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April 24, 2015

via RESS – signed original to follow by courier

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

Dear Ms. Walli:

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

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

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

- Exhibit 3, Tab 2, Schedule 1, pages 1, 4, and 5;
- Exhibit 3, Tab 2, Schedule 2, Appendix 2-H;
- Exhibit 8, Tab 2, Schedule 1, page 2;
- Exhibit 8, Tab 2, Schedule 1, Appendix B, page 1, 2 and 4;
- Interrogatory Response to 8-OEB-100(a), pages 4-5 and 5-A;
- Interrogatory Response to WR-Carriers-7 part (c), page 2;
- Interrogatory Response to WR-Carriers-13 part (a), pages 3 to 7; and
- Interrogatory Response to WR-Carriers-15 part (a), pages 2 and 3.

The enclosed materials reflect the following updates to the proposed wireline attachment rate:

- **Administration Cost Methodology**. Upon a closer review of the record in the CCTA proceeding (RP-2003-0249), Toronto Hydro has adjusted its methodology for calculating the Administration Cost per pole to more closely align itself with the methodology used in that proceeding. In particular, Toronto Hydro had calculated Administration Cost per pole by dividing the total administration costs by the number of invoiced attachments, rather than by dividing the total administration costs by the number of poles, and further by the number of average attachers per pole. The updated Administration Cost per pole reflects this methodological change.
- **Administration Cost Inputs**. The Administration Costs per pole was also updated to exclude costs related to field inspectors in the Asset Attachment and Leases function because Toronto Hydro determined that these costs are recovered through other means (e.g., permit and make-ready fees, direct costing to specific projects such as the pole inspection program and other distribution projects).
- **Additional Site Visits for Pole Replacement**: After reviewing the Carriers' evidence filed on March 26, 2015, Toronto Hydro agreed that additional site visit costs for pole replacements with wireline attachments should be removed from the indirect Net Embedded Cost per Pole. These costs are directly attributable to the presence of wireline attachments on the pole, and therefore should be recovered as direct costs under Loss in Productivity. The updated Net Embedded Cost per pole and related Depreciation Expense reflects this change.

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

Yours truly,

[original signed by]

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

REVENUE OFFSETS

1. INTRODUCTION

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

Table 1: Revenue Offsets Summary

Description	Actual Year 2011	Actual Year 2012	Actual Year 2013	Bridge Year 2014	Test Year 2015
Specific Service Charges Excluding Pole Attachment (4235)	$5.7	$6.3	$6.4	$6.4	$9.8
Late Payment Charge (4225)	$4.2	$4.0	$3.8	$4.0	$4.0
Other Distribution Revenue Excluding Duct Rental (4082,4084,4090,4210,4215,4220)	$3.9	$3.7	$3.7	$3.4	$11.5
Other Income & Deductions Including Pole Attachments (4210, 4235, 4324, 4325,4330,4335,4355,4375,4398,4405)	$18.8	$5.3	$11.5	$12.0	$18.2
Total Revenue Offset	**$32.6**	**$19.4**	**$25.4**	**$25.7**	**$43.6**

/C

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

2. REVENUE FROM SPECIFIC SERVICE CHARGES

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

Table 2: Merchandise and Jobbing Summary

	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	
		2011 Actual	**2012 Actual**	**2013 Actual**	**2014 Bridge**	**2015 Test**	
1	**Revenue**						
2	Line Hose Removal	(5.3)	-	-	-	-	
3	Isolation	548.9	709.4	368.8	319.7	665.9	
4	Temp Service Contruction	2,754.7	4,006.8	1,598.1	1,583.1	1,764.6	
5	Customer Services	5,738.7	381.3	2,983.3	3,460.6	3,168.0	
6	Scrap Sales	5,378.1	3,066.5	4,182.0	3,600.0	2,520.0	
7	Accident Claims	2,382.6	2,690.8	2,092.0	1,567.6	1,299.6	
8	Pole & Duct Rental	7,292.1	9,484.8	9,609.3	10,740.8	16,990.2	**/C**
9	Other	870.8	589.8	1,289.2	592.2	485.3	
10	**Total**	**24,960.6**	**20,929.3**	**22,122.8**	**21,864.0**	**26,893.7**	**/C**
11	**Expenses**						
12	Line Hose Removal	(34.7)	(4.5)	(17.0)	-	-	
13	Isolation	(599.2)	(791.0)	(416.2)	(243.2)	(579.5)	
14	Temp Service Contruction	(3,368.0)	(3,673.0)	(1,401.7)	(1,449.4)	(1,372.0)	
15	Customer Services	(3,954.5)	(2,543.1)	(2,521.2)	(2,896.2)	(2,478.5)	
16	Scrap Sales	(1,666.5)	(1,124.6)	(898.9)	(1,139.7)	-	
17	Accident Claims	(1,823.0)	(1,928.4)	(1,761.0)	(1,363.2)	(1,110.8)	
18	Pole & Duct Rental	(2,906.3)	(7,082.2)	(4,405.8)	(6,942.6)	(6,942.6)	
19	Other	(114.4)	(426.9)	(771.8)	(317.8)	(225.0)	
20	**Total**	**(14,466.5)**	**(17,573.7)**	**(12,193.6)**	**(14,352.0)**	**(12,708.5)**	
21	**Net Revenue**						
22	Line Hose Removal	(40.0)	(4.5)	(17.0)	-	-	
23	Isolation	(50.3)	(81.6)	(47.4)	76.5	86.4	
24	Temp Service Contruction	(613.3)	333.8	196.4	133.7	392.6	
25	Customer Services	1,784.3	(2,161.7)	462.1	564.4	689.5	
26	Scrap Sales	3,711.6	1,942.0	3,283.1	2,460.3	2,520.0	
27	Accident Claims	559.6	762.3	331.0	204.5	188.8	
28	Pole & Duct Rental	4,385.8	2,402.6	5,203.5	3,798.1	10,047.6	**/C**
29	Other	756.4	162.8	517.5	274.4	260.3	
30	**Total**	**10,494.1**	**3,355.6**	**9,929.2**	**7,512.0**	**14,185.2**	**/C**

