) Please provide the adjusted funds from operations (AFFO)-to-debt ratios for 2012, 2013 and the forecast for 2014.
- b) Under the 5 year plan please provide THESL's projection for the AFFO/debt ratio for each year of the plan. Please show your assumptions.

6.0 REVENUE REQUIREMENT (EXHIBIT 6)

7.0 COST ALLOCATION

7.0 – VECC – 50

Reference: 7/T1/S1, pg. 2

- a) What is the basic service allowance that is funded through rates (per lines 15-17)? Also, please indicate where in THESL's Conditions of Service the basic service allowance is set out and established as a common standard for all customer classes (except Street Lighting and USL).
- b) The Application states that the cost of "services" is directly collected from the USL and Street Lighting classes. Please confirm that this "direct collection" is by way of a customer capital contribution as opposed to via a direct allocation in the Cost Allocation model.

7.0 – VECC - 51

Reference: 7/T1/S3, pg. 2-5

- a) Please confirm the date of the study for Toronto Hydro referenced in Table 1.
- b) Please confirm that the Toronto Hydro referenced in Table 1 is pre-amalgamation.
- c) What was the kW/customer capability for the Toronto Hydro minimum system referenced in Table 1?
- d) Why has Toronto Hydro not undertaken to complete (either on its own or with the aid of an appropriate consultant) a new THESL-specific minimum system study?
- e) Please confirm that at page 3, line 5 the text should read “greater than 60 customers per kilometer”.
- f) What is the impact on the status quo revenue to cost ratios of using the minimum system definition as proposed by THESL as opposed to using the OEB Cost Allocation model values? As part of the response, please provide a copy of the CA model with the OEB prescribed value for density.

7.0 – VECC - 52

Reference: 7/T1/S3, pg. 5

- a) Please provide a schedule that itemizes each of directions from the OEB’s EB-2010-0142 Decision that THESL considered (per lines 8-10) and, for each, describe why no revisions to its cost allocation model were required.
- b) If not addressed in part (a), please indicate how THESL has addressed the following direction from the OEB’s EB-2010-0142 Decision (page 13)

The Board recognizes the submission by the SSMWG that the composite allocators in the model should be adjusted to ensure that the applicable costs are allocated to the Quadlogic class appropriately. In particular, this would mean that the composite allocators based on Net Fixed Assets (NFA and NFA ECC) would need to be increased to the Quadlogic class if its meter costs were to be directly allocated using the Board’s current model. Similarly, the composite allocators based on operating and maintenance costs (O&M and OM&A) would need to be increased if there were direct allocation of certain other costs elsewhere in this Decision. While recognizing that the lump sum adjustment of \$400,000 proposed by the SSMWG is correct directionally, the Board finds that changes to the cost allocation model would be required to yield a reliable adjustment to the composite allocators and the Board does not consider it appropriate to make

such changes in this proceeding. The Board would consider it appropriate for changes of this kind to be considered during the next review of the cost allocation model (emphasis added). Once the necessary changes to the cost allocation model have been made, the approach proposed by the SSMWG can be considered in a subsequent proceeding. While a new rate class is being created in this proceeding, the Board is of the view that the development of this new rate class will be an iterative process that is likely to span more than one proceeding. The Board accordingly directs that THESL will not alter the cost allocation model's calculation of the composite allocators for the purpose of this proceeding.

- c) If not addressed in part (a), please indicate how THESL has addressed the following direction from the OEB's EB-2010-0142 Decision (page 15)

The Board notes that THESL agreed that the appropriate weighting factor should be 0.064 and also notes that no empirically based alternatives were presented. The Board therefore finds that THESL should use a service drop factor of 0.064 for 2012, as proposed by VECC and the associated logic to derive this allocation factor when the cost allocation study is next updated.

Specifically, the Board directs THESL to derive the service drop allocation factor when the cost allocation study is next updated by taking the weighting factor of 10 used for services for the GS 50- 599 and GS 1,000-4,999 classes divided by the average number of Quadlogic customers per building. (emphasis added)

- d) If not addressed in part (a), please indicate how THESL has addressed the following direction from the OEB's EB-2010-0142 Decision (page 18)

The Board expects that THESL will incorporate the distinction between the secondary and primary systems in future cost allocation studies, and that it will include the appropriate proportions within each class where some customers are served from the secondary system and the rest are served from the primary system.

