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February 27, 2015

via RESS – signed original to follow by courier

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

Dear Ms. Walli:

**Re: Toronto Hydro-Electric System Limited (“Toronto Hydro”)
Custom Incentive Rate-setting Application for 2015-2019 Electricity Distribution Rates
and Charges – Wireline Pole Attachments Update
OEB File No. EB-2014-0116**

Toronto Hydro writes to the Ontario Energy Board (“OEB”) in respect of the above-noted matter.

Pursuant to Rule 11.03 of the OEB’s Rules of Practice and Procedure, enclosed are corrections and updates to the following Schedules, marked by /C and provided in blue paper:

- Exhibit 3, Tab 2, Schedule 1, pages 1, 4, and 5;
- Exhibit 3, Tab 2, Schedule 2, Appendix 2-H;
- Exhibit 8, Tab 2, Schedule 1, page 2; and
- Exhibit 8, Tab 2, Schedule 1, Appendix B, page 1.

The enclosed updates reflect a reduction to the proposed wireline attachment rate, and corresponding revenue offset forecasts for 2015. The reduction is due to an adjustment to one of the inputs to the wireline cost model. More specifically, Toronto Hydro adjusted the 2015 net book value of the assets that support wireline attachments to exclude the street lighting poles that it proposes to transfer into rate base in 2015, as these assets are generally not capable of supporting wireline attachments.

The revenue requirement and bill impacts associated with the above-noted change are immaterial. Therefore, Toronto Hydro has not updated those parts of the evidence, but proposes to do so as part of the Draft Rate Order process, following the OEB's decision with respect to the proposed wireline rate.

Please do not hesitate to contact me if you have any questions.

Yours truly,

[original signed by]

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:encl.

:DC\acc

cc: Charles Keizer, Torys LLP
Crawford Smith, Torys LLP
Amanda Klein, Toronto Hydro
Intervenors of Record for EB-2014-0116

REVENUE OFFSETS

1. INTRODUCTION

In addition to revenues recovered through distribution rates, Toronto Hydro earns other revenue from non-distribution related services, property and facility rentals, specific service charges from services provided to customers, and short-term investment income. Toronto Hydro also receives income and recoveries from shared services that it provides to its affiliates. With the transfer of former street-lighting assets into Toronto Hydro's ratebase (refer to Exhibit 2A, Tab 5), Toronto Hydro will also be receiving a portion of contract revenue from the City of Toronto to offset the maintenance costs of these assets. Together, these revenues form Toronto Hydro's Revenue Offsets. These revenues are broken out into the following sub-categories as summarized in Table 1 below.

Table 1: Revenue Offsets Summary

Description	Actual Year 2011	Actual Year 2012	Actual Year 2013	Bridge Year 2014	Test Year 2015
Specific Service Charges Excluding Pole Attachment (4235)	\$5.7	\$6.3	\$6.4	\$6.4	\$9.8
Late Payment Charge (4225)	\$4.2	\$4.0	\$3.8	\$4.0	\$4.0
Other Distribution Revenue Excluding Duct Rental (4082,4084,4090,4210,4215,4220)	\$3.9	\$3.7	\$3.7	\$3.4	\$11.5
Other Income & Deductions Including Pole Attachments (4210, 4235, 4324, 4325,4330,4335,4355,4375,4398,4405)	\$18.8	\$5.3	\$11.5	\$12.0	\$20.0
Total Revenue Offset	\$32.6	\$19.4	\$25.4	\$25.7	\$45.4

} /C

A complete breakdown of the Revenue Offsets accounts is shown in OEB Appendix 2-H – Other Operating Revenue (Exhibit 3, Tab 2, Schedule 2).

