RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 1:

Reference(s): Exhibit 1A

Please provide all materials provided to Toronto Hydro's Board of Directors and Senior Management regarding the Application and underlying budgets and business plans. Please also provide all Business Plans relevant to this Application.

RESPONSE:

Toronto Hydro declines, on the basis of relevance, to provide the materials supplied to Toronto Hydro's Board of Directors and Senior Management regarding the Application.

Toronto Hydro notes that the same types of materials were requested in EB-2010-0008, and EB-2013-0321; in both of these proceedings, the OEB Panels decided that the requested material was not relevant.

In EB-2010-0008, the OEB Panels stated:[2]

> The Board has decided not to order production of the materials sought in the CME and CCC motions. In the Board's view, these materials are not relevant to the determination of the issues before the Board in this proceeding. The Board will make its decision on the application and supporting materials filed by the applicant and the evidence of intervenors, all of which is subject to cross-examination.

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

This evidence goes to the financial and operational impacts of the application and of the alternatives which have been considered.

The material which has been sought through the motions includes the communication between OPG's management and its board of directors, seeking approval to file the application, delegated authority to deal with the proceeding, and the analysis of "likely prospects for success". This material does not form part of the application and does not enhance nor detract from the merits of the application. The evidence is that no changes to the business plans and budgets which underpin the application were sought or made as a result of the board of directors' meeting. These plans and budgets have been filed.

Intervenors can explore, through the witness, whether alternatives to the application should have been considered, and the impacts of OPG's choices. None of this relies on what management presented to the board of directors.

Having found that the materials are not relevant and need not be produced, the question of privilege will not be addressed. That concludes the Board's decision, and subject to any questions, we can continue with the cross-examination.

Consistent with Toronto Hydro's business planning cycle, the detailed Business Plan which covers the period of this Application, will be presented to the Board of Directors at its upcoming meeting on November 13, 2014. Once the Business Plan has been approved by the Board of Directors, Toronto Hydro will produce it as part of this proceeding.

[2] EB-2010-0008, Transcript Vol. 1 (October 4, 2010), pages 113-114.

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1A-CCC-1 Supplemental Response
Filed: 2014 Nov 14
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THC Business Plan 2015-19

November 13, 2014

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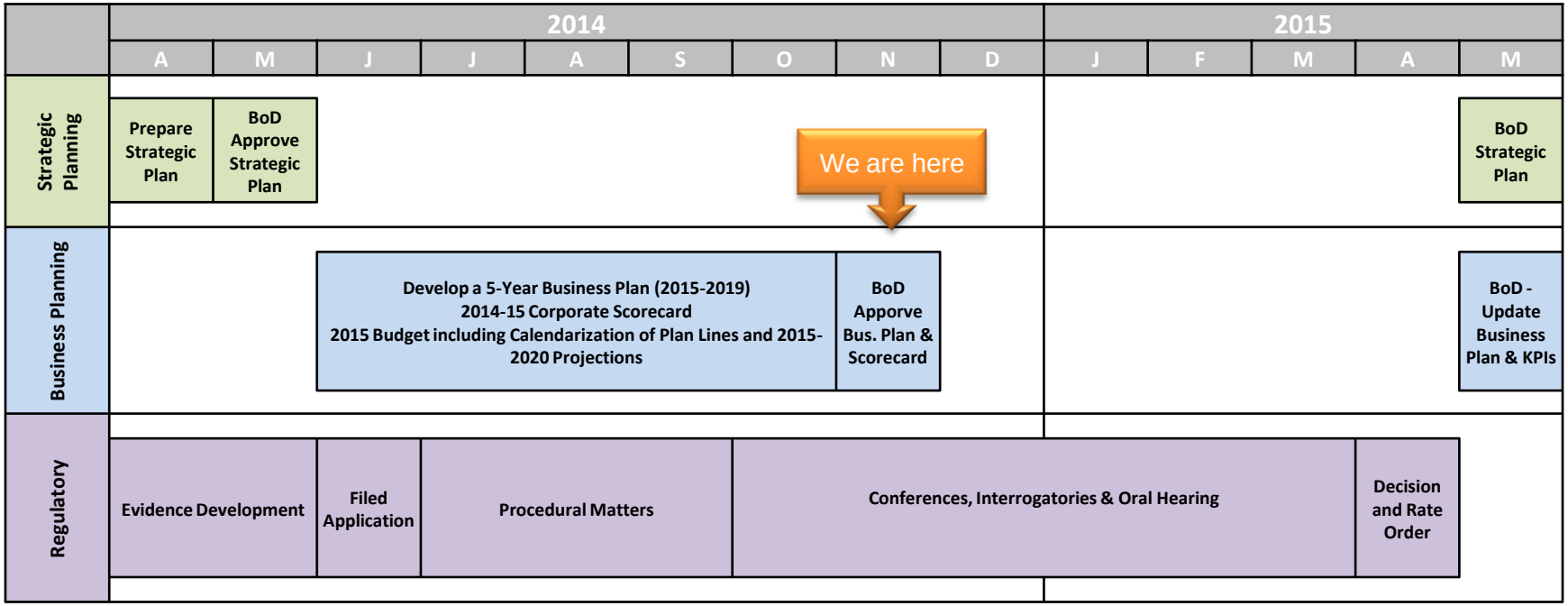
Strategic Planning Calendar



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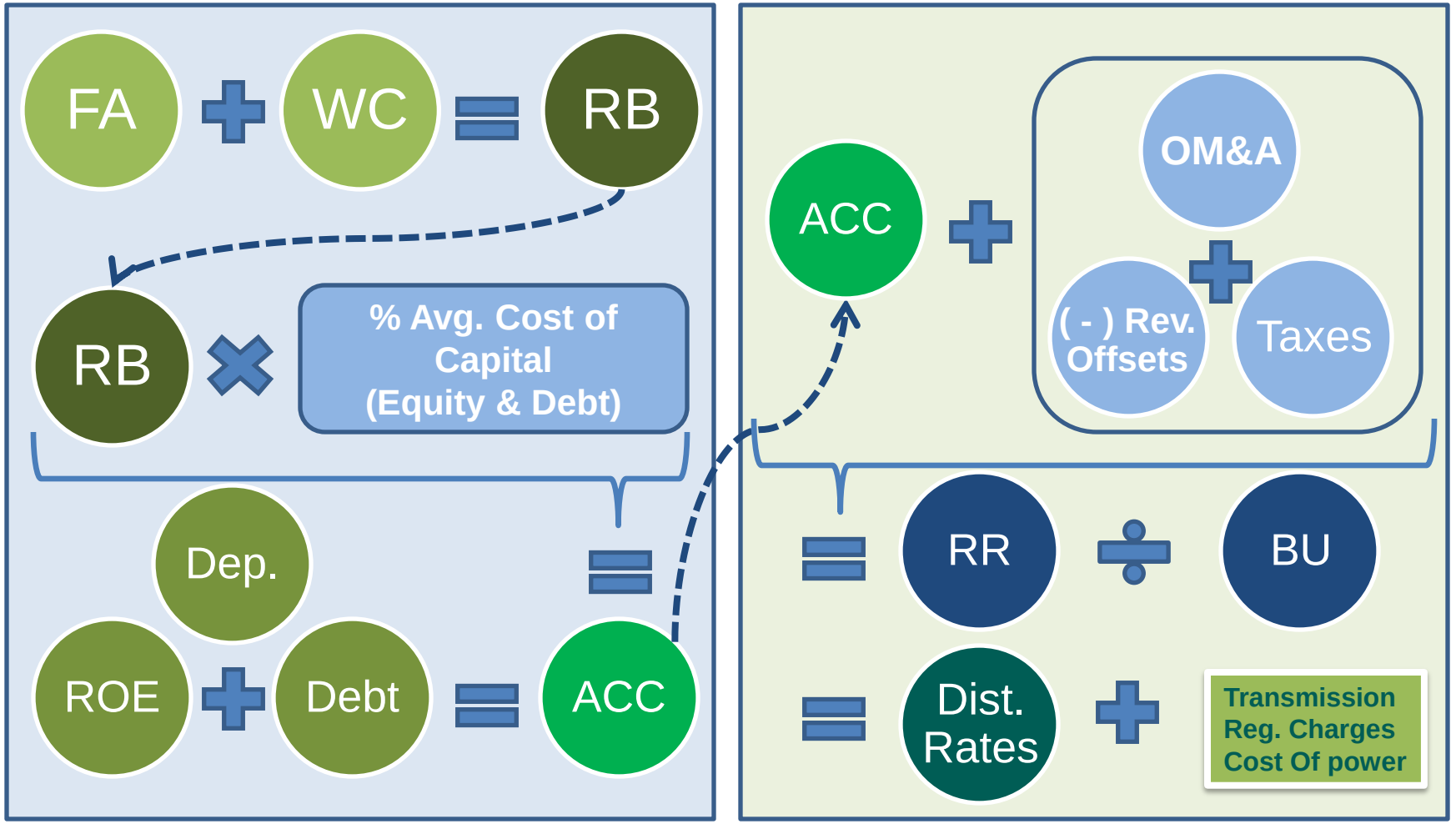
Regulatory Update

- Regulatory Process
- CIR Application Update
- Proposed Capital & OM&A
- Rate Impact

Regulatory Process



FA = Fixed Assets | WC = Working Capital | RB = Rate Base | Dep. = Depreciation | ROE = Return on Equity | ACC = Assets Carrying Costs | RR = Revenue Requirement | BU = Billing Units (Load & Cusomters) | CoP= Cost of Power

Example: Revenue Requirement

2015 CIR Revenue Requirement	$ Millions	
Opening Net Fixed Assets	2,858.7	A
In Service Net Capital Additions	426.3	B
Closing Net Fixed Assets	3,285.0	C = A + B
Average Net Fixed Assets	3,071.8	D = (C + A) / 2
Working Capital Allowance	241.7	E
Rate Base	3,313.5	F = D + E
ROE	123.3	G = F * 3.72%
Debt	81.8	H = F * 2.47%
Depreciation	208.2	I
Asset Carrying Costs	413.3	J = G + H + I
OM&A	269.5	K
PILS	24.4	L
Revenue Offsets	45.1	M
Revenue Requirement	662.2	N = J + K + L - M

Consolidated Statements of Net Income and Comprehensive Income

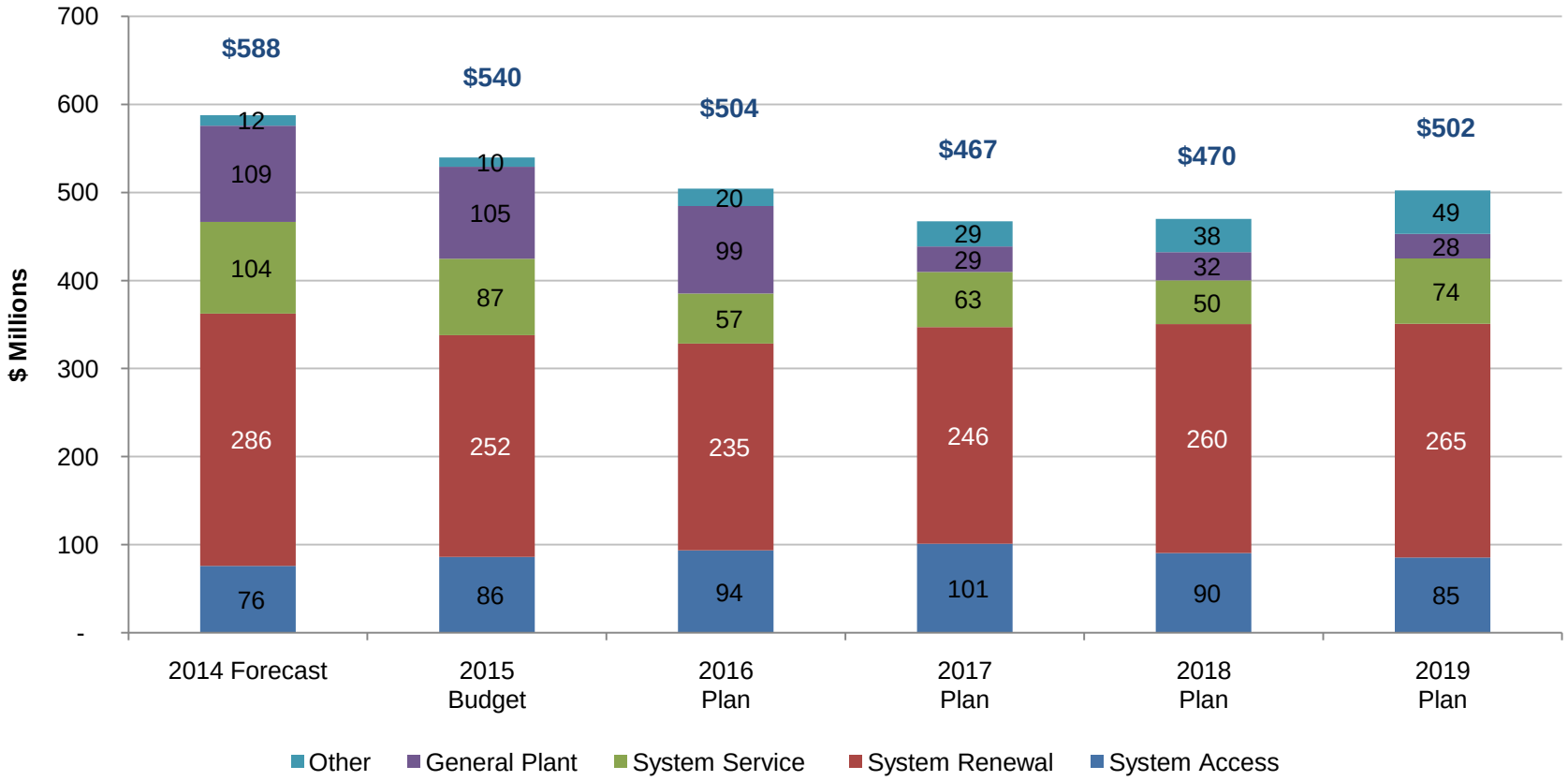
Application Process

	2013	2014				2015		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	
CIR App. (2015 - 19)	Evidence Development		File Application	Procedural Matters	Conferences, Interrogatories & Oral Hearing		**Decision and Rate Order**	**Board Strategy: Budget & Scorecard Update**
Key Dates*			Application Filed (July 31)	Intervenors registered (August) Submissions on confidentiality (September) Application Update Filed (September) Issues Determinations (Nov 19 - Dec 5)	Responses to interrogatories (Oct 15 - Nov 5) Technical Conference (Nov 17-18) Staff/ Interveners Evidence (Dec 8) TH IRs to Staff/ Interveners (Dec 22)	Settlement Conference Start (Jan 21) Oral Hearing Begins (Feb 9) Final Argument (Feb)	Decision timing: TBD (OEB will determine) Request for new rates to take effect (May 1, 2015)	

* - "Indicative Dates" anticipated by OEB but subject to change

** timelines beyond November 30 are tentative – OEB to confirm.*

2014 and CIR Application: 2015 – 2019 Capital Expenditures



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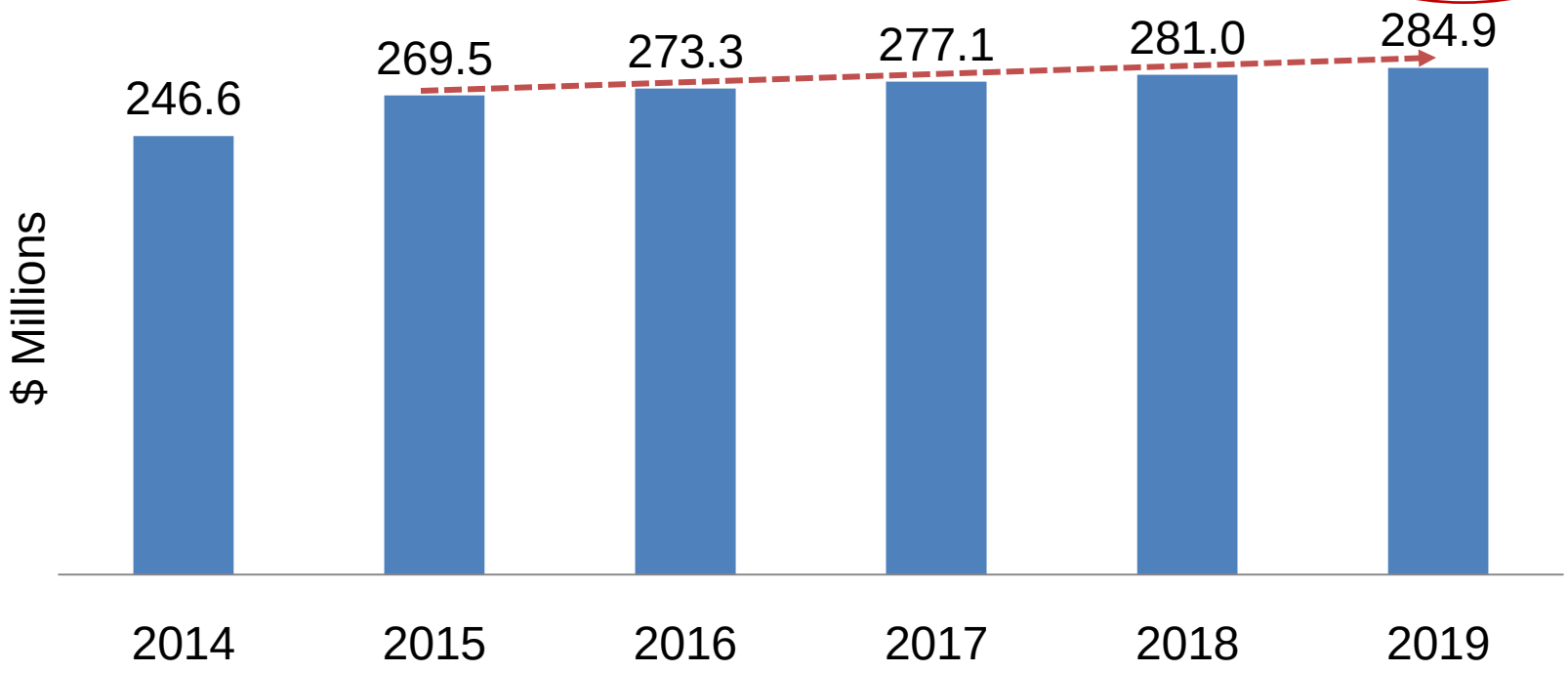
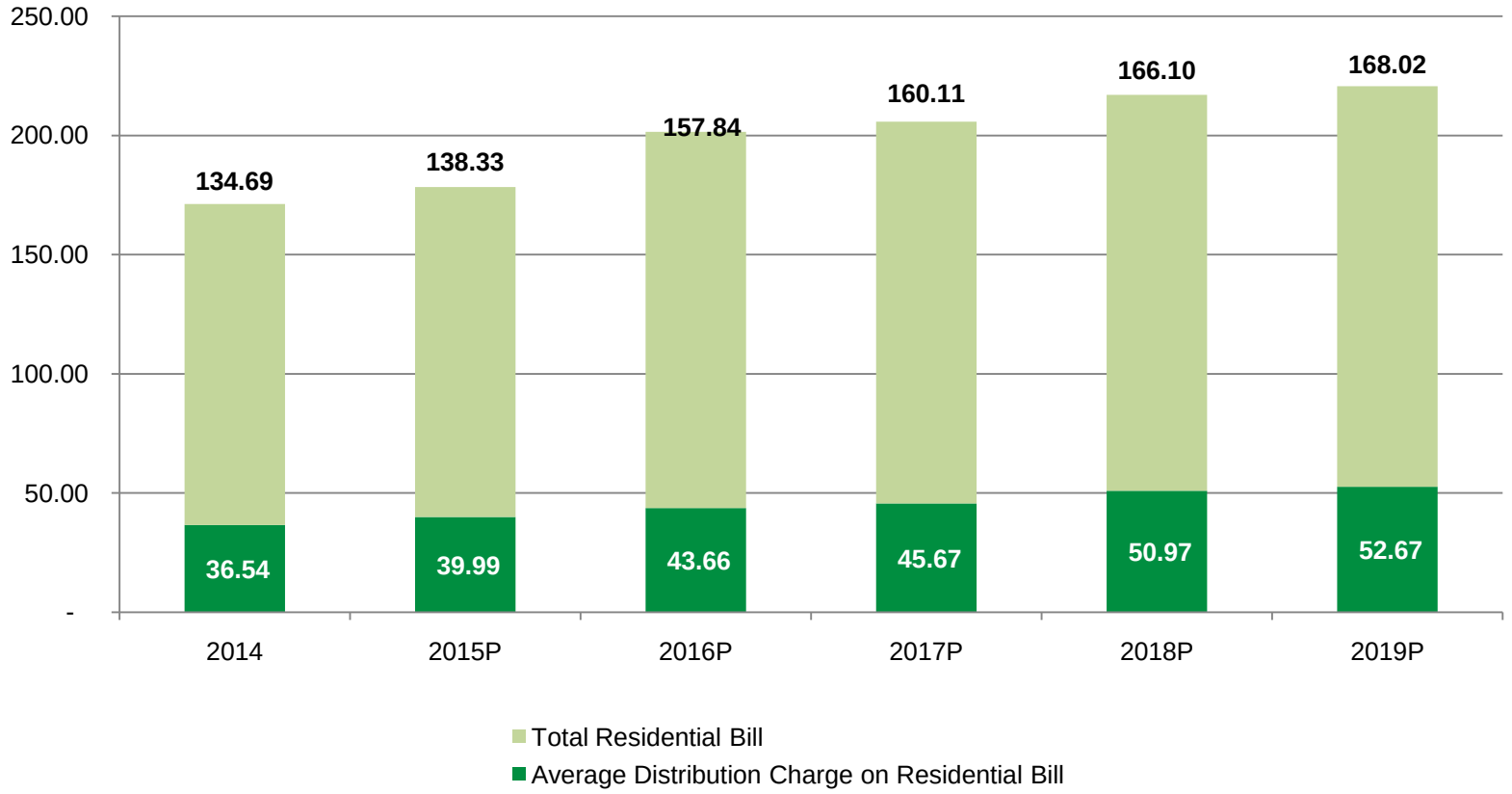
2014 and CIR Application: 2015 – 2019 OM&A Funding

Approx. 1.4% Escalator



TH proposal to escalate OM&A funding by mechanistic IRM formula for 2016-2019 (inflation – productivity – custom stretch)

2014 and CIR Application 2015 – 2019 Residential Rate Impacts



Source: Exhibit 8, Tab 7, Sched 1 – Bill impact table: excludes any changes in transmission or commodity rates

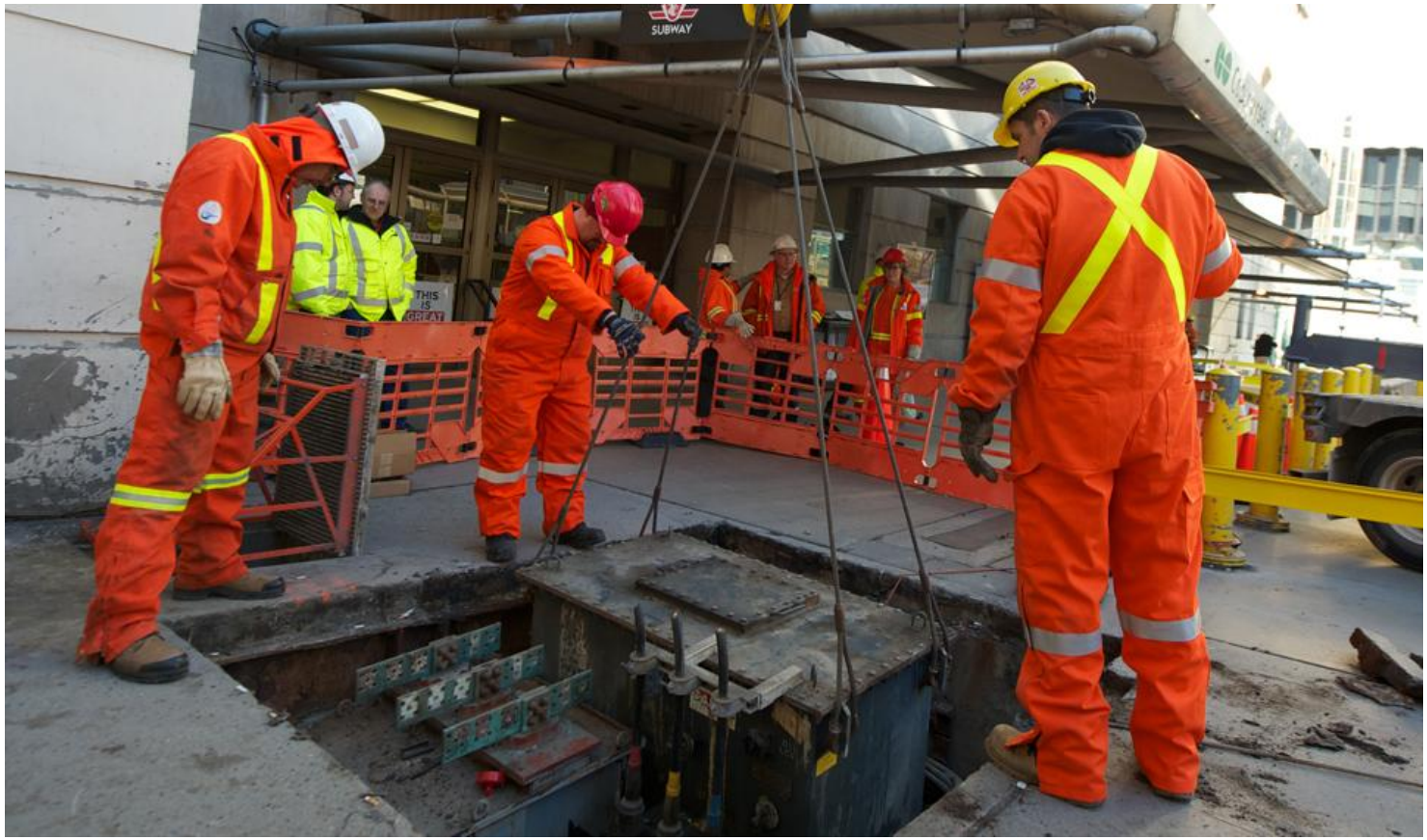
CIR Application: 2014 – 2019
All Rate Classes Rate Impacts

	Monthly Distribiton Bill ($)	Proposed Monthly Bill Increase (Distribution Portion, including all Rate Riders, $)					2015-19 Average Increase in Monthly Distribution Bill ($)	2015-19 Average Increase in Monthly Distribution Bill (%)
Rate Class	2014	2015	2016	2017	2018	2019	2015-19	2015-19
Residential	36.54	3.45	3.67	2.01	5.30	1.70	3.23	7.6%
CSMUR	29.12	1.70	1.92	2.27	3.29	1.16	2.07	6.3%
GS <50kW	90.63	9.18	7.02	-1.05	10.87	4.93	6.19	6.1%
GS 50-999kW	2,945.53	316.60	334.95	5.90	340.96	178.72	235.43	7.0%
GS 1000-4999kW	12,179.24	958.50	1,819.86	-265.01	1,291.30	686.92	898.31	6.6%
Large User	59,246.82	6,002.33	9,748.05	-1,440.50	7,153.44	3,833.16	5,059.30	7.5%
Streetlighting	6.60	-0.56	0.50	0.43	0.84	0.40	0.32	4.7%
USL	30.41	4.52	2.43	2.42	4.13	2.27	3.15	8.8%

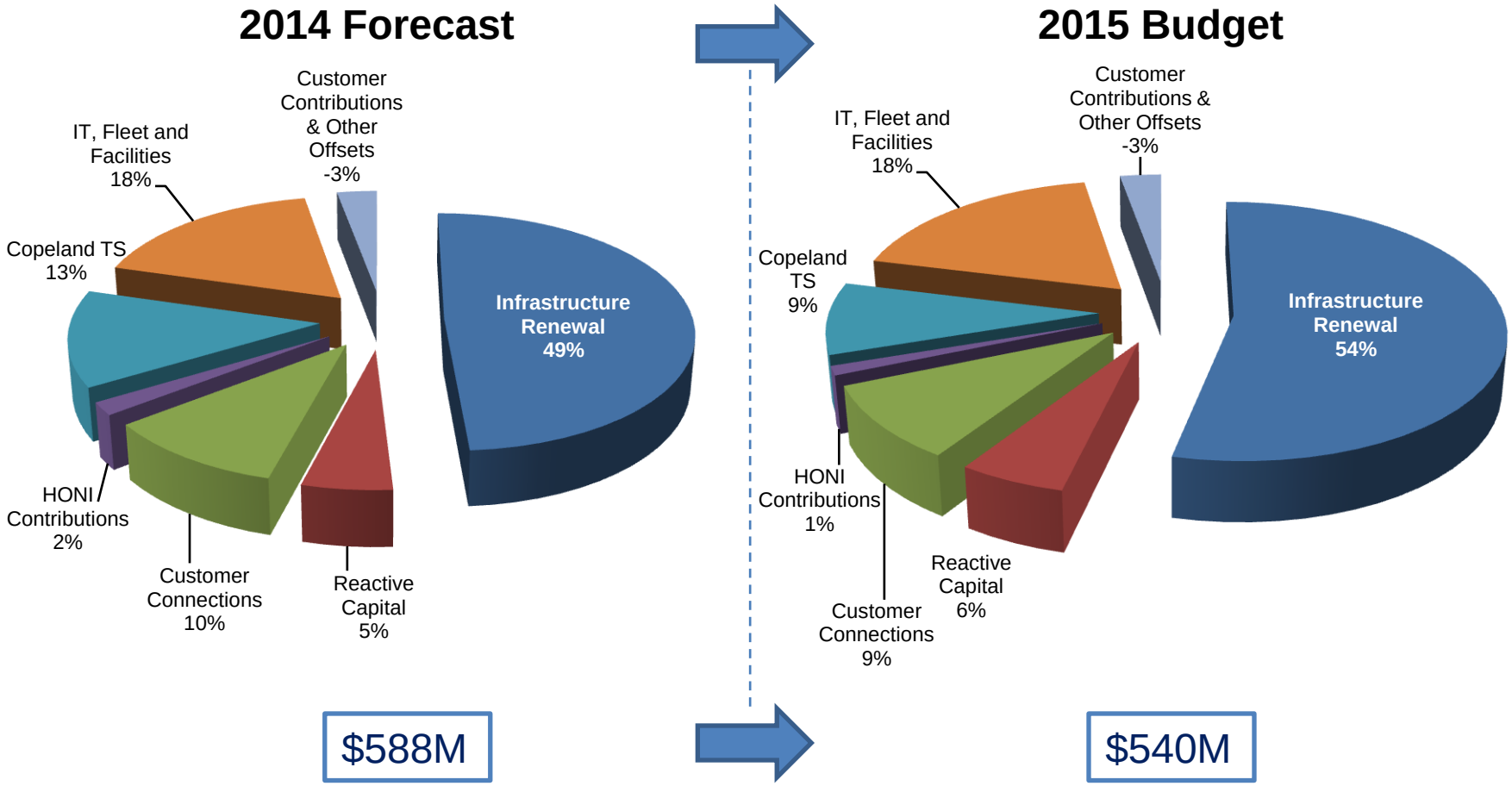
Source: EB-2014-0116 Exhibit 8, Tab 7, Sched 1

