

K5.1

COMPENDIUM OF MATERIALS

FOR PANEL # 3

EB-2012-0064

TORONTO HYDRO ICM APPLICATION

CONSUMERS COUNCIL OF CANADA

Ontario Energy Board	
FILE No.	<u>EB-2012-0064</u>
EXHIBIT No.	<u>K5.1</u>
DATE	<u>December 14, 2012</u>
08/99	

1

**RESPONSES TO CONSUMERS COUNCIL OF CANADA
INTERROGATORIES ON ISSUE 1.2**

1 **INTERROGATORY 9:**

2 **Reference(s):** **Tab 2**

3

4 Please provide, for the period 2006-2012 THESL's as filed forecast, Board approved and
5 actual capital expenditures in the same format as Exhibit D1/T7/S1/p. 16
6 (EB-2010-0142).

7

8 **RESPONSE:**

9 THESL is not able to present the capital expenditures for 2006 and 2007 in the requested
10 format because it did not track capital costs in the same manner as that presented in
11 Exhibit D1, Tab 7, Schedule 1 of EB-2010-0142. The table below presents the actual
12 capital expenditures from 2008 to 2011 in the format requested. With respect to 2012
13 information, THESL is not able to provide the actual and forecast capital expenditures in
14 the same format requested as THESL adopted a different manner of presenting the said
15 information as the current rates proceeding is under an incentive regulation mechanism
16 and not cost of service. Please also see THESL's response to SEC interrogatory 6
17 (Tab 6E, Schedule 10-6).

18

19 Table 2 below presents the 2012 actual capital expenditures until August 31, 2012 and
20 the 2012 forecast total capital expenditures which include the said actual figures. This
21 table is also presented in Table 1 of the Addendum to the Manager's Summary in Tab 2.

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RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES ON ISSUE 1.2

1 Table 1

	2008 Actual	2009 Actual	2010 Actual	2011 Actual
OPERATIONAL INVESTMENTS				
Grid System Investments				
Underground System	62.0	68.5	111.6	99.0
Overhead System	19.3	20.5	31.7	39.3
Network System	4.7	5.0	7.4	4.8
Stations	16.8	14.1	17.0	18.2
Total Grid System Investments	102.9	108.2	167.7	161.4
Reactive Work	19.3	20.7	25.1	28.6
Customer Connections	42.8	37.6	42.6	58.2
Customer Capital Contribution	(32.7)	(23.4)	(26.6)	(29.8)
Externally Initiated Plant Relocations	-	-	-	7.8
Capital Contributions to HONI	0.4	0.3	1.1	27.8
Engineering Capital	26.4	25.8	34.5	23.6
AFUDC	2.0	2.8	3.5	5.2
Other	(4.3)	3.1	12.3	(4.2)
Total Distribution Plant Capital	156.8	175.1	260.3	278.6
CORPORATE OPERATIONAL INVESTMENTS				
Fleet & Equipment Services	7.9	9.9	10.6	11.8
Facilities	3.4	7.6	12.1	25.3
Other	0.3	3.2	-	-
Total Corporate Operational Investments	11.6	20.7	22.7	37.1
CUSTOMER SERVICES				
Wholesale Metering	4.4	(0.5)	1.8	-
Smart Metering	5.6	2.6	0.4	10.1
Suite Metering	2.7	3.3	6.4	10.2
Other	0.5	0.3	0.2	0.0
Total CUSTOMER SERVICES	13.2	5.6	8.8	20.3
Total INFORMATION TECHNOLOGY	24.1	35.7	33.0	32.4
Total OPERATIONAL INVESTMENTS	205.7	237.1	324.7	368.4
CRITICAL ISSUES				
Standardization	-	5.7	30.2	44.6
Downtown Contingency	-	-	1.1	4.7
FESI / WPF	-	-	16.7	19.3
Stations System Enhancements	-	(1.0)	5.8	4.7
Secondary Upgrade	-	-	2.6	3.9
Total CRITICAL ISSUES		4.7	56.4	77.1
TOTAL CAPITAL	205.7	241.7	381.1	445.5

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RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES ON ISSUE 1.2

