

INTERROGATORIES FOR TORONTO HYDRO-ELECTRIC SYSTEM LIMITED

FROM THE CONSUMERS COUNCIL OF CANADA

EB-2012-0064

1. Incentive Regulatory Mechanism (IRM) Schedules and Models

1.1 Are the IRM Model Filings by THESL, including the tax sharing proposal for 2012, in accordance with the Board's requirements and, if not, are any proposed departures adequately justified?

1.1. CCC – 1

Tab 2/p. 3 The evidence states, "To the greatest extent possible THESL has prepared this application in accordance with Chapter 3 of the Board's Filing Requirements for Transmission and Distribution Applications dated June 22, 2011, as well as other guidelines and directions from the Board, including the Board's January 5, 2012 Decision with Reasons on the Preliminary Issue in EB-2011-0144 together with Board Decisions on other ICM applications." Please indicate where THESL has deviated from the Filing Requirements. Where THESL has deviated from the Filing Requirements please set out the reasons why it has done so.

1.2

Is THESL's proposal that the Board approve under the IRM framework separate and successive ICM revenue requirements and corresponding distinct electricity rates and rate adders for each of the 2012, 2013 and 2014 rate years appropriate?

1.2 CCC- 2

Tab 2 Please provide all materials provided to THESL's Board of Directors and Senior Management when seeking approval of the 2012-2104 application.

1.2 CCC- 3

Tab 2 Please provide a description of all of the alternatives THESL considered for 2012-2014 rates and indicate why those alternatives were rejected.

1.2 CCC- 4

Tab 2/ p. 7 Please explain what is meant by the following comment, "THESL understands that delays and advancements in job timing would be assessed as to their impacts on the final approved revenue requirements stemming from the ICM projects upon true-up at the time of rebasing." What, specifically, is THESL proposing regarding how its rates would be rebased?

1.2 CCC-5

Tab 2/p. 7 Please explain specifically what type of reporting THESL is proposing with respect to "the status and progress for each project." Please provide any templates that have been prepared.

1.2 CCC- 6

Tab 2/p. 8 Does THESL plan to update its application and proposed capital budgets for the three-year period based on 2012 actual expenditures to date? If not, why not?

1.2 CCC- 7

Tab 2/ p. 9 The evidence states that, "It is also essential for the purpose of obtaining the most favourable terms from external contractors that THESL be able to offer those contractors the prospect of a predictable and preferably steady volume of work." Has THESL already entered into arrangements with contractors to undertake the entire proposed 3-year capital spending program ? Please explain the comments, " The costs of the ICM projects proposed in this Application are estimated based on the existing contracts between THESL and its contractors. However, the availability of this pricing may be contingent on both the level and predictability of the work that THESL can offer those contractors." Please elaborate on how the costs of those projects might change depending upon contractor pricing?

1.2 CCC- 8

Tab 2/p. 2 The evidence states that, "The specific projects THESL includes within the ICM reflect the minimum amount of infrastructure renewal THESL must undertake over the next three years to maintain current overall levels of safety and reliability". Please explain, specifically, how THESL determined that this level of spending represented the "minimum" level of for the next three years?

1.2 CCC-9

Tab 2 Please provide, for the period 2006-2012 THESL's as filed forecast, Board approved and actual capital expenditures in the same format as Exhibit D1/T7/S1/p. 16 (EB-2010-0142).

1.2 CCC- 10

Tab 2 Please provide the level of capital expenditures that THESL agreed to in the 2010 and 2011 Settlement Agreements.

1.2 CCC- 11

Tab 2 If the Board rejects THESL's proposal for a rate adjustment for 2012, how would this impact THESL's capital expenditure budgets for 2013 and 2014?

1.3 Is THESL's proposal that the Board recognize in rates THESL's approved 2011 year-end rate base appropriate?

1.3 CCC-12

Tab 2 p. 4 What would be the impact on the 2012 revenue requirement assuming THESL's proposal to recognize its 2011 year-end rate base in 2012 was not approved?

1.3 CCC-13

Tab 2 Please provide the detailed capital expenditure forecast for 2011, the Board approved amounts and the actual expenditures.

1.3 CCC-14

Tab 2/p. 5 THESL's actual expenditures in 2011 were \$445.5 million in 2011, whereas Board approved expenditures were \$378.8 million. How were those expenditures funded given the statement on p. 8 that, "THESL has only one source of funding for the capital related costs of its capital expenditures, which is revenue from its distribution rates."

1.3 CCC-15

Tab 2/p. 6 Please provide the detailed calculation of the \$12.6 million.

1.4 What is the consequence of this application on any future application by THESL for rates for 2013 and/or 2014?

1.4 CCC-16

Tab 2/p. 14 How does the Board's recent announcement regarding the Renewed Regulatory Framework for Electricity impact THESL's application? The evidence states that, "While the implementation of the new framework remains to be determined, it is THESL's view that nothing in this application would constrain the adoption of a new framework for THESL, even prior to 2015". Does this imply that if the Board approved 2014 rates, and a final rate order arising from this application, THESL would be free to re-apply for rates for 2014 under the new framework?