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

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

The variance from pole attachment and duct rental between 2011 and 2012 is mainly due to the increase in the number of poles and ducts rented in 2012 in comparison to 2011, and the creation of the Assets Attachments department in August 2011 to facilitate the increase in customer demand. For 2015, Toronto Hydro has proposed to update its pole attachment rental fee, as detailed in Exhibit 8, Tab 2. As a result, the Pole Attachments revenue is expected to increase from $2.3 million, to approximately $6.5 million. /C Additional increases are expected from higher forecast duct rentals.

Toronto Hydro generates income from the sale of scrap metal materials. Scrap metals are sold at market rates and any revenue depends on the strength of the market at the time of disposition and the volume of scrap that is available for processing. Variances between 2011 to 2013 are mainly a reflection of the volume of scrap available for sale. The net revenue that is projected for scrap metal sales in 2014 is reflective of historical trends. By the last quarter of 2014, Toronto Hydro expects to outsource the processing and selling of scrap metal materials to a third party. Proceeds of the sale net of vendor's cost of disposing the scrap metal materials will be remitted to Toronto Hydro. As a result of this new processing approach, Toronto Hydro expects the revenue from scrap sales to decrease in 2015, with a corresponding reduction in costs.

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

OEB Appendix 2-H: Other Operating Revenues

	Col. 1	Col. 2		Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	
2	**Uniform System of Account #**	**Description**	**Expense Element**	**Reported OEB Acc't**	**2011 Actual**	**2012 Actual**	**2013 Actual**	**2014 Bridge**	**2015 Test**	
3	**Other Distribution revenue**									
4	4082	Retailers' Fixed charge	1029	4082	$5.2	$5.3	$5.6	$5.5	$5.5	
5	4082	Retailers' Variable Charge	1031	4082	$484.7	$393.3	$320.4	$300.0	$300.0	
6	4082	Distributor Consolidated Billing (DCB) Charges	1033	4082	$277.6	$225.0	$180.8	$171.0	$171.0	
7	4082	Retail Consolidated Billing (RCB) Credit	1035	4082	-$11.0	-$8.7	-$8.5	-$8.6	-$8.6	
8	4082	Other Retailer Service fees	1047	4082	$0.2	$0.0	$0.0	$0.0	$0.0	
9	4084	Retailer Service Transaction Request	1039	4084	$8.2	$9.6	$9.3	$6.8	$9.6	
10	4084	Retailer Service Transaction Processing	1041	4084	$12.3	$12.7	$11.4	$13.0	$13.0	
11	4090	SSS Admin Charge	1071	4090	$1,993.5	$2,021.3	$2,099.8	$2,115.0	$2,115.0	
12	4210	Misc Revenue	1206	4210	$0.0	$106.6	$26.6	$0.0	$0.0	
13	4210	Parking Rental	1303	4210	$6.6	$8.0	$35.2	$0.0	$0.0	
14	4210	Miscellaneous Rent	1304	4210	$0.4	$0.0	$0.0	$0.0	$0.0	
15	4210	Interval Meter Phone Line Charges	1305	4210	$0.0	$0.0	$0.0	$0.0	$0.0	
16	4210	Property Rental	1308	4210	$15.0	$16.6	$24.9	$0.0	$0.0	
17	4215	TTC Rectification	1204	4215	$303.9	$303.9	$303.9	$303.9	$303.9	
18	4215	Misc Revenue	1206	4215	$16.1	$14.0	$0.6	$0.0	$0.0	
19	4215	Settlement Discounts Taken	1400	4215	$249.3	$277.4	$250.0	$200.0	$200.0	
20	4215	Stale Dated Cheques	1409	4215	$506.9	$352.4	$443.4	$250.0	$350.0	