7.0 – VECC - 53

Reference: Cost Allocation Model, Sheet I9 – Direct Allocation

- a) Please explain how the costs to be directly allocated to Street Light and USL for each of the following USOA accounts were established:
- i. 1830
 - ii. 1835
 - iii. 1840

- iv. 1845
 - v. 1850
 - vi. 1860
- b) Given there are asset costs for Poles and Conductors (#1830 & #1835), Line Transformers (#1850) and Meters (#1860) directly allocated to Street Light and USL, why are there no directly allocated costs to these classes for the following associated expense accounts:
- i. 5020
 - ii. 5025
 - iii. 5035
 - iv. 5040
 - v. 5045
 - vi. 5055
 - vii. 5065
 - viii. 5125
 - ix. 5130
 - x. 5135
 - xi. 5150
 - xii. 5160
 - xiii. 5175
- c) Given there is no direct allocation from the “expenses” accounts noted in part (b) to Street Lighting and USL, are the directly allocated asset costs for Street Light and USL included in the allocation bases for these accounts where applicable?
- d) Please explain basis for the costs/credits directly allocated to Street Light and USL for accounts #5085 and #5096.
- e) Are the asset costs of the actual Street Light devices included in THESL’s costs? If so, in which USOA account are they recorded and directly allocated?
- f) How were the Meter and Meter Reading costs that are directly allocated to the CSMUR class established?
- g) How were the asset-related costs that were directly allocated to the GS>50-999; GS1,000-4999 and LU classes for accounts #1840 and #1845 determined?
- h) Why are there no costs from the expense accounts #5145 and #5150 directly allocated to the GS>50-999; GS1,000-4999 and LU classes – given there are associated asset costs that are directly allocated?
- i) Given there is no direct allocation from these two accounts (i.e., #5145 and #5150) for these customer classes, are the directly allocated asset costs for GS>50-999; GS1,000-4999 and LU classes included in the allocation base for accounts #1840 and #1845 where applicable?
- j) Do the assets that are directly allocated attract a share of the amortization associated with General Plant to customer classes involved? If so, please indicate how this accomplished in the Cost Allocation model.

7.0 – VECC - 54

Reference: 7/T1/S, pg. 7

Cost Allocation Model, Tab I6.2-Customer Data

- a) Please explain the source of the 1.8:1 ratio of devices to connections used in the Cost Allocation model.
- b) Please explain how this value was established and whether/how it has changed from previous Cost Allocation results filed by THESL.

7.0 – VECC - 55

Reference: 7/T2/S1, pg. 2-3

- a) Please explain how the revenue deficiency from reducing the CSMUR R/C ratio to 100% and holding the Street Light rates at 2014 levels was assigned to the remaining customer classes in order to yield the results set out in parts (B) and (C).
- b) Please provide an alternative version of parts (B) and (C) where the R/C ratio for Street Light is maintained at 104%.

8.0 RATE DESIGN

8.0 –VECC - 56

Reference: 8/T1/S1/pg. 1 & 5

- a) Please provide a schedule that sets out the calculation of the current fixed variable split for each customer class (i.e., based on 2014 rates and the 2015 load forecast).

8.0 –VECC - 57

Reference: 8/T1/S1/pg. 6

- a) Please confirm that the CA Model values set out in Table 2 are “monthly values” whereas the THESL current and proposed rates are based on “30 days”.
- b) If part (a) is confirmed, please restate Table 2 with the CA model values converted to their 30 day equivalent.

8.0 –VECC - 58

Reference: 8/T1/S1/pg. 4-5

City of Hamilton Motions Re: Streetlighting Rates as filed
in EB-2013-0416 and EB-2014-0002

- a) Please comment on the similarities/differences between THESL's proposal regarding Streetlight rates and the recent requests by the City of Hamilton as filed in its motions in the Hydro One Networks' (EB-2013-0416) and Horizon's (EB-2014-0002) 2015-2019 rate application proceedings.
- b) Given the Board's disposition of the City of Hamilton motions in these proceedings, does THESL consider its proposal to "freeze" Streetlighting rates subject to the completion of the Board's EB-2012-0383 process to be still be appropriate? If so, why?

8.0 –VECC - 59

Reference: 8/T1/S1/pg. 7
8/T3/S3, pg. 7

- a) Schedule 1 states (lines 13-14) that the Standby rate is a three-part charge that consists of a monthly administration charge, a fixed monthly charge and a volumetric rate. However, Schedule 3 only includes two charges: a monthly service charge and a volumetric rate. Please reconcile.
- b) If a customer has a 1,500 kW generator, normally has a monthly peak load of 500 kW on the THESL system when the generator is operating (i.e. total plant peak load is 2,000 kW) and its average monthly peak load on THESL's system (taking into account standby requirements) is 900 kW please address the following:
 - i. To which customer class would the customer be assigned (GS 50-999 or GS1,000-4,999)?
 - ii. What would be the contracted level of standby power?
 - iii. How would THESL determine when Standby power was required/utilized?
 - iv. What Standby volumetric rate would be applicable in those months when Standby power is not provided (i.e. the GS 50-999 or the GS 1,000-4,999 volumetric rate)?
 - v. If the customer's peak demand in a given month was 1,200 kW, would the volumetric Standby rate be applied and, if so, to what volume of kW would it be applied?
 - vi. Is the monthly Standby Service Charge applied even in months when Standby Power is provided?

- c) Please explain why Standby volumes are not subject to any of the following:
 - i. Rate Riders as applicable to other classes
 - ii. RTSRs
 - iii. Regulatory Charges (i.e., RRRP and Wholesale Market Service rates)

8.0 –VECC - 60

Reference: 8/T1/S1/pg. 8 (lines 1-5)

- a) Please provide a schedule that sets out, by year, the Standby Power revenues that THESL has collected based on “interim rates”.
- b) In the same schedule please also include the total revenues collected from customers with Standby service in each of these years.