2. REVENUE FROM SPECIFIC SERVICE CHARGES

Toronto Hydro charges user fees for certain services. Some of these services, such as account setup, are provided at the customers' request. Others result from Toronto

1 **Table 2: Merchandise and Jobbing Summary**

	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6
		2011	2012	2013	2014	2015
		Actual	Actual	Actual	Bridge	Test
1 Revenue						
2 Line Hose Removal		(5.3)	-	-	-	-
3 Isolation		548.9	709.4	368.8	319.7	665.9
4 Temp Service Contruction		2,754.7	4,006.8	1,598.1	1,583.1	1,764.6
5 Customer Services		5,738.7	381.3	2,983.3	3,460.6	3,168.0
6 Scrap Sales		5,378.1	3,066.5	4,182.0	3,600.0	2,520.0
7 Accident Claims		2,382.6	2,690.8	2,092.0	1,567.6	1,299.6
8 Pole & Duct Rental		7,292.1	9,484.8	9,609.3	10,740.8	18,751.2 /Cs
9 Other		870.8	589.8	1,289.2	592.2	485.3
10 Total		24,960.6	20,929.3	22,122.8	21,864.0	28,654.7 /Cs
11 Expenses						
12 Line Hose Removal		(34.7)	(4.5)	(17.0)	-	-
13 Isolation		(599.2)	(791.0)	(416.2)	(243.2)	(579.5)
14 Temp Service Contruction		(3,368.0)	(3,673.0)	(1,401.7)	(1,449.4)	(1,372.0)
15 Customer Services		(3,954.5)	(2,543.1)	(2,521.2)	(2,896.2)	(2,478.5)
16 Scrap Sales		(1,666.5)	(1,124.6)	(898.9)	(1,139.7)	-
17 Accident Claims		(1,823.0)	(1,928.4)	(1,761.0)	(1,363.2)	(1,110.8)
18 Pole & Duct Rental		(2,906.3)	(7,082.2)	(4,405.8)	(6,942.6)	(6,942.6)
19 Other		(114.4)	(426.9)	(771.8)	(317.8)	(225.0)
20 Total		(14,466.5)	(17,573.7)	(12,193.6)	(14,352.0)	(12,708.5)
21 Net Revenue						
22 Line Hose Removal		(40.0)	(4.5)	(17.0)	-	-
23 Isolation		(50.3)	(81.6)	(47.4)	76.5	86.4
24 Temp Service Contruction		(613.3)	333.8	196.4	133.7	392.6
25 Customer Services		1,784.3	(2,161.7)	462.1	564.4	689.5
26 Scrap Sales		3,711.6	1,942.0	3,283.1	2,460.3	2,520.0
27 Accident Claims		559.6	762.3	331.0	204.5	188.8
28 Pole & Duct Rental		4,385.8	2,402.6	5,203.5	3,798.1	11,808.6 /Cs
29 Other		756.4	162.8	517.5	274.4	260.3
30 Total		10,494.1	3,355.6	9,929.2	7,512.0	15,946.2 /Cs

2 The revenues and expenses from Merchandise and Jobbing vary significantly from year
 3 to year, depending on the number and type of activities requested by customers. As such,

1 variances between 2011 to 2013 mainly reflect changes in customer demand. Forecast of
2 the activities, revenues and expenses in 2014 and 2015 are based on historical experience
3 and any forecast identified changes.

4
5 The variance from pole attachment and duct rental between 2011 and 2012 is mainly due
6 to the increase in the number of poles and ducts rented in 2012 in comparison to 2011,
7 and the creation of the Assets Attachments department in August 2011 to facilitate the
8 increase in customer demand. For 2015, Toronto Hydro has proposed to update its pole
9 attachment rental fee, as detailed in Exhibit 8, Tab 2. As a result, the Pole Attachments
10 revenue is expected to increase from \$2.3 million, to approximately \$6.0 million. /C

11 Additional increases are expected from higher forecast duct rentals.

12
13 Toronto Hydro generates income from the sale of scrap metal materials. Scrap metals are
14 sold at market rates and any revenue depends on the strength of the market at the time of
15 disposition and the volume of scrap that is available for processing. Variances between
16 2011 to 2013 are mainly a reflection of the volume of scrap available for sale. The net
17 revenue that is projected for scrap metal sales in 2014 is reflective of historical trends.