2015 BUDGET

Capital Spending



Regulated Capital Expenditures



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Capital Expenditures

($ Millions)	2013 Actual	2014 Budget	2014 Forecast	2015 Budget	Variance
Infrastructure Renewal	261.8	303.8	305.7	307.1	1.4
Reactive Capital	37.4	26.3	32.1	31.9	(0.2)
Customer Connections	77.1	45.5	65.6	53.9	(11.7)
HONI Contributions	19.0	15.1	11.1	6.6	(4.5)
Copeland TS	44.6	96.5	81.8	51.6	(30.2)
IT, Fleet and Facilities	33.8	72.1	109.6	104.6	(4.9)
Customer Contributions & Other Offsets	(28.0)	(17.8)	(18.2)	(16.1)	2.1
Net Regulated Capital	**445.7**	**541.5**	**587.6**	**539.6**	**(48.0)**

Budget and Financial Summary

Consolidated Statements of Net Income and Comprehensive Income

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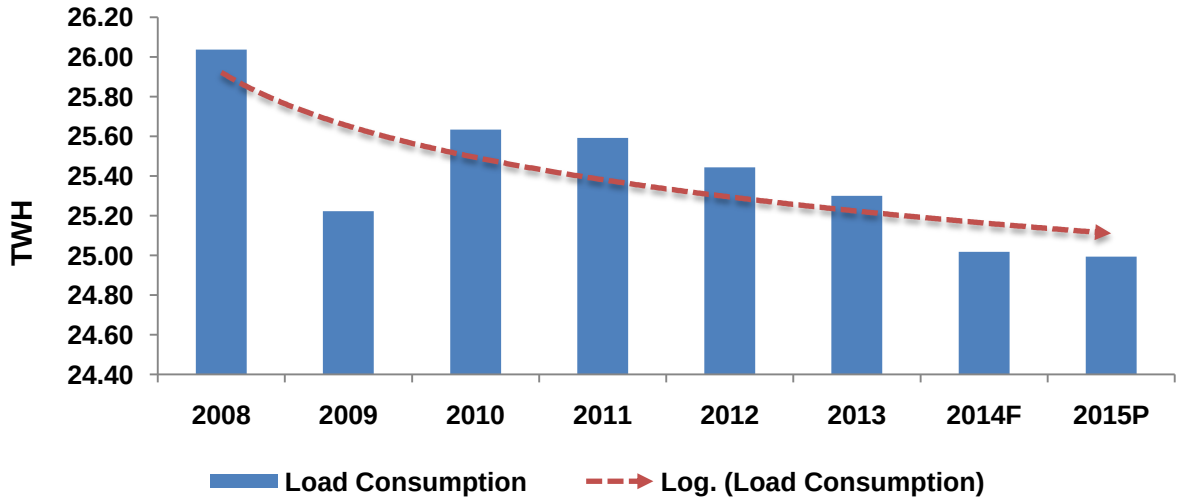
Load Forecast

(MWh)	2011 Actual	2012 Actual	2013 Actual	2014 Budget	2014 Forecast	2015 Budget
Total Consumption	25,592,079	25,444,000	25,300,197	25,241,605	25,018,451	24,993,282
Year over Year % Change	(0.2)%	(0.6)%	(0.6)%	(0.2)%	(0.9)%	(0.1)%

- Loads over the 2011-2015 period exhibit a declining trend as customer growth is offset by declining average uses and CDM impacts



Revenues

($ Millions)	2013 Actual	2014 Budget	2014 Forecast	2015 Budget	Variance
Distribution Revenue	577.9	561.5	567.7	627.1	59.3
Other Revenues	36.0	35.7	35.6	53.5	17.9
Total Regulated Revenues	614.0	597.1	603.3	680.5	77.2

- Distribution revenue increase primarily due to rebasing in 2015
- Increase in non-distribution revenues primarily due to rate increases for asset attachments and customer charges

Other Revenues and Expenses

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($ Millions)	2013 Actual	2014 Budget	2014 Forecast	2015 Budget	Variance
Customer Charges	8.5	8.5	8.9	11.3	2.4
Poles, Ducts and Other Rentals	10.7	11.2	10.7	19.5	8.7
Late Payment Charges	3.8	4.0	4.0	4.0	-
Customer Demand Work	7.0	6.9	6.8	6.4	(0.4)
Reclaimed Materials	2.9	3.6	3.6	2.5	(1.1)
Retailer Charges	0.5	0.5	0.5	0.5	0.1
Street Lighting	-	-	-	8.1	8.1
Gain/(Loss) on Disposals	1.3	-	-	-	-
Other	1.3	1.0	1.0	1.1	0.1

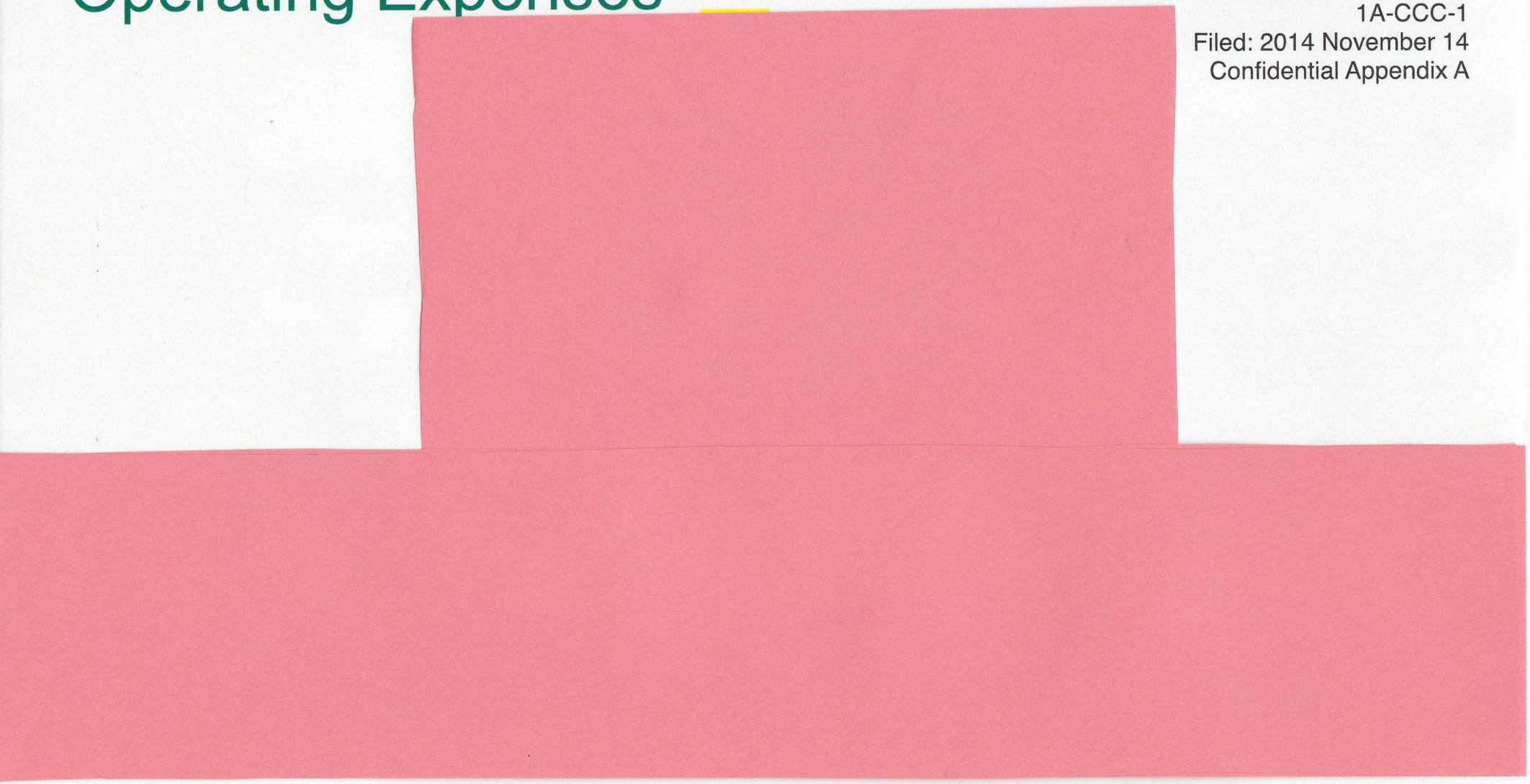
- Margin increase primarily due to OEB-approved rate increases for asset attachments and customer charges
- Eligible Street Lighting activities transferred to regulated operations

Purchased Power

($ Millions)	2011 Actual	2012 Actual	2013 Actual	2014 Budget	2014 Forecast	2015 Budget	Variance
Energy Charges	1,828.2	1,857.2	2,142.3	2,126.4	2,250.2	2,295.3	(45.2)
Transmission Charges	267.3	287.2	293.3	298.2	299.1	314.1	(15.1)
Wholesale Service Charges	107.9	101.1	101.7	111.1	110.0	110.0	0.0
Rural Rate Assistance	33.2	29.7	30.3	30.3	32.5	32.5	0.0
Total Purchased Power	**2,236.5**	**2,275.2**	**2,567.5**	**2,566.0**	**2,691.7**	**2,751.9**	**(60.2)**
Total/kWh	**$0.0874**	**$0.0894**	**$0.1015**	**$0.1017**	**$0.1076**	**$0.1101**	**$(0.0025)**

- Cost of power is a pass-through
- Energy charges increase primarily due to 2015 rate increases based upon OEB forecasts
- Transmission charges increase primarily due to expected 5% annual increase in regulated transmission rates

Operating Expenses



Compensation

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[redacted]

- Benefits include OMERS and other benefits
- Headcount increase in 2015 due to apprentices

External Costs

- External costs include distribution system maintenance and materials, IT systems maintenance, outsourced call centre
- Increase primarily due to new or evolving operational needs and functional requirements

Business Support and Other Costs

- Business support costs include typical overhead expenses such as utilities and communications, postage and supplies, insurance, property taxes, rentals, employee expenses and bad debts
- Other costs include OEB fees, allocations and recoveries and costs incurred to earn non-distribution revenues

Depreciation and Amortization

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($ Millions)	2013 Actual	2014 Budget	2014 Forecast	2015 Budget	Variance
Regulated	169.5	157.6	158.4	208.2	(49.8)

- Increase due to asset de-recognition and increased investment in distribution infrastructure

Net Financing Charges

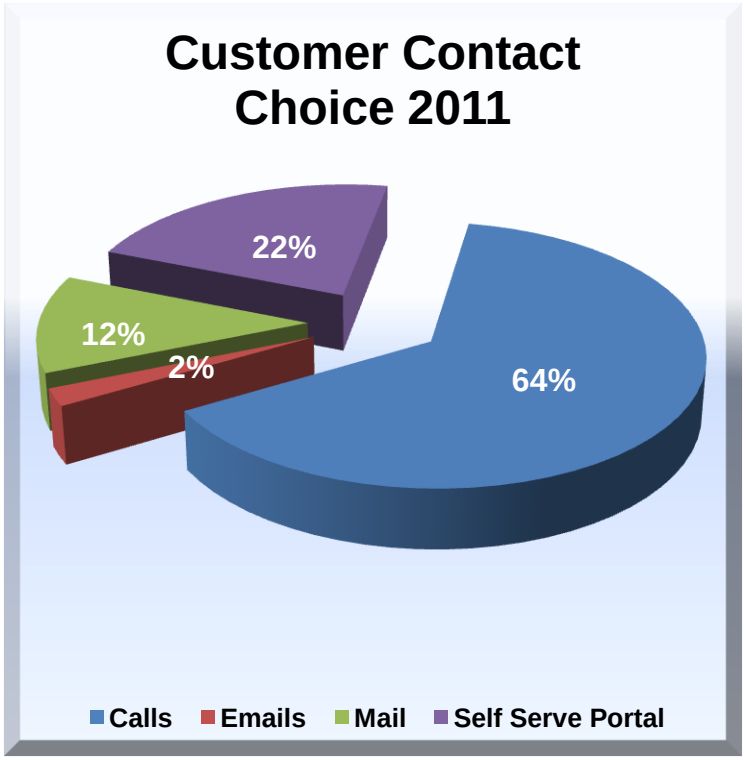
- Increase due to annualization of debt issued in 2014 and new debt issuance in 2015 to finance infrastructure renewal
- Capitalized interest at weighted average cost of borrowing of 4.05%

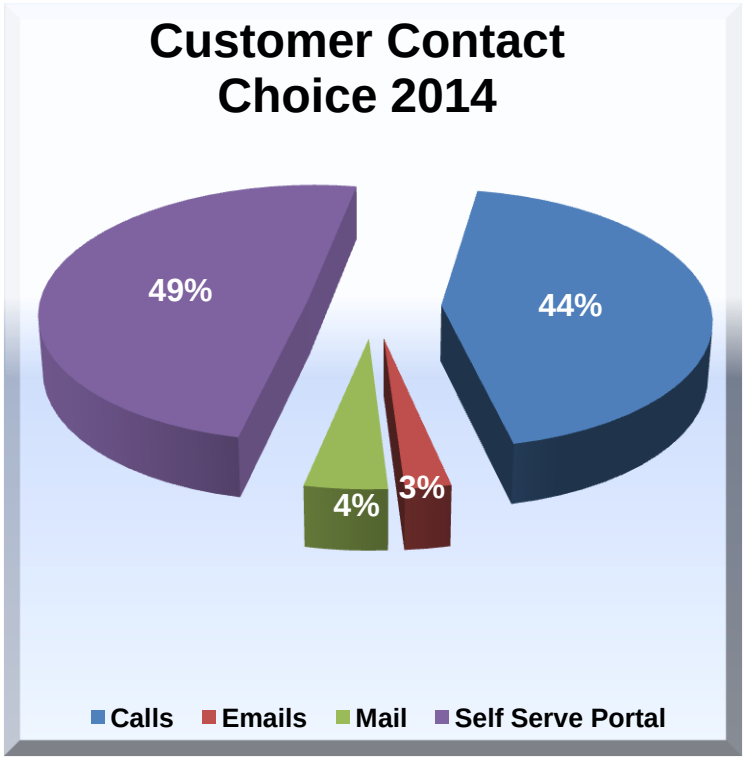
PERFORMANCE UPDATE

Strategic Focus “Corporate Pillars”

Balanced Scorecard - Customer

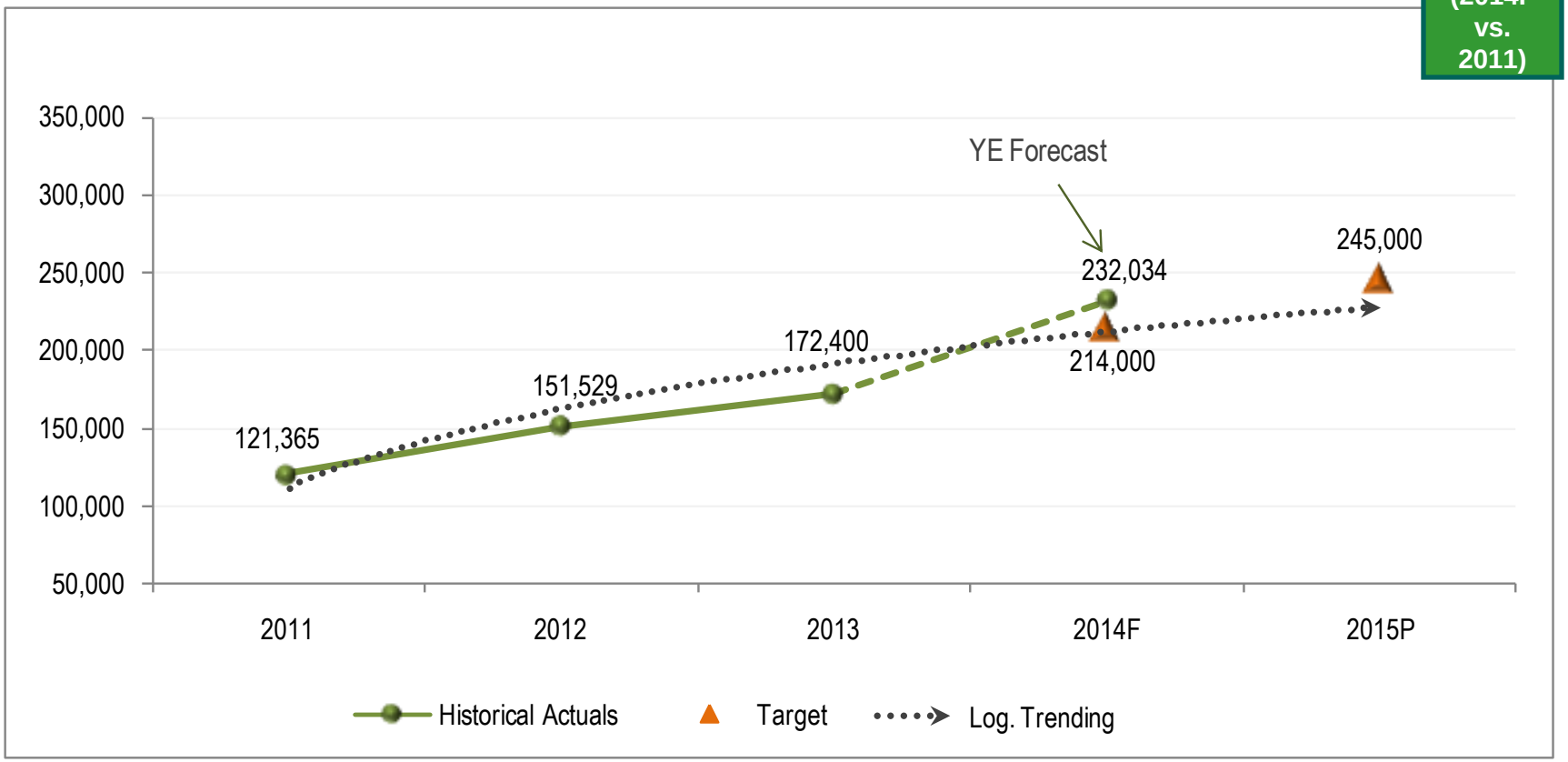
Change in Customers' behaviour





Enhanced Customer Engagement

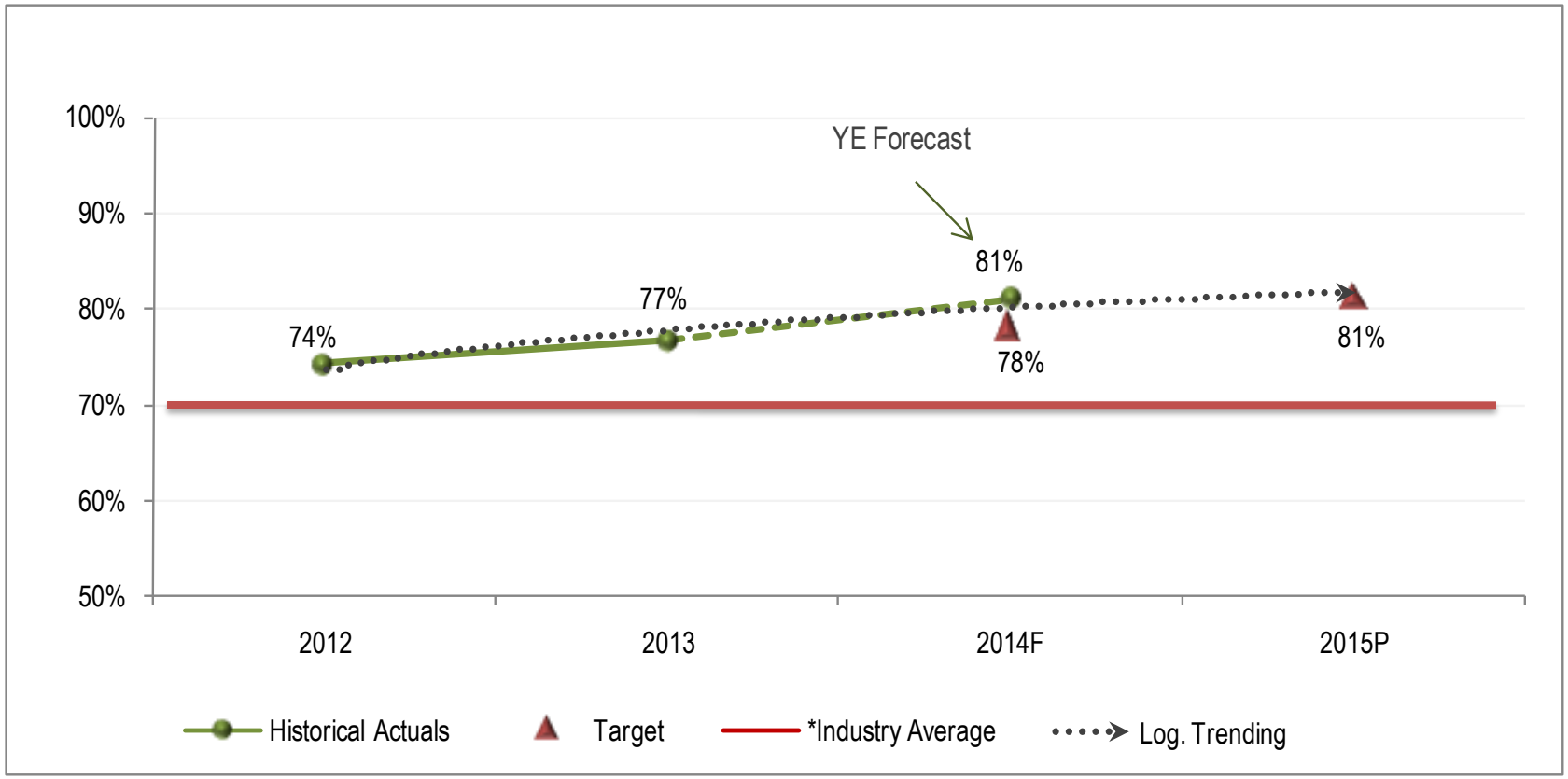
91.2% Change (2014F vs. 2011)



#	2014	2015
Threshold	203,000	235,000
Target	214,000	245,000
Stretch	225,000	255,000

First Call Resolution

8.9% Change (2014F vs. 2012)



%	2014	2015
Threshold	73.0%	77.0%
Target	78.0%	81.0%
Stretch	83.0%	83.0%

*Source: JD Power (Customer Impact Report – April 2013)

Balanced Scorecard - People

- ✓ **Safety**
- ✓ **Attendance**

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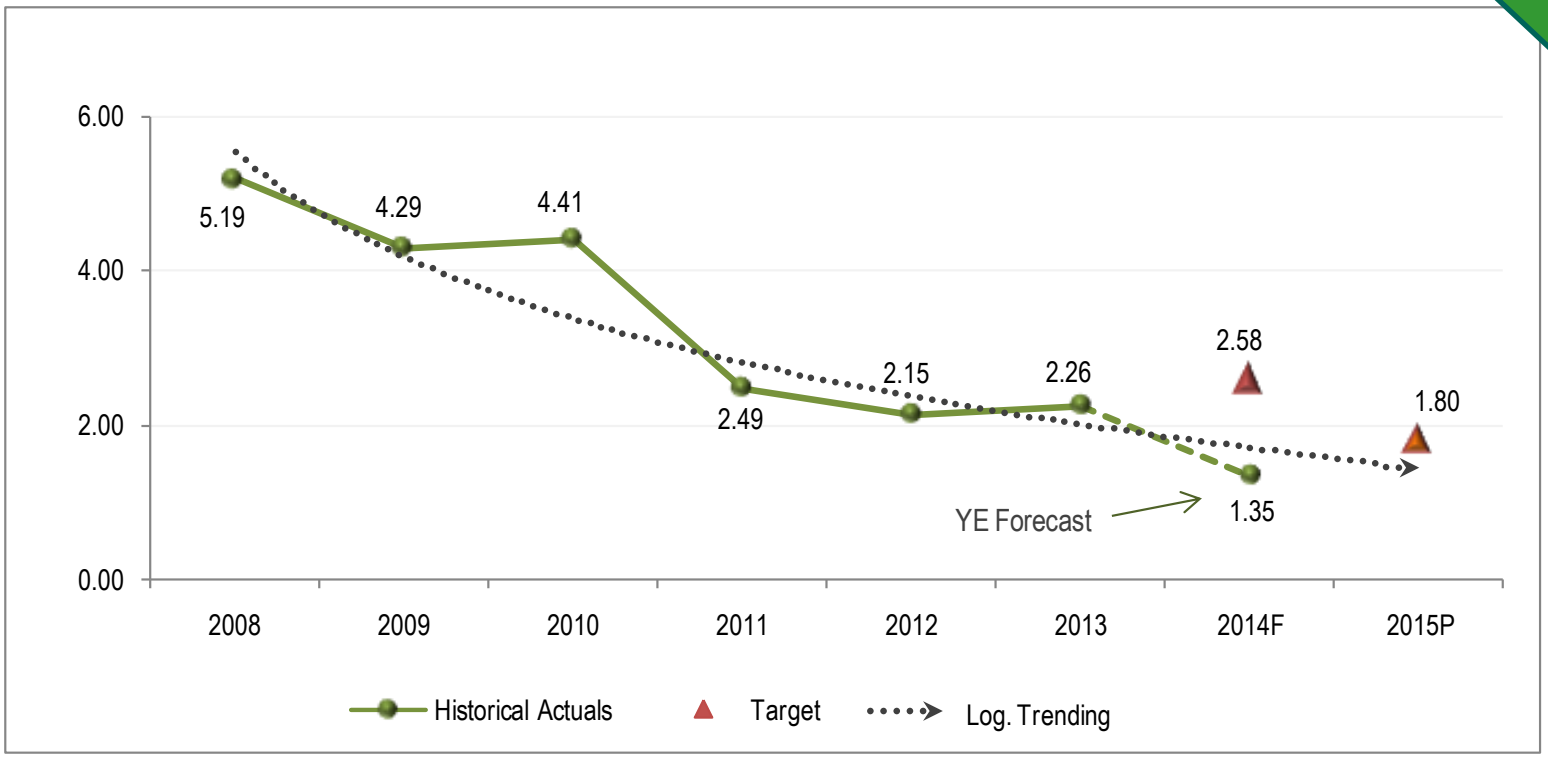
Safety

74.0% Change (2014F vs. 2008)



Rate	2014	2015
Threshold	2.98	2.30
Target	2.58	1.80
Stretch	2.38	1.60

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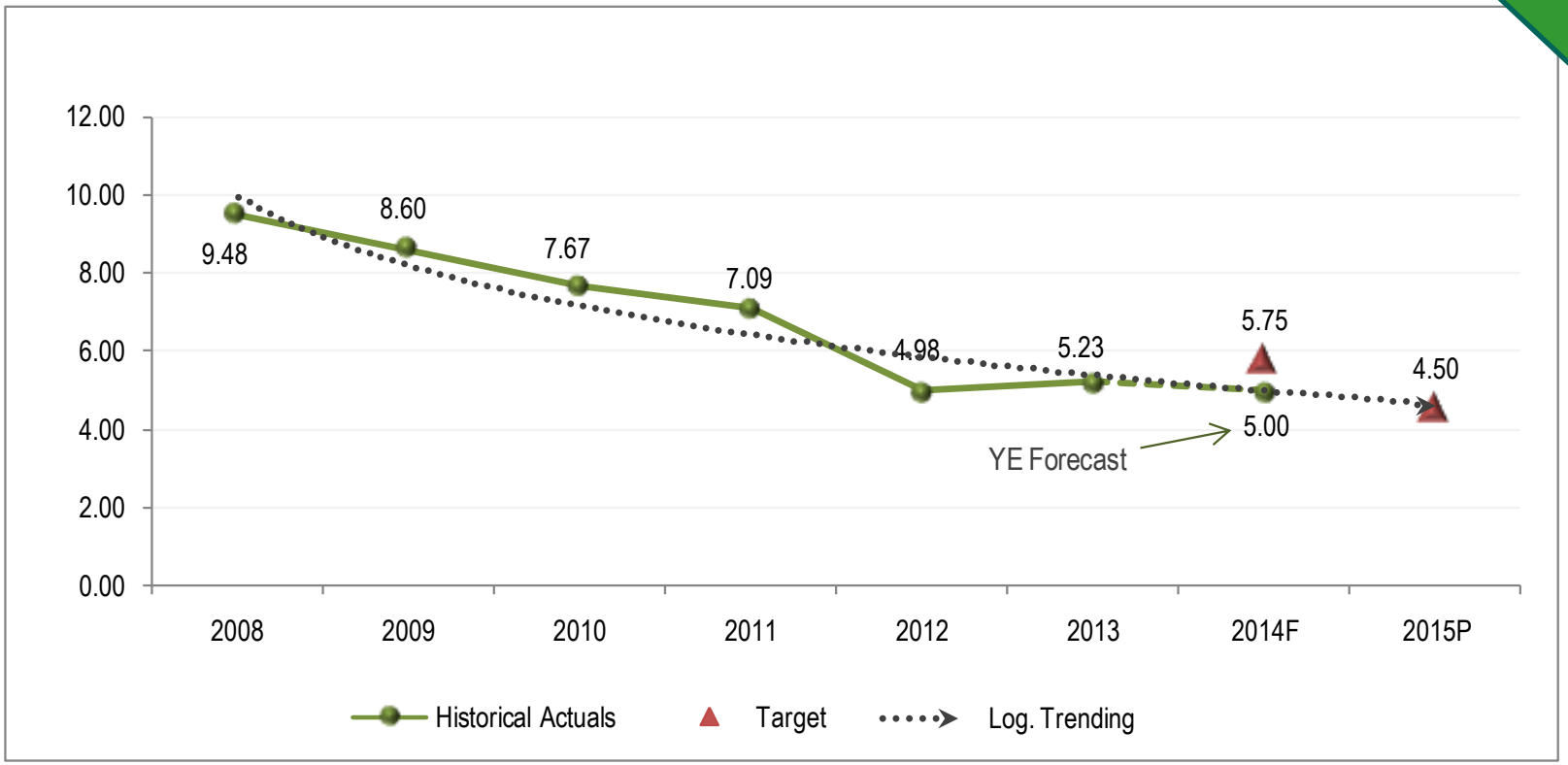
Attendance

47.3% Change (2014F vs. 2008)



