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INTERROGATORY 82:

Reference(s): Exhibit 8, Tab 1, Schedule 1, pp. 14-16

On page 14 of the above reference, it is stated that:

> Toronto Hydro believes that recent OEB request for comments in EB-2014-0219 specifically recognizes the problems associated with year-end ratebase not being accounted for under the IRM framework. By letter dated June 20, 2014, the OEB has sought comments related to a mechanism to "Eliminate the effect of the half year rule on test year capital additions for the intervening years between rebasing applications (i.e., during the subsequent IR plan) by adjusting for the incremental revenue requirement (depreciation expense plus return on capital and associated taxes/PILs) of the test year capital additions." This is precisely the issue for which Toronto Hydro seeks relief.
>
> Toronto Hydro relies on its analysis previously provided to the OEB (attached as Appendix A). Toronto Hydro has made an adjustment to the calculations to reflect the fact that the initial calculation was based on year-end capital expenditures, rather than in-service amounts. This adjustment has reduced the calculated lost revenue amount. The full calculation, which appeared as Appendix A to the Manager's Summary in EB-2012-0064, is updated and reproduced in Table 4 below.

Board staff notes that the referenced Table 4 is entitled "Lost Revenue due to IRM Framework – 2012-14":

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a) Please state whether the type of mechanism proposed by the Board in its June 20, 2014 letter would address THESL's concerns and why or why not this would be the case;
b) Please state the basis for THESL's conclusion that the Board's letter of June 20, 2014 envisages retroactive recoveries of the kind proposed by THESL;
c) Please state why THESL requested three years of prior period recovery rather than a greater or lesser period;
d) Please state whether or not THESL would see the granting of its requested Table 4 recovery as retroactive rate making by the Board. If THESL believes this to be the case, please state why it would be appropriate for the Board to approve it. If THESL does not believe this to be the case, please state why and provide any precedents THESL is aware of that would be supportive of its recovery request.

RESPONSE:

a) As the details of the mechanism described by the OEB in its June 20, 2014 have not been established, it is not possible for Toronto Hydro to assess whether its current concerns would be addressed by the proposed mechanism.

b) It is not Toronto Hydro position that OEB's' June 20, 2014 letter "envisages retroactive recoveries". As detailed in the lines 1-18 on page 14 of the referenced evidence, Toronto Hydro interpreted the OEB's decision in EB-2012-0064 as indicating that the relief currently sought is appropriate in the context of a rebasing application. The mechanism proposed by the OEB in its June 20, 2014 letter further indicates that the OEB is willing to consider a mechanism to address the half-year rule concerns that Toronto Hydro and other utilities have raised.

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c) Toronto Hydro 'selected three years of prior period recovery (2012 – 2014) because these three years are relevant to the operation of the IRM mechanism, and the associated loss of revenues. Toronto Hydro did not select a lesser recovery period because such a period would not fully compensate the utility for the revenue that it lost during the 2012 – 2014 IRM period. Toronto Hydro did not select a greater recovery period because such a period would extend beyond the utility's last rebasing application (EB-2010-0142).

d) Toronto Hydro seeks recovery of revenue requirement foregone due to the operation of the IRM mechanism, which the OEB acknowledges in its June 20, 2014 letter as the "effect of the half year rule on test year capital additions for the intervening years between rebasing applications". Toronto Hydro reasonably believes that the OEB is able to grant the requested relief without engaging in retroactive ratemaking because the OEB did not rule on this issue in EB-2012-0064.[1]

[1] EB-2012-0064, Partial Decision and Order (April 2, 2013), at pages 9-10.

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INTERROGATORY 83:

Reference(s): Exhibit 8, Tab 2, Schedule 1, page 2

Table 1 at the above reference shows new and updated specific service charges for the 2015 to 2019 period.

Please add a column to Table 1 which would show for the four new proposed charges the revenue that each is projected to generate annually and for the charges which are being increased the incremental revenue expected from each of these charges.

RESPONSE:

Please refer to Toronto Hydro's response to interrogatory 3-SIA-30 part (d).

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INTERROGATORY 84:

Reference(s): Exhibit 8, Tab 3, Schedule 1, p. 13 and
Exhibit 8, Tab 3, Schedule 2, p.22

The two references above are the loss factor pages of THESL's currently approved Tariff of Rates and Charges and its proposed Tariff of Rates and Charges for May 1, 2015 implementation.