18 By the last quarter of 2014, Toronto Hydro expects to outsource the processing and
19 selling of scrap metal materials to a third party. Proceeds of the sale net of vendor's cost
20 of disposing the scrap metal materials will be remitted to Toronto Hydro. As a result of
21 this new processing approach, Toronto Hydro expects the revenue from scrap sales to
22 decrease in 2015, with a corresponding reduction in costs.

23
24 Other variances related to Merchandise and Jobbing net revenues are primarily due to the
25 one-time pass-through Special Purpose Charge collected on behalf of the Ministry of
26 Energy and Infrastructure in 2011 for energy conservation and renewal programs of \$3.1
27 million, the write-off in 2012 of uncollectible revenues related to 2010 to 2011 accrued

OEB Appendix 2-H: Other Operating Revenues

	Col. 1	Col. 2			Col. 3	Col. 4	Col. 5	Col. 6	Col. 7
2	Uniform System of Account #	Description	Expense Element	Reported OEB Acc't	2011 Actual	2012 Actual	2013 Actual	2014 Bridge	2015 Test
3	Other Distribution revenue								
4	4082	Retailers' Fixed charge	1029	4082	\$5.2	\$5.3	\$5.6	\$5.5	\$5.5
5	4082	Retailers' Variable Charge	1031	4082	\$484.7	\$393.3	\$320.4	\$300.0	\$300.0
6	4082	Distributor Consolidated Billing (DCB) Charges	1033	4082	\$277.6	\$225.0	\$180.8	\$171.0	\$171.0
7	4082	Retail Consolidated Billing (RCB) Credit	1035	4082	-\$11.0	-\$8.7	-\$8.5	-\$8.6	-\$8.6
8	4082	Other Retailer Service fees	1047	4082	\$0.2	\$0.0	\$0.0	\$0.0	\$0.0
9	4084	Retailer Service Transaction Request	1039	4084	\$8.2	\$9.6	\$9.3	\$6.8	\$9.6
10	4084	Retailer Service Transaction Processing	1041	4084	\$12.3	\$12.7	\$11.4	\$13.0	\$13.0
11	4090	SSS Admin Charge	1071	4090	\$1,993.5	\$2,021.3	\$2,099.8	\$2,115.0	\$2,115.0
12	4210	Misc Revenue	1206	4210	\$0.0	\$106.6	\$26.6	\$0.0	\$0.0
13	4210	Parking Rental	1303	4210	\$6.6	\$8.0	\$35.2	\$0.0	\$0.0
14	4210	Miscellaneous Rent	1304	4210	\$0.4	\$0.0	\$0.0	\$0.0	\$0.0
15	4210	Interval Meter Phone Line Charges	1305	4210	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
16	4210	Property Rental	1308	4210	\$15.0	\$16.6	\$24.9	\$0.0	\$0.0
17	4215	TTC Rectification	1204	4215	\$303.9	\$303.9	\$303.9	\$303.9	\$303.9
18	4215	Misc Revenue	1206	4215	\$16.1	\$14.0	\$0.6	\$0.0	\$0.0
19	4215	Settlement Discounts Taken	1400	4215	\$249.3	\$277.4	\$250.0	\$200.0	\$200.0
20	4215	Stale Dated Cheques	1409	4215	\$506.9	\$352.4	\$443.4	\$250.0	\$350.0
21	4220	Street Lighting	1132/1202	4220	\$0.0	\$0.0	\$0.0	\$0.0	\$8,084.9
22	Late Payment Charges								
23	4225	Late Payment Charges	1055	4225	\$4,220.9	\$4,047.1	\$3,827.3	\$4,000.0	\$4,000.0
24	Specific Service Charges								
25	4235	Account Set Up Charge	1027	4235	\$2,676.6	\$2,816.1	\$2,740.6	\$2,550.0	\$3,811.9
26	4235	Special Meter Read	1051	4235	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
27	4235	NSF Collection Charges	1057	4235	\$91.4	\$81.9	\$68.8	\$75.0	\$113.9
28	4235	Collection Service Charges	1059	4235	\$2,566.4	\$3,026.3	\$3,075.5	\$3,300.0	\$4,969.1
29	4235	Connection-Reconnection Charge	1061	4235	\$231.3	\$336.2	\$476.7	\$444.0	\$859.3