1 Table 2

Schedule Number	Projects	Segments	2012 Actuals (Aug/12)	2012 Forecast
B1	Underground Infrastructure and Cable	Underground Infrastructure	14.63	28.75
B2		Paper Insulated Lead Covered Cable - Piece Outs and Leakers	-	0.08
B3		Handwell Replacement	6.37	13.65
B4	Overhead Infrastructure and Equipment	Overhead Infrastructure	1.63	9.07
B5		Box Construction	0.02	0.58
B6		Rear Lot Construction	9.36	16.36
B7		Polymer SMD-20 Switches		
B8	Network Infrastructure and Equipment	SCADA-Mate R1 Switches		
B9		Network Vault & Roofs	0.65	2.84
B10		Fibertop Network Units	0.00	1.48
B11		Automatic Transfer Switches (ATS) & Reverse Power Breakers (RPB)		
B12	Station Infrastructure and Equipment	Stations Power Transformers	-	0.38
B13.1 & 13.2		Stations Switchgear - Municipal and Transformer Stations	1.05	1.73
B14		Stations Circuit Breakers	0.11	0.76
B15		Stations Control & Communication Systems	0.03	0.14
B16		Downtown Station Load Transfers	0.03	0.68
B17	Bremner TS	Bremner Transformer Station	3.38	8.50
B18	Hydro One Capital Contributions	Hydro One Capital Contributions	18.21	22.98
B19	Feeder Automation	Feeder Automation	-	2.30
B20	Metering	Metering	2.41	4.74
B21	Plant Relocations	Externally-Initiated Plant Relocations and Expansions	2.23	10.16
C1	Operations Portfolio Capital		71.92	120.51
C2	Information Technology Capital		13.53	22.00
C3	Fleet Capital		0.73	0.80
C4	Buildings and Facilities Capital		3.01	5.00
	Allowance for Funds Used During Construction			1.20
Total			149.30	274.68

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Note: Updated amount for 2012 Hydro One Capital Contributions reflects a credit amount from a prior period, unrelated to proposed ICM projects.

**TECHNICAL CONFERENCE UNDERTAKING RESPONSE
INTERVENOR 6 – CONSUMERS COUNCIL OF CANADA**

1 **UNDERTAKING NO. JT2.14:**

2 **Reference(s):**

3 Provide “as filed” capital numbers for 2006-2011, in format of CCC #9 (with exception
4 of year(s) in which as no request was filed).

5

6 **RESPONSE:**

7 THESL is not able to present the capital expenditures for 2006 and 2007 in the requested
8 format because it did not track capital costs in the same manner as that presented in
9 CCC#9. The 2008 to 2011 “as filed” capital numbers are presented in the below table.

5

TECHNICAL CONFERENCE UNDERTAKING RESPONSE INTERVENOR 6 – CONSUMERS COUNCIL OF CANADA

	2008 Filed	2009 Filed	2010 Filed	2011 Filed
OPERATIONAL INVESTMENTS				
Grid System Investments				
Underground System	75.9	81.8	106.6	112.4
Overhead System	17.3	18.9	22.0	46.8
Network System	4.5	6.2	5.7	15.1
Stations	17.4	17.1	22.7	22.5
Total Grid System Investments	115.2	124.0	157.0	196.8
Reactive Work	15.6	15.5	22.5	22.2
Customer Connections	36.4	37.4	32.5	41.8
Customer Capital Contribution	(19.6)	(19.6)	(24.4)	(16.7)
Externally Initiated Plant Relocations			27.8	12.2
Capital Contributions to HONI				15.0
Engineering Capital	26.4	27.1	31.2	39.4
AFUDC	3.3	3.9	4.4	6.6
Other	5.9	8.8	2.8	2.7
Total Distribution Plant Capital	183.0	197.1	253.8	320.0
CORPORATE OPERATIONAL INVESTMENTS				
Fleet & Equipment Services	8.8	8.2	11.4	13.3
Facilities	25.3	17.8	12.6	13.2
Other	0.4	0.1	4.4	2.7
Total Corporate Operational Investments	34.5	26.1	28.4	29.2
CUSTOMER SERVICES				
Wholesale Metering	13.0	16.5	10.9	4.9
Smart Metering	36.2	34.6	2.4	12.6
Suite Metering				2.6
Other			0.6	0.5
Total CUSTOMER SERVICES	49.2	51.1	13.9	20.6
Total INFORMATION TECHNOLOGY	27.7	27.2	33.3	32.8
Total OPERATIONAL INVESTMENTS	294.4	301.5	329.4	402.6
CRITICAL ISSUES				
Standardization	-	-	32.7	4.7
Downtown Contingency	-	-	31.3	5.4
FESI / WPF	-	-	5.5	10.9
Smart Grid Operations			3.0	1.3
Stations System Enhancements	-	-	15.2	33.1
Secondary Upgrade	-	-	6.5	10.0
Energy Storage				30.0
Total CRITICAL ISSUES	-	-	94.2	95.4
TOTAL CAPITAL	294.4	301.5	423.6	498.0

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**RESPONSES TO CONSUMERS COUNCIL OF CANADA
INTERROGATORIES ON ISSUE 1.2**

1 **INTERROGATORY 10:**

2 **Reference(s):** **Tab 2**

3

4 Please provide the level of capital expenditures that THESL agreed to in the 2010 and
5 2011 Settlement Agreements.

6

7 **RESPONSE:**

8 The settlement proposal approved by the Board for 2010 includes capital expenditures of
9 \$350M plus a deferral account for an additional \$27.8M in capital spending for Transit
10 City. THESL's 2011 Settlement Agreement capital expenditures was \$378.8M.