8.0 –VECC - 61

Reference: 8/T1/S1/pg. 11-12

- a) Please provide an update on the status of THESL’s evaluation of its historic line losses and its compliance with the EB-2012-0064 Settlement Agreement.

8.0 –VECC - 62

Reference: 8/T1/S1/pg. 14

Preamble: By letter dated September 18, 2014 the Board made the following comments:

The other proposed policy amendment considered by the working group was the elimination of the effect of the half year rule on test year capital additions for the IR years. The Board intends to do further analysis on this issue before determining next steps. Accordingly, this ACM Report is limited to the establishment of the ACM and the refinement of the ICM criteria.

- a) In view of the Board’s decision that further analysis is required on the issue of eliminating the ½ year rule on test year capital additions, is THESL’s request for relief as part of its current Application still appropriate? If so, why?

8.0 –VECC - 63

Reference: 8/T2/S1/pg. 3

- a) Based on THESL’s proposals (per lines 3-22), under what circumstances and with what frequency will THESL provide account history to its customers without a charge?

8.0 –VECC - 64

Reference: 8/T2/S1/pg. 3-4

- a) Given that THESL is proposing to “charge” customers for missed appointments, is THESL willing to compensate (i.e. pay customers) in the event that its crews fail to attend at an arranged appointment time? If not, why not?
- b) When THESL makes an appointment, how broad is the window for the appointment time?

8.0 –VECC - 65

Reference: 8A/T2/S1/Appendix B

- a) At page 6, the Application states that both THESL and telecommunication users can use the clearance space for their equipment (emphasis added). Please clarify this statement – can either party actually use this space on the pole or must it remain unused in order to provide appropriate clearance.

9.0 DEFERRAL AND VARIANCE ACCOUNTS

9.0 –VECC - 66

Reference: 9/T2/S5/pg. 4-5

- a) What is the source of the actual historical CDM savings used in the regression analysis (per page 3, line 10)?
- b) Are the historical values used for first year’s impact of CDM programs: i) “annualized values” (as reported by the OPA) or ii) estimates of the actual impact in the first year of implementation?
- c) Please complete the following chart based on actual (annualized) net CDM savings and provide the relevant references to the sources for the data used.

Program Year	Annualized CDM Impact (Net) by Calendar Year (MWh)							
	2006	2007	2008	2009	2010	2011	2012	2013
2006								
2007	X							
2008	X	X						
2009	X	X	X					
2010	X	X	X	X				
2011	X	X	X	X	X			
2012	X	X	X	X	X	X		
2013	X	X	X	X	X	X	X	
Total								

d) If the historical data used was not based on “annualized” first year impacts, please also complete the following chart setting out the CDM savings as used in the analysis.

e)

Program Year	Actual CDM Impact (Net) by Calendar Year (MWh)							
	2006	2007	2008	2009	2010	2011	2012	2013
2006								
2007	X							
2008	X	X						
2009	X	X	X					
2010	X	X	X	X				
2011	X	X	X	X	X			
2012	X	X	X	X	X	X		
2013	X	X	X	X	X	X	X	
Total								

f) Please provide the data file with the historical data used to perform the regression analysis outlined on page 3 (lines 8-18) and the resulting regression equation and statistics.

g) Please provide a schedule that clearly outlines how the regression equation results were used to estimate the cumulative CDM in the 2011 load forecast (per page 3, lines 15-16) and the cumulative savings for 2010 year end (per page 4, lines 4-5).

- h) Please re-estimate the regression equation without the spring/fall period variable(s) and provide the resulting regression equation, regression statistics and results for Tables 2 and 3.

9.0 –VECC - 67

Reference: 9/T2/S5/pg. 4-5

- a) Please explain what new information was incorporated in the Update for purposes of estimating the regression equation.
- b) Please explain why the September Update led to a change in the estimated cumulative CDM savings embedded in the 2011 Load Forecast (per Table 2) versus the original Application.

9.0 –VECC - 68

Reference: 9/T2/S5/pg. 5-6

- a) Please provide a revised version of Table 3 that includes the kWh savings for the GS 50-999; GS 1,000-4,999 and Large Use classes.
- b) With respect the results from part (a), please reconcile the resulting 2012 and 2013 CDM kWh totals with the 2011 CDM program persisting savings reported for 2012 and 2013 (Appendix B, page 7).
- c) Please explain how the allocation of forecast CDM savings to customer classes as set out in Table 3 was performed.
- d) Please provide a schedule that set out the derivation of the actual 2011-2013 CDM savings for the Residential class as shown in Table 4.

9.0 –VECC - 69

Reference: 9/T1/S1/pg. 5

- a) When does THESL expect to file the Account 1588 balance update contemplated in the application?

END OF DOCUMENT - FINAL