21	4220	Street Lighting	1132/1202	4220	$0.0	$0.0	$0.0	$0.0	$8,084.9	
22	**Late Payment Charges**									
23	4225	Late Payment Charges	1055	4225	$4,220.9	$4,047.1	$3,827.3	$4,000.0	$4,000.0	
24	**Specific Service Charges**									
25	4235	Account Set Up Charge	1027	4235	$2,676.6	$2,816.1	$2,740.6	$2,550.0	$3,811.9	
26	4235	Special Meter Read	1051	4235	$0.0	$0.0	$0.0	$0.0	$0.0	
27	4235	NSF Collection Charges	1057	4235	$91.4	$81.9	$68.8	$75.0	$113.9	
28	4235	Collection Service Charges	1059	4235	$2,566.4	$3,026.3	$3,075.5	$3,300.0	$4,969.1	
29	4235	Connection-Reconnection Charge	1061	4235	$231.3	$336.2	$476.7	$444.0	$859.3	
30	4235	Easement Letter	1064	4235	$19.3	$18.8	$21.4	$0.0	$23.1	
31	4235	Duplicate Invoices for previous billing	1065	4235	$6.5	$7.7	$5.0	$5.7	$2.9	
32	4235	Income Tax Letter	1066	4235	$0.0	$0.0	$0.0	$0.0	$0.0	
33	4235	Request for Other Billing or System Information	TBD	4235	$0.0	$0.0	$0.0	$0.0	$31.0	
34	4235	Account History	TBD	4235	$0.0	$0.0	$0.0	$0.0	$6.0	
35	4235	Service Call - Customer Owned equipment or customer missed appointment	TBD	4235	$0.0	$0.0	$0.0	$0.0	$2.0	
36	4235	Misc Revenue	1206	4235	$90.6	$0.0	$0.0	$0.0	$0.0	
37	**Other Income and Deductions**									
38	4324	Special Purpose Charge Recovery	1220	4324	$3,050.5	$0.0	$0.0	$0.0	$0.0	
		Special Meter Reads	1051	**4325**	$0.0	$0.0	$0.0	$0.0	$0.0	
		Consumer Trouble	1053	**4325**	$0.0	$0.0	$0.0	$0.0	$0.0	
		TTC Rectification	1204	**4325**	$0.0	$0.0	$0.0	$0.0	$0.0	
		Misc Revenue	1206	**4325**	$14,740.4	$8,587.9	$11,822.2	$11,017.2	$11,657.2	
		Misc Revenue (Excl AG22)	-1206	**4325**	$0.0	$0.0	$0.0	$0.0	$0.0	
		EHS Consulting Revenue	1209	**4325**	$5.0	-$5.0	$0.0	$0.0	$0.0	
		Plant Relocates	1210	**4325**	$430.4	$432.5	$31.9	$0.0	$0.0	
		Line Hose Removal/Install	1212	**4325**	-$5.3	$0.0	$0.0	$0.0	$0.0	
		Temporary Service Construction	1214	**4325**	$2,754.7	$4,006.8	$1,598.1	$1,583.1	$1,764.6	
		Plant Removals/Demo	1216	**4325**	$102.2	$301.3	$174.4	$0.0	$0.0	
		Other Banner Revenue	1218	**4325**	$325.1	$55.5	$47.5	$0.0	$0.0	
		Other Banner Revenue	1218	**4235**	$0.0	$0.0	$0.0	$215.3	$215.3	
		Duct Rental	1301	**4210**	$4,620.5	$5,261.2	$6,000.0	$6,743.7	$6,743.7	
		Pole Attachment Rental	1302	**4235**	$1,987.6	$2,256.1	$2,133.4	$0.0	$0.0	
		Pole Attachment Rental	1302	**4210**	$0.0	$0.0	$0.0	$2,304.6	$6,512.7	**/Cs**
		Trades Training	1207	**4325**	$0.0	$0.0	$64.0	$0.0	$0.0	
		Trades Training	1207	**4375**	$0.0	$33.0	$251.5	$0.0	$0.0	
		Shared Serv Recovery	9949	**4375**	$0.0	$0.0	$0.0	$0.0	$0.0	
39	4325	Merchandise and Jobbing Revenue	various	4325	$24,960.6	$20,929.3	$22,122.8	$21,864.0	$26,893.6	**/Cs**
		Merchandise and Jobbing Costs	2901	**4330**	-$14,466.5	-$17,573.7	-$12,193.6	-$14,352.0	-$12,708.5	
		Cost Of Value Added Services	2906	**4330**	$0.0	-$2.3	$0.0	$0.0	$0.0	
40	4330	Merchandise and Jobbing Costs	2901	4330	-$14,466.5	-$17,576.0	-$12,193.6	-$14,352.0	-$12,708.5	
41	4355	Gain/Loss on disposals	1501	4355	-$164.5	$989.9	$17.9	$0.0	$0.0	
42	4335	Gain/Loss on disposals	1501	4335	$0.0	$0.0	-$17.9	$0.0	$0.0	
43	4375	Gain/Loss on disposals	1501	4375	$164.5	-$989.9	$0.0	$0.0	$0.0	
44	4375	Shared Services Recovery	9949	4375	$0.0	$0.0	$0.0	$3,381.2	$3,399.5	