Days	2014	2015
Threshold	6.40	5.00
Target	5.75	4.50
Stretch	5.35	4.30

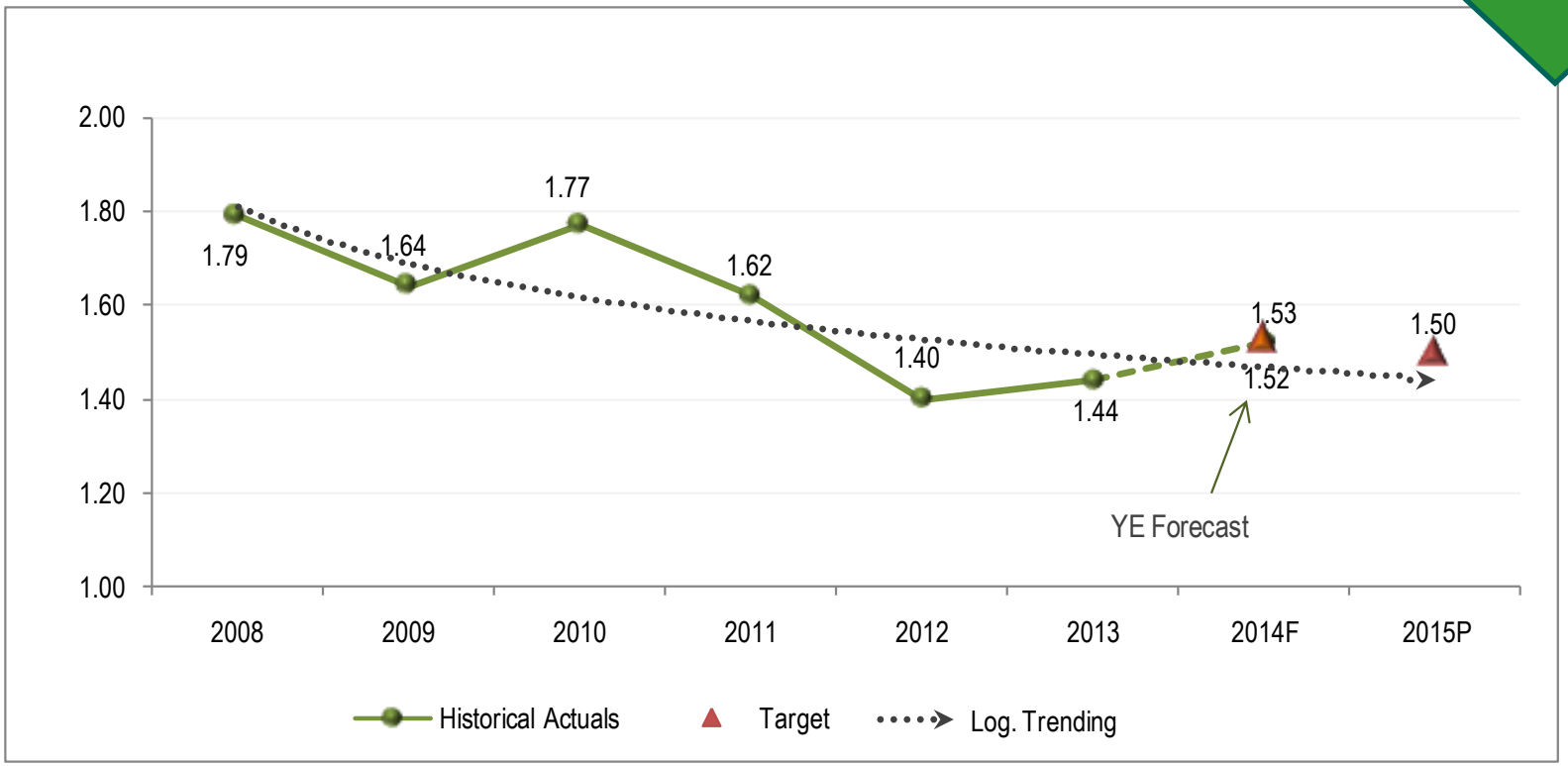
2015 Attendance target excludes Critical Illness

Balanced Scorecard
Operations

- ✓ System Average Interruption Frequency Index – SAIFI
- ✓ System Average Interruption Duration Index – SAIDI
- ✓Key Accounts – Worst Performing Feeders
- ✓ Productivity – Fleet
- ✓ Productivity – Facilities
- ✓ Productivity – OpEx Management

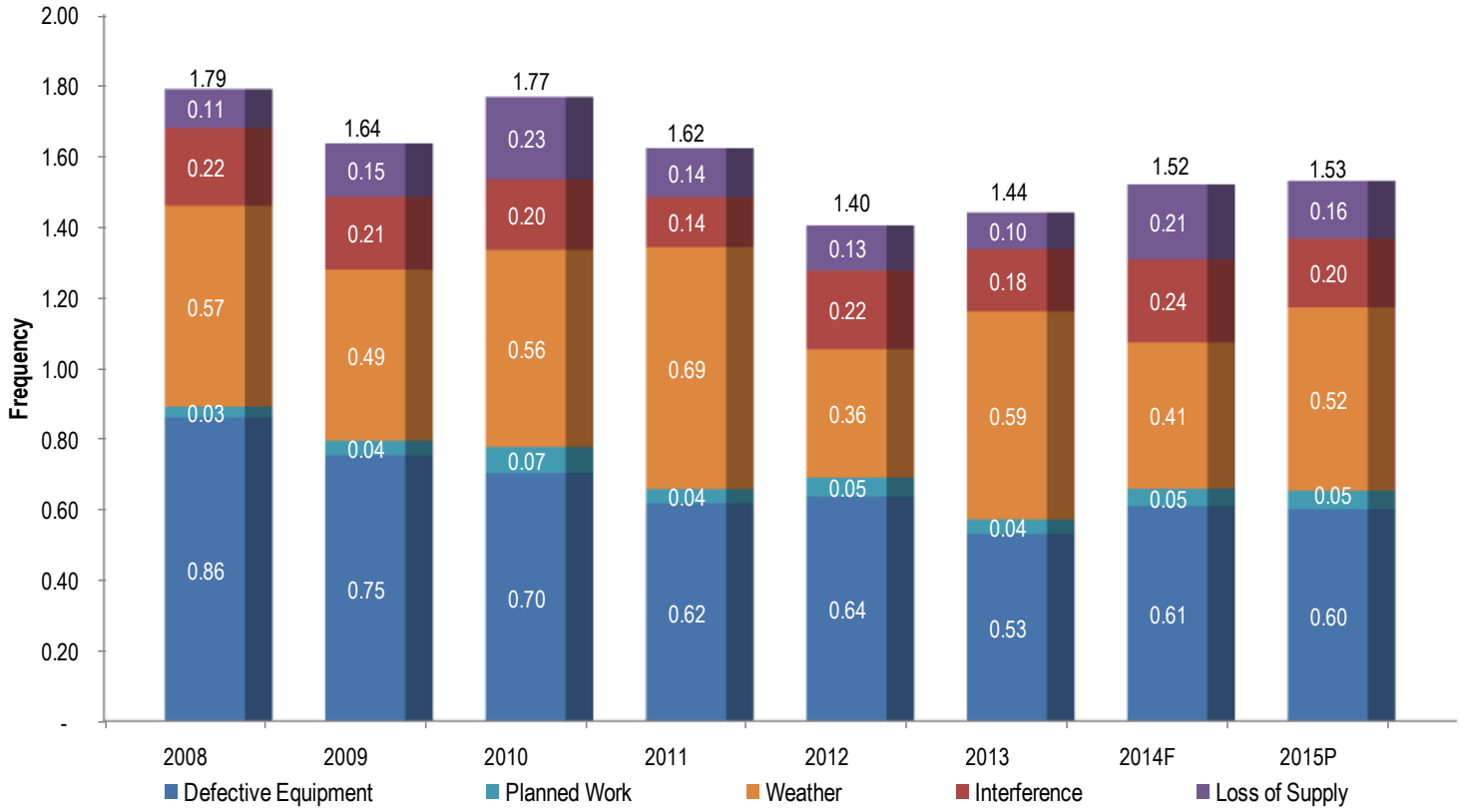
System Average Interruption Frequency Index – SAIFI

15.1% Change (2014F vs. 2008)



Frequency	2014	2015
Threshold	1.73	1.73
Target	1.53	1.50
Stretch	1.43	1.43

SAIFI by Cause Code



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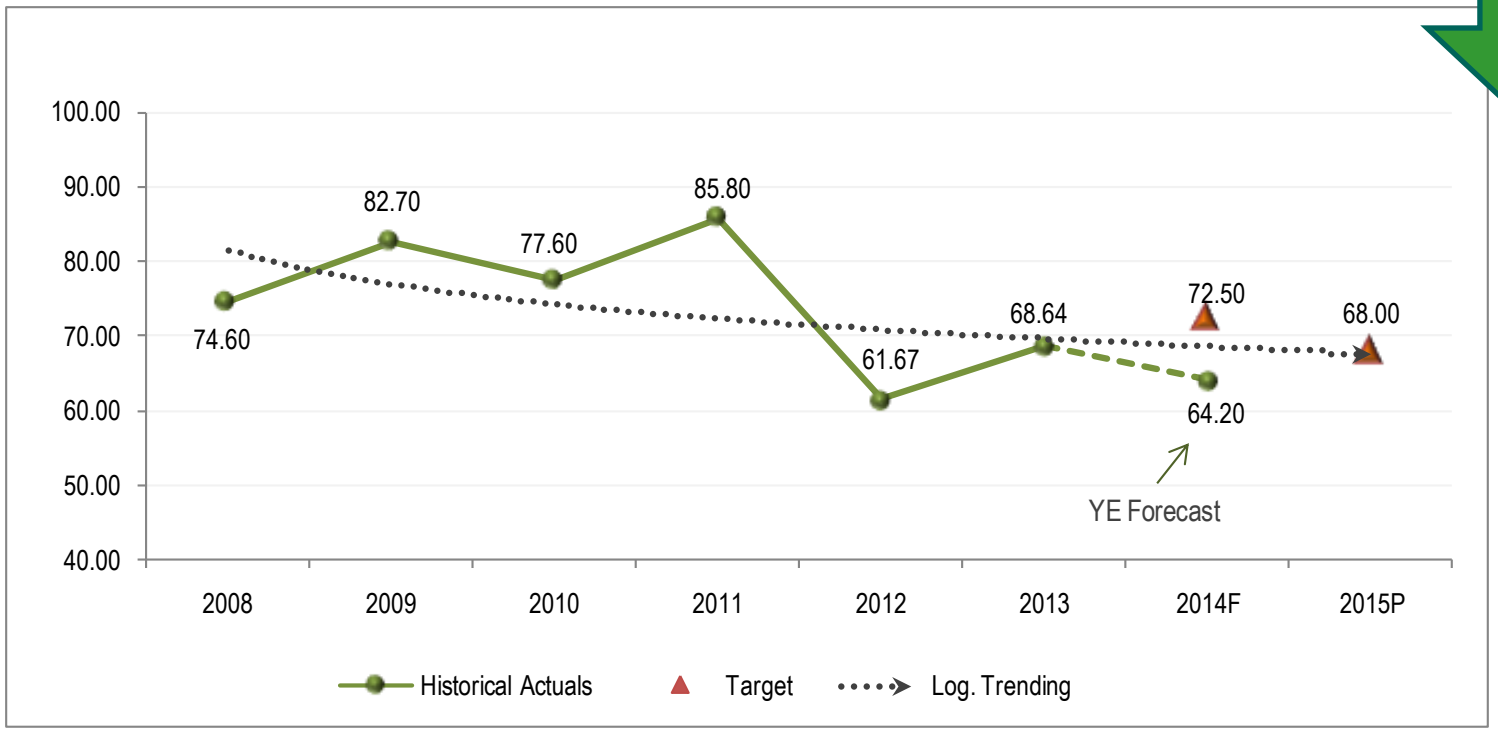
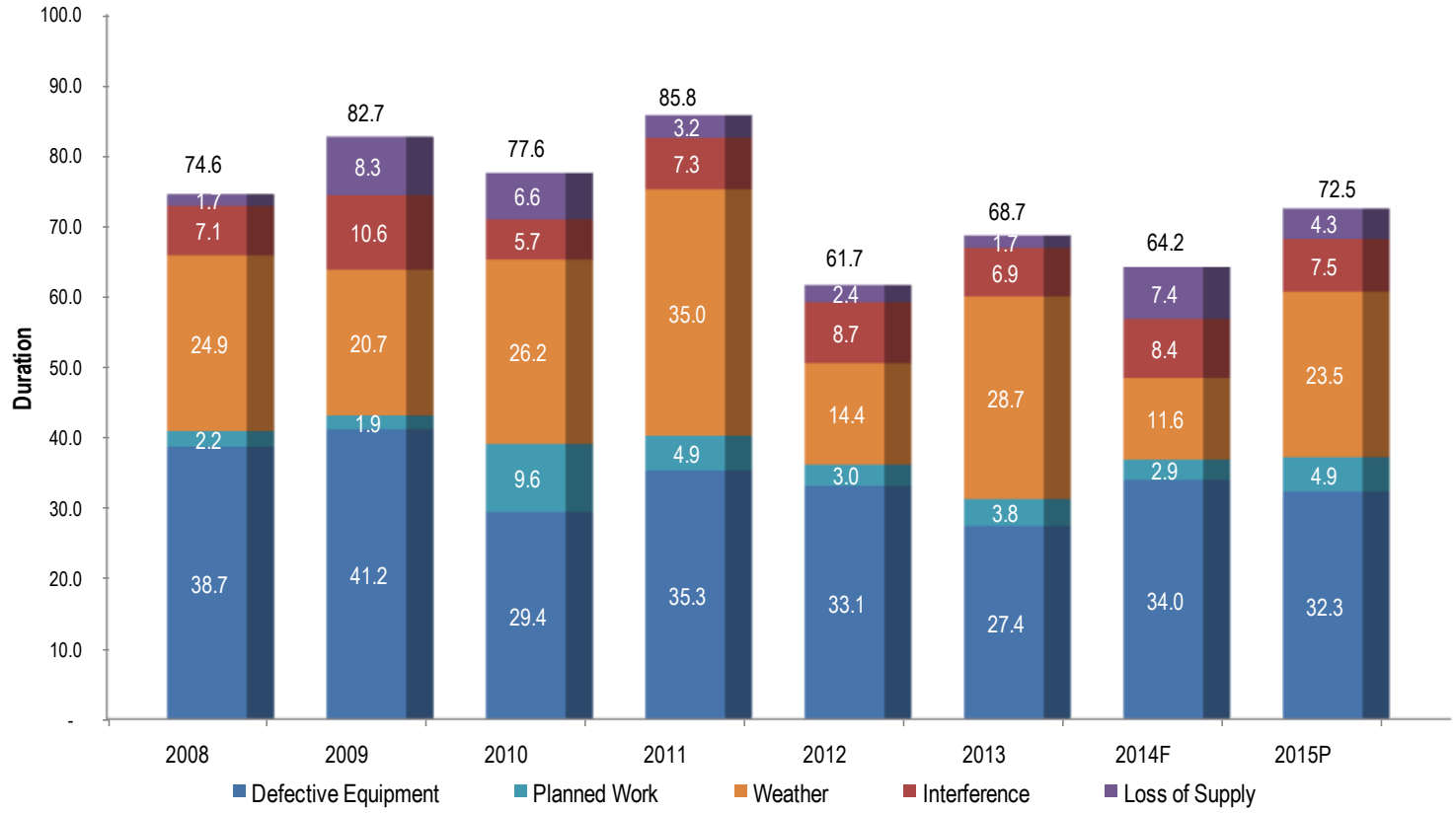
System Average Interruption Duration Index – SAIDI

13.9% Change (2014F vs. 2008)



Duration	2014	2015
Threshold	77.50	73.00
Target	72.50	68.00
Stretch	70.00	66.00

SAIDI by Cause Code



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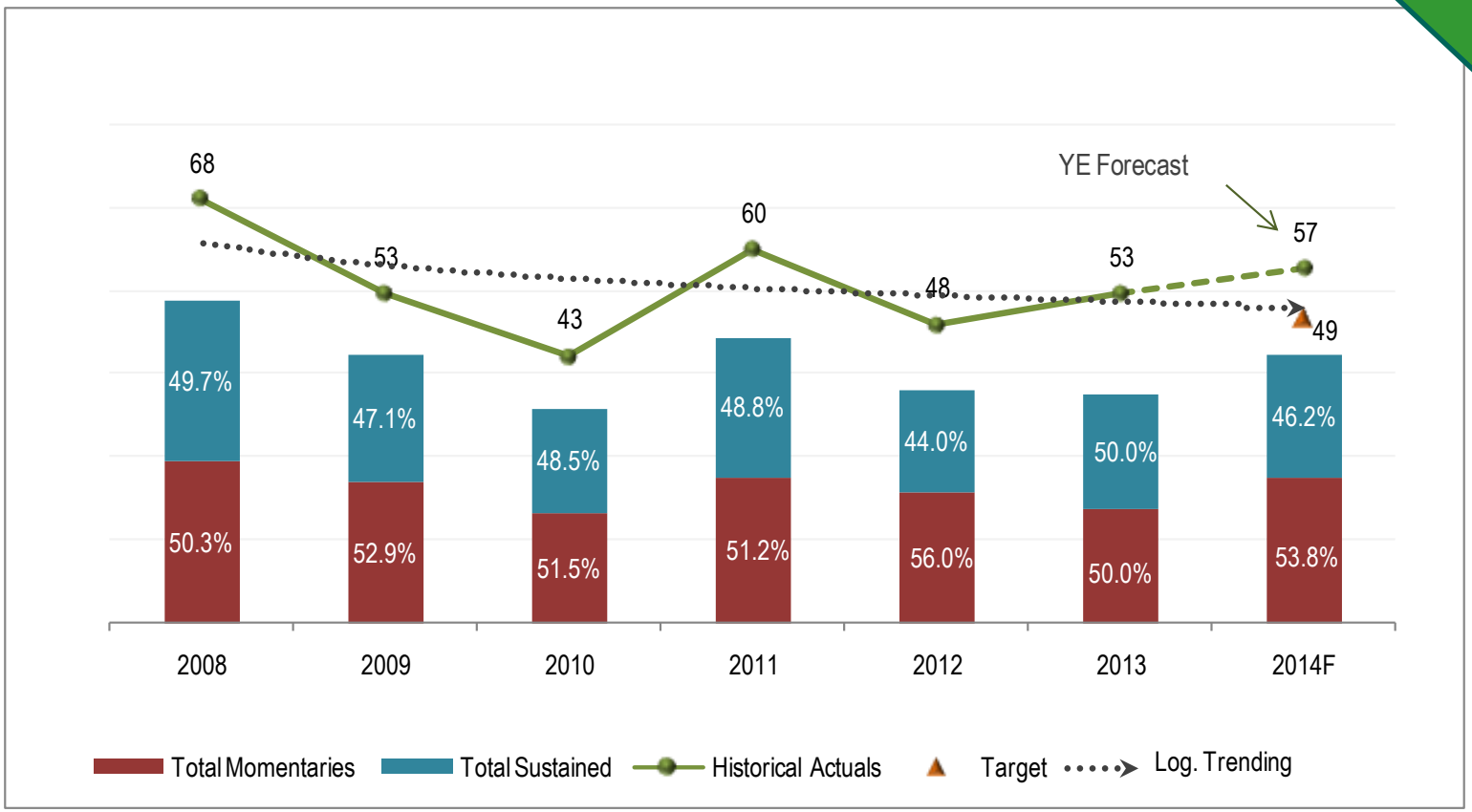
Key Account - Worst Performing Feeders

16.2% Change (2014F vs. 2008)



Number	2014
Threshold	54
Target	49
Stretch	44

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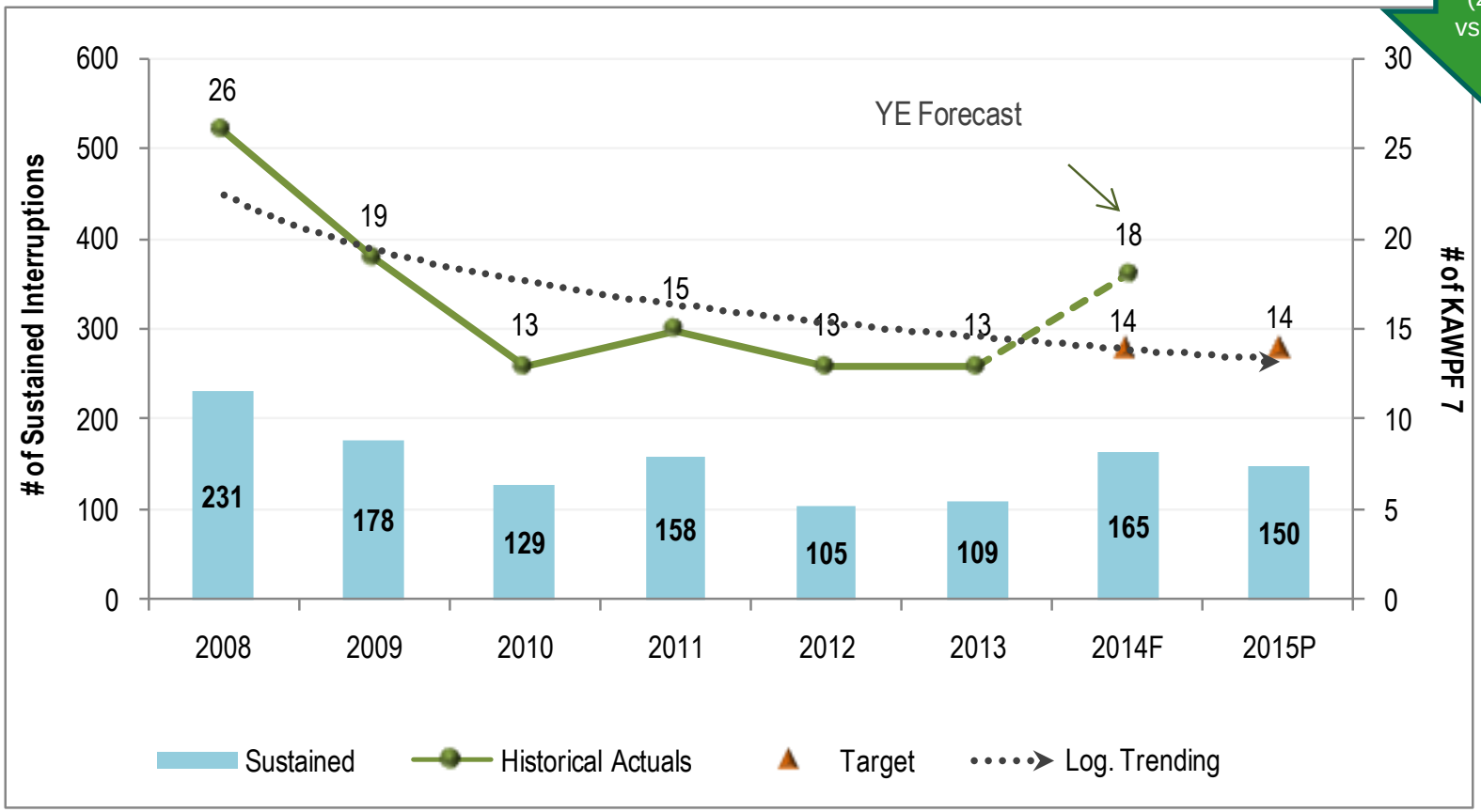
Key Account - Worst Performing Feeders

Only Sustained

30.8% Change (2014F vs. 2008)



Number	2014	2015
Threshold	16	16
Target	14	14
Stretch	12	12

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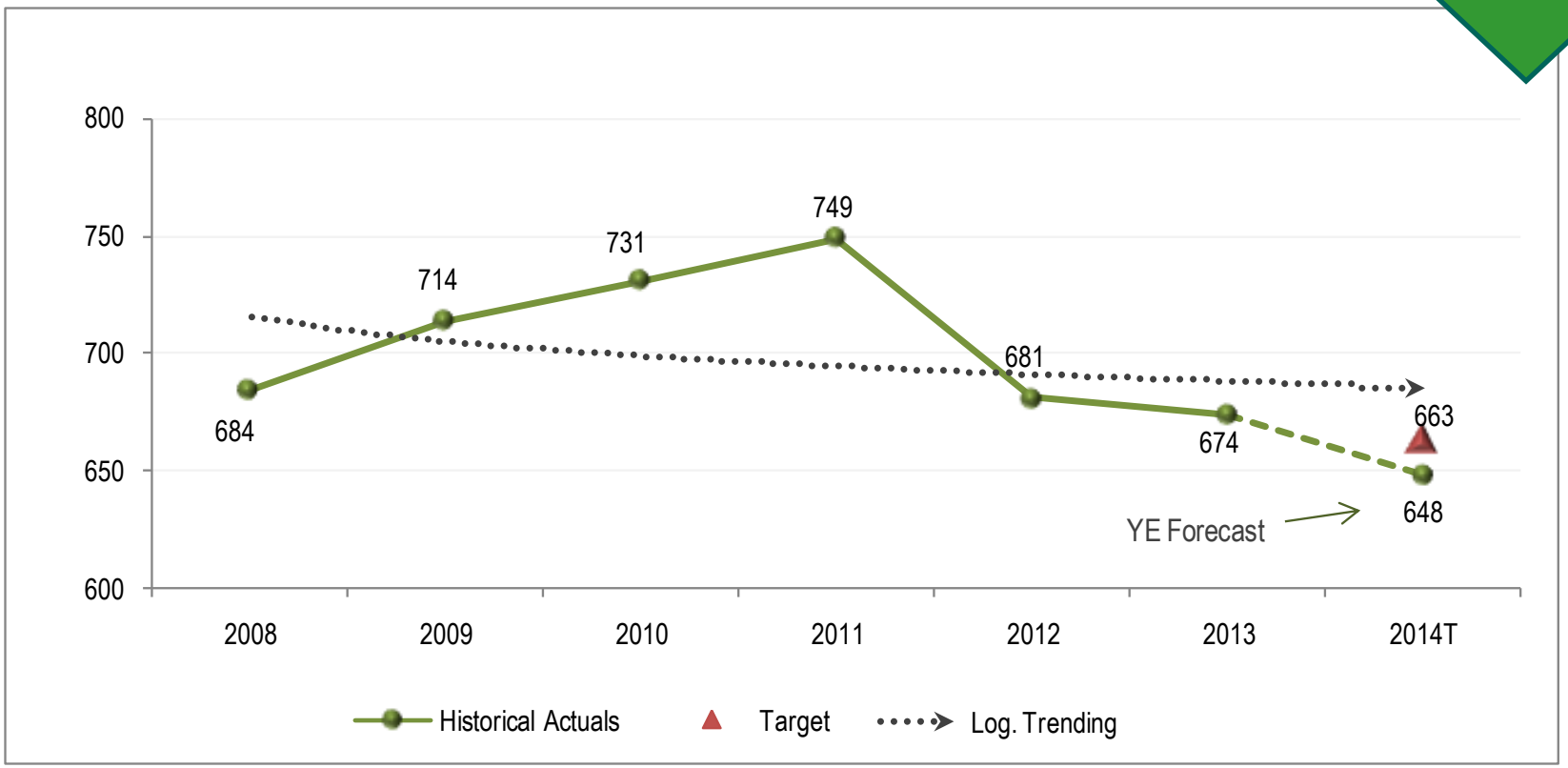
Productivity - Fleet

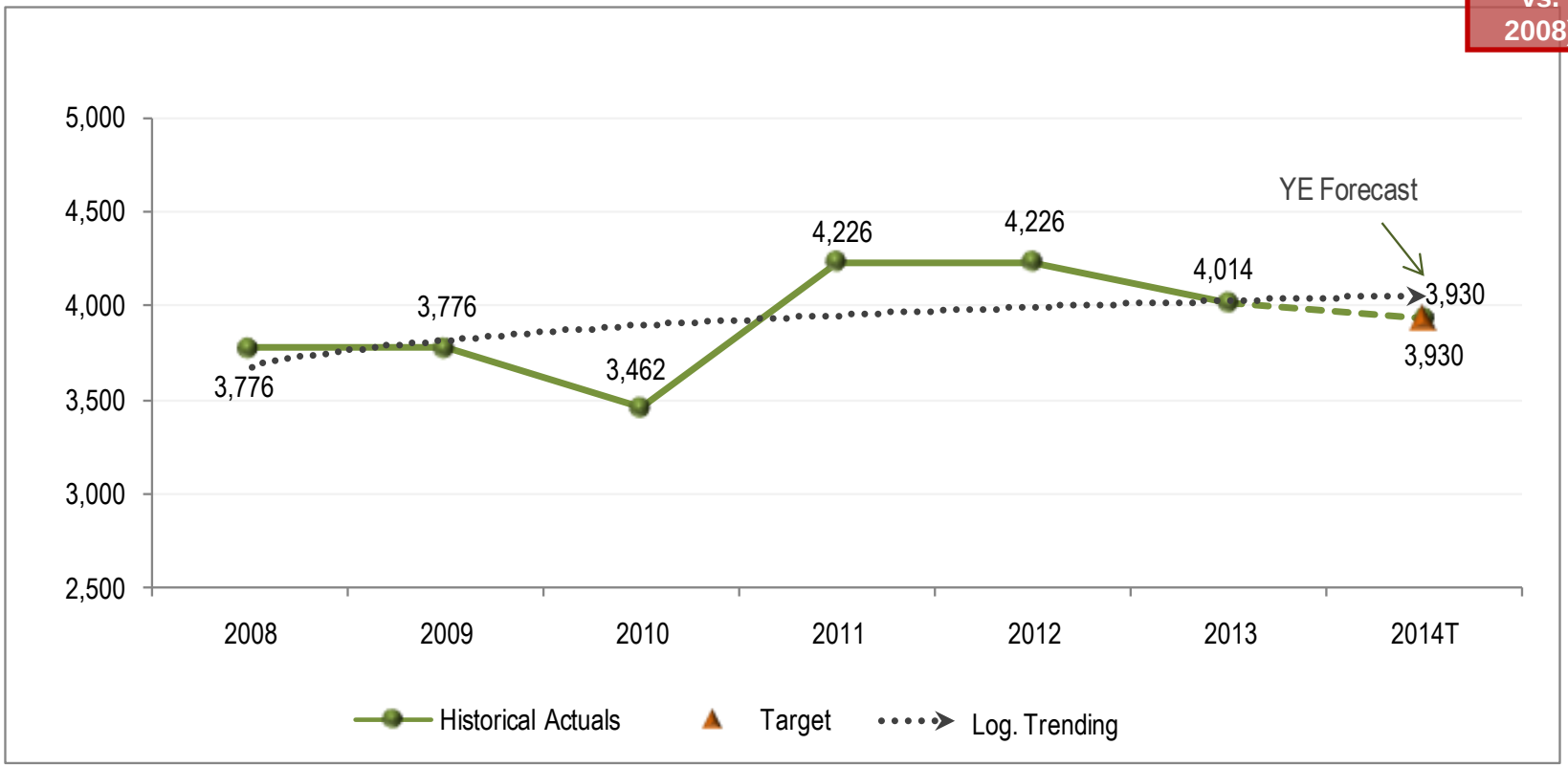
5.3% Change (2014F vs. 2008)



Fleet	2014
Threshold	670
Target	663
Stretch	656

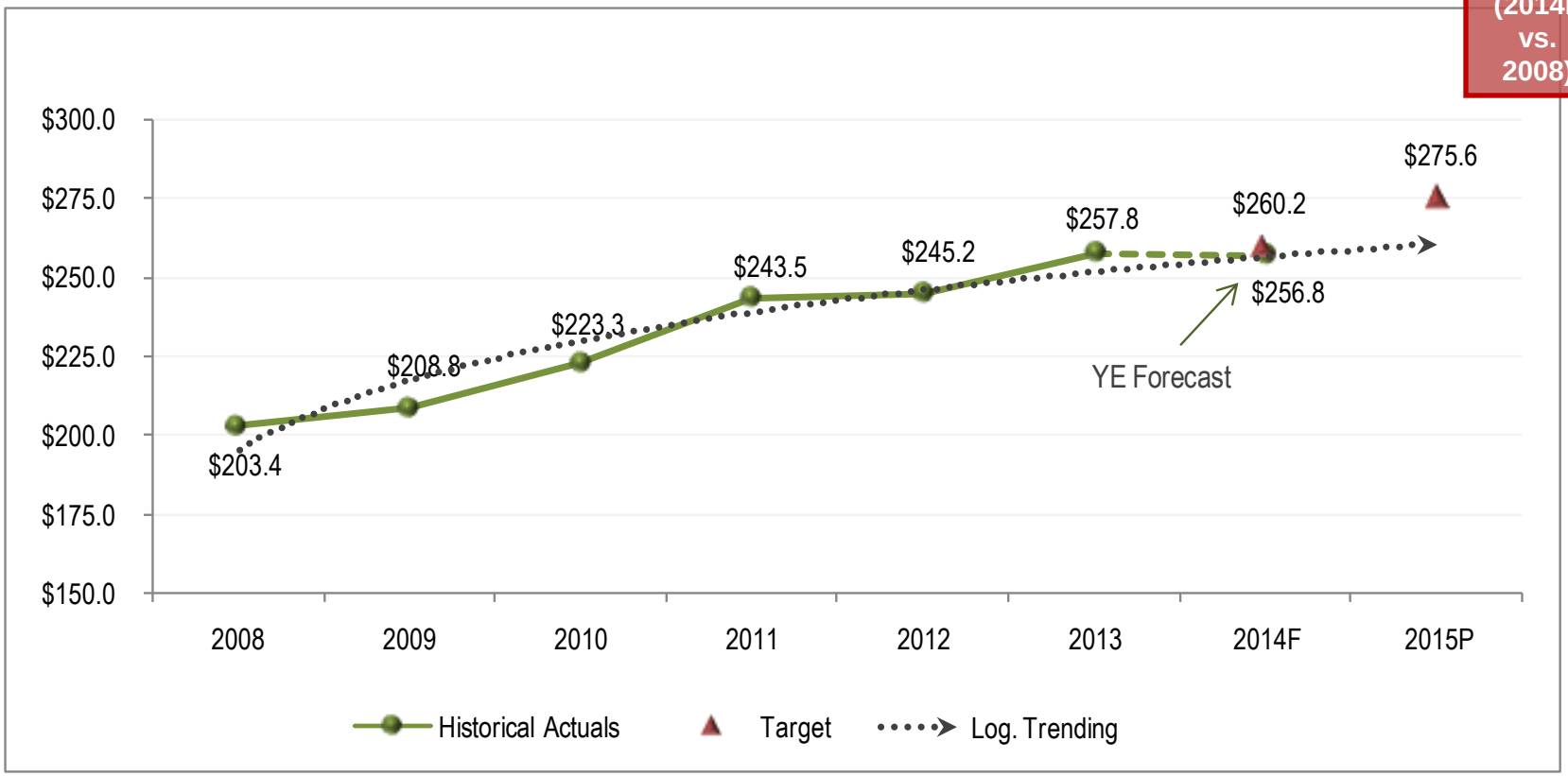
Productivity - Facilities

4.1% Change (2014F vs. 2008)



