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September 17, 2012

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

VIA MAIL and E-MAIL
35 pages

Dear Ms. Walli:

**Re: EB 2012-0064 – Toronto Hydro- Electric System Limited (THESL)
Interrogatories of the Vulnerable Energy Consumers Coalition (VECC)**

On Friday, September 14, 2012, we filed interrogatories on behalf of the Vulnerable Energy Consumers Coalition (VECC) it has just been brought to our attention that the document was not complete and pages were missing. We have now attached the complete document to include all 122 interrogatories.

Please disregard the previous filing dated September 14, 2012 and replace with the attached.

Thank you.

Yours truly,

A handwritten signature in black ink, appearing to read 'Michael Janigan', is written over a light blue horizontal line.

Michael Janigan
Counsel for VECC

cc:

OEB – Case Manager – Martin Davies martin.davies@ontarioenergyboard.ca
OEB – Counsel – Michael Millar – michael.millar@ontarioenergyboard.ca
THESL Senior Regulatory Counsel - Amanda Klein regulatoryaffairs@torontohydro.com
THESL Applicant Counsel – Fred Cass – fcass@airdberlis.com
All intervenors - via email

TORONTO HYDRO-ELECTRIC SYSTEM LIMITED (THESL)
DISTRIBUTION RATE APPLICATION FOR RATES EFFECTIVE
JUNE 1, 2012, MAY 1, 2013 AND MAY 1, 2014

EB-2012-0064

VECC INTERROGATORIES

ISSUE 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 VECC #1

Reference: Tab 2, page 3, lines 12-14

- a) Please specifically identify those “new approaches” proposed by THESL that deal with particular issues the Board has not “expressly pronounced on”.

1.1 VECC #2

Reference: Tab 3, Schedule E1, page 4
Tab 2, Appendix 1, page 2

- a) Please reconcile the “% of Revenue” values shown columns K to N of the first reference with those shown in columns A to C of the second reference. (Note: The values in columns K-M of the first reference must be multiplied by the value in column N to get the comparable values in the second reference)

1.1 VECC #3

Reference: Tab 4, Schedule E1.1, pages 5 and 7 - 9

- a) Please explain the basis for the loads/customer count and rates used on each of the following three pages: 5, 7 and 8.
- b) Please review the rates and loads associated with each class on pages 5 and 8 and reconcile any differences. For example, on page 5 the second USL class associates the \$0.49 service charge with 21,729 connections

and no volumes or volumetric charges. However, on page 8, the first USL class associates the \$0.49 service charge with 1,130 connections as well as volumetric use and volumetric charges.

- c) Please provide weather normalized usage values for 2010.
- d) Please re-do page 7 based on weather normalized loads.

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

1.2 VECC #4

Reference: Tab 2, page 6, lines 29-3

- a) Please explain more fully what THESL means by:
 - "each distinct year being severable", and
 - "each year having distinct distribution rates".Are these points (particularly the last one) meant to refer to the ICM rate riders or the overall distribution rates?

1.2 VECC #5

Reference: Tab 2, page 8, lines 7-8

- a) Is THESL proposing to establish a variance account that will return to ratepayers any variance in the 2012-2014 revenue offsets from those included in the 2011 approved revenue requirement and rates?
- b) If not, please explain how for the years 2012-2014 the revenues THESL gains from other sources will be "returned" to ratepayers.

1.2 VECC #6

Reference: Tab 2, page 8

- a) Does THESL agree that one of the objectives of IRM is to provide electricity distributors with increased incentives to improve efficiency in the use of resources? If not, why not?
- b) THESL claims that there are no other resources that it can draw upon to fund the costs of investments it makes during the IRM period. Please confirm that any additional resources (e.g. funds) freed up through

increased efficiencies (over and above those reflected in rates) would be available to help fund new investments. If not, why not?

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

1.3 VECC #7

Reference: Tab 2, pages 4-6

- a) Is THESL's proposal for a rate rider to recognize the 2011 year-end rate base separate (i.e. severable) from its ICM proposal?
- b) Is it THESL's contention that the Board was not aware of the ½ year rule impact on rate base issue when it approved the 3rd Generation IRM? If yes, what is the basis for this view?
- c) Please confirm that, under a price-capped based IRM approach (as adopted by the OEB), distribution rates for the test year are not based on the test year's costs as is the case under a cost of service approach.
- d) If IRM rates are not cost-based, please explain the basis for THESL's contention that it is experiencing "an effective disallowance of \$120 M of approved rate base".
- e) Please explain why its is appropriate to select and adjust certain specific "contributors" to what would be the calculation of a cost of service-based revenue requirement determination in 2012-2014 (e.g., 2011 year-end rate base) while ignoring others.

1.3 VECC #8

Reference: Tab 2, Appendix 1, page 1

- a) Please confirm that, based on the ½ year rule, \$189.4 M of the \$378.8 M in approved capital spending for 2011 would have been included in the approved rate base for 2011 and in the derivation of the 2011 rates. If not, how much of the \$378.8 M was included in the approved rate base for 2011?
- b) How is this accounted for in the calculations set out in Appendix 1?

1.3 VECC #9

Reference: Tab 2, page 5

- a) How much of the actual capital spending for 2011 (\$445.5 M) was related to facilities that were in-service and used & useful as of 2011 year end?

1.3 VECC #10

Reference: Tab 2, Appendix 1

- a) Please confirm that the allocation of the \$12.9 M for 2012 to customer classes is based on each class' revenue contribution to the approved base distribution revenue requirement using 2011 rates and loads.
- b) If this is the case, please explain why the resulting rider for the Residential class is more than twice that for the Competitive Sector Multi-Unit Residential class (\$0.44 vs. \$0.17) when the monthly service charge is only 7.3% higher (\$18.25 vs. \$17).
- c) Please provide the working excel spreadsheet that derives the fixed and variable revenues for each rate class based on approved rates and the resulting percentages set out in columns A-C of the tables on pages 2-4.