	Col. 1	Col. 2			Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	
2	**Uniform System of Account #**	**Description**	**Expense Element**	**Reported OEB Acc't**	**2011 Actual**	**2012 Actual**	**2013 Actual**	**2014 Bridge**	**2015 Test**	
45	4355	Gain on Disposition of Utility and Other Property	9601	4355	$3,885.3	$1,804.8	$1,279.6	$453.5	$0.0	
		Gain/Loss On Foreign Exch	7501	**4398**	$53.5	-$292.7	-$778.9	$0.0	$0.0	
		Foreign Exchange Conversion	7505	**4398**	$50.5	$212.5	-$129.3	$0.0	$0.0	
46	4398	Foreign Exchange Gain/(Loss)	7505	4398	$104.1	-$80.2	-$908.2	$0.0	$0.0	
		Dividend Income	1606	**4405**	$0.0	$0.0	$0.0	$0.0	$0.0	
		Investment Int Income	1608	**4405**	$1,267.8	$221.3	$1,183.4	$660.0	$660.0	
		Regulated Assets Cchgs-Revenue	1613	**4405**	$0.0	$0.0	$0.0	$0.0	$0.0	
47	4405	Investment Interest Income	1608	4405	$1,267.8	$221.3	$1,183.4	$660.0	$660.0	
48	**Specific Service Charges Excluding Pole Attachment (4235)**		various		$5,682.0	$6,287.1	$6,388.0	$6,374.7	$9,819.2	
49	**Late Payment Charge (4225)**		various		$4,220.9	$4,047.1	$3,827.3	$4,000.0	$4,000.0	
50	**Other Distribution Revenue Excluding Duct Rental (4082,4084,4090,4210,4215,4220)**		various		$3,869.0	$3,737.4	$3,703.3	$3,356.6	$11,544.3	
51	**Other Income & Deductions Including Pole Attachments (4210, 4235, 4324, 4325,4330,4335,4355,4375,4398,4405)**		various		$18,801.8	$5,299.3	$11,484.1	$12,006.7	$18,244.5	**/Cs**
52	**Total Revenue Offset**				**$32,573.7**	**$19,370.8**	**$25,402.6**	**$25,738.0**	**$43,608.0**	**/Cs**

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

Specific Service Charge	Current OEB Distribution Rate Handbook Standard Charge Amount	Currently Approved for use by THESL?	New Service Charge or Revised Definition?	Proposed Updated Charge Amount[1]
Duplicate invoices for previous billing	$15	Yes		$25
Request for other billing or system information	$15	No[2]	Yes[8]	$25
Easement letter	$15	Yes		$25
Income tax letter	$15	Yes		$25
Account history	$15	No[2]	Yes	$25
Returned cheque charge (plus bank charges)	$15	Yes		$25
Account set up charge/change of occupancy charge	$30	Yes		$35[9]
Special meter reads	$30	Yes		$55
Collection of account charge - no disconnection	$30	Yes		$55
Disconnect/Reconnect at meter -during regular hours	$65	Yes	Yes[3]	$120
Install/Remove load control device - during regular hours	$65	Yes		$120
Disconnect/Reconnect at meter -after regular hours	$185	Yes	Yes[3]	$400
Install/Remove load control device - after regular hours	$185	Yes		$400
Disconnect/Reconnect at pole - during regular hours	$185	Yes		$300
Disconnect/Reconnect at pole - after regular hours	$415	Yes		$820
Meter dispute charge plus Measurement Canada fees	$30	Yes		$55
Service call - customer owned equipment or customer missed appointment	$30	No[2]	Yes[6]	$55
Temporary service install & remove – overhead - no tranformer	$1,000	No[2]	Yes	$2,040[4]
Specific Charge for Access to Power Poles (Wireline Attachments) ($/pole/year)	$22.35	Yes	Yes[7]	$66.49[5]