Sq. Ft. (000's)	2014
Threshold	4,014
Target	3,930
Stretch	3,845

Productivity – Operating Expenses*



$M	2014	2015
Threshold	$ 263.2	$ 278.6
Target	$ 260.2	$ 275.6
Stretch	$ 257.2	$ 272.6

*Indirect Operating Expenses based on USGAAP

Balanced Scorecard
Financials

- ✓ **Consolidated Net Income**
- ✓ **Regulated Capital**

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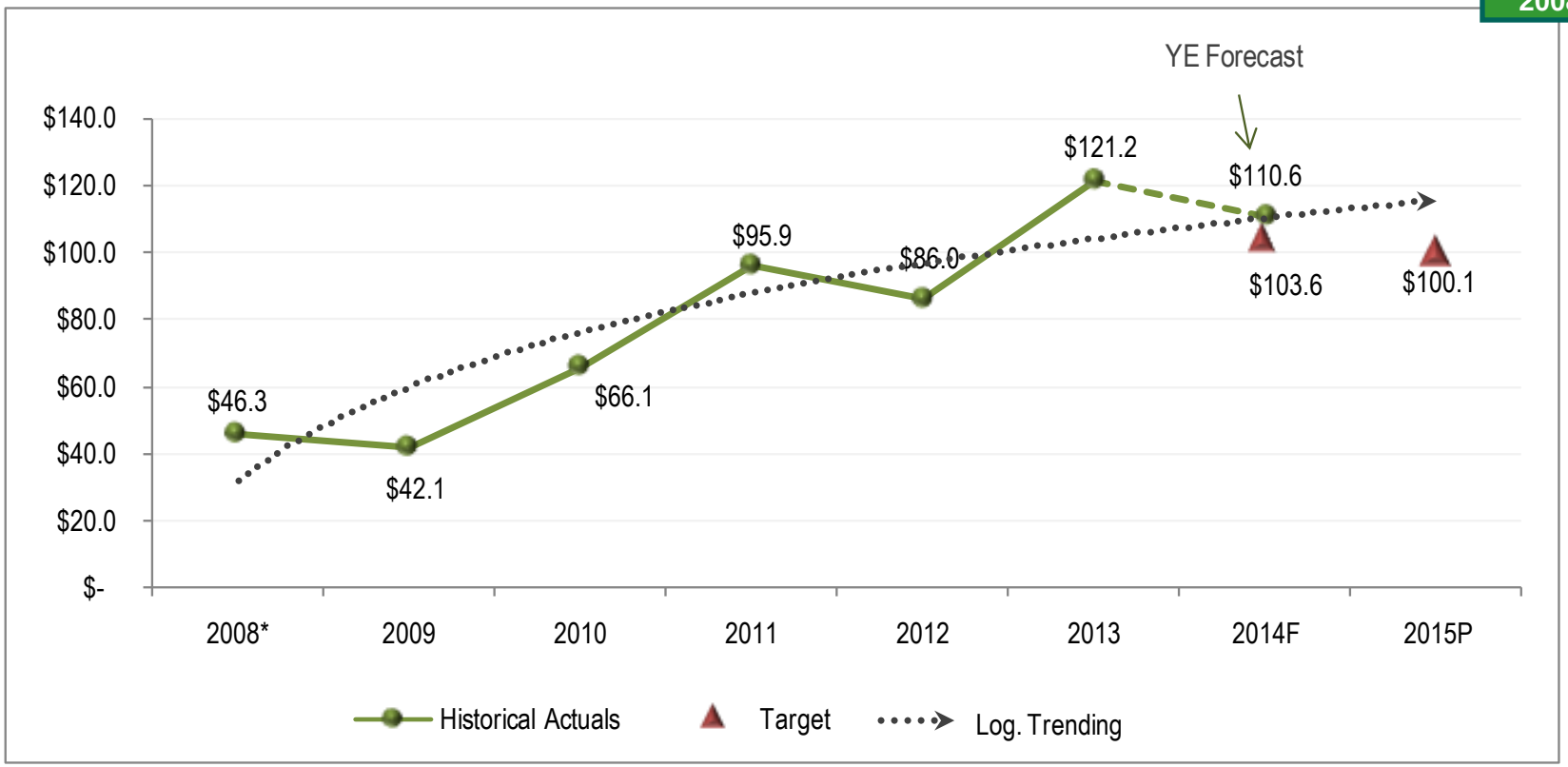
Consolidated Net Income

138.9% Change (2014F vs. 2008)



$M	2014	2015
Threshold	$ 98.6	$ 95.1
Target	$ 103.6	$ 100.1
Stretch	$ 108.6	$ 105.1

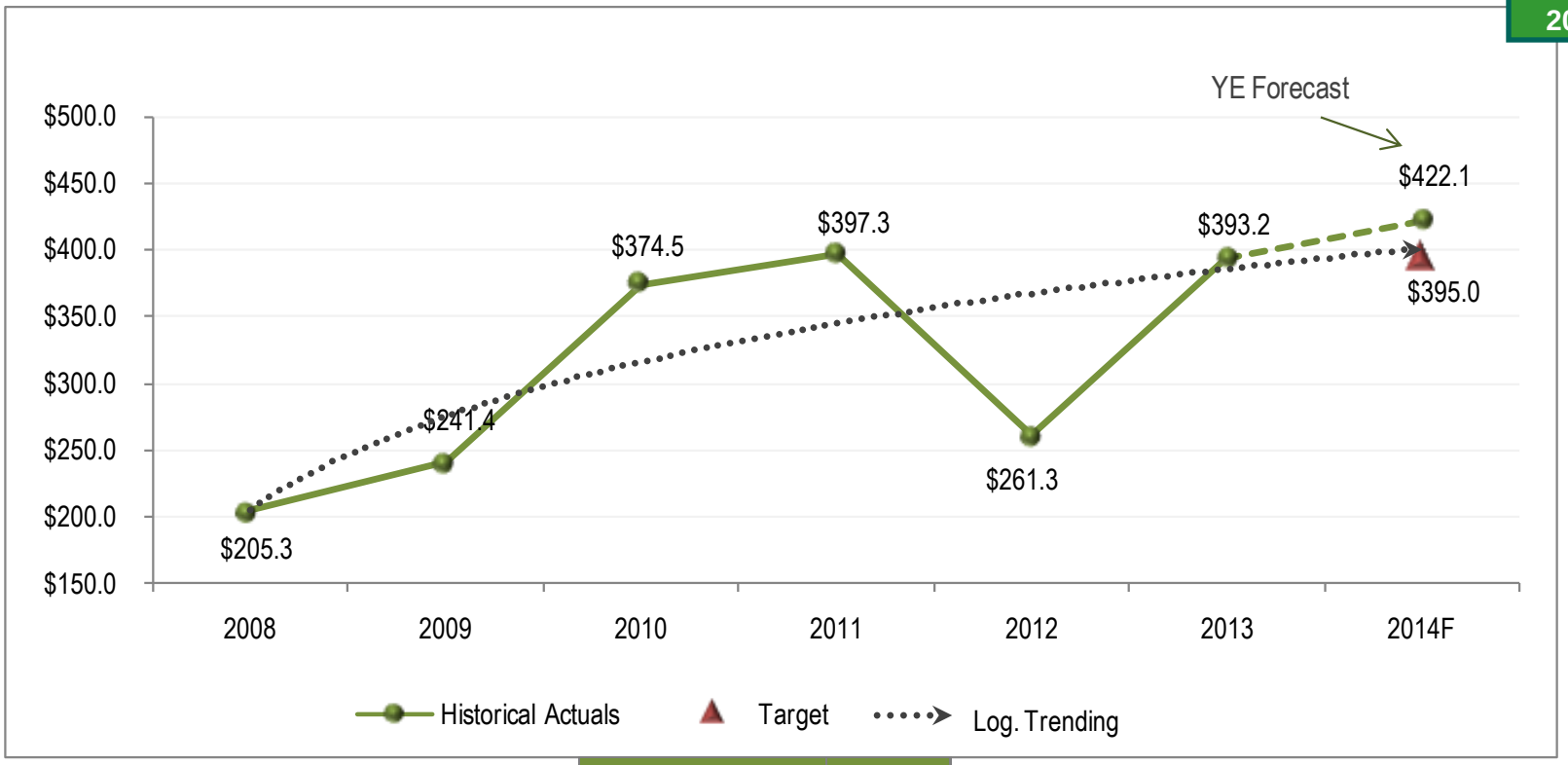
*Excludes income from discontinued operations

Regulated Capital

2014 KPI

*Includes Hydro One and Customer Contributions

105.6% Change (2014F vs. 2008)



$M	2014
Threshold	$ 375.0
Target	$ 395.0
Stretch	$ 415.0

Regulated Capital

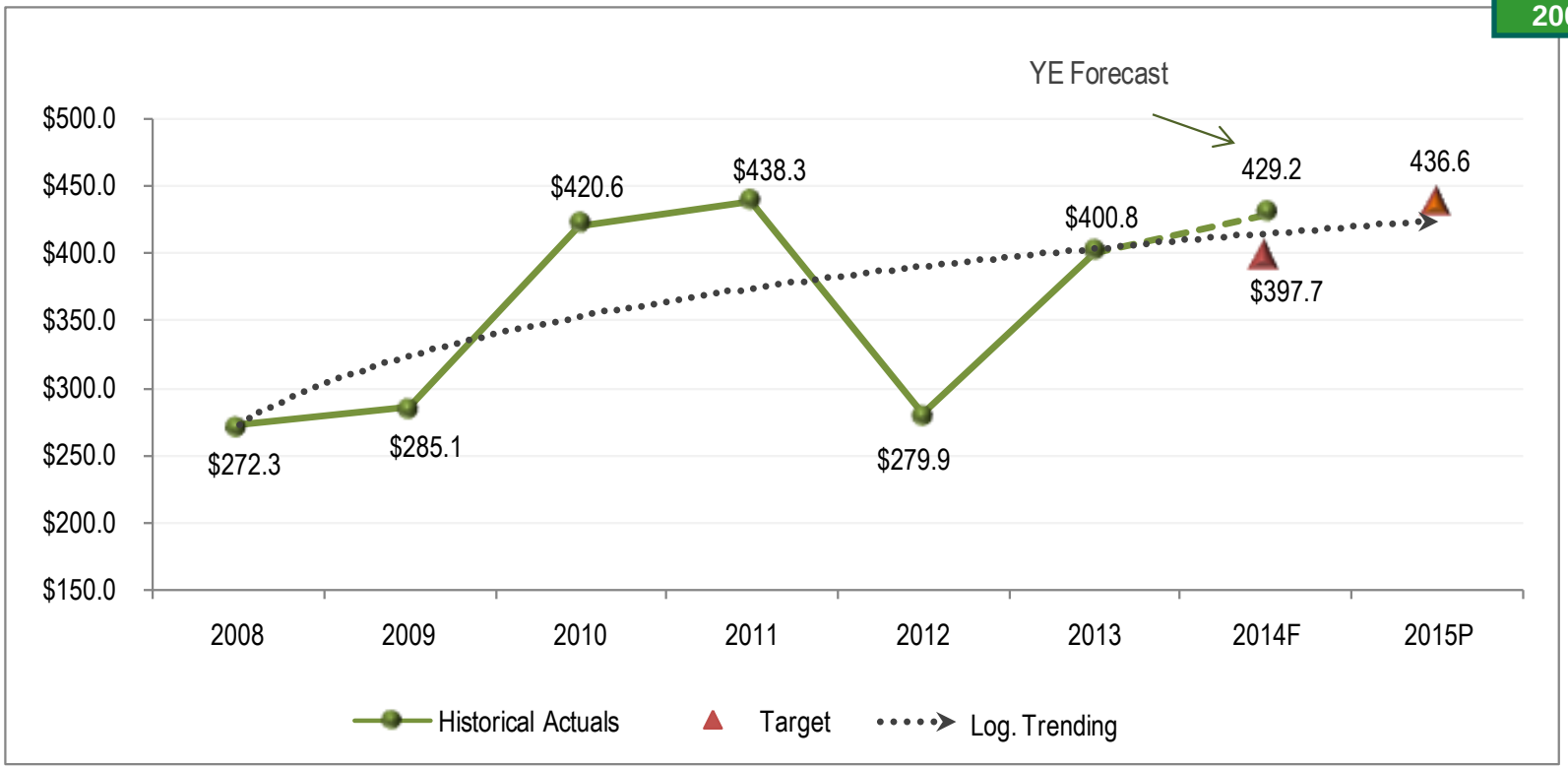
($ Millions)	2014 Budget	2014 Forecast	2015 Budget	Variance
Net Regulated Capital	**541.5**	**587.6**	**539.6**	**(48.0)**
Add/(Deduct):				
Copeland TS	(96.5)	(81.7)	(51.6)	30.1
Operational Centres Consolidation Program	(50.0)	(82.8)	(37.4)	45.4
ERP	-	(1.0)	(17.2)	(16.2)
Customer Contributions and HONI Contributions	2.7	7.1	3.2	(3.9)
Subtotal	(143.8)	(158.4)	(103.0)	55.4
2014 Approved KPI & Equivalents	**395.0**	**422.1**	**433.4**	**11.3**
2015 Proposed KPI & Equivalents	**397.7**	**429.2**	**436.6**	**7.4**

Regulated Capital

2015 KPI

Excludes Hydro One & Customer Contributions

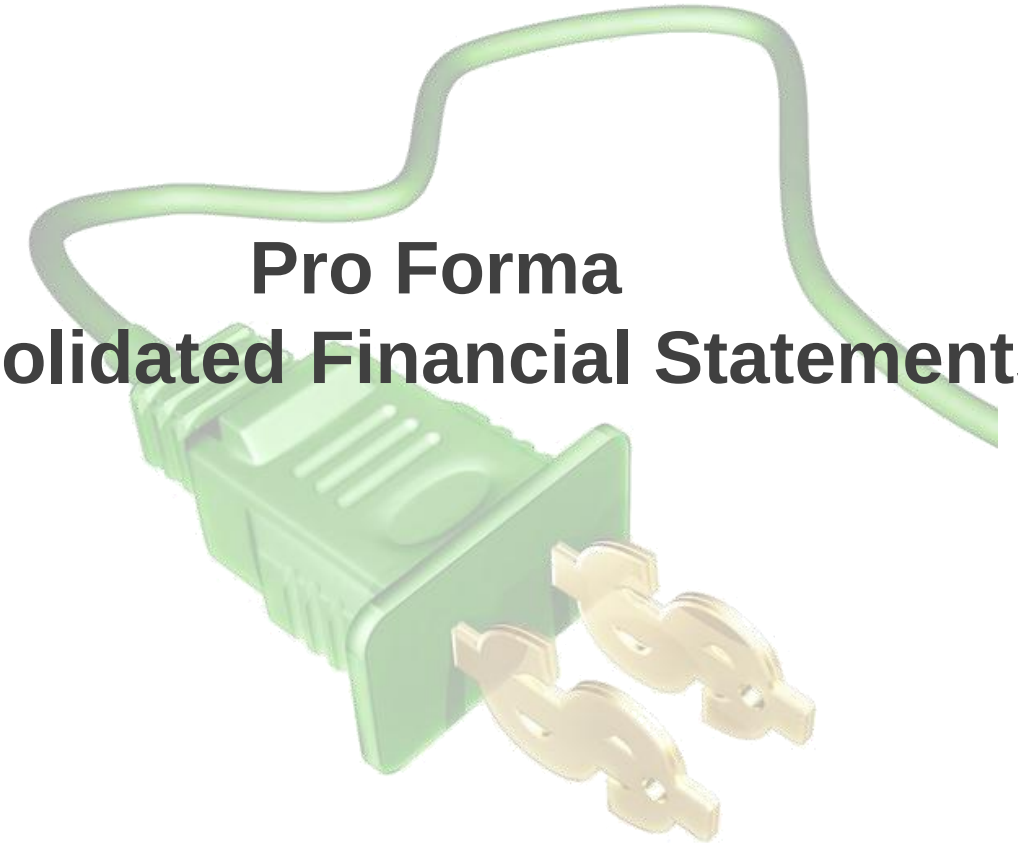
57.6% Change (2014F vs. 2008)



$M	2014	2015
Threshold	$ 377.7	$ 416.6
Target	$ 397.7	$ 436.6
Stretch	$ 417.7	$ 456.6

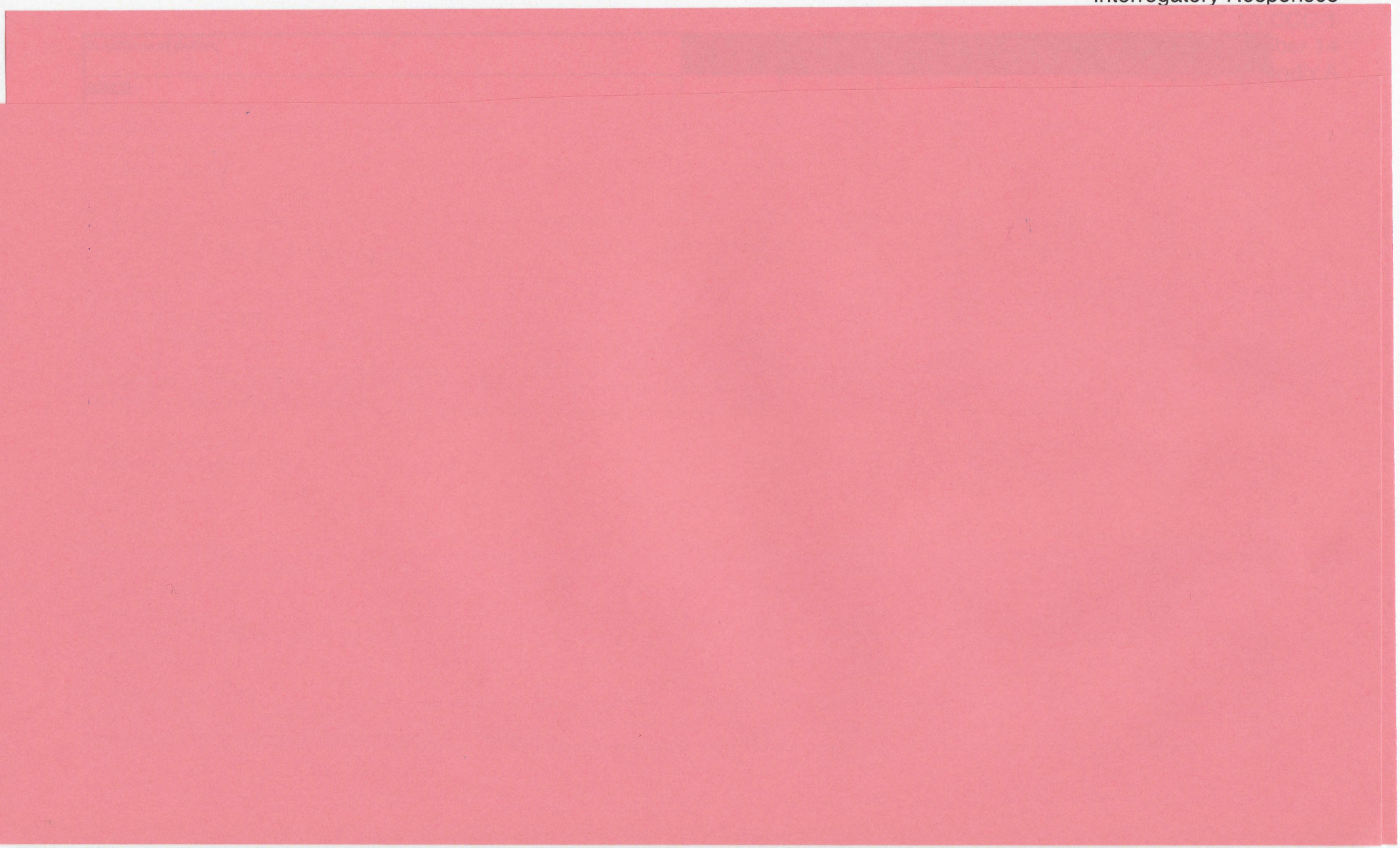
Note: 2014 Target and Shoulders reflect the new definition which excludes Hydro One and Customer Contributions

Pro Forma
Consolidated Financial Statements

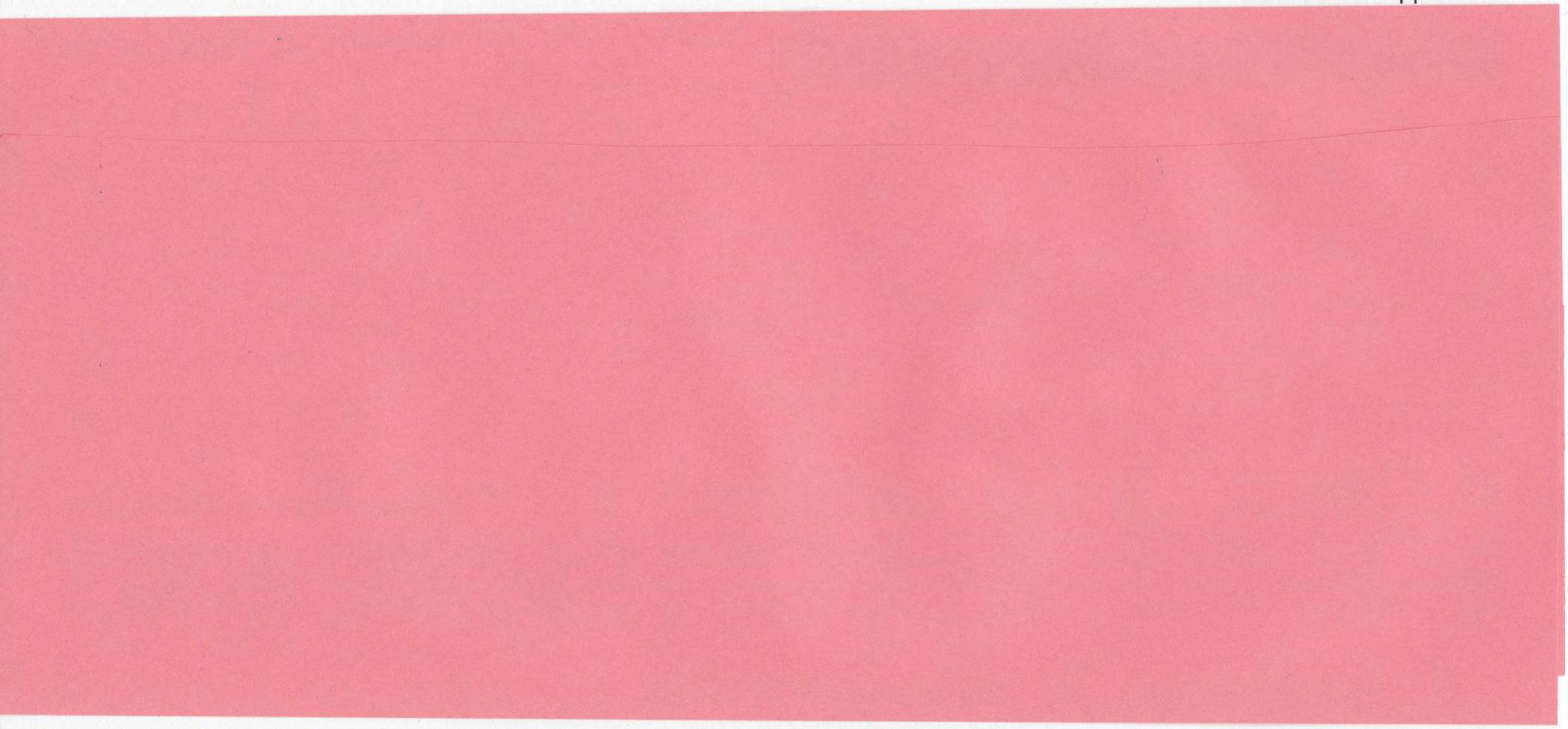


Condensed Consolidated Statements of Profit or Loss

Condensed Consolidated Balance Sheets



Condensed Consolidated Statements of Cash Flows



Main Assumptions

- CapEx and OpEx plans consistent with rate application
- 2012-2014 distribution revenue based on 3GIRM approach and management's best estimates of regulatory outcome
- 2015-2017 distribution revenue based on proposed Custom IR approach
- Rebasing in 2015 includes programs not funded during IRM period
- 2015 operating cost increase based on operational plans to operate business effectively and meet compliance requirements
- Conservation programs fully recoverable
- Issued debt to support infrastructure renewal and maturities
- Optimize revolving credit facility to the existing low short-term interest rates
- Dividends paid to City of Toronto in accordance with dividend policy
- Financials presented under USGAAP

Main Assumptions

- Copeland TS in service by the end of 2015
- OCCP substantially completed by 2015
  - Gain on property disposition shared with ratepayers
- ERP initiative funding approval expected via CIR application by the second quarter of 2015
- Eligible Street Lighting assets added to rate base in 2015
  - Ratepayers “kept whole”
- Only city solar generation projects planned

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 2:

Reference(s): Exhibit 1A

Please provide all correspondence between Toronto Hydro and the City of Toronto regarding this Application. Did the City of Toronto "approve" the Application and the resulting rates? If not, why not?

RESPONSE:

Toronto Hydro declines to produce the requested documents on the basis of relevance. The correspondence between Toronto Hydro and the City of Toronto formed no part of this application and has no probative value in deciding the issues in this proceeding. Different operational areas of Toronto Hydro communicate regularly with the City of Toronto on a wide range of subjects. It would be a significant effort to sort through all this correspondence to determine which materials contained information regarding the Application.

The City of Toronto did not formally "approve" the Application and the resulting rates because such approval is not required under the Shareholder Direction (Exhibit 1C, Tab 2, Schedule 1, Appendix A). Three members of City Council sit on the Board of Directors, and the City of Toronto received updates and information the about the Application through the normal course of Toronto Hydro's corporate governance activities, which are detailed in Exhibit 1A, Tab 2, Schedule 1.

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 3:

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

The evidence states that much of Toronto Hydro's proposed work has been reviewed and validated by experts and that Toronto Hydro has filed over a dozen third party reports in the application.

a) Please provide a complete list of all of the reports, which sets out for each one, the nature of the work and the contractor, costs incurred to date and the total expected cost. How does Toronto Hydro propose that these costs be recovered?

b) Please explain, in detail, how Toronto determined which areas of the application should be reviewed and validated by external experts and which areas could be reviewed internally.

c) Did Toronto Hydro develop a budget for this work? If so, please indicate what that budget was and how was this budget developed. If now, why not?

d) Please indicate whether each piece of work was subject to an RFP process. In those cases where there was no RFP please explain why.

RESPONSE:

a) Please see table below:

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

Consultant	Nature of the Work / Evidence Reference	Costs to Date
The Conference Board of Canada	**Labour Market and Human Resources Trends - Canadian Utility Sector Study (Exhibit 4A, Tab 4, Schedule 4).** The Conference Board of Canada was retained to provide independent research on current labour market and human resources trends for the utility and related sectors in connection with Toronto Hydro's regulatory submission and rate application.	$43,000
Info-Tech Research Group International Inc.	**ERP Submission Review (Exhibit 2B, Section E8.6, Appendix A).** Info-Tech Research Group International Inc. was retained to review the ERP submission to the Ontario Energy Board and provide an opinion on the feasibility of the approach, the recommendation, and the options for the Ellipse replacement.	$50,737
Kinectrics Inc.	**Asset Condition Assessment (Exhibit 2B, Section D, Appendix A).** Kinectrics Inc. was retained to assess the progress of Toronto Hydro efforts to improve its asset condition assessment practices between 2012 and 2014.	$45,200
Navigant Consulting Inc.	**Review of Proposed Projects and Programs (Exhibit 1B, Tab 2, Schedule 4, Appendix A)**. Navigant Consulting Ltd. was retained to conduct, and prepare a report regarding an independent review of Toronto Hydro's Distribution System Plan ("DSP").	$144,023
Navigant Consulting Inc.	**Working Capital Requirements of THESL's Distribution Business (Exhibit 2A, Tab 3, Schedule 2).** Navigant Consulting Ltd. was retained to prepare a report that is a detailed Lead-Lag Analysis.	$122,055
PWC	**Streetlighting: Assessment of the Valuation Methodology (Exhibit 2A, Tab 5, Schedule 2).** PricewaterhouseCoopers LLP was retained to prepare a report to be used as evidence in connection with Toronto Hydro's proposed rate application, which includes a revised purchase price for certain street lighting assets which Toronto Hydro purchased from its unregulated affiliate, Toronto Hydro Energy Services Inc. on January 1, 2012.	$ 90,442
Power System Engineering Inc.	**Econometric Benchmarking of Historical and Projected Total Cost and Reliability Levels (Exhibit 1B, Tab 2, Schedule 5, Appendix B).** Power System Engineering Inc. was retained to	$151,715

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

Consultant	Nature of the Work / Evidence Reference	Costs to Date
	conduct a benchmarking study of Toronto Hydro's past and projected total cost and reliability performance in reference to the utility's 2015-2019 rate application.	
Power System Engineering Inc.	**Standards Review Study (Exhibit 2B, Section D, Appendix B)** PSE was retained to review Toronto Hydro's standards and to assess whether they advocate the principles of safety, reliability, and efficiency, as well as follow industry best practices.	$49,588
Towers Watson Canada Inc.	**Compensation and Benefits Review (Exhibit 4A, Tab 4, Schedule 6).** Towers Watson Canada Inc. was retained to review Toronto Hydro's market competitive compensation and benefit levels.	$ 49,891
Innovative Research Group, Inc.	**Customer Consultation Report: DSP Review (Exhibit 1B, Tab 2, Schedule 7, Appendix B).** Innovative Research Group Inc. was retained by Toronto Hydro to help the utility design, collect feedback and document its customer engagement and consultation process as part of the development of Toronto Hydro's Distribution System Plan.	$ 259,201
AECOM	**Future Impacts of Climate Change on Toronto Hydro's Distribution System (Exhibit 2B, Section E8.8, Appendix A).** AECOM was retained to assist Toronto Hydro in the assessment of how the impacts of climate change are likely to affect Toronto Hydro's distribution system, and to outline a process through which Toronto Hydro can continue its efforts to better understand the risks relating to climate, and to take proactive steps to manage those risks and enhance the resilience of its system to climate change.	$61,404

The total expected costs of the consultants depends on the work required by these third parties to answer interrogatories, and the extent to which the OEB and intervenors seek to have these third parties attend the hearing and be involved with other procedural steps in this application. Toronto Hydro is unable to speculate as to the exact costs and breakdown, however for the purposes of recovery, Toronto Hydro has included total forecast amounts to be recovered as part of the Rates and

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

Regulatory Affairs OM&A budget (Exhibit 4A, Tab 2, Schedule 17). As indicated in Appendix 2-M of that schedule, total consulting costs (which includes the costs of the reports noted above) of $2.6M related to the CIR application are proposed to be amortized over the 2015-19 period.

b) Toronto Hydro used experience and professional judgment in determining which areas of the application would benefit by review and/or validation from external experts. Factors included guidance provided by the RRFE, what may be helpful to the OEB in understanding and assessing Toronto Hydro's application, and precedent from prior proceedings.

c) Toronto Hydro developed an initial high-level budget for this work, which it has updated periodically. The current budget for this work is included in OEB Appendix 2M (Exhibit 4A, Tab 2, Schedule 17). Please also refer to Toronto Hydro's response to interrogatory 4A-CCC-38 part (b).

d) Toronto Hydro did not conduct RFPs for the third party reports provided in this application. A variety of factors drove the selection process for the consultants who provided the reports in this application, including a limited pool of third party expertise and availability to undertake the work on the required timelines and Toronto Hydro's prior experience working with certain selected third parties. For example, Toronto Hydro selected Power System Engineering to prepare a report regarding econometric benchmarking because it has the relevant expertise, understanding of Ontario's regulated electricity sector, experience working in the regulated electricity distribution sector in Ontario as well as regulators and utilities in the United States, has worked with Toronto Hydro in relation to OEB empirical matters the past, and

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

was able to undertake highly-specialized econometric and other modelling not readily available elsewhere in the required timeframe.