AIRD & BERLIS LLP

Barristers and Solicitors

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E-mail: fcass@airdberlis.com

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THESL

December 6, 2012

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

Dear Ms. Walli:

Re: Application by Toronto Hydro-Electric System Limited; EB-2012-0064

The purpose of this letter is to make the Board and all parties aware of certain items that will be referred to during the examination of the witnesses at the hearing of this matter next week.

First, we have attached a copy of a document that will be introduced during the examination in chief of Toronto Hydro's rates, revenue requirement and finance witness panel (Panel 3).

Second, Toronto Hydro will be sending to the Board and all parties copies of a booklet of visual aids (comprised largely of photographs from the pre-filed evidence) that has been prepared to assist the Board in its consideration of the work proposed by Toronto Hydro in the application under the Incremental Capital Module. The version of the booklet printed on paper will be sent out so that the Board and parties will have it tomorrow and an electronic version of the booklet will be circulated to the Board and parties today. The booklet will be introduced during the examination in chief of Toronto Hydro's capital projects witness panel (Panel 2) and we anticipate that it may also be of assistance to the Board when the witnesses respond to questions from others about the capital projects.

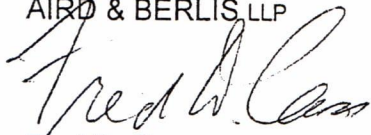
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December 6, 2012
Page 2

If you have any questions about this letter, please do not hesitate to contact us in that regard.

Yours truly,

AIRD & BERLIS LLP



Fred D. Cass

FDC/

c.c. All EB-2012-0064 Intervenors
Amanda Klein, THESL

Attachment 1

Supporting Document – Rates, Revenue Requirement, Finance Panel

THESL'S Proposed ICM Adders based on OEB ICM Framework

	\$ millions	2012	2013	2014	Totals	Notes
Capital Spending		283.0	579.0		862.0	[A]
Less: Threshold (including 20% deadband)		173.0	173.0		346.0	[B]
ICM Additions to Rate Base		110.0	406.0		516.0	[C] = [A] - [B]
Approximate capital recovery factor		10%	10%			
ICM Adder for 2012 Spending		11.0	11.0	11.0	33.0	
ICM Adder for 2013 Spending			40.6	40.6	81.2	
Total Revenue from ICM Adders over IRM Period					114.2	

THESL's Unfunded Net Fixed Assets During IRM Period

	\$ Millions	2011	2012	2013	2014	Total	Notes
2011 Approved Closing NFA		2,105.1					
2011 Approved Average NFA		2,001.5					[A]
2012 Opening Incremental NFA		103.7					
Opening Net Fixed Assets							
Pre-2012 CWIP			2,105.1	2,149.1	2,476.0	-	[B] = Prior Year's Closing Net Fixed Assets
Additions from 2012 Capital Spending			67.0	45.5	32.3	144.7	
Additions from 2013 Capital Spending			116.3	140.6	26.1	283.0	
Depreciation - pre-2012 Asset Base			-	283.8	295.3	579.1	
Depreciation - Pre-2012 CWIP			(134.7)	(122.5)	(117.1)		
Depreciation - 2012 and 2013 Additions			(1.0)	(2.7)	(3.9)		
			(3.6)	(17.7)	(31.7)		
Closing Net Fixed Assets			2,149.1	2,476.0	2,677.0		[C]
Average Net Fixed Assets			2,127.1	2,312.6	2,576.5		[D] = ([B] + [C]) / 2
Less: Net Fixed Assets funded through rates			2,015.1	2,028.8	2,042.6		[E] = [A] growing at 0.68% annually
Unfunded Net Fixed Assets			112.1	283.8	533.9		[F] = [D] - [E]
10% Proxy Revenue Attraction Factor			11.2	28.4	53.4	93.0	[G] = [F] x 10%
2012 unfunded revenue requirement			11.2	11.2	11.2		
2013 unfunded revenue requirement			-	17.2	17.2		
2014 unfunded revenue requirement			-	-	25.0	93.0	

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RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES ON ISSUE 4.2

1 **INTERROGATORY 24:**

2 **Reference(s):** none provided

3

4 Assuming THESL's application, as filed, is accepted by the Board, please set out the
5 distribution rate increase for a typical residential customer for each year 2012-2014. In
6 addition, please provide the total bill impact for a typical residential customer for each
7 year.