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

1.4 VECC #11

Reference: Tab 1, page 6, lines 8-11

- a) Apart from ICM rate adders for 2013 and 2014 (as set out in paragraph 14), specifically what is THESL requesting the Board approval for (at this time) regarding the distribution rates to be effective May 1, 2013 and May 1, 2014?

ISSUE 2 Incremental Capital Module ("ICM")

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

2.1 VECC #12

Reference: Tab 1, page 3, lines 24-26
Tab 2, page 3, lines 8-9

- a) Please indicate specifically which Board Decisions on other distributors' IRM applications that included a request for relief pursuant to the Board's Incremental Capital Module THESL has relied on.
- b) Are there any particular directions in these Decisions that guided THESL's preparation of the current Application? If yes, please indicate what they are.

2.1 VECC #13

Reference: Tab 1, page 5, Footnote #1
Tab 2, page 7, lines 23-24 and page 22, lines 9-21

- a) The Application indicates that it is THESL's "understanding" that the Board's ICM includes a true-up of the actual revenue received under the ICM rate adders versus the ultimately approved amount and that any variance is refunded to/collected from customers in the next cost of service rate year. Please provide the Board Policy/Decision references that form the basis for this understanding.

2.1 VECC #14

Reference: Tab 2, page 14, lines 17-23

- a) THESL states that it is addressing the criteria cited specifically by the Board in its EB-2011-0144 Decision in reference to a potential ICM application by THESL. Please indicate what specific criteria THESL is referring to.

2.1 VECC #15

Reference: Tab 2, page 15, lines 8-10 and page 16, lines 20-21 & 27-30

Preamble: THESL states that each of the capital projects is clearly identifiable, coherent and distinguishable from other projects.

- a) For each Project, please indicate whether it is new for 2012 or whether the approved 2011 revenue requirement included jobs related to the project. For example, with the respect to the project discussed in Tab 4, Schedule B1, did the 2011 approved revenue requirement and associated capital spending include jobs addressing the replacement of direct buried cable with cable in concrete-encased ducts?
- b) If the 2011 approved revenue requirement included jobs associated with the project, please indicate the amount of spending for such jobs: i) included in THESL's 2011 Rate Application, ii) included in THESL's

approved 2011 capital spending, and iii) included in THESL's actual 2011 capital spending. Also, for each such project, please indicate why it is considered "new and incremental to the rebasing year (2011) revenue requirement".

- c) For those Projects identified in response to part (a), please reconcile THESL's request for ICM treatment with the Board's EB-2008-0187 Decision (pages 7-9) which deemed that such projects were not eligible for ICM treatment.
- d) Does the anticipated spending on any of the proposed ICM projects extend beyond 2014? If yes, please identify the project and provide the anticipated annual spending post-2014 through to completion.
- e) If the response to part (d) is yes, please reconcile this with the statement on page 16 that "every project addresses a well-defined need that must be met in the short-term".

2.1 VECC #16

Reference: Tab 2, page 16, lines 3-5
Tab 4, Schedule A, Appendix 1, page 1

- a) How much of the capital spending for each year (as set out in Tab 4) is for facilities that will actually be in-service by the end of the year in which the capital is reported as being spent?
- b) If all the capital spending set out in Tab 4 will not be in-service the same year in which the spend occurs, please provide a schedule that sets out for each of 2012 through 2014 year ends, the capital spending that is "in-service" versus "work-in-progress".

2.1 VECC #17

Reference: Tab 2, page 23, lines 1-2

Preamble: The Board's ICM filing requirements as set out on pages VI and VII of Appendix B in the Supplementary require the Applicant to provide a description of the actions the distributor will take in the event that the Board does not approve the application

- a) Is it THESL's position that it will not undertake the proposed capital spending if the ICM request is not approved (per the statement on page 23)?

- b) If yes, what actions will THESL take to address/manage the issues identified in the Application?
- c) What is the current status of the ICM spending proposed for 2012? Please provide a schedule that sets out the actual 2012 spending to date for each project.

2.1 VECC #18

Reference: Tab 2, Appendix 2, page 1

- a) Please provide a schedule that sets out THESL's actual 2010 distribution billing determinants by customer class, its approved 2011 distribution billing determinants by customer class and its actual 2011 distribution billing determinants by customer class.
- b) Using the approved 2011 rates please provide the revenues by class and total revenues associated with each of the three sets of billing determinants.

2.1 VECC #19

Reference: Tab 4, Schedule E1.1, page 11

- a) Please provide fully accessible versions of the ICM models that allow parties to see the derivation of the Incremental Capital CAPEX (e.g. \$275,754,831 for 2012).

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 VECC #20

Reference: Tab 2, page 2, lines 7-8

- a) Please provide the 2006-2011 values for the Board's three reliability performance measures. For each year, please break down each of the reliability performance measures so as to separate out the impact of upstream outages (e.g., outages on HON's facilities). Please also separate out the impact of equipment outages due to equipment failure as opposed to external events such as lightning, traffic accidents, etc.
- b) How does THESL's reliability performance compare with that of the other electricity distributors in its IRM cohort?

2.2 VECC #21

Reference: Tab 2, page 17, lines 20-21

- a) Please provide a schedule which indicates which of the five "considerations" apply to each project and thereby (in THESL's view) make it essential and non-discretionary.
- b) For those projects where reliability degradation is a consideration, please indicate whether the issue is existing degradation or imminent degradation. If the latter, please indicate the timeframe involved.
- c) For those projects where capacity shortages are a consideration, please indicate whether the issue is an existing or an imminent capacity shortage. If the later, please indicate the timeframe over which the capacity shortage is expected to occur.