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 4:

Reference(s): Exhibit 1A, Tab 2, Schedule 1, p. 4

The evidence states that the plans and proposals that Toronto Hydro has put forward in this application focus on delivering value-for-money to its customers. Please explain what is meant by "value-for-money" in this context.

RESPONSE:

Toronto Hydro strives to deliver value in the goods and services it provides to its customers. Toronto Hydro plans, constructs and operates its system efficiently and effectively and in compliance with applicable safety standards and regulatory requirements, while making it easier for customers to work with Toronto Hydro, helping them conserve energy, and providing them with the tools and technology to understand their electricity usage and bills.

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 5:

Reference(s): Exhibit 1A, Tab 2, Schedule S1, p. 7

"Toronto Hydro's distribution system includes a large and growing backlog of assets that are operating beyond their expected useful lives –an estimated 26% by 2015. If the utility were to invest in a minimal and reactive way (i.e., run-to-failure), this number is forecast to reach 32% by 2020 and reliability would likely deteriorate. (Toronto Hydro projects that a run-to-failure approach would result in SAIFI (System Average Interruption Frequency Index) worsening by approximately 30% and SAIDI (System Average Interruption Duration Index) worsening by approximately 24% from 2015U2019."

a) Please provide the source of the "run-to-failure" percentages.
b) Please provide the source of the changes to the SAIFI and SAIDI percentages above.

RESPONSE:

a) The run-to-failure percentages are based upon both Current-State System Analysis and the Long-Term System Review Process. Please refer to Exhibit 2B, Section D3.1.1.1 and Exhibit 2B, Section D3.1.1.2 for further detail on these processes.

b) The changes to SAIFI and SAIDI percentages presented in A2 are part of the Reliability Projection as outlined in Exhibit 2B, Section D3.1.2.1 (pages 19-20). Defective Equipment trending utilizes the FIM and Long-Term System Review Process to establish trends in failures at the asset level. With no new technology

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

introduced into the system, certain cause code degradation is assumed using historical data.

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 6:

Reference(s): Exhibit 1A, /Tab 2, Schedule 1, pages 10/22

Pg. 10 "Toronto Hydro's approach to the planning that underlies this application entailed: (a) developing a proposed capital program that balances the needs of the distribution system with a level of rate increases that customers accept; and (b) building an Operations, Maintenance & Administration ("OM&A") plan that, following rebasing, requires the utility to operate with funding that is less than inflation for non-capital expenditures."

Pg. 22 "Toronto Hydro's OM A expense for the test year is $271.1 million, which represents an increase of $33.1 million, or 13.9%, from the utility's last rebasing in 2011. This translates into an average annual increase of approximately 3.3% over the 2011-2015 timeframe."

a) Is this average increase of 3.3% over the 2011-15 timeframe not above inflation?

RESPONSE:

a) Toronto Hydro notes that the above-mentioned 2015 Test Year forecast ($271.1 million) was updated to $269.5 million, as filed with the OEB on September 23, 2014. Accordingly, the updated variance between the last Rebasing Year (2011) and the Test Year (2015) is $31.5 million, or 13.2%.

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

In the course of the update, the 2014 Bridge Year OM&A forecast was also updated from $250.2 million to $246.6 million. Accordingly, the updated variance in OM&A between the last Rebasing Year (2011) and the Bridge Year (2014) – the years when Toronto Hydro's rates were adjusted according to the OEB's IRM formula – is $8.5 million. This represents *an average increase of 1.1%*, which is 0.6% below the OEB-derived average inflation levels (1.7%) as calculated for the purposes of IRM rate adjustments in those years.

The updated average year-over-year increase between the last Rebasing Year (2011) and the Test Year (2015) is 3.2%. This value is above the average 2011-2014 inflation rate (1.7%). However, the 2015 Test Year amount contains a number of incremental expenditures associated with new, additional or evolving operational requirements and obligations, beyond those embedded in Toronto Hydro's current base rates.

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 7:

Reference(s): Exhibit 1A, Tab 2, Schedule1, p. 13

"Toronto Hydro serves a broad and diverse customer base, with which it engages on a regular basis through ordinary-course interactions. In addition to these ordinary-course interactions, it reached out to its customers regarding the utility's capital plans for 2015-2019. The results of this exercise provided Toronto Hydro valuable insight into its customers' perceptions of the utility's priorities. Among other things, Toronto Hydro learned that customers' preferences align with the central pillars of the utility's capital plan.

a) Please explain what the "central pillars of the utility's capital plan" are.

RESPONSE:

a) The central pillars of Toronto Hydro's proposed capital plan include:
   i) the major drivers of investment during the CIR period (e.g., economic growth; aging infrastructure; public policy responsiveness) and
   ii) the asset management policies and objectives that led to the proposed capital expenditure plan, including, for example:
      a. replacing assets proactively (i.e., at their optimal intervention time) as opposed to adopting a broader run-to-failure policy;
      b. balancing large system renewal needs with non-system needs and opportunities to enhance customer value;

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

c. addressing (a) and (b) at a pace that acknowledges customer expectations regarding price increases during the CIR period.

Through the Innovative Research Group ("Innovative") led customer engagement process (Exhibit 1B, Tab 2, Schedule 7, Appendix B), Toronto Hydro found that customer preferences are generally in alignment with these key pillars.

A comprehensive discussion of this process, how it was designed, and the results gathered, including Innovative's detailed report, can be found in Exhibit 1B, Tab 2, Schedule 7. For a detailed discussion of the alignment of Toronto Hydro's proposed DSP to the needs and preferences gathered through customer engagement, refer to Exhibit 2B, Section E2.4.

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 8:

Reference(s): Exhibit 1A, Tab 2, Schedule 1, p. 18

"Toronto Hydro's proposed Capital Expenditures over the 2015 to 2019 period include the following costs associated with renewable energy generation ("REG") connections:"
"Table 3: Renewable Enabling Improvements (REI) from 2015 to 2019 ($ Millions)"

a) What is the difference between REG and REI?

RESPONSE:

Section 2 of the *Electricity Act, 1998*[1] defines a "renewable energy generation facility" [REG] as,

> a generation facility that generates electricity from a renewable energy source and that meets such criteria as may be prescribed by regulation and includes associated or ancillary equipment, systems and technologies as may be prescribed by regulation, but does not include an associated waste disposal site, unless the site is prescribed by regulation for the purposes of this definition.

Section 1.2 of the Ontario Energy Board Distribution System Code defines a "renewable enabling improvement" [REI] as,

[1] S.O. 1998, c. 15, Sched. A

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

a modification or addition to the main distribution system identified in section 3.3.2 that is made to enable the main distribution system to accommodate generation from renewable energy generation facilities.

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 9:

Reference(s): Exhibit 1A, Tab 2, Schedule 1, p. 15
Exhibit 1A, Tab 2, Schedule 1, p. 24

"The majority of the capital programs are continuations of the work programs the OEB approved in the ICM application."

"For the 2015 test year, Toronto Hydro requests a base revenue requirement of $672.3 million, which represents an increase of $150.3 million, or 28.8%, from the base revenue requirement previously approved by the OEB in the utility's last rebasing application."

"The main drivers of the increase in base revenue requirement for the 2015 test year are the additions to rate base due to Toronto Hydro's significant capital program over the 2012-15 period, and an increase in OM&A expenses."

a) Are the 2012, 13 and 14 ICM programs not currently part of Toronto Hydro's significant capital program? How can the ICM be treated in separate proceeding under these circumstances?

RESPONSE:

Toronto Hydro's application treats 2015 as a standard rebasing year, consistent with the OEB's 4GIRM framework, which requires a utility to forecast its year-end PP&E for the bridge year, regardless of how those capital additions were funded in prior years (i.e., whether through base rates or through ICM). In other words, ICM capital additions are

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

treated no differently than any other capital additions for 2015, given that 2015 is a standard rebasing year. Toronto Hydro's forecast for its 2014 year-end and 2015 opening PP&E can be found in Exhibits 2A, Tab 1, Schedule 2, pages 4 and 5.

This approach to additions to ratebase is distinct from the requirements for the ICM True-Up process, which is a revenue-reconciliation process. In particular, the ICM True-Up process is designed to reconcile the variance between the revenue collected through ICM rate riders and the revenue requirement associated with actual in-service ICM amounts over the 2012-14 period. The difference between these amounts will be collected from or refunded to customers. In the OEB's Accounting Order, Toronto Hydro was instructed, at the time of true-up, to "recalculate the revenue requirement impacts… based on actual in-service assets… in Board-approved ICM segments". [1]

As noted in Exhibit 2A, Tab 9, Schedule 1,

> Toronto Hydro does not expect to be able to determine the required 2014 actual expenditures or ISA in concordance with the likely timeframe of this proceeding. Toronto Hydro therefore submits that the true-up of the 2012-2014 ICM activities is most appropriately undertaken in a separate proceeding from this application, following the determination of actual expenditures and ISAs for the full 2012-2014 ICM period.

For a full description of Toronto Hydro's proposal for ICM True-Up, including further details on the rationale for the process occurring in a subsequent proceeding, please see

[1] EB-2012-0064, Decision and Rate Order (May 9, 2013), at Appendix B page 2.

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

Exhibit 2A, Tab 9, Schedule 1 and Toronto Hydro's response to interrogatory 2B-OEBStaff-39.

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 10:

Reference(s): Exhibit1A, Tab 2, Schedule 1, p.21

"The change in rate base is driven by an increase of approximately $1,026.1 million in the average net book value ("NBV") of property, plant and equipment ("PP E"), which is offset by a decrease of approximately $60.0 million in the working capital allowance ("WCA") component of rate base due to an updated WCA rate, as per Toronto Hydro's updated Lead Lag study. The growth in PP E includes investments Toronto Hydro has made under the ICM framework during the 2012-14 period, as well as the addition of street lighting assets into rate base.

a) Please explain how the Board can approve the above mentioned change in rate base if Toronto Hydro has not trued-up the ICM for 2012 – 14?

RESPONSE:

Please see Toronto Hydro's response to interrogatory 1A-CCC-9.

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 11:

Reference(s): Exhibit 1A, Tab 2, Schedule 1, p 26

Please provide the assumptions used with respect to consumption for each rate class on Table 8: Summary of Total Bill Impacts by Rate Class.

RESPONSE:

Consumption assumptions for each class in the referenced table are as follows:

Class	kWh, kW, kVA assumption
Residential	800 kWh
Competitive Sector Multi-Unit Residential	334 kWh
General Service < 50 kW	2,000 kWh
General Service 50-999 kW	150,000 kWh, 349 kW, 388 kVA
General Service 1,000-4,999 kW	800,000 kWh, 1,600 kW, 1,778 kVA
Large Use	4,500,000 kWh, 8,491 kW, 9,434 kVA
Street Lighting	60 kWh, 0.165 kW, 0.165 kVA
Unmetered Scattered Load	365 kWh

For a full set of detailed bill impacts for various consumption levels, please see Exhibit 8, Tab 7, Schedule 1 – Bill Impacts.

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 12:

Reference(s): Exhibit 1A, Tab 3, Schedule 1, p. 6

Toronto Hydro has provided a link to its Conditions of Service. Please indicate what changes have been made to the Conditions of Service since Toronto Hydro's last cost of service proceeding.

RESPONSE:

Please find attached the following summaries of changes that have been made to the Toronto Hydro's Conditions of Service since the utility's last rebasing application (EB-2010-0142):

- Appendix A – Revision Summary 10, effective January 1, 2011;
- Appendix B – Revision Summary 11, effective January 9, 2012;
- Appendix C – Revision Summary 12, effective January 7, 2013; and
- Appendix D – Revision Summary 13, effective May 1, 2014.

CONDITIONS OF SERVICE (2011 Rev.#10) REVISION SUMMARY		
Section	**Section Title**	**Summary of Changes to Toronto Hydro's Conditions of Service**
Front page		Revised date, revision number, and contact person.
Preface		Revised to inform a Revision Summary of the latest revisions to the Conditions of Service is posted on Toronto Hydro's website.
1	Introduction	Updated the table of contents.
2.1	Connections – Process and Timing	Inserted wording to refer to Reference document "Toronto Hydro Distributed Generation Requirements" for generation connection agreements.
2.1.2	Expansions / Offer to Connect	Deleted wording that referred to "enhancement costs".
2.1.2.1	Offer to Connect & Alternative Bid Work	Changed Reference document content and title to "Construction Contractor Pre-Qualification Application". Replaced the word "contestable" with "that is eligible for alternative bid".
2.1.2.2.1	Offer to Connect – Content & Process	Replaced the words "contestable" to "that is eligible for alternative bid", and "uncontestable" to "that is not eligible for alternative bid".
2.1.2.2.2	Transfer Price for Work that is Eligible for Alternative Bid	Revised section title. Replaced the word "contestable" with "that is eligible for alternative bid".
2.1.2.2.3	Final Economic Evaluation & Capital Contribution Settlement	Replaced the words "contestable" to "that is eligible for alternative bid", and "uncontestable" to "that is not eligible for alternative bid".
2.1.2.3	Expansion Deposit	Replaced the word "contestable" with "that is eligible for alternative bid".
2.1.7.4	Connection Agreements	Inserted wording to refer to Reference document "Toronto Hydro Distributed Generation Requirements" for generation connection agreements.
2.2.1	Disconnection & Reconnection – Process and Charges	Revised to reflect updated cost figures and the Harmonized Sales Tax, and the number of days after a disconnect notice is delivered. Inserted residential customers'conditions for disconnection notices.
2.3.6	Emergency Back-up Generation Facilities	Inserted wording to refer to Reference document "Toronto Hydro Distributed Generation Requirements" for back-up generation facilities.

2.3.7	Metering	Revised to refer to Reference document "Toronto Hydro Distributed Generation Requirements" for metering.
2.3.7.1.1	Metering Requirements for Multi-Unit Residential Rental Buildings and Condominiums	Replaced the word "contestable" with "that is eligible for alternative bid".
2.4.3	Deposits	Inserted residential customers' conditions for security deposits, and how security deposits affect good payment history.
2.4.5	Payments and Overdue Account Interest Charges	Inserted an equal monthly payment plan for residential customers.
3.5, 3.5.1 – 3.5.7	Embedded Generation Facilities	Deleted entire sections 3.5.1 – 3.5.7, and replaced the wording in section 3.5 to refer to Reference document "Toronto Hydro Distributed Generation Requirements" for generation connections.
3.6	Wholesale Market Participant	Replaced the wording in section 3.6 to refer to Reference document "Toronto Hydro Distributed Generation Requirements".
3.8.2	Traffic & Railway Crossing Signals and Pedestrian X-Walk Signals/Beacons	Revised to reflect updated basic connection costs and tax rate.
Section 4	Glossary of Terms	Revised and deleted terms.
Section 5 -Tables	Table2 – Service Connection and Disconnection Fee	Revised basic connection fee, and disconnection fee.
Section 5 - Tables	Table 3 – New or Upgraded Street Lighting Services – Point of Demarcation and Connection Charges	Revised basic connection fees.
Section 5 - Tables	Table 9 – Toronto Hydro Distribution Construction Standards Price List	Revised to reflect the harmonized sales tax.
Section 6 - References	Toronto Hydro Distributed Generation Requirements	Previous Reference document "Toronto Hydro Parallel Generation Requirements" is in the appendices of "Toronto Hydro Distributed Generation Requirements".
Section 6 - References	Construction Contractor Pre-Qualification Application	Revised document (version 1.5, dated February 1, 2010) to reflect a changed contact person and updated contact information.
Section 6 – References	Standard Toronto Hydro Connection Agreements – Terms of Conditions	Deleted four connection agreements from Reference document #2, and included these connection agreements into Reference document #3 (Toronto Hydro Distributed Generation Requirements).

CONDITIONS OF SERVICE Revision #11 (2012) **REVISION SUMMARY**		
Section	**Section Title**	**Summary of Changes to Toronto Hydro's Conditions of Service**
Front page		Revised date, and revision number.
1	Introduction	Updated the table of contents.
2.1.1.1	Connection Charges	Inserted "Table 1.4" to the second paragraph.
2.1.2.3	Expansion Deposit	Deleted reference to reducing the expansion deposit.
2.1.7.2	Implied Contract	Deleted third paragraph, which indicated who is responsible for payment.
2.1.7.5	Payment by Building Owner	Inserted third paragraph, which describes when an owner of property is responsible for payment.
2.2.1	Disconnection & Reconnection – Process and Charges	Inserted that a Timed Load Interrupter Device may be installed when a bill is unpaid. Revised disconnection and reconnection fees.
2.3.6	Emergency Backup Generation Facilities	Inserted paragraphs describing the conditions and requirements for Emergency Backup Generation Facilities on Toronto Hydro's system.
2.3.7.1.1	Metering Requirements for Multi-Unit Residential Rental Buildings and Condominiums	Inserted who are "authorized persons" as identified in Ontario Regulation 389/10. Revised to reflect "unit smart metering" and "unit sub-metering".
2.4.3	Deposits	Deleted last sentence in fifth paragraph regarding the amount of a bill, and deleted seventh paragraph regarding disconnection for an unpaid security deposit. Inserted bullet (f), additional criteria to when a security deposit may be waived.
2.4.5	Payments and Overdue Account Interest Charges	Inserted payment methods and interest charges, and payment plan options available to customers. Deleted last paragraph, which listed special charges. Deleted third paragraph, which statements are present in section 2.2.1.
3.2.3	Temporary Services (other than Residential)	Inserted second paragraph that Customer must provide a designated area to post Toronto Hydro information, and maintain a safe working site.
3.8	Unmetered Connections	Deleted civil infrastructure items and inserted statement regarding ownership and maintenance on assets, in the fifth paragraph.
3.8.1	Street Lighting	Deleted last sentence in first paragraph, which referred to Schedule of Rates.

3.8.2	Traffic & Railway Crossing Signals, Pedestrian X-Walk Signals/Beacons, Bus Shelters, Telephone Booths, CATV Amplifiers, TTC Switching Devices, and Miscellaneous Small Fixed Loads	Revised section title to include items from section 3.8.3. Revised service classification to be Unmetered Scattered Load class customers, ownership demarcation points, and basic connection fees.
3.8.3	Bus Shelters, Telephone booths, CATV Amplifiers, TTC Switching Devices, and Miscellaneous Small Fixed Loads	Deleted section 3.8.3 and combined it with section 3.8.2.
3.8.4	Other Loads (<2 kW) - Decorative Lighting and Tree Lighting Service	Section 3.8.4 is now section 3.8.3. Revised last paragraph to reflect terms and conditions as noted in section 3.8.2.
Section 4	Glossary of Terms	Inserted the term “timed load interrupter device” and “eligible low-income customer”.
Section 5 - Tables	Table 1.4 - Demarcation Points & Charges for Connection Assets and Disconnection	Added new table 1.4 to reflect unmetered connections.
Section 5 - Tables	Table 2 - Service Connection and Disconnection Fee	Inserted fees associated with unmetered connections.
Section 5 - Tables	Table 3 - New or Upgraded Street Lighting Services – Point of Demarcation and Connection Charges	Revised basic connection fees.
Section 5 - Tables	Table 7 - Instrument Transformers and Enclosures	Revised compartment dimensions.
Section 5 - Tables	Table 9 – Toronto Hydro Distribution Construction Standards Price List	Deleted Table 9.
Section 6 - References	Economic Evaluation Model for Distribution System Expansion	Updated reference document #1 (dated November 7, 2011). Updated to include the latest version of the Distribution System Code Appendix B “Methodology and Assumptions for An Economic Evaluation”, revised October 21, 2009.
Section 6 - References	Toronto Hydro Distributed Generation Requirements	Updated reference document #3 (Revision #1, dated December 8, 2011). Revisions included: updated application forms, added new and revised construction standards & sketches, added information regarding fit projects, revised emergency backup generation wording, deleted “Indirect Series Connection” section, and revised commissioning & testing requirements.

Section 6 - References	Toronto Hydro Requirements for the Design and Construction of Customer-Owned High Voltage Substations	Updated reference document #4 (Revision #4, dated August 15, 2011). Revisions included: updated table of contents, revised wording in sections (feeder termination, substation drawings, guarding of electrical equipment, separate compartments, hinged access doors, screen approval, types of cables and terminations, materials supplied by Toronto Hydro for PILC and polymeric cables, types of barriers, dual fuses, minimum ratings, grounding facilities, metallic parts, pilot wire protection and remote tripping, associated publications).
Section 6 - References	Toronto Hydro Requirements for the Design and Construction of Customer-Owned Structures	Updated reference document #5 (Revision #1, dated December 6, 2011). Revisions included: updated construction standards with the latest revisions, added new construction standards to the document.
Section 6 - References	Toronto Hydro Metering Requirements 750 Volts or Less	Updated reference document #6 (Revision #6, dated October 27, 2011). Revisions included: added new section “Specialty Sockets”, updated definitions, revised Appendix-Diagram #2 and compartment dimensions, grammatical corrections.
Section 6 - References	Toronto Hydro Metering Requirements for 13.8 kV & 27.6 kV Customer-Owned Substations	Updated reference document #7 (Revision #4, dated October 27, 2011). Revisions included: updated definitions, grammatical corrections.

CONDITIONS OF SERVICE Revision #12

REVISION SUMMARY

Section	Section Title	Summary of Changes to Toronto Hydro's Conditions of Service
Front page		Revised date, and revision number.
1.7.6	Repairs of Customer's Physical Structures	Revised contact information for customers to make arrangements prior to inspections.
2.1.4	Inspections Before Connections	Added a "Connection Authorization" is valid for a period of up to six months from the date of issue.
2.3.7.1	General	Revised the approval of meter sockets.
2.3.7.1.2	Main Switch and Meter Mounting Devices	Revised mounting dimensions for the placement of the customer's main switch.
3.1.1.1	Minimum Requirements	Revised the approval of meter sockets.
3.2.3	Temporary Services (other than Residential)	Revised the customer requirements which need to be performed prior to Toronto Hydro connecting the customer. Revised the meter socket installation requirements.
3.4.1	Electrical Requirements	Revised to include three-wire supply feeders.
Section 5 - Tables	Table 3 - New or Upgraded Street Lighting Services – Point of Demarcation and Connection Charges	Revised connection charges and point of demarcation.
Section 5 - Tables	Table 5 – Meter Sockets (Article 2.3.7.1.2)	Revised the approval of meter sockets.
Section 6 - References	Toronto Hydro Distributed Generation Requirements	Updated reference document #3 (Revision #2, dated August 15, 2012). Revisions included: Added (Section 3.5 "Control and Monitoring", appendix 6.3 (v) Net Metering Connection Application Guidelines"). Revised (cover page, table of contents, section 1.4 "Contact Information", section 4.7.4 "Commissioning and Testing", appendix 6.3 (i) "Embedded Generation Connection Application Form", appendix 6.3 (ii) "Connection Impact Assessment Generator Form", appendix 6.3 (iii) " MicroFIT Connection Application Guidelines and Form", appendix 6.3 (iv) "FIT Connection Application Guidelines", appendix 6.4 (iv) "Sketch of Commercial Feed-in Tariff Parallel Connection Outline", appendix 6.4 (vi) "Toronto Hydro Requirements and Recommendations for FIT Projects", appendix 6.4 (vii) "Distribution Availability Test (DAT) Information").

CONDITIONS OF SERVICE Revision #12 REVISION SUMMARY		
Section	**Section Title**	**Summary of Changes to Toronto Hydro's Conditions of Service**
Section 6 - References	Toronto Hydro Metering Requirements 750 Volts or Less	Updated reference document #6 (Revision #7, dated July 24, 2012). Revisions included: Added (section 8 "Metering Requirements for Multi-Residential Buildings", Diagram #5 "Typical Single Building Condominium with Toronto Hydro Suite Metering", definition "Meter-Mounting Devices"). Revised (cover page, index, section 7.2.2 "Meter Instrument Transformer Enclosures", Table I "Minimum Meter Cabinet Size for Meters and Approved Meter Sockets", section 7.5.1 "General", section 7.9.1 "Customer Supplied Equipment", section 7.9.3 "Rating", section 7.12.8 "Specialty Meter Sockets").

CONDITIONS OF SERVICE Revision #13

REVISION SUMMARY

Section	Section Title	Summary of Changes to Toronto Hydro's Conditions of Service
Front page		Revised date, and revision number.
Table of Contents		Deleted section 1.7.5 Repairs of Defective Customer Electrical Equipment. Section 1.7.6 re-numbered as 1.7.5 and re-titled as Customer Owned Equipment, Infrastructure, and Property.
1.7.5	Customer Owned Equipment, Infrastructure, and Property	Revised by combining previous sections 1.7.5 and 1.7.6 to indicate customers are responsible to repair and maintain customer owned facilities.
2.1	Connections - Process and Timing	Revised to include reference to Design Pre-payments, and there are different types of an offer to connect.
2.1.2	Expansions / Offer to Connect	Revised with statements referring to Offer to Connect agreements related to expansion work, and regarding charges related to renewable energy generation connections.
2.1.2.1	Offer to Connect & Alternative Bid Work	Revised to indicate: - a formal Offer to Connect will be offered only when there is expansion type work - identify what part of the work is eligible for alternative bid - define what type of work is considered "Additional Alternative Bid Costs" - when an Offer to Connect may be revoked - upon accepting an Offer to Connect the customer shall pay certain payments
2.1.2.2.1	Offer to Connect – Content & Process	Revised the wording in clause (f) from "additional costs for alternative bid work" to "Additional Alternative Bid Costs". Deleted the wording in clause (h) that refers to collecting 10% as the expansion deposit for alternative bid work.
2.1.2.2.2	Transfer Price for Work that is Eligible for Alternative Bid	Revised how the transfer price for work that is eligible for alternative bid is determined, and when Toronto Hydro assumes ownership of the work completed through alternative bid.
2.1.2.2.3	Alternative Bid Final Economic Evaluation & Capital Contribution Settlement	Revised to indicate in the case of alternative bid, how the Capital Contribution amount will be determined.
2.1.2.3	Expansion Deposit	Revised to describe: - an expansion deposit may be required from the customer - the expansion deposit amount that will be collected from the customer for alternative bid work - what the expansion deposit collected can be used for - retaining 10% of the expansion deposit for warranty - when the realization period ends for residential developments that are combined with commercial or industrial developments - how the expansion deposit may be returned to the customer

CONDITIONS OF SERVICE Revision #13 REVISION SUMMARY		
Section	**Section Title**	**Summary of Changes to Toronto Hydro's Conditions of Service**
2.1.2.5	Rebates of Capital Contribution	Revised to describe the mechanism on how the capital contribution is rebated to the customer.
2.2.1	Disconnection & Reconnection – Process and Charges	Revised disconnection and reconnection charges.
2.3.4.2	Supply Voltage	Revised the conditions when a customer is required to provide transformation facilities on private property and is unable to do so.
2.3.5	Voltage Guidelines	Revised to include two-phase, three wire 120/208 V connection.
3.8.2	Traffic & Railway Crossing Signals, Pedestrian X-Walk Signals/Beacons, Bus Shelters, Telephone Booths, CATV Amplifiers, TTC Switching Devices, and Miscellaneous Small Fixed Loads	Revised the cost structure for overhead and underground unmetered scattered load connections.
Section 4 – Glossary of Terms	Glossary of Terms	Revised the definition of "residential service". Added the definitions of "competitive sector multi-unit residential service" and "residential customer".
Section 5 - Tables	Table 1.4 Demarcation Points & Charges for Connection Assets and Disconnection	Revised the cost structure for overhead and underground unmetered scattered load connections.
Section 5 - Tables	Table 2 Service Connection and Disconnection Fee	Revised the cost structure for overhead and underground unmetered scattered load connections, and disconnection charges for class 3A customers.
Section 6 - References	Toronto Hydro Distributed Generation Requirements	Updated reference document #3 (Revision #3, dated November 28, 2013). Added (terms added to "Glossary of Terms", new Appendix 4 (viii) "Distributed Generation Monitoring and Control Requirements") Revised content in sections (3.2 "Emergency Backup Generation Technical Requirements", 3.5 "Control and Monitoring", 4.3.1 "Offer to Connect", 3.5.3.3. "Medium and Protocol", 4.4.1.2 "Removal of Capacity Allocation", and 4.4.2.1 "Connection of Micro-Generation Facilities"), and to appendices (Appendix 3(i) - Embedded Generation Connection Application Form, Appendix 3(ii) - Connection Impact Assessment Generator Form, Appendix 3(iii) - MicroFIT Connection Application Guidelines and Form, Appendix 3(iv) - FIT Connection Application Guidelines, and Appendix 4(vi) - Toronto Hydro Requirements and Recommendations for FIT Projects).

CONDITIONS OF SERVICE Revision #13 REVISION SUMMARY		
Section	**Section Title**	**Summary of Changes to Toronto Hydro's Conditions of Service**
Section 6 - References	Construction Contractor Pre-Qualification Application	Updated reference document #8 (Version 2.1, dated August 12, 2013). Revised content in "Selection of Contractors" and "Enquiries", and in section 6 "Health and Safety Information.
Section 6 - References	Toronto Hydro Requirements for the Design and Construction of Customer-Owned High Voltage Substations	Updated reference document #4 (Revision #6, dated December 17, 2013). Added new section 5.2 "incoming Supply", Table 6 Sketches Applicability Matrix, and new sketches 1(C-2), 1(E-2), 1(F-2), 1(H-2), 1(J-1), 1(J-2) and 1(J-3). Deleted section 9.17.6 "Incoming Circuit Breaker and Isolating Switch". Revised sections 5.1.3 "Dedicated Feeder Supply", 5.3 "Automatic Load Transfer (Automatic Transfer Switch)", 6.5 "Compliance with Requirements", 8.2.1 "Means of Egress and Exit Door Requirements", 8.3 "Cable Pulling", 8.4 "Cable Racks and Conduits", 8.6.6 "Illumination of Equipment", 9.9 "Lighting Arresters", 9.17.2 "Incoming Isolating Switch", and Isolating Switch", and 9.17.8 "Incoming Circuit Breaker and Isolating Switch", and sketches 1(A-1), 1(D-1), 1(E-1), 1(F-1), 1(G-1), 1(H-1), 1(I-1) and 5(A-1).
Section 6 - References	Toronto Hydro Requirements for the Design and Construction of Customer-Owned Structures	Updated reference document #5 (Revision #2, dated February 4, 2014). Revised the following Customer-Owned Structures documents: 1. 31-6000 Rev.4 Design and Construction Requirements 2. 31-6010 Rev.5 Vault Design Requirements 3. 31-6020 Rev.7 Above-Grade Walk-In Vault 4. 31-6030 Rev.8 Below-Grade Walk-In Vault 5. 31-6040 Rev.3 Stair and Access Well Detail For Below-Grade Vaults 6. 31-6050 Rev.3 Louver Details For Vent Openings 7. 31-6060 Rev.2 Bird Screen Details 8. 31-6070 Rev.3 Cable Pull Rooms Typical Installation of High and Low Voltage Cables 9. 31-6080 Rev.4 4.16 kV – 13.8 kV Transformer Vaults Added new Customer-Owned Structures document number 31-6035 Rev.1 Above-Grade Walk-In or Below-Grade Switching Vault.

