

December 13, 2018

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

Dear Ms. Walli:

Re: EB-2018-0165 – Toronto Hydro-Electric System Limited - 2020-2024 Custom Incentive Rate Application

Please find, attached, interrogatories on behalf of the Consumers Council of Canada (“Council”) for Toronto Hydro-Electric System Limited (“THESL”) pursuant to the above-referenced proceeding. Please be advised that we have had discussions with representatives from the Association of Major Power Consumers In Ontario and the School Energy Coalition regarding THESL’s Distribution System Plan. Given they are undertaking a comprehensive review of that evidence, we have not done so at this time in order to avoid duplication. The lack of questions posed by the Council at this time should not imply that we have no concerns with THESL’s proposed capital budgets for the rate plan period.

Please feel free to contact me if you have questions.

Yours truly,

Julie E. Girvan

Julie E. Girvan

CC: All parties
THESL, Regulatory Affairs
C. Keizer, Torys
C. Smith, Torys

TORONTO HYDRO-ELECTRIC SYSTEM LIMITED

EB-2018-0165

INTERROGATORIES FROM THE CONSUMERS COUNCIL OF CANADA

ADMINISTRATION:

1A-CCC-1

Please provide all materials provided to THESL's Board of Directors and Senior Executive Team regarding this Application and the underlying budgets and business plans. When did the Board of Directors approve the Application and the underlying Business Plan? When is the next Business Plan going to be completed?

1A- CCC-2

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

1A-CCC-3

The Council assumes that THESL will be filing an update to the evidence to reflect 2018 actuals. What will be the scope of that update and when will it be filed?

1A-CCC-4

Is THESL planning any mergers or acquisitions during the rate plan period. If so, please provide details.

1A-CCC-5

1A/T3/S1/p. 4

Please recast Table 1 excluding rate riders.

1A-CCC-6

Ex. 1A/T3/S1/p. 7

Please specifically identify any changes to THESL's Conditions of Service from the last Application. Please provide the rationale for any changes.

1A-CCC-7

Ex. 1A/T3/S1/p. 8

Please provide a corporate organizational chart that includes the Director level of employees.

REQUESTS AND RATIONALE:

1B-CCC-8

Ex. 1B/T1.S1/p. 3

The evidence states that as part of its due diligence and recognizing the value of third party perspectives, THESL engaged external experts to review significant parts of the plan and is filing their work products as part of the Application:

- a) Please provide a complete list of all of the reports, setting out for each one, the nature of the work and the contractor, the costs incurred to date and the total expected cost. Please provide for each contractor the final Terms of Reference. How does THESL 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.

1B-CCC-9

Ex. 1B/T1/S1

THESL has filed an Executive Summary and Business Plan Overview. Please file the actual 2020-2024 Business Plan approved by the THESL Board. Please provide a detailed description of the Business Planning process.

1B-CCC-10

Ex. 1B/T1/S1/p. 7

The evidence states that THESL has set upper limits of \$560 million for the average annual capital plan budget and \$277 million for the 2020 operational plan budget. Please set out, in detail, how THESL arrived at these caps. To what extent have the credit balances in the Deferral and Variances influenced the establishment of these caps, if at all?

1B-CCC-11

Ex. 1B/T1/S1/p. 7

The evidence states that THESL eliminated \$75 million per year from its capital plan in response to a price limit of 3% (base rates). Please specifically identify the areas where the reductions were made. What process did THESL undertake to arrive at these reductions? How was the amount of \$75 million arrived at?

1B-CCC-12

EX. 1B/T1/S1/p. 11

The evidence states that 24% of the utility's asset base continues to operate beyond useful life, and an estimated 9% will reach that point by 2025. Please explain how these numbers were calculated. Specifically, what process does THESL use to determine whether assets are beyond their useful life? How does THESL define "beyond useful life"?

1B-CCC-13

Ex. 1B/T1/S1/p. 16

The evidence states that 23% of THESL's workforce – or approximately 340 FTEs are forecast to retire between 2020 and 2024. How did THESL arrive at these numbers? Is THESL referring to those employees eligible to retire or actually forecast to retire?