1. With the exception of "Temporary service install", "Access to Power Poles", and "Account Set Up Charge" all other charge amounts are adjusted using the OEB formulas contained in the Distribution Rate Handbook, adjusting only for Toronto Hydro's actual labour and vehicle rates.
2. In the absence of an approved Specific Service Charge, and in accordance with the Distribution Rate Handbook, Toronto Hydro currently charges customers based on actual costs for these services, or in the case of information requests, provides these services without charge.
3. This charge is currently approved for instances of "non-payment" only. Toronto Hydro requests approval to use this charge in all circumstances involving customer disconnections/reconnections (i.e. by voluntary request of the customer, etc).
4. The proposed charge amount for the Temporary Connections Service charge is determined based on Toronto Hydro's actual costs.
5. The proposed charge amount for Access to Power Poles is determined based on Toronto Hydro's actual costs, as applied specifically to wireline attachments (wireless attachment rates being the subject to the OEB's determination in the EB-2013-0234 proceeding.)
6. Toronto Hydro proposes to apply this charge to both service calls for customer owned equipment as well as instances in which Toronto Hydro crews had been dispatched but could not complete work due to the failure of the customer to meet a previously agreed upon appointment.
7. As a result of the EB-2013-0234 proceeding, Toronto Hydro proposes to rename this Specific Service Charge to indicate that it would be applicable to "Wireline Attachments" only.
8. Toronto Hydro proposes to apply this charge for both "billing information" and "system information" requests.
9. Given the non-optional nature of this service, and efficiencies gained through the introduction of online technology, Toronto Hydro proposes a lower charge than that generated by the formula contained in the Distribution Rate Handbook.

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

The table below sets out Toronto Hydro's estimated direct and indirect costs associated with wireline pole attachments on a typical 40' distribution pole.[1] The model was developed in accordance with the methodology approved by the OEB in RP-2003-0249 (the "CCTA Decision"), and first presented in a preliminary state as an interrogatory response in Toronto Hydro's EB-2013-0234 wireless forbearance application. It has since been updated to reflect 2015 values, and results in a rate of $66.49 per pole, per year.

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Item	Type of cost	Cost	Explanation
	DIRECT COST		
A	Administration Costs	$ 5.03	2015 estimate
B	Loss in Productivity	$ 5.72	TH estimate 2015 = $9.19 and divided between 1.61 pole attachers
C	**Total Direct Costs**	**$ 10.75**	**A + B**
	INDIRECT COST		
D	Net Embedded Cost per pole	$ 1,922.08	2015 MIFRS Forecast Data
E	Depreciation Expense	$ 58.64	2015 MIFRS Forecast Data
F	Pole Maintenance Expense	$ 5.46	2015 Forecast Data
G	Capital Carrying Cost	$ 118.98	Pre-tax weighted average cost of capital 6.19% applied to net embedded cost per pole (D)
H	**Total Indirect Costs per Pole**	**$ 183.08**	**E+F+G**
I	Allocation Factor	30.4%	Allocation based on 1.61 attachers
J	**Indirect Costs Allocated**	**$ 55.74**	**H x I**
K	**Estimated Annual Cost**	**$ 66.49**	**Total Direct + Indirect Costs (C + J)**

/C

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

DESCRIPTION OF COST ALLOCATORS

Direct Costs

Direct costs represent the on-going costs that are directly attributable to the third party's presence on the pole. For greater clarity, the direct costs do not include any one-time or non-recurring costs, such as any make-ready costs incurred by Toronto Hydro to accommodate an attachment on its pole. These non-recurring costs depend on the particular circumstances relating to the attachment (i.e., type of attachment and field conditions), and are recovered from the third party through a one-time charge.

A. Administration Costs

The administration costs represent the estimated operational costs of managing and administering third party attachments and licensed occupancy on Toronto Hydro's distribution plant. These costs capture the following operational expenditures:

- **Payroll Costs** – expenditures related to compensation of internal employees;
- **Vehicle Costs** – expenditures related to vehicle/fleet usage and maintenance;
- **Inventory & Direct Purchases** – expenditures for materials issued and used;
- **Invoicing/Billing Costs** (direct labour and mailing costs) **–** expenditures related to processing of customer invoices; **/C /C**
- **Support Costs** (utility communications, office supplies, employee expenses, shared services) – expenditures related to electricity usage, water and gas usage, telecommunications, cellular phone and radio charges, postage, courier and freight & duties, computer supplies, photocopy and stationary supplies, printing expenses; internal employee expenditures required for their employment such as professional dues, membership fees, transportation, parking, conferences and seminars, education fees and subscriptions, and shared services costs related to corporate services such as finance, legal, communications and human resources; and

C. Total Direct Costs

The total direct costs are the sum of the administration costs (A) and the loss in productivity costs (B), explained above [i.e., **C=A+B**].

Indirect Costs

Indirect costs represent Toronto Hydro's fixed costs associated with pole ownership and maintenance. Toronto Hydro incurs these costs whether or not a third party's attachments are present on its poles.

D. Net Embedded Cost per pole

The net embedded cost per pole is calculated by dividing the net book value (NBV) of the pole assets, as per Toronto Hydro's 2015 forecast, by the total number of poles. The NBV of the pole assets is calculated by subtracting accumulated depreciation from the original cost of the pole assets. The NBV excludes costs related to the additional site visit for pole replacements with wireline attachments. These costs are directly attributable to the presence of wireline attachments on the pole, and are therefore captured as Loss in Productivity costs under the model.