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 13:

Reference(s): Exhibit 1A

Toronto Hydro is currently engaged in the Central Toronto Regional Planning Process and other Regional Plans involving Toronto Hydro will be initiated over the next several years. Please explain what is involved in the current Central Toronto Regional Planning process. To what extent does Toronto Hydro have costs included in its forecasts related to this process? Please explain how that process, or other Regional Planning initiatives may impact the plans and priorities which are the basis for this application.

RESPONSE:

The Central Toronto Regional Planning Process is described in detail in Exhibit 2B, Section B2.1. The purpose of the Integrated Regional Resource Plan ("IRRP") is to ensure that the electricity service requirements of central Toronto are served by an appropriate combination of demand and supply options that reflect the priorities of the community. Planning activities include forecasting the expected growth in electricity demand for the next 25 years, investigating the costs and benefits of conservation, distributed generation, and transmission and distribution options in meeting the future electricity needs of customers in the central Toronto area. The outcome of the planning process will be an integrated plan, with a long-term perspective, which recommends a balance of options that account for costs, reliable electricity service, and mitigation of environmental impacts.

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

The impact of the IRRP is discussed in Exhibit 2B, Section E1.4. The IRRP is still in progress but the Ontario Power Authority ("OPA") has confirmed a long identified issue of capacity shortfalls in the Runnymede TS, Manby TS and Copeland TS areas. Toronto Hydro has been planning remedies for these shortfalls and has discussed and shared alternatives with the OPA and Hydro One Networks Inc. ("HONI") as part of the planning effort. The projects contained within the Stations Expansion capital investment program, further detailed in Exhibit 2B, Section E7.9, reflect the regional planning consultations to date for Central Toronto.

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 14:

Reference(s): **Exhibit 1A**

PARTIAL Decision and Order – EB-2012-0064 April 2, 2013

Pg.75 "With respect to the "trueUp" of ICM capital spending and rate riders, the Board notes that the policy does not specifically speak of a true-up. Rather the policy requires reporting of the actual spend on the approved ICM projects versus what was approved by the Board. The Board, at the time of rebasing, whether this is through a cost of service review as part of 4th Generation IR, or through a Custom IR application, will determine whether any overspending should be allowed in rate base, or whether any underspending should be returned to ratepayers.

The Board does share the concerns of certain Intervenors that the monies allocated for ICM projects must be tracked separately and reported separately. Unlike the "envelope" approach often adopted in cost-of-service proceedings, the monies must be reported per project segment as outlined above."

a) Please provide the separate tracking and reporting for each element of the ICM that was part of the decision.

RESPONSE:

a) Please see Toronto Hydro's response to interrogatory 1B-SEC-9.

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 15:

Reference(s): Exhibit 1B, Tab 1, Schedule 3, page 16

"the custom PCI proposed by Toronto Hydro embeds the expectation that the components of rates attributable to OM&A and Revenue Offsets will continue to increase by only "I – X". If actual OM A was to increase at a rate greater than this, or if Revenue Offsets were to stagnate, Toronto Hydro is at risk for under-recovery through the 2015 to 2019 period. Toronto Hydro is aware of this risk and, in response to the incentives created by its proposed custom PCI, expects to continue to seek efficiency and productivity improvements throughout the rate term."

a) Efficiency and productivity improvements throughout the rate term are to be an integral part of your day to day business. What incremental efficiency and productivity improvements would assist with any under-recovery?
b) If there is over-recovery for the opposite reasons as mentioned above, what mechanism will be used to ensure the customer is kept whole?

RESPONSE:

a) Exhibit 1B, Tab 2, Schedule 5 lists the ongoing and planned productivity initiatives, as well as sample of planned activities, currently in place or contemplated for the CIR period. Toronto Hydro expects these initiatives to assist the utility in responding to the productivity incentive created by the custom Price Cap Index ("PCI") rate-setting framework for the 2015-2019 timeframe.

Panel(s): a) Productivity and Performance; b) Planning and Strategy

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

b) Consistent with the principles of Incentive Regulation, Toronto Hydro proposes to share the up-front benefits of productivity/efficiency work with its customers through application of the custom PCI Productivity and custom Stretch factors. Beyond this benefit-sharing, the utility will bear the risk of any under- recovery occurring in the normal course of business for the duration of the CIR period. In addition, sustainable reductions in ongoing costs arising from productivity improvements during the rate term will be embedded in Toronto Hydro's cost profile at the time of the next rebasing, to the benefit of ratepayers. See also Toronto Hydro's response to interrogatory 3-BOMA-22.

Panel(s): a) Productivity and Performance; b) Planning and Strategy

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 16:

Reference(s): Exhibit 1B, Tab 1, Schedule 3, pages 17-18

- One-time events that Toronto Hydro anticipates may give rise to a Z-factor application include: Extreme weather events such as storms;
- One-time investments made at the behest of government direction and outside of management's control, such as:
  - Smart Meter implementation;
  - Conservation and Demand Management;
  - Regional Planning; and any other one-time events that meet the Z-factor criteria.

a) What is Toronto Hydro's detailed definition of "Extreme weather events"?
b) How many dollars has Toronto Hydro allocated for storm restoration in its business plan budget for 2015-2019.
c) Please provide details regarding what Smart Meter implementation activities would be considered beyond the utility's regular work program in this area.
d) Please provide details regarding what Conservation and Demand Management activities would be considered beyond the utility's regular work program in this area particularly considering these activities are funded by the OPA.
e) Does Toronto Hydro not have any dollars allocated to Regional Planning activities for 2015-2019?

Panel(s): a) General Plant Capital, Operations and Administration; b) and e) Distribution Capital and System Maintenance; and c) and d) Planning and Strategy.

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

RESPONSE:

a) Extreme weather events are based on two factors. Acknowledgement from Environment Canada from their alert system along with an escalation process based on system damage and customer effect. The use of the Environment Canada Alerting System is based on notification of weather events based on a geographic area. Toronto Hydro is alerted on the Greater Toronto Area geographic area. The second criterion is based off the current Toronto Hydro Grid Disruption Plan and Emergency Plan which together define the escalation level within the company. An escalation to Level 3 signifies an extreme event.

b) Toronto Hydro has budgeted $1.6 million in 2015 for Significant System Disturbance Response under its Emergency Response program. Consistent with Toronto Hydro's proposed rate framework, OM&A expenditures have not been forecasted beyond the test year. Please see Exhibit 1B, Tab 2, Schedule 3 for more information about Toronto Hydro's proposed rate framework, and Exhibit 4A, Tab 2, Schedule 3, pages 16-19 for more information about the Emergency Response program.

c) Toronto Hydro has not considered any specific ongoing smart meter implementation activities beyond the utility's work program in this area. Toronto Hydro provided this example simply to illustrate the type of new investment that, if required by government policy or mandate over the 2015 to 2019 term, would be outside of management's control and not included in rates, and for which Toronto Hydro would seek Z-Factor recovery. That is, if the government were to require the installation of some new form of upgraded metering infrastructure in the 2015-2019 term (beyond the current standards), Toronto Hydro may apply to recover such costs through a Z-

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Factor application or an alternative sector-wide mechanism, if the OEB were to establish such a mechanism.

d) Toronto Hydro has not considered any specific ongoing Conservation and Demand Managements ("CDM") activities beyond the utility's work program in this area. However, were the government to require utilities to undertake certain new CDM activities over the 2015-2019 period (for which OPA funding would not be available) Toronto Hydro may seek to recover such costs through a Z-Factor application or an alternative sector-wide mechanism, if the OEB were to establish such a mechanism.

e) As outlined in Exhibit 1A, Tab 2, Schedule 1, Table 6, Toronto Hydro has proposed three programs in the DSP that include costs associated with the regional planning process. Nevertheless, it is Toronto Hydro's view that ongoing regional planning activities (refer to Exhibit 2B, Section B), and further government-mandate regional planning initiatives could still plausibly lead to scenarios that give rise to a Z-factor application.

Panel(s): a) General Plant Capital, Operations and Administration; b) and e) Distribution Capital and System Maintenance; and c) and d) Planning and Strategy.

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 17:

Reference(s): Exhibit 1B, Tab 2, Schedule 3

The evidence sets out Toronto Hydro's proposed Price Cap Index. Does Toronto Hydro have examples of this specific formula being used on other jurisdictions? If so, please provide examples. Did Toronto Hydro develop this proposal in conjunction with external consultants? If so, please provide all relevant reports and work products provided by the consultants.

RESPONSE:

Toronto Hydro is not aware of this specific formula being used in other jurisdictions. Toronto Hydro discussed the concepts underlying the proposed formula with external consultants during its development, but ultimately, the formula was developed internally. Toronto Hydro declines to produce the requested documents on the basis of relevance.

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 18:

Reference(s): Exhibit 1B, Tab 2, Schedule 4, p.3

"The DSP programs listed in Table 1 are direct continuations of the activities featured in the ICM segments listed in the left column. The forecasted expenditures for the programs listed in Table 1 are comparable to those in the ICM period, with some programs tapering off or coming to an end within the 2015-2019 period, and other programs increasing marginally to address greater investment needs in the 2015-2019 period."

a) Please explain how the Board can approve any further expenditures on these capital programs if Toronto Hydro has not trued-up the ICM for 2012-14?

RESPONSE:

Toronto Hydro does not believe that the timing of the True-Up in any way affects the OEB's ability to approve additional expenditures in this application under the same spending categories approved as part of the ICM application. To the extent that any ICM work was not completed during 2014, Toronto Hydro has re-filed its request for that work as part of this application, and thus that work will not be included in the ICM True-Up (i.e., no ICM funding is being sought for jobs within approved ICM segments that are not forecast to come into service by the end of 2014). All *other* CIR 2015-2019 work that maps to the previously-approved ICM segments is new work that was not filed as part of the ICM.

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

In addition, in Toronto Hydro's view, the fact that the OEB reviewed and approved spending in the categories listed in Table 1 (i.e., the categories for which there are direct DSP continuations of previous ICM activities) during Toronto Hydro's EB-2012-0064 ICM proceeding should further reassure the OEB as to the prudence and merits of this work.

See also Toronto Hydro's response to interrogatory to 1A-CCC-9.

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 19:

Reference(s): Exhibit 1B, Tab 2, Schedule 4, p.6

"Figure 1 shows (i) the historical level of capital spending from 2006 to 2011, (ii) the average of actual and forecasted spending over the three-year ICM period (2012-2014), and (iii) the proposed level of capital spending for each of the five years in the planning horizon…. As shown above, the average annual level of investment for the proposed capital program is comparable to the level of spending during the utility's 2012-2014 IRM/ICM period."

a) Please provide the actual capital expenditures and in-service additions for 2012 and 13 and year end spend for 2014.

RESPONSE:

a) Please refer to the response to Interrogatory 1A-BOMA-8 part (b) for the actual and forecasted capital expenditures for 2012 to 2014. Please refer to the response to Interrogatory to 1B-SEC-9 for the actual and forecasted in-service additions for 2012 to 2014.

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 20:

Reference(s): Exhibit 1B, Tab 2, Schedule 5, page 7

"Based on its econometric benchmarking analysis, the PSE Report concludes that Toronto Hydro's past costs, as well as its 2015-2019 cost levels proposed in this application are lower than the reasonable levels of spending predicted by the econometric efficiency model. Toronto Hydro submits that these findings support the sufficiency of Toronto Hydro's past cost performance and confirm the efficiency and reasonableness of the forecasted costs underlying this application. The utility attributes the results of this assessment at least in part to the benefits of productivity initiatives described in the Past Productivity Review (Appendix A to this schedule) and those detailed elsewhere in this application."

a) Please detail the correlation between the lower costs explained in the econometric benchmarking and Efficiency and Productivity?
b) Wouldn't volume of work completed influence those benchmarking results? Particularly since it is stated the Frequency of Interruptions (SAIFI) is below-average?
c) What other items influence those benchmarking results?

RESPONSE (PREPARED BY PSE):

a) The correlation between lower cost performance in the benchmarking model and efficiency and productivity has been established by the Board. In its November 21, 2013 report, the Board determined that econometric total cost benchmarking results

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

will determine performance (p. 23), and is a measure of efficiency. On page 27 of that report, the Board states "The total cost benchmarking model will be run annually to determine efficiency ratings for the purpose of setting stretch factors."

b) There are measures of the volume of work currently in the PSE study. The measures of work are the total number of customers served and peak demand. PSE put forth a separate analysis for SAIFI, which showed Toronto Hydro's system is producing a higher number of outages than expected.

c) Other items that influence the benchmarking results include input prices and the explanatory variables included in the PSE models.

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 21:

Reference(s): Exhibit 1B, Tab 2, Schedule 7, page 9

Was the work undertaken by Innovative Research Group Inc. subject to an RFP? If not, why not. If so, please provide the RFP and the subsequent terms of engagement. What was the cost of the work provided by Innovative Research? Please describe Toronto Hydro's role in developing the online workbook and its participation regarding focus groups.

RESPONSE:

The work undertaken by Innovative Research Group Inc. ("Innovative") was not subject to an RFP for the reasons set out in Toronto Hydro's response to interrogatory 1A-CCC-3 part (c).

The total cost of the work provided by Innovative Research was $259,201.

Toronto Hydro's customer engagement workbooks are attached as appendices to Innovative's consultation report (Exhibit 1B, Tab 2, Schedule 7, Appendix B). Toronto Hydro developed these workbooks in collaboration with Innovative. Utility staff provided core information on various subjects (e.g., company history, electricity sector information, investment needs, proposed investment programs, forecasted outcomes, etc.), as well as graphic design and copywriting services. Innovative adapted the customer engagement workbook into an online workbook format. Toronto Hydro staff did not attend or otherwise participate in the focus groups.

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 22:

Reference(s): Exhibit 1B, Tab 2, Schedule 7, p 10

"The Innovative Report provides Toronto Hydro with valuable insight into its customers' perception of both the utility's priorities and those of the province's broader electricity sector. While the results of the consultation and the lessons drawn from it are addressed in more detail in the DSP, certain central themes can be briefly mentioned here:

- Customers' preferences align with central pillars of the utility's DSP. Toronto Hydro learned that, while its customers expect the utility to make prudent investment decisions, the majority accept the need for timely renewal of the Toronto Hydro-Electric System Limited distribution system, while acknowledging that this will mean an increase in their monthly bills.

a) Please explain how a residential customer has enough knowledge of the components of Toronto Hydro's distribution system, to comment on its renewal? Aren't customers actually commenting on the system's reliability, which can be addressed in other ways than renewing the system? Please explain.

RESPONSE (PREPARED BY INNOVATIVE RESEARCH GROUP):

a) From the outset, the consultation recognized and addressed inherent challenges such as the lack of awareness of the distribution system including how it is funded, regulated and the on-going pressures on electric infrastructure. Considering both the challenge of engaging a representative group of customers and the challenge of lack of knowledge, a three-stage consultation process was developed:

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

- The first stage was developing the core background material and key questions for the workbook. INNOVATIVE and Toronto Hydro worked together to review the Distribution System Plan ("DSP") to identify potential questions that would allow customers to share their needs and preferences and then to develop a workbook that would provide the information needed to allow customers with different levels of initial knowledge to find answers to those questions.
- The second stage was to find out the range of views in the public about the DSP through qualitative elements of the consultation process. This included an online workbook using a voluntary sample and a series of customer discussion groups and workshops using randomly recruited samples of residential and GS customers.
- The third stage was quantitative – randomly recruited telephone surveys of residential and GS customers. Randomly recruited surveys allow us to draw generalizable conclusions that can be applied to the broader population of Toronto Hydro customers. The surveys were developed based on the feedback from the qualitative research.

The qualitative approaches used in the second stage of the consultation all relied on the Toronto Hydro workbook which provided the needed information for residential customers to comment on system renewal. See Exhibit 1B, Tab 2, Section 7, "Workbook Appendices: Toronto Hydro's Grid Renewal Plan".

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

When asked what residential participants thought of the information provided in the workbook during the residential consultations, a majority felt the workbook was informative and provide the right amount of information (see highlighted rows in the two tables below).

What did you think about the workbook?

Response	General Service	Residential	Sum Total
Biased information	2	2	4
Clear and easy to understand	2	2	4
Effective form of engagement	5	5	10
Informative	10	11	21
Not clear	0	1	1
Not enough information	1	5	6
Too much information	1	2	3
Other	0	1	1
No response / refused	10	4	14
Total	**31**	**33**	**64**

Volume of information - Did Toronto Hydro provide too much information, not enough, or just the right amount?

Response	General Service	Residential	Sum Total
Not enough information	4	6	10
Just enough information	23	19	42
Too much information	4	6	10
No response / refused	0	2	2
Total	**31**	**33**	**64**

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

The residential questionnaire was designed to represent the experience provided to respondents in the Online Workbook and Workbook-led Consultation Sessions. This included a combination of educating the customer, having customers reflect on their personal experience with their distribution system, and having them make value judgments on trade-offs between system reliability and bill impact. Ultimately, residential respondents were exposed to the key themes from the qualitative discussions and raised key value choices related to the four key spending areas of Toronto Hydro's DSP before they were asked the final question concerning social acceptance.

While it is not possible to know how residential customers felt about their level of knowledge regarding the components of Toronto Hydro's distribution system, the information presented did allow 92% of respondents to provide an answer to the social acceptance question as it pertains largely to system renewal. Only 8% of residential customers were unable to answer the question or chose not to provide a response.

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 23:

Reference(s): Exhibit 2A, Tab 9, Schedule 1, p. 2

"Toronto Hydro does not expect to be able to determine the required 2014 actual expenditures or ISAs in concordance with the likely timeframe of this proceeding. Toronto Hydro therefore submits that the true-up of the 2012-2014 ICM activities is most appropriately undertaken in a separate proceeding from this application, following the determination of actual expenditures and ISAs for the full 2012-2014 ICM period."

a) The OEB decisions for the 2012-2014 IRM rate case EB-2012-0064 were provided in 2 phases. The first being the Partial Decision of April 12, 2013 dealing only with 2012 and 2013 as well as the Settlement Agreement of December 18, 2013. Please provide a rationale for why the ICM cannot be trued up on actuals for 2012-13 and on the best available actuals for 2014 (to be updated when the 2014 audit is complete in the second quarter of 2015) in this proceeding.

RESPONSE:

a) Toronto Hydro believes that an early True-Up process is inconsistent with the OEB's decision in EB-2012-0064, as well as impracticable and inefficient for reconciling Toronto Hydro's ICM expenditures over the 2012-14 period against revenues generated through the approved ICM rate riders. In particular, Toronto Hydro believes that it is not possible to conduct a meaningful true-up of 2012-13 actual data alone or using a combination of 2012-13 actuals and estimates for 2014.

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

Toronto Hydro expressly stated in the ICM proceeding that it expected ICM jobs within approved segments would be advanced, deferred, or substituted during the three year ICM period in order to respond to externally-driven factors (e.g., weather) and maintain prudent work program execution.[1,2]

In its Partial Decision of April 2, 2013, the OEB expressly allowed for variances among actual jobs executed within approved ICM segments.[3] Furthermore, Toronto Hydro believes that the OEB contemplated a single true-up on the basis of the *complete* ICM program, through its wording in the Accounting Order: "At the time of true-up, THESL will recalculate the revenue requirement impacts …based on the actual in-service assets….to determine the revenue requirement on an actual basis for each applicable period (e.g., 2013 and 2014)."

Toronto Hydro has been tracking its ICM work program in detail and intends to provide robust and detailed information to the OEB and intervenors regarding that work program for the purposes of true-up. However, that work program is not yet completed. Until it is, the underlying detailed tracking information cannot be assembled, organized and summarized for meaningful presentation to the OEB.[4] This process will not be completed until sometime in the second quarter of 2015, which is well after the anticipated completion of the hearing in this proceeding.

[1] EB-2012-0064, Application and Evidence (August 19, 2013), at Tab 9, Schedule 1, page 10 (2014 Evidence Update – Manager's Summary).
[2] EB-2012-0064, Application and Evidence (October 31, 2012), at Tab 2, pages 4-6 (Addendum to 1 Manager's Summary – Summary of Updated Evidence).
[3] EB-2012-0064, Decision and Reasons (April 2, 2013), at pages 75-76.
[4] See Toronto Hydro's response to interrogatory 2B-OEBStaff-39 for more detail regarding the practical constraints on providing detailed true-up data in advance of the completion of the 2014 portion of the ICM work program and the appropriate compilation of the full three-year ICM work program data.

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

In addition, undertaking a true-up of just 2012 and 2013 would not properly take into account of the shifting of jobs between years, as some of this work was moved to the 2014 work program, which is not yet complete.

In summary, Toronto Hydro believes that undertaking the determination of the final true-up amount later in 2015 will allow for a full and efficient determination, and is preferable to a piece-meal or early partial true-up.

Please also see Toronto Hydro's response to interrogatory 2B-OEB-39.

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 24:

Reference(s): Exhibit 2B

"Despite its best efforts to anticipate and plan around these challenges, Toronto Hydro must be prepared to respond to circumstances "on the ground" in order to make the most efficient use of resources and ultimately deliver the best value for its customers. From a planning perspective, this means that the utility must be able to substitute, defer and add projects in the annual work program in any given year, to accommodate the operational realities that it encounters in the course of executing its work program."

a) Please explain how Toronto Hydro will kept accountable for the approved rate increase in any given year if approval is granted to move capital projects from one year to another? What type of detailed reporting does Toronto Hydro plan to provide regarding its capital program?

RESPONSE:

As explained in Toronto Hydro's responses to interrogatories to 2A-CCC-23 and 2B-OEBStaff-39, the substitution, deferral or advancement of particular projects occurs in the ordinary course of Toronto Hydro prudently executing its capital work program. Toronto Hydro has detailed throughout this application (see, for example, Exhibit 1B, Tab 2, Schedule 4, pages 13-14), in prior rate applications (e.g., EB-2012-0064) and in its 2013 OEB Scorecard, how a variety of external factors regularly require changes to the timing of Toronto Hydro's capital plans and forecasts for specific work. These factors

/C

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

include work permit timing, weather and re-prioritization of jobs due to system needs. In many of these situations, good utility practice and prudent work planning is best served by: (a) specific projects within a capital program being substituted, on a like-for-like basis, with other projects; or (b) specific projects being added to a given program, accelerated or deferred. These numerous external factors mean that Toronto Hydro cannot with certainty plan in advance execution timing or costs, and attempting to do so would actually be an imprudent use of time and ratepayer funds. Operationally, it is in Toronto Hydro's interests to maintain a smooth flow of work rather than having abrupt changes in work levels. Toronto Hydro has prepared a detailed overview of the practical execution challenges that the utility often faces during development and execution of its capital program. This overview can be found in Exhibit 1B, Tab 2, Schedule 4, Appendix A ("Execution Challenges").

As detailed in Exhibit 1B, Tab 2, Schedule 6, Toronto Hydro's proposes annual reporting on its capital program that consists of: (a) meeting the OEB's Scorecard Approach for Performance Measurement; and (b) reporting on the proposed Performance Measures Framework as described in the above-noted reference and its DSP (Exhibit 2B, Section C). Toronto Hydro proposes that these metrics and measures will assist the OEB and intervenors in monitoring the utility's performance outcomes.

For example, per its 2013 OEB Scorecard, Toronto Hydro deems its year-end capital program results to be successful if the year-end results are within +/- 20% of the approved CAPEX amount.

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 25:

Reference(s): Exhibit 2B, Sections E5.1, E5, E5.3

In each of these project's Tables of Historical and Projected Spending – 2014 dollars are listed as Historical. Since dollars spent in 2014 are known – please provide in-service dollars for each project in Sections E5.1to E8.8 that are part of the ICM.

RESPONSE:

The 2014 dollars listed in the referenced tables are forecasts. Please see Toronto Hydro's response to interrogatory 1B-SEC-9 for a summary of actual and forecasted in-service additions by ICM segment for the years 2012 to 2014. **/C**

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 26:

Reference(s): Exhibit 3, Tab 2, Schedule 1

With respect to revenue offsets please explain how these will be dealt in the context of Toronto Hydro's plan. If revenue offsets significantly exceed the forecast amounts in 2015, how will these revenues be treated? If new categories of revenue offsets are established during the IR term, how will these revenues be treated?

RESPONSE:

As with all forecasts underpinning the test year period, Toronto Hydro accepts the risk of any forecast variances. Following the normal treatment for revenue offsets, Toronto Hydro expects to absorb any negative variances and retain any positive variances.

If Toronto Hydro were permitted to undertake activities that it currently is not authorized to undertake and which generate revenue offsets, it expects that such an authorization would be accompanied by OEB direction as to the treatment of any additional revenue generated.

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 27:

Reference(s): Exhibit 3, Tab 2, Schedule 1

Please provide the following information regarding revenue offsets:

a) For each year 2011 to 2015 please provide actual and projected revenue related to both wireline pole attachments and wireless pole attachments;

b) For each year 2016-2019 please provide a forecast of the projected revenue from both wireline and wireless attachments.

c) Please explain, why pole rental revenue has increased from $10.7 million in 2014 to $19.5 million in 2015.

RESPONSE:

a) The actual and projected revenue related to both wireline pole attachments and wireless pole attachments is as follows:

($M)	2011	2012	2013	2014	2015
Wireline	$2.0	$2.2	$2.0	$2.2	$8.8
Wireless	$0.0	$0.1	$0.1	$0.1	$0.2
Total	$2.0	$2.3	$2.1	$2.3	$9.0

b) Toronto Hydro does not have specific forecasts of revenue offsets for the 2016-2019 period (please refer to the response to interrogatory 3-BOMA-20). Toronto Hydro expects wireline pole attachment revenue to remain relatively flat relative to the 2015 forecast. Wireless revenue will depend on market conditions, but is subject to a

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

deferral and variance account, as approved by the OEB in EB-2013-0234.

c) The increase in pole rental revenue is primarily a result of Toronto Hydro's proposal to increase the wireline pole attachment rate, as detailed in the pre-filed evidence at Exhibit 8, Tab 2, Schedule 1.

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 28:

Reference(s): Exhibit 3, Tab 2, Schedule 1, page 4

Table 2 sets out the Revenue Offsets related to "Merchandise and Jobbing". For each of the categories listed please provide a detailed explanation as to how the expenses and revenues were calculated. Please include all assumptions. With respect to Pole and Duct Rental please provide a separate explanation for each item.

RESPONSE:

The underlying assumptions for the Merchandising and Jobbing net revenues can be categorized into the following:

- **Market Rates** – for 2011–2014 Scrap Sales Revenues are based on market rates and actual volumes of scrap processed for sale, while the associated expenses are based on contractor and processing facility charges related to the consolidation and movement of the scrap to the vendors. For 2015, as discussed in Exhibit 3, Tab 2, Schedule 1, Toronto Hydro expects to outsource the processing and selling of scrap metal materials to a third party. Therefore, only net revenues are forecasted.
- **Actual Cost Recovery** – multiple lines of the Merchandising and Jobbing categories (accident claims, isolations and customer services) are based on the recovery of actual costs, based on the time and materials associated with customer initiated services rendered.
- **Predetermined Rates** – Toronto Hydro charges predetermined rates for certain services that are based on either contractual agreement or typical time and materials.

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

A portion of the customer services revenues are based on these predetermined rates. The associated expenses are the time and materials related to provide such services.

Duct rentals revenues are based on meters of rented duct at varying rates contractually agreed upon with each customer. Pole attachment revenues for the period 2011-2014 are based on the OEB Specific Service Charge rate ($22.35) per attachment. For 2015, Toronto Hydro proposes to update the regulated rate to reflect actual, current costs (please refer to Exhibit 8A, Tab2, Schedule1). Revenues from both duct and poles are driven by customer demands and overall limitation of available rentable space. The expenses associated with the Pole & Duct Rentals relate to both internal and external labour and associated support costs.

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 29:

Reference(s): Exhibit 4A, Tab 1, Schedule 1

Please provide all correspondence provided to internal staff regarding the development of the 2015 OM A budget and budgeting beyond 2015. Toronto Hydro has presented the OM&A evidence by Program. Are certain Directors/Managers responsible for each program or does the Company operate in according to another structure? If it does please provide that structure and indicate how the "programs" are managed within that structure. If possible please provide an organizational chart that describes who is responsible for each "program".

RESPONSE:

Toronto Hydro developed the OM&A plan on the basis of both a top-down and bottom-up approach as described in Exhibit 1C, Tab 3, Schedule 2. During the process, multiple planning activities were concurrently conducted, and inputs and outcome considerations were being formed. An iterative planning approach was used in order to facilitate robust decision-making and prudent planning.

Over a three-week period commencing in 2014Q1, a series of Finance-initiated meetings were held with departmental senior management regarding their respective OM&A. These meetings covered planning structure, approach and timing for the development of the 2015 OM&A budget. Departments were asked to identify their anticipated current and sustained needs for the five-year period in light of the multi-year constrained funding mechanism. Refer to Appendix A for the related material.

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

The organizational chart that describes Toronto Hydro's senior management team and their respective responsibility for each program is attached as Appendix B.