1B-CCC-14

Ex. 1B/T1/S1/p. 21

The evidence states that THESL has proposed a ratemaking framework for this Application that provides incentives for the utility to seek out further productivity and efficiency improvements over the 2020-2024 period. Please explain how the rate framework incents productivity. Please set out for each year 2015-2019 the productivity gains achieved for both OM&A and Capital. What are the specific productivity initiatives expected for the period for 2020-2024 both with respect to capital and OM&A? Please provide a detailed list.

1B-CCC-15

Ex. B1/T1/S1/p.31

The evidence refers to the "success of Toronto Hydro's 2015-2019 capital plan". Please explain how THESL has determined the 2015-2019 capital plan was "successful".

1B-CCC-16

Ex. 1B/T2/S1/p. 6

The evidence states that THESL's proposed custom measures reflect a thorough understanding of customer priorities and provide assurance that value for money will be achieved through the utility's 2020-2024 Distribution System Plan. Please explain how THESL will measure whether it has achieved "value for money" for its customers during the 2020-2024 rate plan.

1B-CCC-17

Ex. 1B/T2/S1/Appendix B

Please explain the implications for the UMS Group Report given "50 percent of the utilities responding to the survey could not provide unit costs for three of the four maintenance programs."

1B-CCC-18

Ex. 1B/T2/S1/Appendix B

UMS Group selected a Peer Group Panel of 17 electric utilities. Please describe the process used to develop the Peer Group Panel. Please identify utilities that were considered and rejected – and provide an explanation as to why they were rejected. Was the study overseen by Torsys or THESL, or by some combination? Please describe in detail the involvement of both Torsys and THESL Staff.

1B-CCC-19

Ex. 1B/T2/S1/Appendix B

The UMS Group study concludes that, “continued refinement is called for in the reporting, collecting and synthesizing of cost and installation data, particularly as the industry drives to adopt unit costing as a means for trending and comparing performance.” Please explain, specifically how THESL could improve upon reporting, collecting and synthesizing cost and installation data. From the Consultants’ perspective what jurisdictions are the most advanced in unit cost and performance benchmarking?

1B-CCC-20

Ex. 1B/T2/S1/Appendix C

Please recast Appendix 5-A providing the forecast metrics for 2018-2024.

1B-CCC-21

Ex. 1B/T2/S2/p. 12

Please provide a forecast for the rate plan period for Total Cost per Customer and Total Cost per Km of Line.

1B-CCC-22

Ex. 1B/T2/S2/p. 3

The actual ROE for THESL was 10.71% for 2015 and 12.18% for 2016. Please explain what factors contributed to the overearning in each of these years. What is the expected ROE for 2018?

1B-CCC-23

1B/T2/S5/p. 1

Please file the 2018 Service Reliability Indicators for 2018 when they become available.

CUSTOMER ENGAGEMENT AND STAKEHOLDERING:

1B-CCC-24

Ex. 1B/T3/S1

Was the work undertaken by Innovative Research Group Inc. subject to an RFP process? 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, in detail, THESL’s role in the work undertaken by Innovative Research Group Inc..

1B-CCC-25

Ex. 1B/T3/S1

Please provide a detailed timeline for the Innovative Research Group Inc. work from the time THESL conducted its RFP process (if this was part of the process) to the time the Report was finalized.

1B-CCC-26

Ex. 1B/T5/S1/p. 1

Please reconcile Table 1 – Change in Monthly Bill with the Table 1 provided at Ex. 1A/T3/S1/p. 4. Please recast Table 1 in this exhibit excluding the rate riders.

1B-CCC-27

Ex. 1B/T5/S1/p. 3

Please provide copies of all budget directives provided to staff in preparing the budgets included in the 2020-2024 Application. Please provide the timeline for preparation of the budgets starting with the initial directive up to the time of the Application filing.

1B-CCC-28

Ex. 1B/T5/S1/p. 9

Please recast Table 6 – Capital Investment Expenditures by Categories to include forecast and actual amounts in each of the categories for the years 2015-2019.

1B-CCC-29

Ex. 1B/T5/S1/p.10

Please explain the difference between a program and a segment for both Capital and OM&A.

RATE BASE**2B-CCC-30**

Ex. 2B/SA2

Please indicate when THESL starting using the “trigger driver” approach to its capital planning. What was the impetus for adopting this approach?

2B-CCC-31

Ex. 2B/S A3

Please provide a detailed timeline for the development of THESLs’ DSP.

OPERATING REVENUE:**3-CCC-32**

Ex. 3/T1/S1/ p. 1

Please recast Table 1: Total Load, Revenues and Customers and include all forecast numbers for each year 2013-2018.