/C

/C

E. Depreciation Expense

The depreciation expense per pole is calculated by dividing the pole asset class depreciation expense, as per Toronto Hydro's 2015 forecast, by the total number of poles. The depreciation expense represents the monthly amortization of the original costs of the pole assets over their useful life calculated on a straight line basis**.**

F. Pole Maintenance Expense

The Pole Maintenance expense captures the cost of various activities undertaken by Toronto Hydro for the purposes of maintaining the structural integrity of its distribution poles. To arrive at this cost, the expenditures forecast to be incurred by Toronto Hydro in 2015 with respect to each program listed below was divided by the total number of poles

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Component	Value	Reference
Space Allocation Factor[1]	51%	D
Allocated Annual Cost	$ 8.08	E = C x D
Average Annual Pole Audit Cost Per Pole (Third Party Portion)[2]	$ 1.11	F
Sub-Total	$ 9.19	G = E + F
Average Number of Attachers per Pole[3]	1.61	H
Total Loss in Productivity Cost per pole	**$ 5.72**	**I = G ÷ H**

Item D (Net Embedded Cost per Pole) is an indirect cost. As noted in Exhibit 8, Tab 2, Schedule 1, Appendix B at page 4, the Net Embedded Cost per pole is calculated by dividing the net book value of the pole assets (excluding streetlighting poles), as per Toronto Hydro's 2015 forecast (Exhibit 2A, Tab 1, Schedule 2), by the total number of poles (excluding streetlighting poles). The net book value (NBV) of the pole assets is calculated by subtracting accumulated depreciation from the original cost of the pole assets. The NBV excludes costs related to the additional site visit for pole replacements with wireline attachments. These costs are directly attributable to the presence of the wireline attachment on the pole, and are therefore captured as Loss in Productivity costs under the model. Please refer to Toronto Hydro's response to interrogatory Carriers-7 part (c) for the supporting calculation of the Net Embedded Cost.

/C

[1] Because additional site visits are capitalized (i.e., included the net book value of the poles), a portion of these costs are recovered from the attachers through the net embedded cost per pole expense. The 51% space allocation factor represents the portion of the additional site visits costs that are not recovered from the attachers through the net the embedded cost per pole. To learn more about how the 51% space allocation factor was derived, please refer to the description of item I, as part this interrogatory response.
[2] Please refer to Toronto Hydro's response to interrogatory Carriers-14(d) for more information about how the average annual pole audit cost per pole is calculated.
[3] Please refer to Toronto Hydro's response to interrogatory Carriers-4 for more information about how the average number of attachers per pole is derived.

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Item E (Depreciation Expense) is an indirect cost that represents the monthly amortization of the original costs of the pole assets over their useful life calculated on a straight line basis. The Depreciation Expense per pole is calculated by dividing the pole asset class depreciation expense (excluding street lighting poles and amortized capital contributions for poles), as per Toronto Hydro's 2015 forecast (see Exhibit 4B, Tab 1, Schedule 1, Appendix A), by the total number of poles. Depreciation expense excludes $0.01 million related to the costs of additional site visits when replacing poles with wireline attachments. These costs have been excluded from the NBV because they are directly attributable to the presence of the wireline attachment on the pole, and are therefore captured as Loss in Productivity costs under the model. /C

The table below provides the supporting calculation for the Depreciation Expense cost:

Calculation Components	Values	Reference
Depreciation Expense	$9,383,299	A
**Less: Streetlighting Depreciation Expense	($1,142,651)	B
**Less: Amortization of Capital Contributions for Poles	($255,846)	C
**Less: Loss In Productivity Depreciation Expense	($9,874)	
Net Depreciation	$7,974,928	D = A-B-C
Number of Poles	135,986	E
Depreciation Expense per Pole	**$58.64**	F = D/E

/C

** For more information, please refer to Toronto Hydro' response Carrriers-7 part (a).

Item F (Pole Maintenance Expense) is an indirect cost that relates to activities undertaken by the utility in the normal course to maintain the structural integrity of its

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distribution poles. The activities, which are summarized in the evidence at Exhibit 8, Tab 2, Schedule 1, Appendix B, page 5, are Pole Inspections and Wood Pole Inspections and Treatment maintenance. Please refer to Toronto Hydro's response to interrogatory Carrier-12 part (a) for the supporting calculation.

Item G (Capital Carrying Cost) is also an indirect cost. It was calculated by applying the OEB-approved weighted average cost of capital (WACC) to the net embedded cost per pole (i.e., Item D, above). Please refer to Toronto Hydro's response to interrogatory Carriers-16 part (b) for the supporting calculation.