Toronto Hydro-Electric System Limited
EB-2014-0116
Interrogatory Responses
4A-CCC-29
Appendix A
Filed: 2014 Nov 5
(12 pages)

FINANCIAL PLANNING PROCESS UPDATE

February 2014

Index

Background

Structure

Approach

Timing

Current State

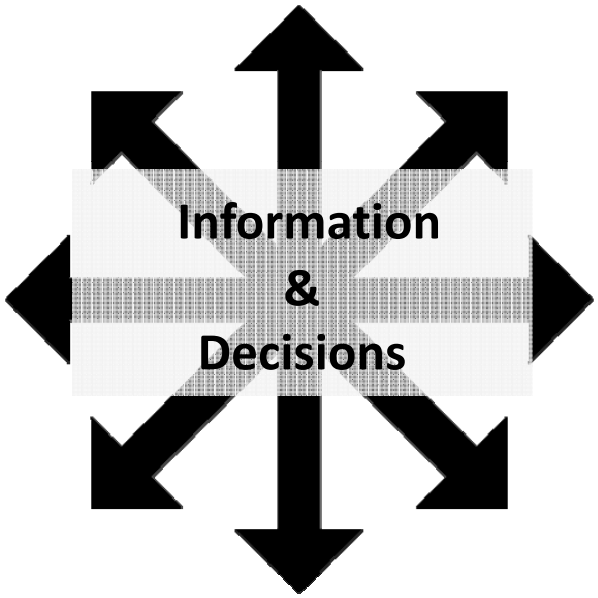
Parallel Activities

- Numerous activities impacting corporate plan are underway
  - Regulatory strategy and considerations
  - Workforce strategy
  - Financial considerations
  - Productivity activities
  - Capital planning
  - Other operational requirements
- Strategy and inputs not necessarily finalized
  - Different stages of completion
- Unsynchronized and overlapping activities

Current State – Information Flow

Finance Working Groups with Ops representation

Central Planning Team



Information & Decisions

Executive

Operational Teams with Exec representation

Consequences

- Different direction
  - Missing or late inputs
  - Expectation gap
- Delayed or late decisions
  - Re-work
  - Weak evidence
- Improper assessments
  - Poor decisions
  - Increased risk

- Delays
- Inefficiencies
- Frustration
- Organizational Risk

Enhancements

Objective

- Improve the consolidated financial planning process

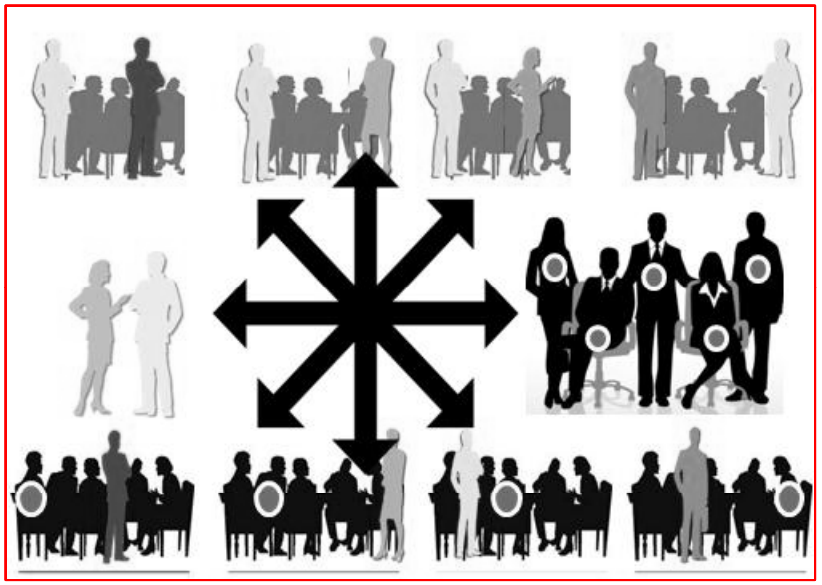
Focus

- **Alignment**
  - Integrated inputs, assessments and outputs
- **Decisions**
  - Enable timely (early) and firm decisions
- **Pace**
  - Timely inputs and timely deliverables

Scope

- Matters impacting financial assessments and decisions
  - Operational, Regulatory, Finance

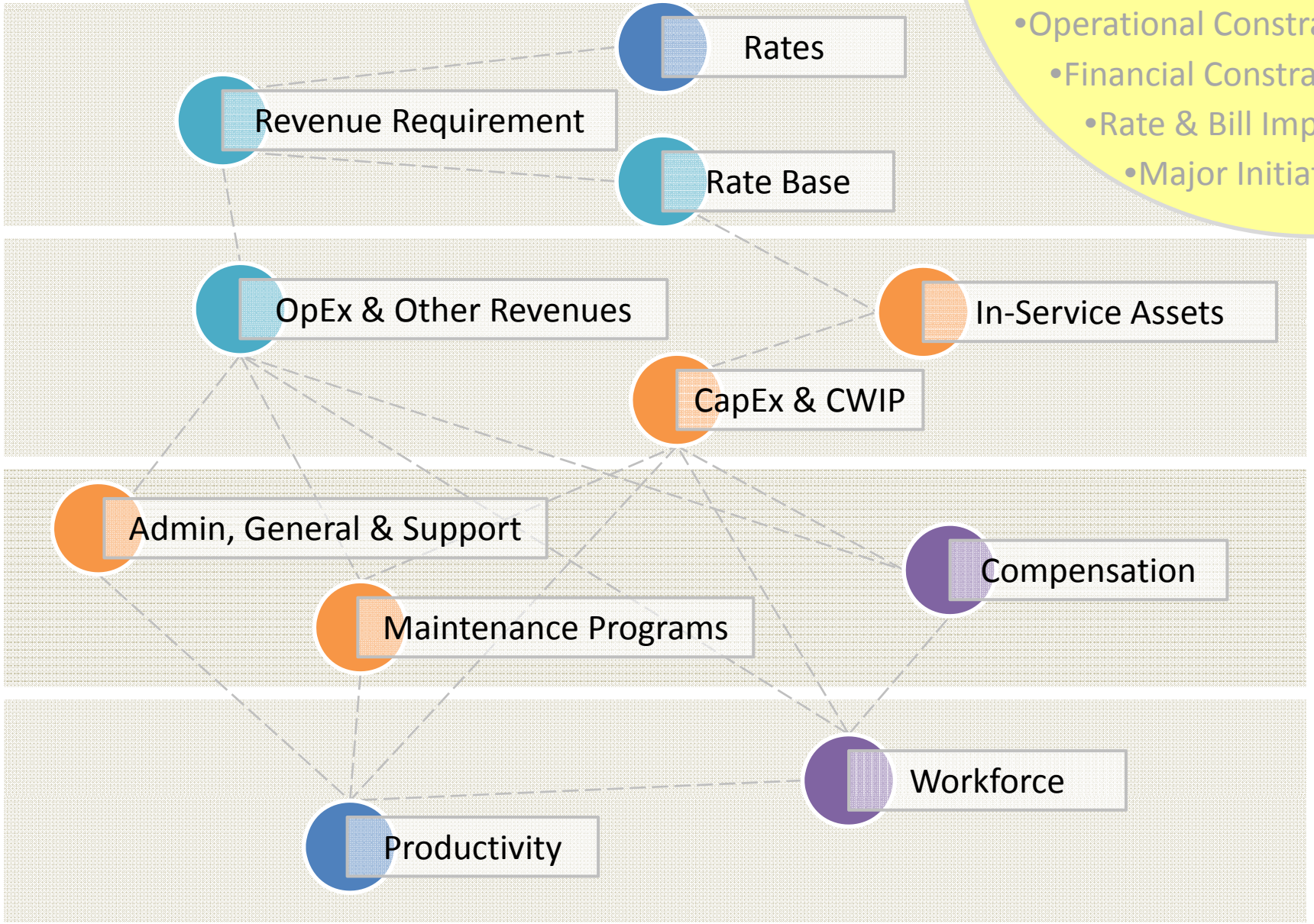
Proposed State



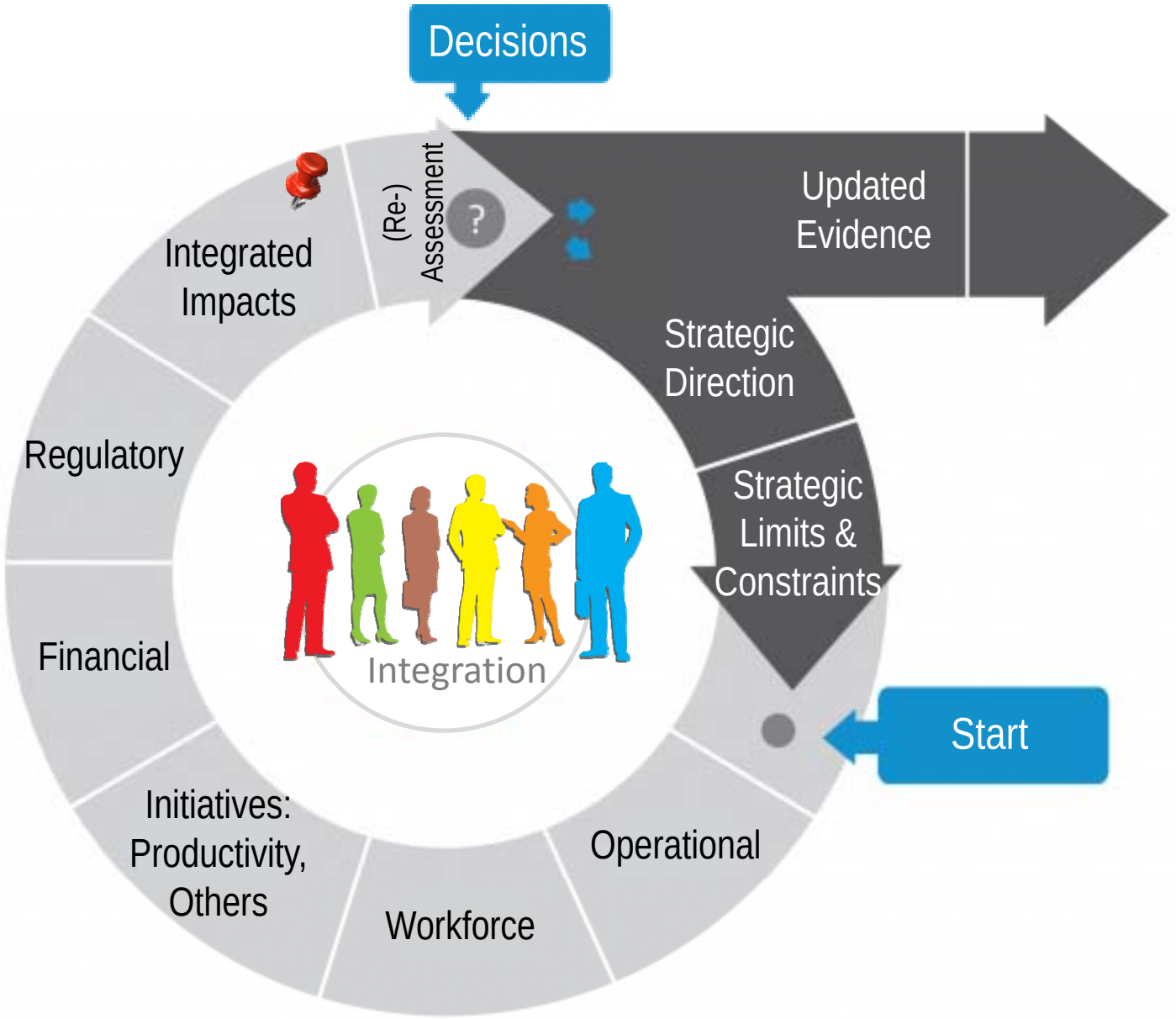
Financial Planning Components

Interdependencies

- Strategic Direction
- Regulatory Framework
- Accounting Standards
- Operational Constraints
- Financial Constraints
- Rate & Bill Impacts
- Major Initiatives



Iterative Planning Approach



Recap

- Interdependencies
- Inter-connections

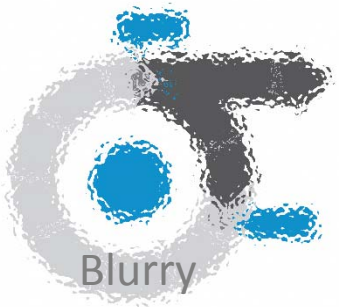
- Where to begin?
- Who initiates?

- Iterative, adaptive approach
- Integrated impact assessment

- Operational alignment
- Timely, firm Executive decisions

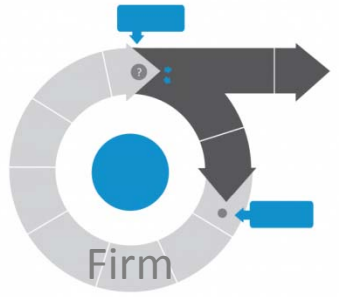
Approach

Integrated, adaptive planning



- Finance-initiated OpEx discussion

- Operational requirements
- Integrated impact assessments



- Operationally-finalized OpEx
- Regulatory evidence

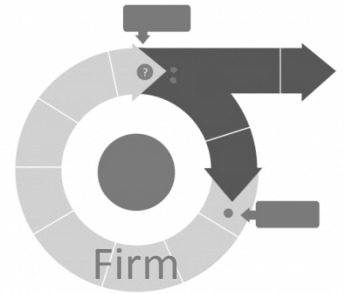
Timing

- Finance-initiated OpEx discussion

Feb.

- Operational requirements
- Integrated impact assessments

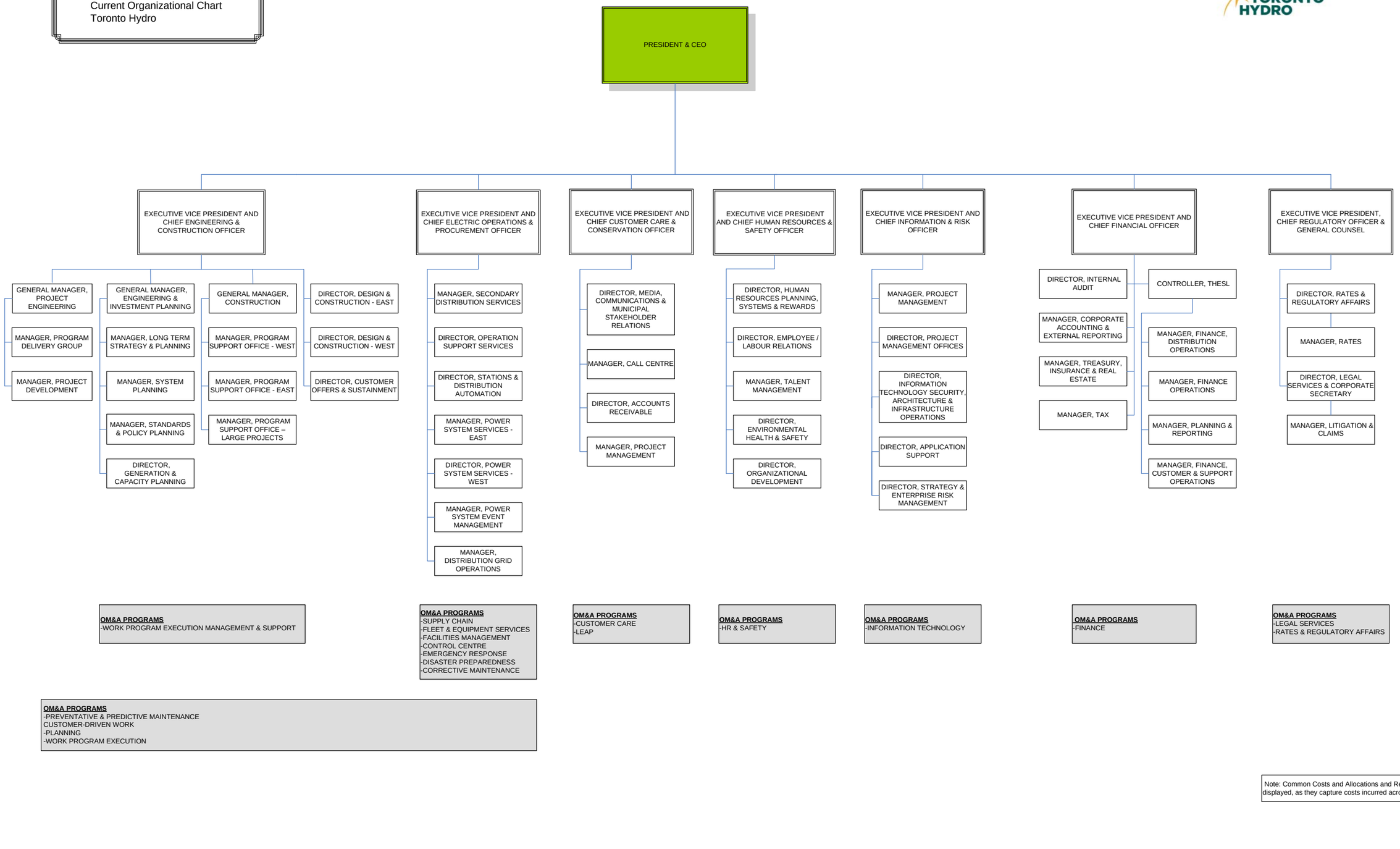
Mar.10



- Operationally-finalized OpEx
- Regulatory evidence

Mar.24

Current Organizational Chart
Toronto Hydro



Note: Common Costs and Allocations and Recoveries not displayed, as they capture costs incurred across the utility.

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 30:

Reference(s): Exhibit 4A, Tab 1, Schedule 1

With respect to OM&A please explain how Toronto Hydro defines; "Program" and "Segment".

RESPONSE:

Toronto Hydro defines a "Program" as a general area of functionally inter-related activities, processes and reporting structures dedicated towards the achievement of a high-level outcome relevant to customers and/or the utility itself. For example, the Finance program is comprised of activities that facilitate the achievement of the utility's financial sustainability and compliance with relevant legislation – an outcome equally relevant to both the ratepayers and the utility. Similarly, the Regulatory Affairs program facilitates, among other things, the utility's continued reporting of, compliance with and implementation of all the relevant regulatory rules, codes, guidelines and decisions that govern various aspects of the utility's operations.

As described in Exhibit 4A, Tab 1, Schedule 1, page 2, "Segments" are discrete activity-based areas that address different facets of a single program. For example, as stated at Exhibit 4A, Tab 2, Schedule 15, page 3, External Reporting, one of the "Segments" within the Finance program, "oversees the preparation of external financial reporting materials, such publically filed annual and interim financial statements and disclosures, in accordance with applicable accounting standards and Securities legislation." As this example shows, segments ultimately represent activities that drive the same high-level

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

outcome as the program they make up. However, Toronto Hydro viewed the specific activities that comprise the selected segments as sufficiently substantive to warrant identification and provision of details to the OEB.

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 31:

Reference(s): Exhibit 4A, Tab 1, Schedule 1, Table 4

Under Toronto Hydro's proposed plan please explain how Toronto Hydro will allocate budgets to individual departments and managers in the years 2016-2019.

RESPONSE:

Each year, Toronto Hydro prepares a detailed budget for the immediate year that follows the current year. During this process, amounts are allocated to individual departments according to the operational needs and requirements identified at that time. Toronto Hydro expects to continue following this process over the 2016-2019 timeframe.

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 32:

Reference(s): Exhibit 4A, Tab 1, Schedule 1, p. 4, Table 1

This Table sets out OM&A Expenditures by Program. For each year 2011-2014 please provide Board approved amounts where applicable. Has Toronto Hydro prepared operating budgets for each of these areas for the period 2016-2019 as part of its internal business planning process? If not, why not? If so, please provide those budgeted amounts.

RESPONSE:

In the utility's last rebasing application (EB-2010-0142), OM&A expenditures were settled on an envelope basis, not on a program basis. Since the 2011 OEB-Approved and 2011 actual expenditures were very similar ($238 million OEB-Approved vs. $238.6 million actual expenditures), Toronto Hydro has provided 2011 actual OM&A expenditures by program in the OEB appendices filed at Exhibit 4A, Tab 1, Schedule 4.

For an explanation of Toronto Hydro's operating budgets for the period 2016-2019, please refer to Toronto Hydro's response to interrogatory 1A-BOMA-14 part (a).

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 33:

Reference(s): Exhibit 4A, Tab 1, Schedule 5

Please explain why Toronto Hydro's OM&A cost per customer and OM&A cost per FTE have increased significantly since 2011.

RESPONSE:

Toronto Hydro notes that a significant portion of its average OM&A increase over the 2011-2015 timeframe is driven by the 2015 Test Year amount, which includes a number of incremental expenditures associated with new or evolving operational needs and functional requirements. From 2011 to 2014, OM&A increased by an average of 1.1% per year. Accordingly, a significant portion of the average 2011-2015 increase in OM&A per customer and per FTE is associated with the incremental Test Year expenditures.

In addition, the OM&A per customer and per FTE calculations as provided in the Appendices 2JA to 2L (Exhibit 4A, Tab 1, Schedule 2) exclude the significant OM&A restructuring costs that the utility incurred in 2012. Toronto Hydro believes that the restructuring costs should be included in the calculation in the year they were incurred, but has presented the costs in the Appendices 2JA to 2L in the manner consistent with the OEB direction. When adjusted for restructuring costs, Toronto Hydro's OM&A per customer over the historical and bridge period (that is the years when the utility's base rates were adjusted in accordance with an IRM formula) has declined on average by 0.3% per year. OM&A per FTE increased due to the significant reduction in total FTEs

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

(approximately 256 FTE) relative to 2011. Please refer to the pre-filed evidence at Exhibit 4A, Tab 4, Schedule 3 for more information.

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 34:

Reference(s): Exhibit 4A, Tab 2, Schedule 13, page 3

Has Toronto Hydro done a business case analysis regarding monthly billing? If so, please provide that business case analysis. If the Board mandates monthly billing by January 1, 2016, what will be the costs and benefits for Toronto Hydro? How would Toronto Hydro propose that mandated monthly billing be implemented in the context of its five-year plan?

RESPONSE:

Toronto Hydro has conducted a business case analysis regarding the conversion to monthly billing. This analysis is outlined in Toronto Hydro's recent submission in response to the EB-2014-0198, Draft Report of the Board: Electricity and Natural Gas Distributor's Residential Customer Billing Practices and Performance, attached as Appendix A to this response.

In terms of the implementation strategy, Toronto Hydro would propose, if mandated, that the lowest cost transition strategy would be to combine this effort with the next planned software version upgrade of Toronto Hydro's Customer Information System, which is tentatively projected to be undertaken in the latter years of the this CIR filing period. Toronto Hydro would nevertheless anticipate that, were the OEB to proceed with mandatory monthly billing, utilities would be allowed to recover any incremental costs in a timely manner.

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www.torontohydro.com

October 9, 2014

via RESS e-filing – 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 ("THESL")
Draft Report of the Board: Electricity and Natural Gas Distributors' Residential Customer Billing Practices and Performance
OEB File No. EB-2014-0198

THESL writes to the Ontario Energy Board ("OEB") in respect of the above-noted matter.

On September 18, 2014 the Ontario Energy Board ("OEB") released a Draft Report of the Board entitled *Electricity and Natural Gas Distributors' Residential Customer Billing Practices and Performance (*"The Draft Report"). In the Draft Report, among other issues, the OEB conveys its intent to mandate the issuance of monthly electricity bills for all residential customers in Ontario starting January 1, 2016. The key considerations cited as driving the contemplated transition are enabling customers to better manage their consumption, control costs and budget for the expenditures associated with their electricity bills. While the Draft Report acknowledges that a mandatory transition to monthly billing would likely result in incremental costs, it expresses its expectation that such costs should be largely offset by the benefits of monthly billing and related activities, including improved cash flow / working capital reductions, reduced arrears and bad debt expenditures and enhanced customer communications. Further cost efficiencies are also expected from the assumed increases in the uptake of e-billing services that provide opportunities for cost reductions in the areas of printing and delivery.

In the Report, the OEB poses two specific questions to the utilities, namely to:
(1) List the potential barriers and anticipated benefits of the mandatory monthly billing transition as contemplated and;
(2) Discuss the merits of a similar transition for seasonal customers.

THESL is pleased to provide its response to question (1) only, along with some general comments. The utility does not currently serve any seasonal customers, and as such takes no position on the issue of billing frequency for these consumers. THESL also notes that it is a signatory to the submission of the Coalition of Large Distributors ("CLD"), and provides this submission to supplement the CLD submission with considerations and analysis based on THESL's specific circumstances.

General Comments

As a matter of general comment, THESL supports the OEB's intention to enable consumer control of their energy usage and the resulting expenses, which is consistent with the OEB's increased Focus on Consumers, as articulated in the *Renewed Regulatory Framework for Electricity* (RRFE) Board Report and the subsequent policy statements. However, in addition to answering the OEB's specific request for commentary, THESL has several comments on general nature in response to the discussion provided in the Draft Report.

On the issue of customer consumption management as enabled by billing frequency, THESL customers (and presumably most, if not all, residential customers in Ontario) currently have online tools at their disposal that provide them with consumption information at intervals far shorter than any billing frequency could reasonably accomplish. These tools are an important by-product of Smart Meter and Advanced Metering Infrastructure investments that the distributors already have in place. While THESL acknowledges that not all customers have access to and/or awareness of these online tools, the utility respectfully submits that the value proposition of monthly billing from the conservation perspective should consider the existence of consumption management tools that are already in place.

In a similar manner, the OEB already mandates equal payment plans that enable customers to better predict and budget for their electricity costs. In THESL's view, this offering substantially addresses the OEB's objective of allowing consumers to manage regular expenses by budgeting for payments on a monthly basis. This is the case for all distributors, including those with bi-monthly billing cycles, since equal payment plan customers are charged every month. As with the consumption management objectives, THESL submits that the value of a mandatory monthly billing transition as a tool to reduce the cost management/budgeting burden be assessed in the context of existing service offerings that may already accomplish the underlying objectives and require no incremental costs.

THESL also notes its concern regarding the contemplated implementation timeline of January 1, 2016, should the mandatory transition be ultimately required. Based on experience of implementing the projects of similar complexity and magnitude, and as further elaborated below, THESL believes that the contemplated timeline may introduce significant implementation risks, mandate higher implementation costs than under longer-term transition scenarios (see the alternatives discussion below), and result in

utilities being required to postpone the implementation of other important planned customer care activities in the area of customer care. It is THESL's respectful submission that these risks could be substantially mitigated if the OEB were to adopt a more gradual transition timeline, such as the 5-10 year transition window proposed by the CLD.

Finally, and consistent with the CLD response, THESL respectfully submits that should the OEB mandate a transition to monthly billing, consideration should be given to the cost consequences for distributors and the resultant impact on their financial performance. The OEB's Draft Report lists 12 distributors that are not currently planning a transition to monthly billing, with another seven in various stages of planning for such an event. It is therefore reasonable to assume that at least the utilities that are not currently planning a move to monthly billing do not have access to the incremental rates funding that would enable them to undertake such a transition, short of postponing other planned (and OEB-approved) activities, which is often impractical or contrary to good utility practice. While some of these costs could be offset by the benefits noted by the OEB, in some cases (such as with arrears and bad debt provisions) these benefits would take several years to materialize, if at all. Given these considerations, it is THESL's submission that in the event of a mandatory monthly billing transition as contemplated in the Draft Report, distributors should be permitted to seek recovery of such incremental costs in a timely manner. The OEB could consider reviewing the cost recovery claims through some form of a hybrid generic proceeding that would permit concurrent consideration of individual distributors' expenditures.

In responding to the OEB's specific question posed in the Draft Report, THESL endeavoured to quantify the anticipated costs and benefits of a transition to monthly billing based on its understanding of the areas of anticipated benefits, its current cost structures, experience in implementing customer-oriented projects of similar scale and scope, and the utility's near- and longer-term plans, as most recently articulated in its 2015-2019 Custom Incentive Regulation (CIR) application currently before the OEB (EB-2014-0116). Estimates for some of the cost categories (particularly those related to later stages in what is a complex multi-step undertaking) may be subject to material changes on the basis of the results of prior steps and/or unanticipated findings that commonly emerge in large-scale undertakings. Accordingly, THESL notes that variances between estimates and actual costs, and the utility's projections may occur.

The remainder of this submission details the major steps comprising the project of this scope, quantifies the impact of anticipated benefits, and discusses potential alternative approaches along with their cost implications. The utility acknowledges that experiences and considerations may vary materially across the sector, but nevertheless hopes that this information will be helpful to the OEB in making further determinations on the matter in question.

THESL's Response to the OEB's Question

For the electricity distributors that do not offer monthly billing, what are the barriers faced in meeting the Board's goal of having all residential customers moved to monthly billing by January 1, 2016? What are the offsetting benefits such as reduced costs?

Based on THESL's analysis and as substantiated in further detail in the remainder of this document, THESL respectfully submits that a mandated transition to mandatory monthly billing for residential customers as contemplated in the Draft Report, would result in material cost increases, only partially offset by the anticipated quantifiable benefits. The degree of benefit quantification is based on he information currently available to THESL, and could, in the utility's assessment, benefit fro, further consultation with other sector participants and the ratepayers. Along with potential benefits, further efforts would be required to fully assess the impact of indirect costs to the utility and direct costs to customers that are not readily quantifiable based on the insights currently available to THESL.

Furthermore, THESL submits that potential implementation efficiencies could be gained by undertaking the transition work in parallel with other planned customer care-related activities, consistent with existing utility plans. The viability of this option, however, is limited by the January 1, 2016 implementation timeline provided in the Draft Report. THESL would therefore encourage the OEB to consider a phased transition approach with a 5-10 year implementation window as advanced in the CLD submission on this matter.

Finally, given the RRFE commitment to balancing the considerations of Customer Focus, Operational Effectiveness, Public Policy Responsiveness, and LDC Financial Performance, THESL would like to re-emphasize its position that utilities should be granted the opportunity to seek timely recovery of their prudently incurred costs outside of the normal re-basing proceedings, through such potential avenues as the Z-Factor hearings, Incremental/Advanced Capital Modules and/or some form of a generic proceeding, as may be deemed appropriate by the OEB.

The following information details THESL's commentary and quantification of estimated benefits and costs associated with a transition to mandatory monthly billing on a timeline contemplated in the Draft Report.

1.0 Anticipated Benefits

1.1 Working Capital Allowance Reductions

As a part of its 2015-2019 CIR application pre-filed evidence (EB-2014-0116), THESL filed a Lead-Lag study performed by Navigant. The study uses a methodology of deriving a utility's working capital requirements that should be familiar to the OEB from multiple previous proceedings. Using its

methodology, Navigant calculates THESL's total Average Revenue Lag (that is, revenue-weighted number of days between the time the utility has to make payments/transfers to its payees and the time it receives the funds from its customers) to be 55.04 days. Applying this number to the calculation of expense leads and the aggregate amounts of eligible 2015 expenditures, results in the Working Capital Requirement of $241.7 million (including HST), which represents 8% of THESL's OM&A and Cost of Power Expenditures – a significant improvement from prior years, owing in large part to the successful introduction of a new Customer Care and Billing (CC&B) system in 2011.

To estimate the impact of a transition to monthly billing THESL made the appropriate adjustments to its Revenue Lag and HST Lead components consistent with the expected impact of monthly billing frequency. The impact of these changes to the Lead-Lag components results in an estimated reduction of THESL's Working Capital Allowance by approximately $1.9 million, or 0.28% of the applied-for 2015 Revenue Requirement.

1.2 Bad Debt/Arrears

THESL echoes the CLD's submission that absent any empirical data as to the customer propensity to pay their bills, or to pay their bills on time under the monthly vs. bi-monthly regime, there is no reliable means of estimating the value of potential benefits of increased billing frequency on the distributors' arrears and default write-offs. THESL understands the OEB's assumption that it is likely the case that some customers struggle to pay their electricity bills on time due to the aggregate amounts of their bi-monthly charges, and would likely prefer to receive a smaller bill each month. However, THESL submits that an equally plausible assumption is that at least a certain portion of customers do not pay their bills within the prescribed timelines for reasons that have little to do with power affordability and budgeting issues. For these customers, a transition to monthly billing could conceivably result in doubling of the amount of late bills per year, thereby creating incremental expenditures for the distributors beyond those driven by the increased frequency of bill issuance. Given a variety of potential scenarios, THESL respectfully requests that prior to concluding this change in policy, the OEB work with utilities that have transitioned to monthly billing in recent years to evaluate the effect of changes to billing frequency on bad debt or arrears.

1.3 Customer Communication and Customer Convenience

THESL has grouped these potential benefits together due to the fact that in both cases the benefits are difficult to reliably quantify in financial terms, as they involve inherently individual preferences (i.e., what is seen convenient or informative to one person is not necessarily so to another). On the other hand, the associated costs of such activities are relatively straightforward to quantify, by estimating the total costs based on an increased volume of bill inserts, newsletters etc (assuming a utility would choose to include communications materials into bills every month following a transition). As with Bad

Debt/Arrears, THESL respectfully submits that the optimal means of estimating the net value of these benefits would be through a customer engagement exercise.

1.4 E-Billing Savings

With regard to E-billing, while THESL fully supports the increased adoption of this service for a number of reasons, it notes that E-billing is an activity that involves its own cost-benefit considerations that exist outside of the billing frequency realm. Encouraging higher uptake involves marketing and IT expenditures in the near term, with significant uncertainty surrounding the ultimate uptake levels and the resulting benefits.