Board staff notes that both these pages contain a "Billing Determinant" section which is unique to THESL:

a) Please state why THESL believes that this section is necessary to include on the Tariff of Rates and Charges;
b) In the event the Board was to determine that this section should be removed in order to conform THESL's tariff to those of other distributors, please state any concerns that THESL may have about doing so.

RESPONSE:

a) The Billing Determinants have been part of Toronto Hydro's OEB-approved Rate Schedules since 2002. Therefore, Toronto Hydro continued to include this section in its proposed 2015 Rate Schedule.

b) Toronto Hydro would not have any concerns if this section was removed to conform its tariff with those of other distributors.

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INTERROGATORY 46:

Reference(s): Exhibit 8, Tab 1, Schedule 1, p. 6

Please explain, in detail, the process Toronto Hydro undertakes in establishing the revenue to costs ratios and fixed and variable split for each rate class.

RESPONSE:

The OEB's Cost Allocation Model ("CAM") is the starting point for the development of the proposed 2015 revenue to cost ratios, and fixed and variable distribution rates.

The model is populated with the USofA accounting data for 2015 (which is the determinant of 2015 Revenue Requirement) and the numerous inputs used to allocate these costs and revenues among the rates classes (e.g., current approved rates, load and customer forecasts, meter costs, and bad debt data). Where appropriate (based on the OEB's Cost Allocation guidelines) and where data is available, certain costs and revenues are directly allocated to relevant rate classes (e.g., costs related to feeders serving a single rate class).

Based on this data, the CAM compares the Class Revenue at Status Quo Rates (which is the revenue that would be generated by each rate class assuming the existing class revenue splits) with the class Revenue Requirement based on the model allocation. This generates the Revenue to Cost ratios shown in the model output at Exhibit 7, Tab 1, Schedule 2, page 7, and summarized in Table 1 of Exhibit 7, Tab 1, Schedule 1.

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Toronto Hydro then compares these ratios to the OEB's Guideline Ranges (or directed ratio, such as for the CSMUR class) for each class, and if outside of the Guideline Ranges, manually reallocates revenue requirement between classes to bring them in line. In Toronto Hydro's current application, manual adjustments were made to maintain the CSMUR class at a revenue to cost ratio of 1.0 (as described in Exhibit 8, Tab 1, Schedule 1, page 3), and to the Streetlighting class to hold rates constant (as described in Exhibit 8, Tab 1, Schedule 1, pages 4-5). The revenue requirement reallocation was assigned to all classes that showed a revenue to cost ratio of less than 1.0 (Residential, General Service <50 kW, Large Use and USL), and was spread amongst them proportionally based on the proportion of under-recovery for each of these classes. For example, before reallocation, the Residential class under-recovery made up 62% of the total under-recovery for all classes with revenue to cost ratios below 1.0. Therefore, 62% of the reallocated revenue requirement was assigned to the Residential class.

Once the revenue to cost ratios have been set, the revenue requirements for each class form the basis for the rate design. As noted in Exhibit 8, Tab 1, Schedule 1, page 5, Toronto Hydro has maintained the split of revenue to be received from each of the fixed and variable components for each class at the same ratios as the 2014 revenue is currently being collected. The fixed revenue requirement for each class is then divided by forecast fixed billing units (customers or connections or devices) to derive the fixed distribution rate, and the variable portion of the revenue requirement for each class is divided by the forecast variable billing units (kWh or kVA) to derive the variable distribution rate.

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INTERROGATORY 47:

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

With respect to all of Toronto Hydro's Specific Service Charges please explain how each of these items have been calculated. For those charges currently included in the OEB's Distribution Rate Handbook, has Toronto Hydro done analyses that assessed whether these charges are reflective of the cost to provide the service? If, so, please provide that analysis. If not, why not?

RESPONSE:

Detailed calculations of each of the Specific Service Charges are provided in Exhibit 8, Tab 2, Schedule 1, section 4. Specifically, the calculation of the Account Set-Up Charge and the Temporary Service Install & Remove are detailed in sections 4.1 and 4.2, respectively. The calculation of the Specific Charge for Access to Power Poles (Wireline Attachments) is detailed in Exhibit 8, Tab 2, Schedule 1, Appendix B. For all other charges, the calculations are shown in the tables included as part of Exhibit 8, Tab 2, Schedule 1, Appendix A, based on the methodology described at page 6.

