

May 10, 2016

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

Dear Ms. Walli:

Re: EB-2015-0173 – Toronto Hydro-Electric System Limited – Incremental Capital Module – True-up Application

Please find, attached, interrogatories on behalf of the Consumers Council of Canada for Toronto Hydro-Electric System Limited pursuant to the above-referenced proceeding.

Please feel free to contact me if you have questions.

Yours truly,

Julie E. Girvan

Julie E. Girvan

CC: All Intervenors
THESL, Regulatory Affairs
Charles Keizer, Torys

**INTERROGATORIES FOR TORONTO HYDRO-ELECTRIC SYSTEM LIMITED
(THESL)**

FROM THE CONSUMERS COUNCIL OF CANADA

INCREMENTAL CAPITAL MODULE – TRUE-UP APPLICATION

EB-2015-0173

CCC-1

Reference: Ex. 1/T2/S1/p. 3

Please provide the terms of reference for the Power System Engineering report. Did PSE look at the individual jobs in each segment and determine whether they were undertaken in a cost-effective manner? Did PSE look at the individual job forecasts to assess whether they were reasonable?

CCC-2

Reference: Ex. 1/T2/S1/p. 3

Please provide all Board of Directors or Board Committee documentation dealing with the projects that are part of the total ICM application, as well as any requests for increased or decreased dollars associated with each of the projects in this application.

CCC-3

Reference: Ex. 1/T2/S2/pp. 4, 6

In its original Incremental Capital Module (ICM) Application THESL requested funding for “critical” capital projects that it expected to carry out during the ICM Period. Furthermore, the OEB deemed, in its Partial Decision and Order dated April 2, 2013, that the work was non-discretionary and “must be performed in order to: comply with applicable laws or external requirements; keep the public and workers safe; address existing or imminent reliability degradations or capacity shortages; and avoid a material increase in costs that might arise if the project was delayed.” Given this context, why were the ISA’s in 7 out of the 13 segments less than forecast? If all of the work was deemed “critical” and “non-discretionary” why was some of that work not undertaken?

CCC-4

Reference: Ex. 1/T2/S2/p. 6

The OEB approved 13 of the proposed project segments as prudent and non-discretionary, and therefore eligible for ICM funding. Does THESL agree that despite the approval of the segment categories in the previous proceedings, any cost overruns are the subject of a prudence review in this proceeding? If not, please explain.

CCC-5

Reference: Ex. 1/T2/S2/p. 7, 15

On page 7 it states that none of the ISAs in the approved 2012 ICM segments were above the materiality threshold. On page 15, Figure 1 illustrates that THESL actually spent \$15.4M above the threshold. Please explain how these 2012 expended dollars are eligible for ICM funding when they were never considered during the previous proceeding (EB-2012-0064)?

CCC-6

Reference: Ex. 1/T2/S. 2/p. 8

Preamble:

With respect to the true-up, the evidence states that the OEB's policy documents do not specifically discuss true-up, but contemplates a simple comparison between the estimated capital investment for ICM work (and the initial rate rider to fund it) and the actual investment required to complete that work (potentially resulting in a true-up rate rider).

The OEB's Partial Decision and Order states, "The Board shares 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. Should one project not proceed, for example, the money cannot be used for a different project or to cover overspending on another project." (Partial Decision and Order, dated April 2, 2013, p. 75)

- a) To the extent project work was not undertaken in certain segments, was money allocated to pursue different projects in that segment? If so, please explain how this is consistent with the OEB's direction as set out in the Partial Decision and Order.
- b) To the extent project work was not undertaken in certain segments, was money allocated to pursue projects in other segments? If so, please explain how this is consistent with the OEB's direction as set out in the Partial Decision and Order.

CCC-7

Reference: Ex. 1/T2/S. 2/p. 17

In THESL's CIR application (EB-2014-0116) THESL proposed and the OEB granted a variance account to capture any disallowance based on prudence that may result from the ICM true-up process. Please explain how THESL will, if required, make any adjustments to rate base to reflect any disallowances.

CCC-8

Reference: Ex. 1/T2/S. 2/p. 18

PSE states that the justifications THESL provided for the observed differences in those segments having larger variation are reasonable based on industry experience in implementing large, complex, multi-year capital projects. Please provide the specific industry experience that this statement was based on. Please provide detailed evidence to support this claim.

CCC-9

Reference: Ex. 2/T1/S. 1/p. 5

With respect to the Underground Infrastructure Segment please provide:

1. A complete list of all the jobs that were forecast in the ICM proceeding (Phase 1 and 2) and the corresponding budgets;
2. A complete list of the actual amount spent on each of those jobs.

CCC-10

Reference: Ex. 2/T1/S.1/p. 5

With respect to the Underground Infrastructure Segment please provide the impact on the requested ICM amounts to be recovered assuming the 18 analogous jobs are not approved as part of the ICM.

CCC-11

Reference: Ex. 2/T4/S1/p. 5

With respect to the Overhead Infrastructure Segment please provide:

1. A complete list of all of the jobs that were forecast in the ICM proceeding (Phase 1 and 2) and the corresponding budgets for each job;
2. A complete list of the actual amount spent on each of those jobs.

CCC-12

Reference: Ex. 2/T4/S1/p. 5

With respect to the Overhead Infrastructure Segment please provide the impact on the requested ICM amounts to be recovered assuming the 10 analogous jobs are not approved as part of the ICM.

CCC-13

Reference: Ex. 2/T6/S1/p. 4

With respect to the Rear Lot Construction Segment please provide:

1. A complete list of all of the jobs that were forecast in the ICM proceeding (Phase 1 and 2) and the corresponding budgets for each job;
2. A complete list of the actual amount spent on each of those jobs.

CCC-14

Reference: THESL Argument-in-Chief, EB-2014-0116, Transcript Volume 10, dated March 19, 2015 and Ex. 1/T2/S2/p. 13

In THESL's CIR proceeding the evidence was that 90 % of the ICM filed jobs were completed or in progress. The remaining 10 % were replaced by other work, and they were within 5% of the utility forecast. Please reconcile this evidence with the current application.

CCC-15

Reference: Ex. 2/T1/S1/Appendix A (Underground Infrastructure)

In the column titled "Rationale/Driver for Inclusion" please list for each job (that was undertaken) which of the five types of variances (that are described in this exhibit) are applicable to that job and how each type of variance affected the job.

CCC-16

Reference: Ex. 2/T11/S1

THESL spent significantly less than forecast in the Stations Switchgear Segment. Was money allocated from this segment to undertake jobs in other segments?

CCC-17

Through this application is THESL seeking recovery of costs related to any jobs that are not in-service? If so, please identify those jobs and explain why they should be included.

CCC-18

Please identify where, in previous OEB Decisions, the Board allowed for new "analogous jobs" to be included in the ICM.