Moreover, in THESL's experience, E-billing adoption by customers is a gradual process, which may significantly delay the realization of the any potential benefits that could offset the costs. THESL has been offering the E-billing service since 2002, and its current subscription rate is around 10% of the customer base, which results in efficiencies that fall significantly short of offsetting the costs of mandatory transition to monthly billing as currently contemplated by the OEB. At this point, THESL possesses no information to suggest that near-term E-billing uptake can increase at the pace significantly higher than historical trends. Accordingly, THESL would encourage the caution in anticipating incremental cost offsets in the magnitude of the forecasted monthly billing costs in the near term.

2.0 Estimated Costs

For the purposes of this analysis, THESL divided the estimated implementation costs into two separate categories, namely One-Time Costs (which include the operating and capital project planning, execution and completion costs), and Ongoing Costs (the incremental costs expected to be incurred for the duration of the project). To provide additional context for its estimates, THESL also outlines the specific circumstances and drivers that in its assessment necessitate these expenditures. The cost estimates themselves were derived on the basis of the utility's experience in implementing large customer care-related projects (e.g. the recently completed Customer Care and Billing system (CC&B) transition), the state of its existing hardware and software, and other ongoing or planned projects in the area of customer are.

2.1 One-Time Costs

To assess the cost impact of one-time transition to monthly billing in the timeline approaching that contemplated by the OEB, THESL developed a preliminary project scope that for the purposes of this analysis is referred to as Base Case. The Base Case is premised on balancing objectives of respecting the OEB's timelines, and observing good utility practice and sound project management. The Base Case project scenario consists of five main steps, ranging in completion timelines between four and 16 months. The steps are:

1. Rectifying known billing system challenges
2. Update configuration, schedules and move customers to monthly cycles
3. Volume test to identify bottlenecks in system performance and operational processes
4. Rectify issues found through volume testing
5. Validate that bill accuracy and timeliness remained unaffected past the transition.

Each step plays a distinct role in facilitating the transition by undertaking the necessary modifications and/or testing of software, hardware and business processes that support monthly billing. Of critical importance are the volume testing activities (Steps 4-5), the associated rectification and subsequent re-testing to ensure that the amended processes and infrastructure do not result in errors that can have a major impact on the utility's service quality, customer satisfaction performance and costs of rectifying any unanticipated issues post-transition.

The one-time costs incurred during the project consist of capital (Capitalized IT Labour, IT Hardware) and OM&A expenditures (general labour). The table below provides a summary of the range of potential costs, based on a "Favourable" and a "Conservative" scenario:

Estimated One-Time Costs

Scenario	Business Labour	IT Labour	Hardware	Total ($M)*
Favourable	$2.2	$1.6	$1.4	**$5.2**
Conservative	$4.0	$3.0	$1.4	**$8.3**

** numbers may not add up due to rounding*

THESL has also evaluated three alternative implementation approaches to the Base Case that vary according to their respective scopes, underlying drivers and associated risks:

Alternative 1:
Merge implementation with suitable major customer care projects planned for in the medium-term.

Pro: Lower costs (40%-50% of the Base Case) and work effort due to shared analysis and testing effort.

Con: Project timing/scheduling significantly outside of the OEB timeline (CC&B upgrade planned for 2018).

Alternative 2:
Full redesign of THESL's customer care business processes related to billing accuracy to optimize the system performance, enhance accuracy and efficiency, and manage the recurring costs.

Pro: Greatest customer and operational productivity and accuracy benefits, potential reductions to the ongoing costs.

Con: Greatest upfront cost (200%-225% of the Base Case) and time to deliver.

Alternative 3:
Make the transition as quickly as possible and address the system/process issues as they arise. Only critical known challenges would be addressed prior to the transition, with other enhancements being made based on production results, as issues occur.

Pro: Potential ability to meet proposed Jan 1, 2016 date in the shortest timeline and potentially lowest up-front cost.

Con: Unacceptably high risk, inability to understand impact to bill accuracy or timeliness, unknown operational impact and effort to resolve once problems occur. Significant potential for occurrence of high-impact events that affect billing accuracy, customer satisfaction, regulatory compliance and costs.

While THESL believes that there are alternatives to the Base Case that could result in lower one-time costs, higher quality of the resultant system configuration and processes and potential efficiencies for the ongoing costs. However, in THESL assessment these options have significant deficiencies in light of the OEB-contemplated implementation timing, compatibility with the utility's plans regarding the timing of other customer care projects, or unacceptably high implementation risks under a streamlined scenario.

For additional information on the scope, costing and discussion of the Base Case and alternative scenarios of one-time implementation, please see Appendix A to this submission.

2.2 Recurring Costs

Beyond the one-time implementation costs, the introduction of mandatory monthly billing for all residential customers would bring about a number of incremental costs, associated with doubling of the volume of expenditures normally associated with bill issuance, delivery, payment processing, collection and related activities.

The following table details these incremental expenditures, using the data based on current costs, THESL's experience in implementing similar initiatives and estimates based on THESL's understanding of the nature and magnitude of the incremental process changes.

Estimated Recurring Cost of Monthly Billing ($M)

Cost Category	Incremental Cost
Postage	$2.6
Paper	$0.1
Envelope	$0.2
Printing	$0.2
Incremental Billing Enquiries (Call Centre)	$0.7
Meter Data Management, manual reads and Verification/Edits	$0.9
Clerical Billing tasks	$0.5
Payment Processing	$0.5
Collections Activities	$0.2
Corporate Communications	$0.2
TOTAL	**$6.1**

** numbers may not add up due to rounding*

The estimates presented above reflect reasonable assumptions, including incremental staffing using partially outsourced labour, and lower incremental call volumes per bill issued than what is currently the case, among others. As noted above, THESL prepared these estimates on the basis of its experience with implementing customer care initiatives of large magnitude, the state of its current processes associated with data collection, bill issuance and payment processing, customer contact behaviour, current cost structures and contractual arrangements, and other similar information. Given the information available to support certain assumptions, the forecasted costs, once realized, could vary by up to 20%.

In calculating the incremental costs, THESL took a conservative approach and assumed certain tasks would not simply double in volume. Should the OEB elect to conduct further stakeholdering on this issue, as suggested by THESL in this submission, the utility would welcome the opportunities to work with other distributors that have completed transitions to monthly billing in recent years to confirm these assumptions based on these distributors' experience.

THESL further notes that the above calculations include only the direct costs, specifically attributable to the transition project as proposed in the Draft Report. To obtain the full estimate of costs, further assumptions need to be made for other costs, including lost staff productivity throughout and for at least 6 months following the transition project, the impact (financial, operational and reputational), associated with postponement of other planned projects to divert resources to billing transition, incremental

management oversight time, marketing resources to communicate the changes, and other potential cost drivers.

3.0 Impact to THESL Customers

Based on the benefit and cost projections discussed above, THESL's analysis results in the following conclusions:

Total Estimated Costs and Benefits of Transition to Monthly Billing ($M)

Category	OM&A*	Capital*
Benefits (Quantifiable)	$1.9	
Costs (One-Time)**	$2.2	$3.0
Costs (Sustained)	$6.1	
Net Cost *(Costs – Benefits)*	**$6.4**	**$3.0**

** Table showcases "Favourable" scenario estimates as described above.*

The resultant figures allow THESL to derive a high-level revenue requirement impact estimate of the contemplated undertaking. Assuming full eligibility of the forecasted costs, normal treatment of capital costs, THESL's applied-for 2015 WACC of 6.19%, recovery of one-time OM&A costs in a single year, and THESL's proposed 2015 CIR Service Revenue Requirement, the *net* rate impact (costs less quantifiable benefits) on THESL's 2015 proposed revenue requirement in year 1 would be 1.15%, reducing to 0.82% in the subsequent years once the one-time OM&A costs have been recovered. Given that the contemplated transition would only affect residential customers, THESL infers that the vast majority (if not the entirety) of the incremental costs would be allocated to the residential rate class only, resulting in a customer rate increases that are higher than the provided revenue requirement impact. In THESL's assessment, the business case of undertaking the transition to monthly billing as contemplated in the Draft Report timelines is negative.

Beyond the costs incurred as a result of distributor activities to enable and oversee the administration of monthly billing, THESL submits that the total cost estimate should include the direct costs to customers associated with more frequent payment of bills. These costs would include additional postage costs (which have recently increased) for customers paying their bills by mail, or transaction charges applied by banks for those using other payment options.

THESL acknowledges that its cost analysis could be further enhanced by additional information provided by other parties that may be in a better position to quantify the impact of some of the benefits listed by the OEB.

Subject to other distributors submitting such, or other potential information sources at the OEB's disposal, THESL would encourage the OEB to undertake further stakeholdering, working groups, and/or other similar activities with the aim of further quantifying the costs and benefits of the proposed transition.

All of which is respectfully submitted.

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

Yours truly,

[original signed by]

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APPENDIX A

Additional Information on One-Time Cost Analysis.

Base Case

In order to efficiently transition to monthly billing within the timelines approaching those currently contemplated by the OEB's Draft Report, THESL would approach the monthly billing transition project in five main steps:

	Key Step Objectives	**Estimated Duration**
1)	Rectify known billing system challenges	6 months
2)	Update configuration, schedules and move customers to monthly cycles	6 months
3)	Volume test to identify bottlenecks in system performance and operational processes	16 months
4)	Rectify issues found through volume testing	
5)	Validate bill accuracy and timeliness remained unaffected past the transition	4 months

For the purposes of this analysis, this approach is referred to as the Base Case. The Base case approach is optimal for the purposes of the contemplated transition, since its scope only includes the enhancements that are directly related to and required by the transition to monthly billing. While other potential approaches could result in lower implementation costs (see the "Alternatives" subsection below) they are not included in the Base Case as they would not be feasible under the timeline currently contemplated by the OEB.

Step 1: Rectify known challenges with monthly billing

In the normal course of business THESL has identified a number of system/process issues that are expected to require intervention should the utility transition to monthly billing for all of its residential customers. These challenges fall into two categories:

a) Time-Related: system/process issues efficiently resolved in time to maintain timely bi-monthly billing, but require permanent solutions to comply with a shorter 30-day billing cycle

b) Volume-Related: issues involving manual processes and workarounds, which are feasible and cost effective at current volumes (20,000 bills issued per day), but could not be sustained under a monthly billing cycle, requiring process automation.

Step 2: Update configuration, schedules and move customers to monthly billing cycles

Once the known issues arising from shorter billing cycles have been addressed, the project would focus on the customer information system changes required to implement monthly billing. Given that THESL's core CC&B system is relatively new and has functionality to bill customers every month, the switch would be relatively simple from a system configuration perspective. However, a number of supporting processes would have to be re-designed to enable the doubling of daily workflow for the utility's staff, supporting systems and external vendors.

Step 3: Volume test to identify bottlenecks in system performance and operational processes

In this step, THESL would prepare the necessary data and setup to execute a sustained full-scale volume test. The outputs of this test will be two lists of issues that require resolution. The first list would identify system performance limitations; either hardware related or where poor quality code results in inefficient use of hardware resources. The second list would highlight the operational processes that cannot be sustained with the increased volumes and shorter timelines associated with monthly billing.

Step 4: Rectify issues found during volume testing

The list of hardware and code issues identify in Step 3 are generally not expected to require long lead times to resolve. However rectifying these issues typically involves implementing expensive hardware resources, which comprise a significant portion of the capital hardware costs provided below.

While data flows are fundamentally unchanged under the monthly billing cycle, the operational processes that cannot be sustained present a more complex challenge. Each process, and the associated management controls, would require in-depth assessments and alternative solution evaluations. Solutions may include system modifications, process changes and/or the acquisition of additional resources to perform the process; each with different timelines, capital investment requirements, ongoing operational cost, training and change management trade-offs.

To ensure process efficiency and integrity, THESL would repeat Steps 3 and 4 multiple times to assess the "flow on" effects of higher volumes and test the resolution of earlier performance bottlenecks.

Step 5: Validate bill accuracy and timeliness remained unaffected by the transition

The execution of steps 1 through 4 would bring about a number of new isolated activities/process steps, each with potential to affect the accuracy of the issued bills. Given the significance of potential impact on billing accuracy, customer satisfaction and utility costs to rectify any unanticipated issues post-transition, this step is crucial from the regulatory compliance, customer relationship and operational effectiveness perspectives.

The following information quantifies the costs associated with the five-step Base Case approach presented above.

One-Time Cost Estimates

Base Case: Favourable Scenario ($M)

Step	Business Labour Estimate	IT Labour Estimate	Hardware Estimate	Total Step Estimate
1) Rectify known challenges with monthly billing	$0.1	$0.1		$0.2
2) Update configuration, billing schedules and move customers to monthly billing cycles	$0.1	$0.1		$0.2
3-4) Identify/rectify performance issues (2 iterations)	$1.0	$0.9	$1.3*	$3.2
Resourcing	$0.1	$0.01		$0.1
5) Validate bill accuracy and timeliness	$0.1	$0.3		$0.9
Deployment	$0.1	$0.1		$0.2
Contingency (10%)	$0.2	$0.1	$0.1	$0.5
Totals	**$2.2**	**$1.6**	**$1.4**	**$5.2**

* includes hardware, operating system and Oracle database licenses, system memory and additional storage.
** numbers may not add due to rounding

Base Case: Conservative Scenario($M)

Step	Business Labour Estimate	IT Labour Estimate	Hardware Estimate	Total Step Estimate
1) Rectify known challenges with monthly billing	$0.1	$0.1		$0.2
2) Update configuration, billing schedules and move customers to monthly billing cycles	$0.1	$0.1		$0.2
3-4) Identify/rectify performance issues (2 iterations)	$2.5	$2.2	$1.3*	$6.0
Resourcing	$0.1	$0.01		$0.1
5) Validate bill accuracy and timeliness	$0.6	$0.3		$0.9
Deployment	$0.1	$0.1		$0.2
Contingency (10%)	$0.4	$0.3	$0.1	$0.8
Totals	**$4.0**	**$3.0**	**$1.4**	**$8.3**

* includes hardware, operating system and Oracle database licenses, system memory and additional storage.
** numbers may not add due to rounding

As showcased in the above tables, THESL estimates that the one-time costs associated with a transition to monthly billing under the timelines that attempt to approach those currently contemplated by the OEB would result in the incremental costs in the range of $5.2-$8.3 million, of which between $3.0-$4.4 million would be capital costs,[1] with the remainder ($2.2-$3.9 million) representing one-time OM&A expenditures. Prior to quantifying the anticipated ongoing project costs, the following section addresses other potential implementation alternatives that may have impact on the one-time costs.

Other Evaluated Alternatives

(a) Merge with Other Planned Projects

THESL's 2015-2109 CIR filing includes four major projects with significant impacts to the billing process, namely:

- The Meter Data Management/Repository (MDM/R) integration with the provincial MDMR for residential customers;
- Upgrade of the meter data collection and validation system for large and medium Commercial and Industrial customers (MV90);
- Upgrade of meter data collection/validation/editing system e for residential and small Commercial and Industrial customers (ODS) and;
- Scheduled upgrade to the Customer Care and Billing (CC&B) system (affects all customers).

Of the above-noted initiatives, the contemplated transition to monthly billing aligns with the CC&B upgrade. Based on its current plans and system needs, THESL does not anticipate commencing this upgrade until 2018 – significantly past the OEB's contemplated timeline .

Pro: Lower overall one-time costs and work effort due to shared analysis and testing effort.
Con: Scheduling of project does not align with the proposed Jan 1, 2016 date.
***Cost (vs. Base Case)*:** 40-50% of the Base Case.

[1] Assuming full capitalization of IT Labour and Hardware.

(b) Full Redesign

This potential approach would involve the ground-up redesign of THESL's customer care business processes affected by billing frequency. Unlike the Base Case Scenario which merely *modifies* the existing processes built for bi-monthly billing to fit the requirements of monthly billing, the Full Redesign option would *gradually rebuild* the business processes for optimal performance. This option would also likely have a positive impact on the ongoing costs discussed below.

Pro: Greatest customer and operational productivity and accuracy benefits, potential reductions to the ongoing costs.
Con: Greatest upfront cost and time to deliver.
***Cost (vs. Base Case)*:** 200%-225% of the Base Case due to larger scope.

(c) Go-live and Address on Demand

This approach is premised on making the transition as quickly as possible and addressing the system/process issues as they arise. Only critical known challenges would be addressed prior to the transition and other enhancements would be made based on production results.

Pro: Potential ability to meet proposed Jan 1, 2016 date in the shortest timeline and lowest up-front cost
Con: Unacceptably high risk, inability to understand impact to bill accuracy or timeliness, unknown operational impact and effort to resolve once problems occur. Significant potential for occurrence of high-impact events that affect billing accuracy, customer satisfaction, regulatory compliance and utility costs.
Cost (vs. Base Case): Not estimated due to unknown scope and nature of subsequent issues.

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 35:

Reference(s): Exhibit 4A, Tab 2, Schedule 13, page 2

Please provide detailed budgets for each of the Customer Care "segments" for each year 2011-2015. Please provide the Board approved amounts for 2011.

RESPONSE:

Since OM&A was settled on an envelope basis in the last rebasing application (EB-2010-0142), the OEB did not approve detailed budgets for the 2011 test year. Therefore, Toronto Hydro cannot provide the requested OEB-Approved numbers for each Customer Care segment. Toronto Hydro notes that on a total basis, the OEB-Approved and the 2011 actual expenditures only differed by $0.6 million *($238 million OEB-Approved vs. $238.6 million actual expenditures*), so actual 2011 expenditures can be used as a proxy for OEB Approved amounts for that particular year.

The table below provides the 2011-2013 actuals, 2014 year end forecast, and 2015 year forecast for each Customer Care segment.

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

Customer Care Program ($millions)	2011	2012	2013	2014	2015
Billing, Remittance & Meter Data Management (Segment)					
Internal Labour	6.8	5.9	7.5	8.1	8.4
External Services	3.9	3.4	3.5	3.9	4.9
Materials	0.0	0.0	(0.0)	0.1	0.1
Other	3.7	4.4	3.6	4.3	5.3
Total Billing, Remittance & Meter Data Management (Segment)	**14.5**	**13.7**	**14.6**	**16.4**	**18.7**
Collections (Segment)					
Internal Labour	1.9	1.1	1.2	2.8	3.1
External Services	1.5	1.8	2.7	2.5	2.5
Materials	0.0	0.0	0.0	0.0	0.0
Other	8.9	6.0	7.1	6.9	7.4
Total Total Billing, Remittance & Meter Data Management (Segment)	**12.3**	**8.9**	**11.1**	**12.2**	**13.1**
Communications & Public Affairs (Segment)					
Internal Labour	1.9	2.2	3.0	1.9	1.7
External Services	0.8	0.9	0.8	0.9	0.9
Materials	0.0	0.0	0.1	0.2	0.2
Other	0.3	0.1	0.1	0.1	0.1
Total Communications & Public Affairs (Segment)	**3.0**	**3.3**	**4.0**	**3.1**	**3.0**
Customer Relationship Management (Segment)					
Internal Labour	7.7	5.9	5.3	5.3	5.5
External Services	4.2	5.3	4.6	4.9	5.6
Materials	0.0	0.0	0.0	0.0	0.0
Other	0.2	0.3	0.1	0.2	0.2
Total Customer Relationship Management (Segment)	**12.1**	**11.5**	**10.1**	**10.4**	**11.3**
Total Customer Care Program	**41.9**	**37.5**	**39.7**	**42.2**	**46.1**

The "Other" category within the Billing, Remittance & Meter Data Management segment is made up of postage and printing costs for customer invoices and the bad debt expense related to non-electricity billings.

The "Other" category within the Collections segment contains bad debt expenses related to electricity customer billings.

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 36:

Reference(s): Exhibit 4A, Tab 2, Schedule 15, p. 3

The Controllership budget is increasing significantly from 2011 to 2015. Please provide a detailed explanation for this increase.

RESPONSE:

Please refer to Exhibit 4A, Tab 2, Schedule 15, pages 7-10 for a detailed explanation for the increase in the Controllership budget from 2011 to 2015.

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 37:

Reference(s): Exhibit 4A, Tab 2, Schedule 16, page 11

With respect to the IT Operations Segment please provide a detailed budget for Software and Service Management for the years 2011-2015.

RESPONSE:

Please see the table below.

Software & Service Management ($Millions)	2011	2012	2013	2014	2015
Internal Labour	5.0	5.1	5.8	6.8	7.1
External Services	7.0	7.5	8.5	8.8	9.3
Materials	0.4	0.4	0.4	0.4	0.4
Other	0.5	0.3	0.2	0.4	0.4
Total Software & Service Management	**12.9**	**13.2**	**14.9**	**16.4**	**17.2**

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INTERROGATORY 38:

Reference(s): Exhibit 4A, Tab 2, Schedule 17, Appendix 2-M

Appendix 2-M sets out Regulatory Costs for both the Custom IR Application and the Wireless Proceeding (EB-2013-0234). Please provide the following for the Historical years, 2014 Bridge Year and 2015:

a) A detailed breakdown of the legal costs and consulting costs, including hours and hourly rates for the Wireless Proceeding;

b) A detailed breakdown of the legal costs and consulting costs, including hours and hourly rates for the CIR proceeding.

RESPONSE:

a) The total costs for the Wireless Forbearance Proceeding that Toronto Hydro seeks to recover are summarized in the table below:

Wireless Forbearance Proceeding	Historical Year(s)	2014 Bridge Year
Legal costs	$549,101	$ 331,016
Consulting costs	$353,120	$316,985
Intervenor costs	n/a	$322,360
Total Costs	$902,221	$970,361

The requested breakdown relates to costs which are below the utility's materiality threshold of $1 million, as set out in Chapter 2 of the OEB's Filing Requirements. Therefore, Toronto Hydro objects to providing the requested further breakdown, on

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the basis of the principle of materiality, as articulated by the OEB in Procedural Order No. 1:[1]

> Parties are reminded not to engage in detailed exploration of items that do not appear to be material. The materiality thresholds documented in Chapter 2 of the Filing Requirements should be used to guide the parties. In making its decision on cost awards, the Board will consider whether intervenors made reasonable efforts to ensure that their participation in the hearing was focused on material issue.

b) The total costs for the CIR Application that Toronto Hydro seeks to recover are summarized in the table below:

CIR Application	Historical Year(s)	2014 Bridge Year	2015 Test Year
Legal costs	$51,226	$960,877	$1,726,047
Consulting costs	$373,030	$1,392,829	$817,319
Intervenor costs	n/a	n/a	$650,000
Total Costs	**$424,256**	**$2,353,706**	**$3,193,366**

See Toronto Hydro's response to interrogatory 1A-CCC-3 regarding consulting costs for third party reports filed as part of this Application. Toronto Hydro declines, on the basis of relevance and materiality, to provide a further breakdown of the legal and consulting costs, including hours and hourly rates.

[1] EB-2014-0116, Procedural Order No. 1 (September 17, 2014), at page 3.

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INTERROGATORY 39:

Reference(s): Exhibit 4A, Tab 2, Schedule 17, page 19

Toronto Hydro is seeking recovery in this Application for the costs related to the Wireless Proceeding (EB-2013-0234). Does Toronto Hydro have a deferral account in place where which it has been recording these costs? If not, on what basis can it include these historical costs in 2015 rates?

RESPONSE:

Toronto Hydro does not have a deferral account in place for the costs related to the Wireless Proceeding (EB-2013-0234). For an explanation of the basis for recovery of the costs, please refer to Toronto Hydro's response to interrogatory 4A-SEC-44 part (c).

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INTERROGATORY 40:

Reference(s): Exhibit 4A, Tab 4, Schedule 3, p 10

"Toronto Hydro was able to safely execute the ICM plan using the funding available to it in that period. The utility accomplished this through various means, including the efficient planning and hiring decisions, as well as the prudent use of external resources."

a) Please detail the number of external resources that were hired annually and the number of Toronto Hydro regular staff that worked on capital projects during the ICM period of 2012-2014.

RESPONSE:

During the 2012-2014 period, approximately 350 external organizations or contractors contributed to or supported the execution of Toronto Hydro's capital projects. For the same period, approximately 1,175 internal resources (i.e., headcount) worked on capital projects.

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INTERROGATORY 41:

Reference(s): Exhibit 4A, Tab 4, Schedule 3, p.11

"To limit the rate increases for the upcoming rate period, Toronto Hydro proposes to continue to replace employees as they retire on a "just in time" basis. This is not the optimal approach to workforce renewal, given the time that is required to safely and effectively train new workforce entrants to work on Toronto Hydro's distribution system. It was adopted, however, to constrain costs over the 2015 to 2019 period. As a long-term strategy, this approach is not preferred because it may compromise Toronto Hydro's ability to satisfy its commitments."

a) If Toronto Hydro limits hiring regular staff now, explain why this approach will not affect rate increases in the future?

RESPONSE:

One of the pillars of Toronto Hydro's staffing strategy is to continue to invest in hiring new entrants and facilitating apprenticeships, co-op programs and in-house training. Pursuing these investments over the 2015 to 2019 period allows Toronto Hydro to account for the time it takes to train new employees and to transfer corporate and technical knowledge to them from senior employees. Based on Toronto Hydro's current assessment of functional requirements, customer needs, labour market conditions, and organizational effectiveness, these investments are expected to enable the utility to maintain an adequate number of resources over the rate period and into the future, thus limiting rate increases.

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INTERROGATORY 42:

Reference(s): Exhibit 4A, Tab 4, Schedule 3, page 21

"Outsourcing Toronto Hydro's workforce requirements to third-party service providers is another option employed by the utility. In many cases, third-party service-providers enable the utility to cost-effectively resource peak demands, maintain flexibility in operations, and gain access to specialized expertise."

a) The evidence continually emphasizes the need to have qualified, trained staff to undertake the capital work projects. How will Toronto Hydro ensure the safe and effective completion of the ongoing work program with this approach?

RESPONSE:

Toronto Hydro undertakes a variety of steps and measures, as appropriate in the circumstances, to ensure the safe and effective completion of the work program by third party service providers ("contractors"). As an example:

- Contractors undergo a comprehensive third party pre-qualification process which allows Toronto Hydro to assess relevant factors, such as the contractor's safety performance, compliance with occupational safety legislation, qualifications, and insurance coverage.
- Some contractors receive a thorough orientation about Toronto Hydro's plant, prior to conducting work on the distribution system. This enables contractors to recognize and become familiar with unique and challenging aspects of Toronto Hydro's system.

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- For the work executed by design and construction contractors, Toronto Hydro engages a third party audit service to perform activities such as: daily site audits during construction to verify that Toronto Hydro standards and specifications are being adhered to; progress billing during construction for verification of material and work units; and final walk downs of construction projects with the design and construction contractors to ensure all requirements have been met.

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INTERROGATORY 43:

Reference(s): Exhibit 4A, Tab 4, Schedule 4, pp 1-30

What specific new information has this Conference Board of Canada report provided in regard to Toronto Hydro's rate filing?

RESPONSE:

The Conference Board of Canada report provides an objective third-party perspective on labour market trends in the electricity industry, particularly with respect to aging workforce, and the tightening of the labour market due to industry growth and expansion. The report provides an assessment of Toronto Hydro's human resources plans and strategies against broader Canadian trends in critical areas such strategic workforce staffing, talent attraction and training and development. Through this assessment, the Conference Board of Canada report validates a number of key aspects of Toronto Hydro's proposed staffing strategy, including that: 1) to prepare for upcoming retirements Toronto Hydro must invest in hiring, training and development of staff in skilled technical and trades roles; and 2) a multi-pronged staffing model, which incorporates strategies such as contracting or outsourcing, is a prudent method of responding to the human resources challenges that Toronto Hydro faces over the 2015 to 2019 period.

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INTERROGATORY 44:

Reference(s): Exhibit 4A, Tab 4, Schedule 6, pp. 1-21

In most instances, and against all comparator groups, Toronto Hydro pay sits within what we would consider a market competitive range of +/-15% of the relevant mid-market data.

a) Please provide other research where this band is considered "market competitive".

RESPONSE (PREPARED BY TOWERS WATSON):

a) The competitive range of +/-15% recognizes that target pay levels can be influenced by a range of individual factors (e.g., tenure, skills and experience level, etc.), and has been developed based on Tower Watson's detailed analysis of variability in external market pay rates, as reported by participants of Tower Watson's proprietary compensation surveys.

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INTERROGATORY 45:

Reference(s): Exhibit 5, Tab 1, Schedule 1

Please provide the Board approved and actual ROE for the years 2005-2014(forecast). For the years in which Toronto Hydro did not have rates approved through a cost of service proceeding, please include the ROE embedded in rates.

RESPONSE:

Year	Basis for Rates	OEB-Allowed ROE in Rates	THESL Actual ROE
2005	CoS	9.88%	9.63%
2006	CoS	9.00%	13.44%
2007	IRM	9.00%	10.64%
2008	CoS	8.57%	10.90%
2009	CoS	8.01%	7.23%
2010	CoS	9.85%	8.14%
2011	CoS	9.58%	9.73%
2012	IRM	9.58%	7.62%
2013	IRM	9.58%	7.07%
2014	IRM	9.58%	7.31%

Notes:

1. 2005 ROE was granted on condition it be re-invested in CDM intiatives

Panel: Planning and Strategy

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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 48:

Reference(s): Exhibit 9, Tab 1, Schedule 1, p. 14

Toronto Hydro is seeking to recover from customers a balance of $16.9 million which represents the net book value of the stranded conventional meters resulting from the smart program. Please provide a complete schedule setting out the following:

a) All smart meter expenditures, capital and OM A, since the inception of the smart meter program;
b) The average cost of Toronto Hydro's installed meters;
c) Recoveries to date from customers regarding smart meter costs.
d) A detailed calculation as the how the $16.9 million was derived?

RESPONSE:

a) Toronto Hydro's costs for the smart meter program were fully detailed in its Smart Meter Clearance application (EB-2013-0287). The following table is an extract from Appendix B of that application:

Total Smart Meter Costs ($000s)						
	2006	2007	2008	2009	2010	Total
Capital	31,205.3	29,188.4	34,812.5	22,833.2	19,799.4	137,838.8
OM&A	526.0	1,761.8	862.7	3,132.1	3,110.3	9,392.9

b) As noted in its EB-2013-0287Smart Meter Clearance application (page 8), Toronto Hydro's average per unit cost (capital and OM&A) for all smart meters installed from

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2006 through 2010 was $220.69. For the Residential and GS<50kW classes only, Toronto Hydro's average per unit costs were $185.58.

c) The following table shows the total recovery for the smart meter program through rate riders. The table does not include recovery of any costs included in rate base.

Smart Meter Rate Rider Recovery ($000s)

	2006	2007	2008	2009	2010	2011	2012	2013	2014 (Sep)	Total
Total	-2,966.4	-5,583.5	-6,910.9	-5,552.4	-5,681.6	-5,866.2	-5,889.0	-6,008.3	-9,379.7	-53,838.0

d) Refer to Exhibit 2A, Tab 4, Schedule 2, Appendix 2-S for the calculation of the stranded meter residual net book value.

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INTERROGATORY 49:

Reference(s): Exhibit 9, Tab1, Schedule 1

In the EB-2013-0234 proceeding, in the Settlement Proposal, the agreement was for Toronto Hydro to establish a deferral account to record net revenues associated with wireless attachments on poles. Has Toronto Hydro established that account? If so, what are the amounts for disposition?

RESPONSE:

Toronto Hydro has established the accounts necessary to record the amounts as per the Accounting Order. Clearance of the DVA accounts is based on balances as of December 31, 2013. As the accounts for the Wireless access have only been active since the current year (2014), Toronto Hydro is not proposing any amounts for clearance at this time. To date, approximately $40k in incremental costs and $150k in wireless revenues have been recorded.