3-CCC-33

Ex. 3/T1/S1/pp. 1213

Please provide an estimate of the potential impact on THESL's annual revenue assuming that there will not be a continuation of the Conservation First Framework.

3-CCC-34

Ex. 3/T2/S2/p. 1

Please file the Board-approved numbers for Other Operating Revenue. Please describe the process used to forecast pole attachment revenue. Please include all assumptions

OPERATING, MAINTENANCE AND ADMINISTRATION COSTS:**4A-CCC-35**

Ex. 4A/T1/S1/p. 2 –Table 1

Please recast Table 1 – Historical, Bridge and Test Year OM&A – Expenditures by Program. Are certain Directors/Managers responsible for each program or does the Company operate according to another structure? If so, please provide the structure and indicate how the “programs” are managed within that structure.

4A-CCC-36

Ex. 4A/T1/S1/p. 5

The evidence states, “As discussed in detail in each OM&A program, the efficiencies expected to be achieved through Toronto Hydro’s actions are partially offsetting program costs.” Please provide a complete list of all of these “efficiencies”.

4A-CCC-37

Ex. 4A/T2/S7/p. 13

Control Centre Costs are increasing from \$5.4 million in 2015 to \$8.7 million in 2020. Has THESL benchmarked the Control Centre Costs against other utilities? If not, why not? Please set out a schedule listing all of the elements of the \$3.3 million variance. Has THESL achieved any efficiencies in its Control Center since 2015? If so, please describe those efficiencies. If not, why not?

4A-CCC-38

Ex. 4A/T2/S13/p. 6

With respect to Supply Chain Services the intent is to transition the majority of the operational responsibilities to the Third-Party procurement provider. When is this expected to happen? Will it result in significant cost reductions? What are the expected savings?

4A-CCC-39

Ex. 4A/T2/S14/p. 12

The evidence states that the incremental costs associated with monthly billing is approximately \$4.6 million per year. Please identify any cost savings associated

with monthly billing. How have THESL's customers reacted to being billed on a monthly basis? Has there been any surveys undertaken regarding the introduction of monthly billing? If so, please provide the results of those surveys. Does THESL take the position that the move to monthly billing has been a benefit to THESL and its customers. Please explain THESL's perspective. What would be the cost savings associated with moving back to billing on a bi-monthly basis?

4A-CCC-40

Ex. 4A/T2/S14/pp. 32-35

THESL's budget for Communications and Public Affairs is \$4.9 million, which is a \$1.8 million increase over 2015 costs:

- a) What was the Board Approved amount for 2015?;
- b) Please provide a detailed budget for this "segment";
- c) Please explain how a reduced budget would reduce the uptake in key corporate and CDM programs due to a lack of awareness and marketing, given CDM costs are to be excluded from the revenue requirement;
- d) Please explain why these costs should not be allocated, in part, to the shareholder, given these activities support corporate strategy, business development and building brand trust.

4A-CCC-41

Ex. 4A/T2/S17/p. 7

The evidence states that the majority of the expected increase in Information Technology is related to maintenance costs and subscription fees. How much of the \$5.6 million is related to these items. What is driving the balance of the cost increases?

4A-CCC-42

Ex. 4A/T2/S18 –Appendix A

For each year 2015 to 2020 please provide a detailed breakout of the Regulatory Affairs "Segment" - Ongoing Costs. Please include all assumptions. The evidence is that the cost of this Application is \$8.7 million. Please provide a detailed breakout of the items included in the 2015 one-time costs and the costs associated with this Application. For the Consulting Costs please break those out by each consulting engagement. Has THESL benchmarked these costs to other proceedings? If not, why not?

4A-CCC-43

Ex. 4A/T4/S1/p. 7

Please provide a document setting out all of the parameters of the two current collective bargaining agreements with the Power Workers' Union and the Society of United Professionals.

4A-CCC-44

Ex. 4A/T4/S2

Please explain the significant jump in Total Compensation – Management (including executive) from 2015-2016. If the FTE numbers are decreasing from 2019-2020, what is driving the increase in Total Compensation of \$11 million?

COST ALLOCATION:

7-CCC-45

Ex. 7/T1/S1/p. 5

Please explain why there is a significant increase in the Residential revenue/cost ratio from 94.3% to 103.2%.