30	4235	Easement Letter	1064	4235	\$19.3	\$18.8	\$21.4	\$0.0	\$23.1
31	4235	Duplicate Invoices for previous billing	1065	4235	\$6.5	\$7.7	\$5.0	\$5.7	\$2.9
32	4235	Income Tax Letter	1066	4235	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
33	4235	Request for Other Billing or System Information	TBD	4235	\$0.0	\$0.0	\$0.0	\$0.0	\$31.0
34	4235	Account History	TBD	4235	\$0.0	\$0.0	\$0.0	\$0.0	\$6.0
35	4235	Service Call - Customer Owned equipment or customer missed appointment	TBD	4235	\$0.0	\$0.0	\$0.0	\$0.0	\$2.0
36	4235	Misc Revenue	1206	4235	\$90.6	\$0.0	\$0.0	\$0.0	\$0.0
37	Other Income and Deductions								
38	4324	Special Purpose Charge Recovery	1220	4324	\$3,050.5	\$0.0	\$0.0	\$0.0	\$0.0
		Special Meter Reads	1051	4325	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
		Consumer Trouble	1053	4325	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
		TTC Rectification	1204	4325	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
		Misc Revenue	1206	4325	\$14,740.4	\$8,587.9	\$11,822.2	\$11,017.2	\$11,657.2
		Misc Revenue (Excl AG22)	-1206	4325	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
		EHS Consulting Revenue	1209	4325	\$5.0	-\$5.0	\$0.0	\$0.0	\$0.0
		Plant Relocates	1210	4325	\$430.4	\$432.5	\$31.9	\$0.0	\$0.0
		Line Hose Removal/Install	1212	4325	-\$5.3	\$0.0	\$0.0	\$0.0	\$0.0
		Temporary Service Construction	1214	4325	\$2,754.7	\$4,006.8	\$1,598.1	\$1,583.1	\$1,764.6
		Plant Removals/Demo	1216	4325	\$102.2	\$301.3	\$174.4	\$0.0	\$0.0
		Other Banner Revenue	1218	4325	\$325.1	\$55.5	\$47.5	\$0.0	\$0.0
		Other Banner Revenue	1218	4235	\$0.0	\$0.0	\$0.0	\$215.3	\$215.3
		Duct Rental	1301	4210	\$4,620.5	\$5,261.2	\$6,000.0	\$6,743.7	\$6,743.7
		Pole Attachment Rental	1302	4235	\$1,987.6	\$2,256.1	\$2,133.4	\$0.0	\$0.0
		Pole Attachment Rental	1302	4210	\$0.0	\$0.0	\$0.0	\$2,304.6	\$8,273.8
		Trades Training	1207	4325	\$0.0	\$0.0	\$64.0	\$0.0	\$0.0
		Trades Training	1207	4375	\$0.0	\$33.0	\$251.5	\$0.0	\$0.0
		Shared Serv Recovery	9949	4375	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
39	4325	Merchandise and Jobbing Revenue	various	4325	\$24,960.6	\$20,929.3	\$22,122.8	\$21,864.0	\$28,654.6
		Merchandise and Jobbing Costs	2901	4330	-\$14,466.5	-\$17,576.0	-\$12,193.6	-\$14,352.0	-\$12,708.5
		Cost Of Value Added Services	2906	4330	\$0.0	-\$2.3	\$0.0	\$0.0	\$0.0
40	4330	Merchandise and Jobbing Costs	2901	4330	-\$14,466.5	-\$17,576.0	-\$12,193.6	-\$14,352.0	-\$12,708.5
41	4355	Gain/Loss on disposals	1501	4355	-\$164.5	\$989.9	\$17.9	\$0.0	\$0.0
42	4335	Gain/Loss on disposals	1501	4335	\$0.0	\$0.0	-\$17.9	\$0.0	\$0.0
43	4375	Gain/Loss on disposals	1501	4375	\$164.5	-\$989.9	\$0.0	\$0.0	\$0.0
44	4375	Shared Services Recovery	9949	4375	\$0.0	\$0.0	\$0.0	\$3,381.2	\$3,399.5
45	4355	Gain on Disposition of Utility and Other Property	9601	4355	\$3,885.3	\$1,804.8	\$1,279.6	\$453.5	\$0.0
		Gain/Loss On Foreign Exch	7501	4398	\$53.5	-\$292.7	-\$778.9	\$0.0	\$0.0
		Foreign Exchange Conversion	7505	4398	\$50.5	\$212.5	-\$129.3	\$0.0	\$0.0
46	4398	Foreign Exchange Gain/(Loss)	7505	4398	\$104.1	-\$80.2	-\$908.2	\$0.0	\$0.0