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Variances in account 1995 Contribution & Grants for Poles, Towers and Fixtures are driven by external customer connection demands. The increases in 2012 and 2013 include unique large projects such as Civil Install Cherry Street Realignment, West Don Lands Phase 1, and the Sherway Gardens Connection. The 2014 and 2015 balances were forecasted using the average recovery for routine customer connection jobs during 2012 and 2013, excluding unique projects as described above. The increase in 2015 includes the ICM in-service capital additions from 2012 and 2014 being transferred into rate base from the regulatory asset account, as described below in part (d).

c) The table below identifies the cost components that Toronto Hydro included in calculating the pole attachment rate. As noted in the response to 8-OEBStaff-100(a), the Net Embedded Cost per pole is calculated by dividing the net book value of the pole assets by the total number of poles. The net book value (NBV) of the pole assets is calculated by subtracting accumulated depreciation from the original cost of the pole assets. The NBV excludes costs related to the additional site visit for pole replacements with wireline attachments. These costs are directly attributable to the presence of wireline attachments on the pole, and are therefore captured as Loss in Productivity costs under the model. /C

Description	2015 MIFRS
Subtotal Cost	$ 443,834,483
Subtotal Accumulated Depreciation	($ 181,471,253)
Less: Loss In Productivity	($ 987,408)
Quantity	135,986
Net Embedded Cost per Pole	**$ 1,922.08**

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administration costs (e.g., payroll, vehicle costs, invoicing/billing, usage). Provide sufficient information to demonstrate that none of the elements in "Support Costs" are included in the other categories. For example, whether employee expenses may be included as part of "Payroll Costs"; postage and courier as part of "Invoicing/Billing"; transportation as part of "Vehicle Costs"; photocopy and stationary supplies as part of "Inventory & Direct Purchases"; and telecommunications, cellular phone and radio charges as part of "Usage Charges".

j) With respect to Usage Charges, provide the underlying supporting inputs, including all assumptions and supporting evidence (e.g., mark-up or other adjustment factor for usage charges).

RESPONSE:

a) The table below provides a breakdown of the administration costs associated with wireline communications attachments for years 2012 to 2015, using actuals for 2012 through 2014 and estimates for 2015.

000s	2010	2011	2012	2013	2014	2015 (estimate)
Payroll Costs	N/A	N/A	$273.2	$323.9	$332.8	$416.5
Vehicle Costs	N/A	N/A	$-	$-	$-	$-
Inventory Direct Purchases	N/A	N/A	$3.6	$5.1	$2.1	$5.5
Invoices/Billing Costs[1]	N/A	N/A	$-	$-	$-	$-
Support Costs	N/A	N/A	$200.4	$278.1	$396.5	$383.8
Usage Charges	N/A	N/A	$45.4	$51.1	$50.1	$51.9
TOTAL administration costs	N/A	N/A	$522.5	$658.1	$781.6	$857.6

/C

[1] Due to their immateriality (i.e., approximately $400 per year), these costs were not actually included in the pole attachment calculation.

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000s	2010	2011	2012	2013	2014	2015 (estimate)
(aggregated for all poles)						
TOTAL administration costs - per pole	N/A	N/A	$3.07	$3.86	$4.59	$5.03
Number of Poles used to derive administration costs per pole	N/A	N/A	170,360	170,360	170,360	170,360

/C

Note: The number of poles used to derive the Administration Cost per pole includes street lighting poles that were deemed by the OEB to be distribution assets because the Asset Attachment and Leases function also supports attachments on these poles. For greater clarity, however, the number of poles does not include the approximately 5,900 street lighting poles that were not *prima facie* eligible to be transferred as distribution assets (refer to Exhibit 2A, Tab 5, Schedule 1, at page 6, lines 7-9). /C

Toronto Hydro is unable to provide the breakdown for the year 2010 and 2011 because these costs were not centrally managed at the time.

b) The payroll costs included in administration costs are calculated by taking the gross payroll costs for engineering technicians, support and management employees in the Asset Attachment and Leases function, less the cost/time charged by these individuals to discreet jobs for specific customer work. These net costs are then allocated to the Overhead and Underground portfolios based on the proportion of permit issuances in these portfolios. On average, 76% of the permit issuances relate to Overhead attachments, therefore 76% of the net costs have been allocated to the pole attachment rate calculation. Further, an allocation factor of 1.61 attachers is applied to derive the net payroll costs included in administration costs. /C /C

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c) Vehicle costs are not included in administration costs. All vehicle costs are recovered through projects and through other activities in the organization (e.g., inspection program).

d) Toronto Hydro uses vehicles to perform a number of activities relating to communications attachments, including:

- Pre-permit site inspections to review the proposed installations and validate any proposed make-ready work that is required to support the installation;
- Pre-construction meetings to provide permits and approved hard copies of planned drawings.
- Post-construction site visits to ensure the installations comply with Ontario Regulation 22/04 (Electrical Distribution Safety) and applicable Toronto Hydro standards.
- Inspection and validation of third party equipment relocations and/or removals from Toronto Hydro poles to facilitate the replacement of poles.
- Inspections for processing temporary permit application requests.
- Pole inspection maintenance program.

e) Inventory and Direct Purchases includes uniforms, small tools and safety equipment for the field inspectors supporting the Asset Attachments and Leases function. Consistent with the response in part (a) above, 76% of these costs are allocated to the pole attachment rate calculation. Further, an allocation factor of 1.61 attachers is then applied to derive the net inventory and direct purchases costs included in administration costs.