8

9 **RESPONSE:**

10 The updated information requested can be found in Tab 3, Schedule C1.2, page 1 and
11 Tab 3, Schedule C2.2, page 1. For convenience, the information is summarized below.

	Monthly Bill			Change (\$)		Change (%)	
	2011 Approved Rates	2012 Interim Rates	2013 Proposed	2012 over 2011	2013 over 2012	2012 over 2011	2013 over 2012
Distribution (inclg. rate riders)	\$29.50	\$31.33	\$35.37	\$1.83	\$4.04	6.2%	12.9%
Transmission	\$10.09	\$10.09	\$11.36	\$0.00	\$1.27	0.0%	12.5%
Regulatory, DRC and Energy	\$72.94	\$76.33	\$76.33	\$3.39	\$0.00	4.6%	0.0%
Total bill (before taxes)	\$112.53	\$117.75	\$123.05	\$5.22	\$5.30	4.6%	4.5%
Evidence Reference	Tab 3, Schedule C1.2, p.1	Tab 3, Schedule C2.2, p.1	Tab 3, Schedule C2.2, p.1				

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**RESPONSES TO CONSUMERS COUNCIL OF CANADA
INTERROGATORIES ON ISSUE 4.2**

- 1 As described in its cover letter, dated October 31, 2012, THESL has asked the OEB to
- 2 consider the work programs identified for 2012 and 2013 together, and to defer
- 3 consideration of the work program for 2014 to a later date. In light of this requested
- 4 bifurcation of the proceeding and THESL's obligation to update the 2014 information for
- 5 any material changes prior to it being reviewed, it would not assist the OEB or
- 6 intervenors to provide the 2014 information requested in this interrogatory during the first
- 7 phase of this application.

October 31, 2012

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

Dear Ms. Walli:

Re: Application by Toronto Hydro-Electric System Limited; EB-2012-0064

We are writing to confirm that, today, Toronto Hydro-Electric System Limited (THESL) is filing with the OEB an update to its evidence in EB-2012-0064 (the "Update"). As stated in THESL's letters to the OEB dated September 13, 2012 and October 22, 2012, this Update reflects the results of THESL's review of the ICM jobs described in the application, to determine the extent to which the work plan must be updated to take account of the passage of time since the application was originally filed.

The Update represents a detailed, job-level review of the proposed capital expenditure program. THESL has applied this level of granularity to the Update for two reasons. First, the nature and circumstances of this incremental capital module ("ICM") application calls for an increased level of detail in the evidence. Second, the OEB has generally expressed a desire for more transparency and detail respecting THESL's evidence.

THESL sees the ICM as a regulatory instrument which allows for the funding of necessary capital expenditures in a context where there is no other mechanism available for funding those expenditures. These are the precise circumstances in which the utility finds itself – THESL presently has no other option to fund essential work. THESL believes that the work plan described in this update meets the requirements and intent of the incremental capital module as it has evolved over time, including the relevant ICM factors, such as need and prudence.

15

Content and Organization of the Update

The Update will provide the OEB and intervenors with new forecasts of job scheduling and cost estimates that THESL has developed over the past five months.¹ The updated evidence primarily addresses a shifting of jobs between ICM years, due to both the passage of time, and THESL's operational experience, since the application was filed in May of 2012.

To this end, the Update is effectively a "snapshot in time" which provides a more refined and fine-grained picture of THESL's work plan for 2012 and 2013. Since the filing of the application, time has passed and THESL has needed to complete certain essential work and plan for near-term execution of other essential work. As a result, THESL has been able to further refine the information in the application on the timing and sequencing of certain jobs, as well as the cost estimates associated with that work. This new information is reflected throughout the updated evidence.

All of the activity funded as a result of the OEB's decision in this case will be subject to a true-up process. THESL is committed to developing a true-up mechanism satisfactory to the OEB and is open to working with Board staff and intervenors to that end. In this way, ratepayers can have the full benefit of needed capital works, while being protected against under-spend or imprudent over-spend.

THESL has also taken the opportunity that the updating of the evidence presents to include in the Update:

- (a) Removal of the Grid Solutions project;² and
- (b) Corrections to original evidence.³

Finally, THESL has included with the Update responses to the interrogatories it deferred on October 5, 2012. For convenience, THESL's responses in this regard include an index of deferred interrogatories.

THESL will file its update through RESS, deliver hard copies to the OEB and provide an electronic copy to intervenors. As soon as is possible, THESL also intends to provide to parties an electronic convenience copy, including the updated pages, of the sections of its evidence affected by the Update.

¹ In some cases, THESL has been able to replace estimates with actuals.

² Pursuant to THESL's letter dated October 5, 2012.

³ Discovered in the course of preparing interrogatory responses and the evidence update.