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Col. 1	Col. 2			Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	
2	Uniform System of Account #	Description	Expense Element	Reported OEB Acc't	2011 Actual	2012 Actual	2013 Actual	2014 Bridge	2015 Test
		Dividend Income	1606	4405	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
		Investment Int Income	1608	4405	\$1,267.8	\$221.3	\$1,183.4	\$660.0	\$660.0
		Regulated Assets Cchgs-Revenue	1613	4405	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
47	4405	Investment Interest Income	1608	4405	\$1,267.8	\$221.3	\$1,183.4	\$660.0	\$660.0
48		Specific Service Charges	various		\$5,682.0	\$6,287.1	\$6,388.0	\$6,374.7	\$9,819.2
49		Late Payment Charge (4225)	various		\$4,220.9	\$4,047.1	\$3,827.3	\$4,000.0	\$4,000.0
50		Other Distribution Revenue Excluding Duct Rental (4082,4084,4090,4210,4215,4220)	various		\$3,869.0	\$3,737.4	\$3,703.3	\$3,356.6	\$11,544.3
51		Other Income & Deductions Including Pole Attachments (4210, 4235, 4324, 4325,4330,4335,4355,4375,4398,4405)	various		\$18,801.8	\$5,299.3	\$11,484.1	\$12,006.7	\$20,005.5
52		Total Revenue Offset			\$32,573.7	\$19,370.8	\$25,402.6	\$25,738.0	\$45,369.1

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1 **Table 1: New and Updated Specific Service Charges 2015-2019**

Specific Service Charge	Current OEB Distribution Rate Handbook Standard Charge Amount	Currently Approved for use by THESL?	New Service Charge or Revised Definition?	Proposed Updated Charge Amount ¹
Duplicate invoices for previous billing	\$15	Yes		\$25
Request for other billing or system information	\$15	No ²	Yes ⁸	\$25
Easement letter	\$15	Yes		\$25
Income tax letter	\$15	Yes		\$25
Account history	\$15	No ²	Yes	\$25
Returned cheque charge (plus bank charges)	\$15	Yes		\$25
Account set up charge/change of occupancy charge	\$30	Yes		\$35 ⁹
Special meter reads	\$30	Yes		\$55
Collection of account charge - no disconnection	\$30	Yes		\$55
Disconnect/Reconnect at meter -during regular hours	\$65	Yes	Yes ³	\$120
Install/Remove load control device - during regular hours	\$65	Yes		\$120
Disconnect/Reconnect at meter -after regular hours	\$185	Yes	Yes ³	\$400
Install/Remove load control device - after regular hours	\$185	Yes		\$400
Disconnect/Reconnect at pole - during regular hours	\$185	Yes		\$300
Disconnect/Reconnect at pole - after regular hours	\$415	Yes		\$820
Meter dispute charge plus Measurement Canada fees	\$30	Yes		\$55
Service call - customer owned equipment or customer missed appointment	\$30	No ²	Yes ⁶	\$55
Temporary service install & remove – overhead - no transformer	\$500	No ²	Yes	\$2040 ⁴
Specific Charge for Access to Power Poles (Wireline Attachments) (\$/pole/year)	\$22.35	Yes	Yes ⁷	\$84.98 ⁵