2.2 VECC #22

Reference: Tab 2, page 17
Tab 2, Appendix 4

- a) Appendix 4, page 6 (lines 7-16) suggest that an approach similar to that outlined for the Feeder Investment Model is applied a wide range of asset in order to determine the optimal timing for re-investment. Please indicate which of the ICM projects are subjected to this analysis.
- b) Tab 2 (page 17) lists five considerations based on which a project can be viewed as "non-discretionary". If a project qualifies for imminent implementation based on the Avoided Risk Analysis (per Appendix 4) is this sufficient for it to be viewed as "non-discretionary"?
- c) If the response to part (b) is yes, which of the five criteria/considerations listed on page 17 does such a circumstance fall under?
- d) If the response to part (b) is yes, please identify those proposed projects/segments (per Tab 4, Appendix A, Schedule 1) where this is the sole basis for the project/segment being considered as "non-discretionary".

2.2 VECC #23

Reference: Tab 2, page 18, lines 20-27 and page 19, lines 6-18

- a) Does the OHSAS 18001 Standard provide explicit direction as to where on the hierarchy of controls a Company should be (at a minimum) with respect to specific safety hazards? If yes, please provide a schedule that identifies those projects justified (all or in part) on safety considerations and indicate i) where THESL currently is with respect to this minimum standard and ii) where THESL will be after the completion of the projects.
- b) Does replacing equipment that is not functioning at an "acceptable current standard" eliminate all residual safety risk? If so, please explain how, given that the equipment may still be subject to failure.

2.2 VECC #24

Reference: Tab 2, page 14, lines 17-23

Preamble: THESL states that "prudence" is defined as the achievement of or approach to the lowest reasonable life cycle cost consistent with all other constraints.

- a) Does THESL consider year over year bill impacts to be an element of the "public acceptability" constraint noted in the text? If not, why not?

2.2 VECC #25

Reference: Tab 2, page 20, lines 7-12

In its EB-2008-0205 Part II Decision (page 14) on Oshawa PUC the Board determined that:

With respect to the proposed feeder, in its reply submission OPUCN states that at page 25 of the Supplementary Report contemplates that "the application would substantiate the need for incremental capital due to drivers that are non-discretionary in the control of the distributor's management such as: life-cycle replacement of aging distribution assets; ..". That quote is found in the July 14, 2008 Board Report, not the Supplementary Report issued on September 17, 2008. More importantly, the above quotation is the Board's reference of Board staff's proposal to the May 6, 2008 stakeholder meeting. This is not where the Board settled on this matter in either the July 14, 2008 report or the September 17, 2008 report, the latter containing the framework and the details of filing under the incremental capital module. The Board's articulation of what should govern the incremental capital module is as the Board has set out in this decision above.

- a) Please confirm that THESL's proposal to include spending for the replacement of obsolete and failing plant in its ICM request is not

consistent with the purpose of the ICM as outlined in the Board's Decision regarding Oshawa PUC? If THESL disagrees, please fully explain why.

2.2 VECC #26

Reference: Tab 2, page 23, Table 3

- a) Were each of the 2012 projects/jobs proposed in the current Application included in THESL's EB-2011-0144 Application?
- b) For any projects that were not included in the earlier Application, please explain what change in circumstances has led to their inclusion in the current Application.
- c) For those projects/jobs that were included in the earlier Application, please provide a schedule that indicates where in the earlier Application the description of the project/job and the (then) proposed spending can be found.
- d) Please provide a schedule that lists all such projects/jobs (per part (c)) and compares the currently proposed spending for 2012 with that proposed in EB-2011-0144.

2.2 VECC #27

Reference: Tab 2, Appendix 4, pages 3 -5
Supplemental Report of the Board (EB-2007-0673), Appendix B,
page VII

- a) Does the Risk Cost associated with the existing asset include the ongoing maintenance costs as well as any additional maintenance costs associated with repairing the assets when/if they fail?
- b) To the extent earlier replacement is justified on the basis of lower risk costs are there not O&M savings accruing to THESL as compared to the non-early replacement case? If not, please explain why.
- c) Given that such savings represent a source of funds, how are they accounted for in the determination of the ICM requirements – as directed in the Supplemental Report of the Board?
- d) For each of the Segments that utilize a Business Case Evaluation which relies on Avoided Risk cost analysis to support the investment decision please identify the O&M costs avoided over the 2012-2014 period.

2.2 VECC #28

Reference: Tab 2, Appendix 4, page 3

Preamble: THESL states that it bases the magnitude of an outage on the peak load interrupted due to the fact that most outages occur in the peak period.

- a) Please explain how the "cost of a failure" is determined from the magnitude (i.e. kW) of the outage. If THESL is using estimates of customer outage costs, please provide the relevant sources.
- b) Based on the most recent 24 months, how many outages (due to equipment failure) occurred in the peak period and what was the average duration of such outages?
- c) If most outages occur in the peak period, why not use the average load in the peak period as a measure of the magnitude of the outage?

2.2 VECC #29

Reference: Tab 2, Appendix 4, page 4

- a) Please explain how non-asset related failure costs are included in the risk costs. In particular, do they tend to increase risk costs and therefore lead to an earlier intervention year?
- b) As an extreme example, if the utility knew an asset (whether old or new) was going to need to be replaced sometime over the next three years due to a non-asset related event, would this reduce the likelihood of intervention (i.e., pro-active replacement) during this period?
- c) More generally, how does the FIM analysis account for the fact that early intervention/ replacement also means that subsequent failures due to non-asset related events (e.g. weather, human interference, vegetation, etc.) during the intervening will result in having to replace the newer asset as opposed to the older asset which would have been in place without such an intervention?

2.2 VECC #30

Reference: Tab 2, Appendix 4, pages 4 - 5

- a) Figure 3 is somewhat illegible. Please provide an improved copy with a legible explanation of the various components.

- b) Does valuation of early replacement also take into account the risk costs (both asset and non-asset related) associated with the new asset and include these as part of the overall "cost" of early replacement? If so, how?
- c) If possible, please illustrate the overall way the analysis in Figure 3 works using an illustrative example that shows how all the relevant costs (including the cost of the new asset, the asset-related and non-asset related risk costs (for the new and the existing asset) and the sacrificed life values) are taken into account and incorporated into the evaluation.