/C

RESPONSES TO THE CARRIERS' INTERROGATORIES

f) Due to their immateriality (i.e., approximately $400 per year), these costs were not actually included in the pole attachment calculation.

g) Please refer to the response in part (f) above.

h) As discussed in Exhibit 8, Tab 2, Schedule 1, Appendix B at page 2, support costs include expenditures related to electricity usage, water and gas usage, telecommunications, cellular phone and radio charges, postage, courier freight & duties, computer supplies, photocopy and stationary supplies, printing expenses, and internal employee expenditures required for their employment such as professional dues, membership fees, transportation, parking, conferences and seminars, education fees and subscriptions. Shared service costs related to finance, legal, communications and human resources are also included in support costs, pursuant to the methodology set out in Exhibit 4A, Tab 5, Schedule 1. Consistent with the response in part (a) above, 76% of the support costs are allocated to the pole attachment rate calculation. Further, an allocation factor of 1.61 attachers is then applied to derive the net support costs included in administration costs. **/C /C**

i) Toronto Hydro maintains a standard chart of accounts which comprises hundreds of expense element codes and discreet responsibility centres to facilitate both internal management and external financial reporting. In addition, costs discussed in parts (a) through (j) of this response are all tracked in one responsibility cost centre, as the staff and their related work and support costs are functionally and financially segregated to support the Asset Attachment and Leases function at Toronto Hydro. The uses of discreet account codes and the methodical approach to the aggregation of costs eliminates the possibility of cost duplications.

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j) Usage Charges are based on Toronto Hydro's standard allocation methodology for IT and Occupancy Charges as discussed in Exhibit 4A, Tab 2, Schedule 21. The allocations are based on the total number of staff and square-footage and type of space. Consistent with the response in part (a) above, 76% of these costs are allocated to the pole attachment rate calculation. Further, an allocation factor of 1.61 attachers is then applied to derive the net usage costs included in administration costs. **/C** **/C**

RESPONSES TO THE CARRIERS' INTERROGATORIES

	2011	2012	2013	2014	2015 (estimate)
- pole inspection program					

b) Further to the response to (a), provide a detailed explanation of all expenses listed under "Direct Cost" in the calculation of the pole attachment fee that are not included in the amount shown for Pole & Duct Rental expenses.

c) Further to the response to (a), provide a detailed explanation of all maintenance expenses listed under "Indirect Cost" in the calculation of the pole attachment fee that are not included in the amount shown for Pole & Duct Rental expenses.

d) Further to the response to (a), provide a description of the reasons for each percentage change year over year for each line item in the table in (a) that is in excess of 5%.

RESPONSE:

a)

	2010	2011	2012	2013	2014	2015 (estimate)
Pole & Duct Rental expenses	N/A	$2,906.3	$7,082.2	$4,405.8	$6,942.6	$6,942.6
Pole Rental expenses	N/A	N/A	$4,805.7	$2,843.2	$2,701.7	$3,062.8
Pole Rental expenses attributed to each of the following categories of expense						
(i) Maintenance expense	N/A	N/A	$4,479.5	$2,458.3	$2,310.5	$2,575.4
(ii) Administration costs -payroll	N/A	N/A	$273.2	$323.9	$332.8	$416.5
(iii) Administration costs -vehicle costs	N/A	N/A	$-	$-	$-	$-
iv) Administration costs -inventory & direct purchases	N/A	N/A	$3.6	$5.1	$2.1	$5.5

/C

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	2010	2011	2012	2013	2014	2015 (estimate)
(v) Administration costs – all other sub-categories	N/A	N/A	$49.4	$55.9	$56.2	$65.4
(vi) Loss in productivity – pole replacements	N/A	N/A	$4.73	$5.50	$5.15	$5.02
(vii) Loss in productivity – pole inspection program	N/A	N/A	$0.85	$0.78	$0.80	$0.69

/C

Costs related to loss in productivity in pole replacement (vi) and pole inspections (vii) is not included in "Pole & Duct Rental expenses" as the costs are incurred within the capital program. `

b) There are two types of expenses that are "Direct Costs" but that are not captured in the Pole & Duct Rental expenses. The first is Shared Service expenses, which contribute to the support costs component of Administration costs. Shared Service expenses are allocated using the methodology detailed in Exhibit 4A, Tab 5, Schedule 1. The second type is incremental capital expenses that are incurred when a pole with an attachment is removed or replaced. This is captured in the Loss in Productivity Direct Cost.

c) There is one type of expense that is an "Indirect Costs" but that is not captured in the Pole and Duct Rental expenses. This expense relates to wood pole inspection and treatment efforts within Toronto Hydro's Overhead Line Patrols and Pole Inspections activities. For more on Toronto Hydro's Overhead Line Patrols and Pole Inspections activities, please see the Preventative & Predictive Maintenance Program at Exhibit 4A, Tab 2, Schedule 1.