1. With the exception of "Temporary service install", "Access to Power Poles", and "Account Set Up Charge" all other charge amounts are adjusted using the OEB formulas contained in the Distribution Rate Handbook, adjusting only for Toronto Hydro's actual labour and vehicle rates.

2. In the absence of an approved Specific Service Charge, and in accordance with the Distribution Rate Handbook, Toronto Hydro currently charges customers based on actual costs for these services, or in the case of information requests, provides these services without charge.

3. This charge is currently approved for instances of "non-payment" only. Toronto Hydro requests approval to use this charge in all circumstances involving customer disconnections/reconnections (i.e. by voluntary request of the customer, etc).

4. The proposed charge amount for the Temporary Connections Service charge is determined based on Toronto Hydro's actual costs.

5. The proposed charge amount for Access to Power Poles is determined based on Toronto Hydro's actual costs, as applied specifically to wireline attachments (wireless attachment rates being the subject to the OEB's determination in the EB-2013-0234 proceeding.)

6. Toronto Hydro proposes to apply this charge to both service calls for customer owned equipment as well as instances in which Toronto Hydro crews had been dispatched but could not complete work due to the failure of the customer to meet a previously agreed upon appointment.

7. As a result of the EB-2013-0234 proceeding, Toronto Hydro proposes to rename this Specific Service Charge to indicate that it would be applicable to "Wireline Attachments" only.

8. Toronto Hydro proposes to apply this charge for both "billing information" and "system information" requests.

9. Given the non-optional nature of this service, and efficiencies gained through the introduction of online technology, Toronto Hydro proposes a lower charge than that generated by the formula contained in the Distribution Rate Handbook.

/C

1 **APPENDIX B: SPECIFIC CHARGE FOR ACCESS TO POWER POLES**
 2 **(WIRELINE ATTACHMENTS) – COSTING DETAILS**

3
 4 The table below sets out Toronto Hydro’s estimated direct and indirect costs associated
 5 with wireline pole attachments on a typical 40’ distribution pole.¹ The model was
 6 developed in accordance with the methodology approved by the OEB in RP-2003-0249
 7 (the “CCTA Decision”), and first presented in a preliminary state as an interrogatory
 8 response in Toronto Hydro’s EB-2013-0234 wireless forbearance application. It has
 9 since been updated to reflect 2015 values, and results in a rate of \$84.98 per pole, per
 10 year.

/C

Item	Type of cost	Cost	Explanation
DIRECT COST			
A	Administration Costs	\$18.77	2015 estimate
B	Loss in Productivity	\$5.72	2015 estimate = \$9.19 and divided between 1.61 pole attachers
C	Total Direct Costs	\$24.49	A + B
INDIRECT COST			
D	Net Embedded Cost per pole	\$1,929.34	2015 MIFRS Forecast Data
E	Depreciation Expense	\$58.71	2015 MIFRS Forecast Data
F	Pole Maintenance Expense	\$6.09	2015 MIFRS Forecast Data
G	Capital Carrying Cost	\$133.90	Pre-tax weighted average cost of capital 6.94% applied to net embedded cost per pole (D)
H	Total Indirect Costs per Pole	\$198.70	E+F+G
I	Allocation Factor	30.4%	Allocation based on 1.61 attachers
J	Indirect Costs Allocated	\$60.49	H x I
K	Estimated Annual Cost	\$84.98	Total Direct + Indirect Costs (C + J)

/C

¹ THESL’s distribution system contains various different pole configurations; the costs may vary depending on the type of pole asset to which an attachment is made.