2.2 VECC #31

Reference: Tab 4, Schedule B1, page 2

- a) As of 2006 how many kilometers of direct buried cable did THESL have?
- b) Please provide a schedule that sets out the kilometers of direct buried cable that were replaced each year between 2007 and 2011.
- c) Was all of this direct buried cable replaced with cable in concrete-encased ducts and, if not, why not?
- d) Over the same 2007-2011 period, was there any replacement of air-insulated pad-mounted switchgear units? If so, were they all replaced with SF6-insulated pad-mounted switch gear units and, if not, why not?
- e) Based on the timing of the jobs set out in Table 1, how many kilometers of direct buried cable will be replaced in each year 2012 – 2014?

2.2 VECC #32

Reference: Tab 4, Schedule B1, pages 4 - 5

- a) Over the period 2007-2011 what has been the annual capital spending on the replacement of direct buried cable and air-insulated pad-mounted switchgear units?

2.2 VECC #33

Reference: Tab 4, Schedule B1, pages 9 – 109

Preamble: The referenced pages describe 34 separate underground asset replacement projects.

- a) Please provide a single schedule that sets out the historical reliability performance (2007-2011) for each of the 34 feeders. Please also include in the schedule the number of unplanned sustained outages in each year by feeder.
- b) Please identify the 5 worst performing direct buried feeders that are not scheduled for rehabilitation/replacement during this period and identify the historical reliability performance of each (2007-2011).

2.2 VECC #34

Reference: Tab 4, Schedule B1, pages 115 - 117

- a) What evidence does THESL have that the increase in outages in 2011 is indicative of a future trend in increasing failures as opposed to a one year aberration in reliability performance?
- b) Please update Figures 42-45 to include the first six months of 2012.

2.2 VECC #35

Reference: Tab 4, Schedule B1, pages 192 - 194

- a) Has THESL undertaken any analysis to determine the level of confidence and/or confidence interval associated with the "optimal intervention time" derived by its BCE process?
- b) If yes, please indicate the analyses that were performed and the results.
- c) If no, does THESL acknowledge that there is some uncertainty associated with the various inputs to the BCE process which in turn will lead to some uncertainty in term of the results?

2.2 VECC #36

Reference: Tab 4, Schedule B1, pages 196 - 197

- a) Please provide a schedule that sets out the Avoided Risk cost results (similar to Table 1) for each of the 34 "jobs".
- b) Please provide the detailed calculations related to Feeder NY80M29 (i.e. the first job described).
- c) For purposes of the analysis what was the assumed cost to customers of an outage and what was the basis for this value?

- d) How sensitive are the results to the value used for the cost to customers of an outage? How would the results change if the customer cost of an outage was reduced by 30%?
- e) How sensitive are the results to the use of average peak period load as opposed to the peak period as the basis for establishing the impact of an outage on customers?

2.2 VECC #37

Reference: Tab 4, Schedule B2, pages 1 - 2

- a) Given that the issues identified with PILC cable have existed since 1990, please provide a schedule that sets out the annual capital spending on PILC cable over the period 2007 -2011 and the kilometers of PILC cable replaced each year.
- b) Please provide a similar schedule for the period 2011 – 2014 based on THESL's proposed spending.

2.2 VECC #38

Reference: Tab 4, Schedule B2, pages 4 -5; 15 and 18 - 24

- a) What was the basis for choosing the jobs/feeders listed in Table 3 over other existing PILC cables on THESL's system?

2.2 VECC #39

Reference: Tab 4, Schedule B2, page 25

- a) Please confirm that the principle reason Option 1 is more costly than Option 4 is due to the reduced productivity associated with repairs that are made on a reactive as opposed to planned/proactive basis.
- b) Is there any economic justification for completing the proactive replacement in three years as opposed to say four or five years? If so, please provide.

2.2 VECC #40

Reference: Tab 4, Schedule B3, page 1

- a) Please clarify whether the reference to there being 11,700 handwells on the THESL system includes or excludes the 5,600 that were replaced between 2009 and 2011.

2.2 VECC #41

Reference: Tab 4, Schedule B3, page 9 and page 13

- a) Why does this project need to be completed over the next 3 years as opposed to a shorter period of time (e.g. 2 years) or a longer period of time (e.g. 4 or 5 years)?

2.2 VECC #42

Reference: Tab 4, Schedule B4, pages 1 and 30

- a) Please contrast the Health Index results noted at lines 19- 22 and on page 30 with the condition of THESL's wood poles in 2007.

2.2 VECC #43

Reference: Tab 4, Schedule B4, page 16

- a) Please provide the details supporting the results reported in Table 1.

2.2 VECC #44

Reference: Tab 4, Schedule B4, page 31

- a) Please explain why the number of poles scheduled for replacement in 2013 is more than double that in either 2012 or 2014.

2.2 VECC #45

Reference: Tab 4, Schedule B4, page 37

- a) Please confirm that non-CSP transformers account for the remaining 90.8% of all overhead transformers. If not, what percentage do they account for?

2.2 VECC #46

Reference: Tab 4, Schedule B4, pages 44 - 46

- a) Is the use of the 75% factor (page 44, line 11) standard industry practice? If so, please indicate what other Ontario distributors use this approach.

- b) What is the basis for the assumption that bus load will grow at 1% annually? Please contrast this value with that used in the calculation of the ICM threshold value in the current Application.
- c) What is the historic base year used to establish the starting point for the application of the 1% bus load growth assumption?
- d) Please re-do Figure 30 using actual loadings for each feeder.

2.2 VECC #47

Reference: Tab 4, Schedule B1, pages 82 - 83

- a) In THESL's view, does the avoided risk cost analysis demonstrate that the Overhead Infrastructure Segment is "non-discretionary"?
- b) If not, what is the basis for THESL's position that this Segment is non-discretionary?