In following the guidance provided in the Distribution Rate Handbook, Toronto Hydro updated the OEB's existing formulas for its own current labour and vehicle cost inputs. The resulting rates demonstrated that the standard charge amounts are not reflective of the cost to provide the services. Toronto Hydro directionally confirmed this through an informal comparison of the standard charge amounts against the typical time and labour

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costs to perform each service. As a result, Toronto Hydro determined that no additional formal analyses were required to be undertaken.

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INTERROGATORY 56:

Reference(s): Exhibit 8, Tab 1, Schedule 1, pages 1 and 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).

RESPONSE:

a) Please see Exhibit 8, Tab 1, Schedule 2, page 1.

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INTERROGATORY 57:

Reference(s): Exhibit 8, Tab 1, Schedule 1, p. 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.

RESPONSE:

a) Confirmed. The CA Model ("CAM") values in Table 2 are "monthly values" whereas Toronto Hydro's current and proposed rates are based on "30 days".

b) The table below provides an update to Table 2 with CAM values converted to their 30 days equivalent.

	Residential	CSMUR	GS<50 kW	GS 50-999 kW	GS 1000-4999 kW	Large Use	Streetlighting	USL
CA Model Floor	4.14	3.35	13.48	42.21	78.97	-38.40	0.24	9.41
CA Model Ceiling	19.14	9.24	31.14	84.39	238.25	203.48	10.60	19.15
Current (2014)	18.63	17.35	24.8	36.29	700.68	3,071.47	1.32	4.94
Proposed (2015)	22.94	19.74	30.71	44.1	839.98	3,701.04	1.32	6.13

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INTERROGATORY 58:

Reference(s): **Exhibit 8, Tab 1, Schedule 1, pp. 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?

RESPONSE:

a) and b)

Toronto Hydro proposes a "final" rate for 2015 for the Streetlighting class, and requests that this final rate be the same as the current 2014 rate for the Streetlighting class. As noted in Exhibit 8, Tab 1, Schedule 1, pages 5, with 2015 rates at the same level as 2014, the Streetlighting class revenue to cost ratio is well within the OEB's guideline range for this class. Toronto Hydro proposes that if any directives arising from the OEB's consultation on the device to connection issue occur before the conclusion of the current hearing, than those directives would be incorporated in determining final rates for this class. If the conclusion of that consultation occurs

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after the conclusion of Toronto Hydro's current application, the proposed rates would be considered final for 2015.

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INTERROGATORY 59:

Reference(s): **Exhibit 8, Tab 1, Schedule 1, p. 7**
Exhibit 8, Tab 3, Schedule 3, p. 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:

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i) Rate Riders as applicable to other classes

ii) RTSRs

iii) Regulatory Charges (i.e., RRRP and Wholesale Market Service rates)

RESPONSE:

a) In a situation where a customer with co-generation facilities does not draw on the standby facilities (i.e., the co-generation unit is operational all month and fully displaces a customer's monthly load requirement) the standby charges include: a monthly fixed charge (from the standard rate class tariff), the monthly Standby Service Charge, and the appropriate variable standby rate.

b)

i) The customer would be classed into the GS 1,000-4,999 rate class based on anticipated load in the absence of generation.

ii) The default contract level of standby power would be 1,500 kW (name plate value on the generator) however the customer has the option of selecting 0 to 1,500 kW based on their unique standby power requirements as part of a contract.

iii) Monthly customer meter readings are used to establish if the standby distribution facility reserved for their usage was utilized. When a generator is down for scheduled or unscheduled maintenance, there is an obvious spike in the demand recorded on the meter, which implies that the standby facilities were utilized for that month.