Incremental Capital Module (ICM)

2.1 is THESL's application of the ICM criteria appropriate?

2.2 Has THESL provided sufficient evidence including consultant reports, business cases and consideration of alternatives for the proposed capital projects to adequately justify them?

2.2 CCC-17

Tab 2/p. 15 Please rank the proposed projects in terms of which are the most important to ensure that THESL maintains its current level of safety and reliability. Within each project please do the same with respect to the "segments".

2.2 CCC-18

Tab 2/p. 16, Tab 4/Schedule A/Appendix 1 The evidence states that "Every project addresses a well-defined need that must be met in the short-term, i.e. over the three-year period." With respect to each of the listed projects please provide evidence as to why these projects cannot be undertaken over a longer period of time.

2.3 Is THESL's proposal that the Board consider ICM projects for a three-year period, severable into three successive in-year rate periods, each with its own ICM rate adder appropriate?

2.4 Is THESL's proposal for an alternative to the standard treatment of the calculation of the ICM threshold together with the Board's practice of exempting certain ICM-approved capital expenditures from the application of the half year rule appropriate?

2.4 CCC-19

Tab 2/p. 18 The evidence states that THESL has retained external consultants to provide independent analysis and opinion on its Business cases for its proposed ICM projects and its AM methodologies. Were the consulting contracts obtained through an RFP process? If not, why not? If so, please provide the RFPs, the responses from those retained, and the Terms of Reference for each study. What was the cost of each of the studies and how are those costs to be recovered?

2.4 CCC-20

Tab 2/p. 20 The evidence states that "Because smart meters were installed in large numbers over a short interval, their replacement pattern will exhibit the same characteristic : a sharp peak in activity, rather than a smooth and uniform pattern of activity." Is THESL including the replacement of smart meters in its 2012-2013 capital program? If so please explain the details of the replacement and the annual expenditures?

2.4 CCC-21

Tab 2/p. 23 Please provide a detailed explanation as to how THESL reduced its capital budget for 2012 from \$590 million in 2012 (as per EB-2011-0144) to \$448.7 million. In the previous application THESL indicated that the planned investments (\$590 million for 2012) were required to maintain the adequacy, reliability and quality of electricity distribution service to THESL's customers (D1/T8/S1). Why are there now \$141.3 million less required expenditures to maintain adequacy, reliability and the quality of distribution service?

2.4 CCC-22

Tab 2/p. 22 Tab 4/Schedule A/Appendix 1 THESL has set out the cost estimates for each of the proposed projects for the three year period. Assuming that the Board approved the projects and the costs as proposed, what is THESL's proposal for rebasing? What happens if THESL spends more on each project or less than the forecast? Is THESL's proposal for the Board to determine the allowed amount for each project? Please explain how a true-up mechanism would work.

Deferral and Variance Accounts:

3.1 Is the proposed final disposition of the PILS Deferral Account 1562 appropriate, including the proposed rate riders?

3.2 Is the proposed final disposition of all remaining Deferral and Variance Accounts appropriate, including the proposed rate riders?

Implementation

4.1 Has THESL appropriately complied with the Final Order Regarding Suite Metering Issues dated April 26, 2012 in EB-2010-0142 including the name "Competitive Sector Multi-Unit Residential" for the new Quadlogic Class?

4.1 CCC-23

Tab 2 What is the expected revenue in 2012 for the new Competitive Sector Multi-Unit Residential rate class? What would the revenue have been in 2012 from these customers if the rate change had not been made?

4.2 Are THESL's proposals relating to rate implementation appropriate for each of the years 2012, 2013 and 2014?

4.2 CCC-24

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

4.2 CCC-25

Please provide a schedule setting out an average annual THESL residential bill for each year 2006-2011. Please provide a forecast for 2012, 2013 and 2014, assuming THESL's proposals are approved.

4.2 CCC-26

Tab 2/p. 21 From a legal perspective how can the Board now declare rates interim effective June 1, 2012? Why would this not constitute retroactive rate-making?

4.2 CCC-27

Tab 2/p. 21 Assuming the Board approves THESL's proposals and effective date for 2012, how does THESL intend to communicate the rate changes to its customers? Has any communication been undertaken to date with respect to this issue? The Council's concern is that customers would not know, likely until Q1 2013, that the rates they have been paying will be subject to a retroactive adjustment back to June 1, 2012. This would be particularly problematic given the extremely hot summer in 2012. Please comment on how THESL proposes to address this concern.

4.2 CCC-28

Tab 2/p. 21 Please explain why THESL should get full recovery of its revenue requirement for 2012 given its application was not filed until May 10, 2012.

4.2 CCC-29

Tab 2 Please provide a schedule setting out THESL's approved and actual ROE for each year 2006-2011. Please provide the most current estimate of its expected ROE for 2012.