2.2 VECC #48

Reference: Tab 4, Schedule B4, page 94, lines 18-23

- a) Please indicate what range of HI score is considered to indicate very poor condition.
- b) Please clarify whether each of the 83 poles had an average HI score of 15 or whether the average across all 83 was 15. If the latter, what was the range of scores for the 83 poles?
- c) Please provide a similar clarification for the 192 poles reported to have an average HI score of 28 in 2011.

2.2 VECC #49

Reference: Tab 4, Schedule B4, page 152

- a) Please explain what makes the Worst Performing Feeder Overhead Rebuilds "non-discretionary"?

2.2 VECC #50

Reference: Tab 4, Schedule B4, page 159

- a) Please explain what makes the Replacement of Non-Standard Equipment and Overload Transformers "non-discretionary"?

2.2 VECC #51

Reference: Tab 4, Schedule B4, pages 15 and 175-180

- a) Please provide the individual Avoided Estimated Risk Cost for each of the asset being replaced (similar to Table 1).
- b) How sensitive are the results to the value used for the cost to customers of an outage? How would the results change if the customer cost of an outage was reduced by 30%?
- c) How sensitive are the results to the use of average peak period load as opposed to the peak period as the basis for establishing the impact of an outage on customers?

2.2 VECC #52

Reference: Tab 4, Schedule B5, page 2 and pages 11 - 16

- a) When did EUSR rule 129 come into effect?
- b) Which of the factors listed on page 2 and discussed on pages 11-16 lead to this Segment being non-discretionary within the 2012-2014 period? Please explain why.

2.2 VECC #53

Reference: Tab 4, Schedule B5, page 22

- a) Please explain how THESL established the number of "Assets Presently Projected to Fail by Year of Conversion" for each Feeder.

2.2 VECC #54

Reference: Tab 4, Schedule B5, pages 6 -7, 25 and 35

- a) Is THESL's plan to i) decommission the Hazelwood MS per page 25 or ii) convert the Station as per page 35?
- b) If the former, does this Segment include any allowance for the cost of decommissioning Hazelwood MS as discussed on page 25? If no, why not?

2.2 VECC #55

Reference: Tab 4, Schedule B5, Section V (Description of Work)

- a) For many of the jobs, the stated objective is to prepare the MS for conversion from 4.16kV to 13.8kV. When will these conversions actually occur? If within the 2012-2014 period, where are the decommissioning costs reflected?

2.2 VECC #56

Reference: Tab 4, Schedule B5, Appendix J

- a) With respect to Section 5.1, how does the analysis account for the cost of decommissioning the existing MS in assessing the cost of converting to the new 13.8 kV overhead system?
- b) Please provide the individual Avoided Estimated Risk Cost for each of the asset being replaced (similar to Table 1).
- c) What is the impact on the Net Benefit calculations for each "job" if the cost of customer outages is reduced by 30%?
- d) What is the estimated value (\$) of the reduction in losses for each year 2012 – 2014 as a result of undertaking the proposed jobs?

2.2 VECC #57

Reference: Tab 4, Schedule B6, pages 5 and 9

- a) What are the reductions in O&M cost for each year 2012 – 2014 as a result of removing the rear lot service in the targeted areas and moving to underground service?

2.2 VECC #58

Reference: Tab 4, Schedule B7, page 2

- a) Why would it not be appropriate to record the cost of replacing the switches in a variance account (along with any compensation received) and refund/recover the net difference from customers at the time of rebasing?

2.2 VECC #59

Reference: Tab 4, Schedule B7, Appendix J

- a) What is the customer interruption cost (i.e., \$/kWh) used in the analysis and what is it based on?
- b) What is the impact on the Project PV if customer interruption costs are reduced by 30%?

2.2 VECC #60

Reference: Tab 4, Schedule B8, pages 2 - 3

- a) When did THESL first institute the revised work practices outlined at the bottom of page 2/top of page 3 and were such practices reflected in THESL's approved 2011 revenue requirement?
- b) Given that the problem is the result of a design flaw why is there no recourse to the supplier/manufacturer to provide compensation?

2.2 VECC #61

Reference: Tab 4, Schedule B8, pages 29 - 30

- a) Please provide the detailed calculations underlying the \$0.28 M Project Net Cost in 2012 and the \$46.14 M PV of the Project Net Cost in 2015.

2.2 VECC #62

Reference: Tab 4, Schedule B9, page 5

- a) If the load has been displaced and the vaults no longer used, why do the Category 1 vaults present safety issues for THESL crews?

2.2 VECC #63

Reference: Tab 4, Schedule B9, page 12

- a) Within the ACA, in general, on what basis is the determination made that an asset needs to be replaced within one year and thereby warrants a "very poor" rating? Is this based on the expectation that the asset will fail within one year and, if so, what probability of failure is required to meet this criterion?

- b) In the specific case of network vaults what would trigger the need to replace within the next year?

2.2 VECC #64

Reference: Tab 4, Schedule B10, pages 2 (lines 6 – 9) and 30 - 33

- a) What are the annual avoided O&M costs over the 2012-2014 period due to the proposed replacement of the 187 Fibretop Network Units?

2.2 VECC #65

Reference: Tab 4, Schedule B10, page 33

- a) Please provide the detailed calculations underlying the \$0.3 M Project Net Cost in 2012 and the \$31.6 M PV of the Project Net Cost in 2015.

2.2 VECC #66

Reference: Tab 4, Schedule B11, pages 1 and 9

- a) What conditions would lead to the conclusion that an asset needs to be replaced within one year?
- b) For purposes of the annual ACA are all ATS and RPB assets individually assessed or just a sample?
- c) If based on a sample, how were then units proposed for replacement in 2012 – 2014 selected?