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iv) The standby volumetric rate that would be applicable in those months when Standby power is not provided would be the GS 1,000-4,999 volumetric rate.

v) Generally, installed co-generation facilities are expected to run 100% of the name plate values. If the customer's peak demand in this month was 1,200 kW (when it is normally 500 kW – all things being equal), Toronto Hydro would assume that the co-generation was not operational for at least an hour, the displaced load contributed to the customer's billed demand, and the customer was able to shed some load to avoid the expected 2,000 kW (co-generation capacity of 1,500 kW plus 500 kW normal load). In this situation, the volumetric Standby rate would not be applied.

vi) Yes, the monthly Standby Service Charge is applied in months when Standby Power is provided.

c) Given that these standby rates were interim and additional regulatory charges (rate riders, RTSRs and other regulatory charges) were not part of the initial submission in 2005, Toronto Hydro does not believe that the OEB's interim approval includes the application of these additional charges to standby load.

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INTERROGATORY 60:

Reference(s): Exhibit 8, Tab 1, Schedule, page 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.

RESPONSE:

a) Because the 2005 to 2009 billing data have been archived, it would require significant effort and time to extract the requested details. However, Toronto Hydro notes that as part of its response to interrogatory 3-VECC-35, it has provided a table with the revenue information covering the 2010 to 2013 calendar years.

b) Please see response to part (a), and refer to Toronto Hydro's response to interrogatory 3-VECC-35.

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INTERROGATORY 61:

Reference(s): **Exhibit 8**

Tab 1, Schedule 1, pages 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.

RESPONSE:

Toronto Hydro has made progress in its approach to evaluate historic line losses. However, the quantification of the impact to Account 1588 RSVA Power has not been completed at the present time. Toronto Hydro intends to file the updated evidence as soon as it is available.

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INTERROGATORY 62:

Reference(s): Exhibit 8, Tab 1, Schedule 1, p. 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?

RESPONSE:

Toronto Hydro's request for relief relates to operation of the ICM model during the 2012-2014 period for Toronto Hydro. While Toronto Hydro believes the comments quoted above indicate the OEB's acknowledgement of the issue, Toronto Hydro does not believe that analysis contemplated by the OEB for future ACM and ICM criteria prevents the OEB from determining the issue in this application based on the evidence provided in Exhibit 8, Tab 1, Schedule 1.

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INTERROGATORY 63:

Reference(s): Exhibit 8, Tab 2, Schedule 1, page 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?

RESPONSE:

Toronto Hydro proposes to charge customers for any formal account history request which would involve extensive data gathering or which would require efforts to summarize the data for the customers' end use. Toronto Hydro would continue not to charge for any limited scope requests that do not require extensive data gathering or that can be completed with relative ease.

Toronto Hydro also notes that as an alternative, all its residential customers can continue to access their account history information free of charge through Toronto Hydro's customer web portal.

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INTERROGATORY 64:

Reference(s): Exhibit 8, Tab 2, Schedule 1, pages 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?

RESPONSE:

a) Toronto Hydro does not believe it would be appropriate to reimburse customers for appointments missed by its crews. Toronto Hydro is subject to various rules and regulations governing appointment scheduling, notification, and rescheduling. As an example, Toronto Hydro msut schedule an appointment within a five-day window (Distribution System Code, s.7.3), must attend the appointment within a four-hour window (Distribution System Code, s.7.4), and must notify the customer in advance of the appointment if the appointment is going to be missed (Distribution System Code, s.7.5).

For greater clarity, this charge would only apply to missed appointments when the customer agreed to a specific appointment date and time. It would not apply to appointments that were cancelled by the customer in advance of the appointment date.

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b) The window of time for an appointment varies depending on the service being provided and the circumstances of when the appointment is made (e.g., whether well in advance of an appointment date or shortly before). In all cases, Toronto Hydro offers appointments in windows no broader than four hours (in accordance with s.7.4 of the Distribution System Code), but aims to offer more specific windows of time when this is possible.

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INTERROGATORY 65:

Reference(s): Exhibit 8, Tab 2, Schedule 1, 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.

RESPONSE:

The "clearance space" is defined as the space on the pole from the ground level to the "communication space". While this space is required to be clear of hanging wireline and other obstructive attachments (hence "clearance"), it can and is used by both Toronto Hydro and other attachers to locate supporting wiring and equipment. For example, Toronto Hydro would run wiring inside conduits along this space whenever transitioning from an overhead to an underground service, or vice versa. Similarly, telecommunication attachers occasionally locate supporting communication equipment (e.g., amplifier units) within this space. Those attachers may also run grounding wires from their equipment in the "communication space" along this "clearance" length of the pole.