2.2 VECC #67

Reference: Tab 4, Schedule B11, page 23

- a) Under the Base Case why are there no costs shown for year 2 (presumably 2013)?
- b) What is the source of the \$15/kWh value used for customer interruption costs?
- c) What would be the impact on the ATS & RPB analysis if the customer outage costs were reduced by 30%?

2.2 VECC #68

Reference: Tab 4, Schedule B12, page 1

- a) How many power transformers has THESL replaced in each of the past four years (2008-2011)?

2.2 VECC #69

Reference: Tab 4, Schedule B12, page 16

- a) What are the annual savings in maintenance costs over the period 2012-2014 due to the replacement of these 12 transformers?

2.2 VECC #70

Reference: Tab 4, Schedule B12, page 53

- a) Please provide the detailed calculations underlying the \$0.0658 M Project Net Cost in 2012 and the \$66.635 M PV of the Project Net Cost in 2015.

2.2 VECC #71

Reference: Tab 4, Schedule B13.1, pages 1 (lines 6-7) and 4 (lines 5-7)

- a) What are the annual savings in maintenance costs over the period 2012-2014 due to the proposed replacement of Municipal Substation Switchgear?

2.2 VECC #72

Reference: Tab 4, Schedule B13.1, page 22

- a) Please explain how the \$16.88 M in project costs is factored into the analysis summarized in Table 1.
- b) Please provide the detailed calculations underlying the \$2.155 M Project Net Cost in 2012 and the \$2.355 M PV of the Project Net Cost in 2015.
- c) What would be the impact on the results presented in Table 1 if the customer outage costs were reduced by 30%?

2.2 VECC #73

Reference: Tab 4, Schedule B13.2, page 1 (lines 11-12) and page 6 (lines 9-10)

- a) What are the annual savings in O&M costs over the period 2012-2014 due to the proposed replacement of Transformer Station Switchgear?

2.2 VECC #74

Reference: Tab 4, Schedule B13.1, page 5

- a) Please explain why the cost of replacement will be 50% more if done on an emergency basis.

2.2 VECC #75

Reference: Tab 4, Schedule B13.2, page 34

- a) Please explain how the \$41.53 M in project costs is factored into the analysis summarized in Table 1.
- b) Please provide the detailed calculations underlying the \$0.0298 M Project Net Cost in 2012 and the \$35.235 M PV of the Project Net Cost in 2015.
- c) What would be the impact on the results presented in Table 1 if the customer outage costs were reduced by 30%?

2.2 VECC #76

Reference: Tab 4, Schedule B14, pages 2 (lines 14-15) and 11 (lines 7-8)

- a) What are the anticipated annual O&M savings over the 2012-2014 period associated with the proposed replacement of the oil circuit breakers?

2.2 VECC #77

Reference: Tab 4, Schedule B14, pages 5 and 33-34

- a) What are the relative costs of using vacuum vs. SF6 breakers?

2.2 VECC #78

Reference: Tab 4, Schedule B14, page 7

- a) Please explain how the oil circuit breaker replacement plan is also driven by the impact on station capacity and operational flexibility.

2.2 VECC #79

Reference: Tab 4, Schedule B14, page 35

- a) Please provide the Health Index for each of the circuit breakers included in the replacement plan.

2.2 VECC #80

Reference: Tab 4, Schedule B14, page 43

- a) Please explain how the \$3.83 M in project costs is factored into the analysis summarized in Table 1.
- b) Please provide the detailed calculations underlying the \$0.157 M Project Net Cost in 2012 and the \$2.784 M PV of the Project Net Cost in 2015.
- c) What would be the impact on the results presented in Table 1 if the customer outage costs were reduced by 30%?

2.2 VECC #81

Reference: Tab 4, Schedule B15, page 2

- a) Please explain why some segments lack redundancy if that is the normal design.
- b) For how long has this "lack of redundancy issue" existed?

2.2 VECC #82

Reference: Tab 4, Schedule B15, pages 19-20

- a) What is the basis for the \$15 per kVA/hour/customer outage cost?

2.2 VECC #83

Reference: Tab 4, Schedule B16, page 1

- a) Please explain what is meant by the statement – “None of the proposed work is included in existing rates”.

2.2 VECC #84

Reference: Tab 4, Schedule B16, page 2 and pages 9-14

- a) Given that the issues are related to the radial design employed in downtown Toronto, why has this project not been undertaken previous to now?
- b) More specifically, what has critically changed that makes the risks unacceptable now and the project non-discretionary (as opposed to previous years when the work was not done and the risks were accepted)?

2.2 VECC #85

Reference: Tab 4, Schedule B16, page 10-11

- a) What is the basis for the \$30/kW outage event cost used in addition to the \$15/kWh outage duration cost?

2.2 VECC #86

Reference: Tab 4, Schedule B17, pages 2 and 10

- a) Please provide a schedule that sets out THESL's historic load levels and projected loads through 2014 as filed in in EB-2011-0144.
- b) Please reconcile this forecast with the statement in the current application regarding “foreseeable load growth in the downtown core”.

2.2 VECC #87

Reference: Tab 4, Schedule B17, pages 4 – 5 and 30

- a) Please confirm that the Brenner TS is expected to be in-service Q3 of 2014.

- b) Does THESL include spending on the Brenner TS in its ICM-based revenue requirement calculations for years prior to the station's in-service date? If yes, please explain why.
- c) What is the impact on the annual ICM rate-riders, if the spending on Brenner (plus capitalized interest) is only included in the rate rider calculations once the station is in-service.

2.2 VECC #88

Reference: Tab 4, Schedule B17, page 35

- a) Please provide a schedule that contrasts the current project cost (\$134.5 M) with the total forecast costs as filed in previous rate applications. In each case, please provide references as to where in the earlier Application the cost can be found.
- b) Please explain any material (>5%) changes in total costs.

2.2 VECC #89

Reference: Tab 4, Schedule B18, page 2

- a) If not included in the individual project details, break down the contribution between that required to support engineering studies and that required to support the cost of actual construction work for each project.
- b) Does THESL normally capitalize or expense the cost of engineering studies related to planning its own facilities?
- c) For capital contributions that THESL receives from its customers for its capital projects, are they included in rate base when received or when the project is declared in-service?
- d) Please indicate the in-service date for each of the projects set out in Table 1.
- e) For purposes of determining the annual ICM rate riders, has THESL included the capital contributions starting the year they are received or the year the related project is declared in-service? If the former, please explain why.

2.2 VECC #90

Reference: Tab 4, Schedule B19, pages 2- 3

- a) Please explain more fully why this project is considered to be non-discretionary (i.e., must be done now).
- b) Has THESL used FA to improve the reliability in specific areas over the past 5 years (2007-2011)? If not, why not? If yes, please provide a schedule setting out the annual spending.
- c) In THESL's view does a favourable Benefit/Cost ratio demonstrate that a project is prudent or that it is non-discretionary or does it demonstrate both?

2.2 VECC #91

Reference: Tab 4, Schedule B19, pages 123 - 124

- a) What is the customer outage cost used in the BCEs?
- b) How would the results presented in Tables D.1 – D.6 change if the value of customer outages was reduced by 30%.

2.2 VECC #92

Reference: Tab 4, Schedule B20, page 3

- a) Please provide a schedule that sets out THESL's approved and actual capital spending on Metering for the years 2009-2011.
- b) What is the basis for THESL's statement that the costs are not covered by PCI funded rates?
- c) Please explain why the plan calls for 67 wholesale metering upgrades over the three year period 2012-2014 (roughly 22 per year) but only 69 (<10 per year) over the seven period 2015-2021.

2.2 VECC #93

Reference: Tab 4, Schedule B21, pages 17-18

- a) Are the \$33.80 M and \$43.30 M values simply the expected capital costs for the two projects or has the higher value been adjusted/discounted for the time value of money based on the fact some the spending will occur in "future years"?

- b) If simply a dollar cost comparison, please restate both values on an NPV basis.

2.2 VECC #94

Reference: Tab 4, Schedule B21, page 23

- a) How certain is THESL that each of these projects will proceed on the currently stated time lines.

2.2 VECC #95

Reference: Tab 4, Schedule B22, pages 7 - 9

- a) When did THESL first start installing Transformer Monitors and Power Line Monitors?
- b) To date, how frequently does THESL currently collect and analyze the data from these sources?
- c) What are the anticipated annual O&M savings from the Grid Analytics Project?

2.2 VECC #96

Reference: Tab 4, Schedule B22, page 13

- a) Is the CES project considered to be a Smart Grid initiative? If not, why not?
- b) Does THESL have an approved Green Energy Plan? If yes, is the CES project part of this plan?

2.2 VECC #97

Reference: Tab 4, Schedule B22, page 16 - 17

- a) Does THESL expect that it would be able to sell the CES system for the noted market value? If not, why is a benefit/cost ratio calculated using this value appropriate?

2.2 VECC #98

Reference: Tab 4, Schedule B22, page 21

- a) Are CES systems able to react fast enough to changing system conditions (e.g. availability of renewable generation) to address the issues listed on pages 14-15?

2.2 VECC #99

Reference: Tab 4, Schedule B22, page 23

- a) Please explain why the expenditures related to the Solutions Development Centre are considered capital costs as opposed to O&M?

2.2 VECC #100

Reference: Tab 4, Schedule B22, pages 28-29

- a) Please explain why this project is considered non-discretionary.

2.2 VECC #101

Reference: Tab 4, Schedule C1, page 2

- a) Please explain how the costs associated with Engineering Capital are accounted for and recovered. For example, are they treated as part of capitalized overheads or are they tracked and capitalized on a project specific basis. Also does the treatment of these costs change under MIFRS?
- b) When does THESL plan on adopting MIFRS? Will this have any effect on the capital spending costs for 2012-2014 as set out in Tab 4, Schedule A?

2.2 VECC #102

Reference: Tab 4, Schedule C1, page 2

Preamble: The Application states that "The (engineering capital) amounts are solely for projects within the Incremental Capital Module (ICM) materiality threshold. The proposed ICM projects above the threshold have all their required capital funding included within their proposed budgets"

- a) Please provide a schedule that sets out which projects are within the ICM materiality threshold and which projects are above the threshold.

2.2 VECC #103

Reference: Tab 4, Schedule C1, page 3

- a) Given the other projects that THESL is seeking ICM funding for (see particularly Schedules B1 and B4) why is additional funding for the WPF program considered to be non-discretionary?

2.2 VECC #104

Reference: Tab 4, Schedule C1, page 5

- a) What are the expected annual revenues (at 2011 rates) from the new customers that THESL expects to connect in 2012, 2013 and 2014 respectively?

2.2 VECC #105

Reference: Tab 4, Schedule C1, page 6

- a) Please provide a summary of reactive capital spending for the years 2007-2011 using the same format as Table 5.
- b) Given the extensive request that THESL is making for incremental capital over the 2012-2014 period aimed at replacing aging/deteriorating assets, why is it reasonable to assume that future reactive capital requirements will reflect trends in spending over the past 5 years (lines 12-13)?

2.2 VECC #106

Reference: Tab 4, Schedule C1, pages 7-9

- a) What was the level of funding for "Continuing Projects and Emerging Issues" that was approved by the OEB for THESL's 2011 rates?
- b) What are the "continuing projects from 2011 into 2012"?

2.2 VECC #107

Reference: Tab 4, Schedule C2, page 1

- a) Please explain what the 2011 Carryover Projects are.
- b) Why are there no carryover projects for subsequent years?

2.2 VECC #108

Reference: Tab 4, Schedule C3, page 1

- a) What is the annual salvage value associated with the vehicles THESL proposes to replace each year?
- b) How many of the vehicles listed for replacement in 2012 has THESL already replaced?

2.2 VECC #109

Reference: Tab 4, Schedule D4, page 11

- a) Please confirm that Power System's Engineering characterizes THESL's business case methodology as looking at the economic merits of undertaking project considering both costs incurred by the utility and outage cost incurred by customers.
- b) Please confirm that it does not characterize THESL's business case methodology as determining whether or not a project must be done. If it does, please explain how.
- c) Did Power System Engineering review the appropriateness of the customer outage costs used by THESL in its analyses? If yes, specifically where can this assessment be found?

2.2 VECC #110

Reference: Tab 4, Schedule D5, pages 1 - 3

- a) Does the Navigant review find THESL has demonstrated that any/all of the projects are non-discretionary? If yes, please provide the specific references to such findings.

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

2.3 VECC #111

Reference: Tab 2, pages 7 and 15
Tab 4, Schedule A, Appendix 1, page 1

- c) With reference to Tab 2, page 15 are each of the 10 areas listed under "Projects" considered to be a project for purposes of establishing spending

envelopes or are each of the 22 areas listed under "Segments" considered to be a project for such purposes per Tab 2, page 7, lines 29-30?

2.3 VECC #112

Reference: Tab 2, page 8, lines 19-30
Tab 4, Schedule A, Appendix 1, page 1
EB-2009-0139, Exhibit D1, Tab 8, Schedule 10, Appendix A

- a) Please provide a table that breaks down THESL's actual capital spending for the years 2009-2011 using the same project/segment designations as in the Tab 4 reference.
- b) Please restate spending projections provided for 2012-2014 in EB-2009-0139 using the same project/segment designations as in the Tab 4 reference and contrast with the current proposed spending.
- c) With respect to the response to part (b), please explain any material (>10%) variances (by project/segment category) between the total projected spending over the three years per EB-2009-0139 and that projected for the three years in the current Application.
- d) Please provide a schedule that for the two-year period 2010-2011 contrasts the actual spending by project/segment with that projected in EB-2009-0139.
- e) With respect to the response to part (d), please explain any material (>10%) variances (by project/segment category) between the total projected spending over the two years per EB-2009-0139 and the actual spending.

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 VECC #113

Reference: Tab 2, pages 11- 12 and Appendices 2 & 3

- a) Please confirm that the calculations on page 3 of Appendix 3 illustrate the revenue requirement impact of \$89.022 M annual capital spending under the Board's ICM module where the threshold has been calculated as \$27.8 M and the resulting qualifying amount is \$61.222 M annually. If not, please provide such a calculation

- b) Please provide a similar calculation of the revenue requirement impact of \$89.022 M of annual capital spending based on THESL's proposal to i) eliminate the 20% dead band and ii) apply the ½ year rule in the year the capital is spent.

2.4 VECC #114

Reference: Tab 2, page 12, lines 5-7

- a) Please provide a schedule that sets out THESL's approved 2011 revenue requirement, rate base and resulting ROE and contrasts these values with its actual result for 2011.

2.4 VECC #115

Reference: Tab 2, page 13, Table 1

- a) Please provide references as to specifically where in the Application the various values presented in Table 1 are calculated and can be found. If there are no supporting calculations, please provide.

ISSUE 3 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 (i.e. the Group 1 Accounts as well as the Special Purpose Charge Variance Account 1521) appropriate, including the proposed rate riders?

ISSUE 4 Implementation

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

4.1 VECC #116

Reference: Tab 2, page 26, lines 12-15
Tab 3, Schedule B1, page 2

- a) The types of metering used by “competitive sector sub-metering providers” are likely to change over time. How will THESL determine, on an ongoing basis, what metering technologies are “substantially similar” such that the associated customer should be classified as a Competitive Sector Multi-Unit Residential customer?

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

4.2 VECC #117

Reference: Tab 2, pages 11 and 27

- a) Please clarify THESL’s proposal for calculation and approval of the ICM rates riders associated with the 2013 and 2014 capital spending. Specifically, is THESL:
- Asking the Board to approve the ICM rate riders as set out in Tab 3, Schedules B2 and B3 for implementation on May 1, 2013 and May 1, 2014 respectively, or
 - Providing the ICM rate riders set out in these schedules as “illustrative” rates and THESL will be re-calculating its proposed ICM rate riders related to capital spending in those years using ICM threshold values that reflect the PCI values prescribed by the Board for those years and (if available) updated growth values based on more recent data but based on the capital spending for 2013 and 2014 as approved in this proceeding?

4.2 VECC #118

Reference: Tab 1, page 4, lines 17-20

- a) Given the timing of THESL’s Application, why is a June 1, 2012 “effective date” appropriate?

4.2 VECC #119

Reference: Tab 2, page 30, lines 9-13

- a) Please indicate the “recent” Board rulings that are being referred to in this paragraph.

4.2 VECC #120

Reference: Tab 3, Schedule B1

- a) Please confirm that Schedule B1 sets out the rates that would flow from the Application assuming it was approved as filed and the rates could have been implemented June 1, 2012. If not, please explain.
- b) Assuming the Application were approved as filed, would the only changes to the schedule be: i) the Implementation Date, ii) the addition of a "foregone ICM rate adder revenue" rider reflecting an implementation date later than June 1 2012 and iii) the addition of a "foregone distribution revenue" rider also reflecting an implementation date later than June 1, 2012? If not, please explain.

4.2 VECC #121

Reference: Tab 3, Schedules B2 and B3

- a) If the Application were approved as filed, please explain how these schedules differ from what THESL would expect the Board to approve for 2013 and 2014 rates.

4.2 VECC #122

Reference: Tab 3, Schedule C1.2, page 1

- a) Based on the approved 2011 load forecast, what is the average monthly usage for a customer in the Residential class?
- b) If the response to part (a) differs from 800 kWh/month, please re-do the schedule on page 1 using the response to part (a).

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