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November 19, 2012

**VIA MAIL and E-MAIL**

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

Dear Ms. Walli:

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

As per Procedural Order No. 3, we have enclosed the Technical Conference Questions of the Vulnerable Energy Consumers Coalition (VECC).

We have also directed copies to the applicant as well as all interested parties via email.

Thank you.

Yours truly,

Michael Janigan
Counsel for VECC

cc: THESL – Amanda Klein – regulatoryaffairs@torontohydro.com
THESL – counsel – Fred Cass – fcass@airdberlis.com
All Intervenors

**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 TECHNICAL CONFERENCE QUESTIONS**

## 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 TCQ#1

**Reference**: Tab 6A, Schedule 1-9 (Staff 9)

a) Are any of the variances between the RRR filing and the data used in the ICM Work Sheet greater than 1% (Note: For purposes of comparison with the RRR, please combine Residential and Residential Urban)? If so, please indicate which ones and the extent of the variance.

### 1.1 VECC TCQ #2

**Reference**: Tab 6A, Schedule 1-10 (Staff 10)

a) Is it Toronto Hydro's view that the prospect of overall costs being higher if a project is not undertaken is basis for deeming a project as "non-discretionary"?

### 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 TCQ#3

**Reference**: Tab 6B, Schedule 6-9, lines 13-16

a) Is Toronto Hydro able to provide the actual results for 2008-2011 using the same format as in the current Application? If yes, please do so.

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

### 1.3 VECC TCQ#4

**Reference**: Tab 6C, Schedule 6-14 (CCC #14)
Tab 6C, Schedule 10-1 (SEC #1)
Tab 6H, Schedule 11-114

a) Please provide a schedule setting out the determination of Toronto Hydro's 2011 actual ROE on a deemed basis using the prescribed approach set out in Appendix 5 of the Board's April 2012 RRR Filing Guide.

### 1.3 VECC TCQ#5

**Reference**: Tab 6C, Schedule 7-10 (EP #10)
Tab 6C, Schedule 7-6 (EP #6)
Tab 6L, Schedule 6-29 (CCC #29)

a) Is the projected ROE for 2012 (per CCC #29) based on the 2012 budget referenced in EP #6 and #10, revised for the updated 2012 capital spending? If not, please the projected ROE determined on this basis.

b) Please provide a schedule setting out the determination of Toronto Hydro's 2013 ROE based on budget consistent with the Energy Probe responses.

### 1.3 VECC TCQ#6

**Reference**: Tab 6C, Schedule 11-8 (VECC #8) and Schedule 11-9 (VECC #9) 6

a) What was the approved capital in-service for 2011 and the approved 2011 depreciation (based on the ½ year rule) associated with these I/S additions?

b) Why shouldn't these values be used in the determination of the unfunded 2011 capital as opposed to those associated with capital spending?

## 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 TCQ#7

**Reference**: Tab 2, Addendum, page 2 and Tab 2 (Updated), page 14

a) Please confirm that Toronto Hydro will be filing an ICM application for 2014 rates as opposed to availing itself of the other options open to it as a result of the Board's October 18, 2012 report – "A Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach".

b) In the event that Toronto Hydro were to apply for 2014 rates based on a cost-of-service approach what, if any, adjustments would be required if the 2013 ICM riders were calculated and approved using the full year rule?

## ISSUE 2 Incremental Capital Module ("ICM")

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

### 2.1 VECC TCQ#8

**Reference**: Tab 6E, Schedule 11-15 (VECC #15 a) & b))

**Preamble:** It is understood that the individual "jobs" proposed by Toronto Hydro have not been undertaken before. The focus of parts (a) and (b) of the referenced question was whether other "jobs' related to the same project/segment were approved/undertaken for 2011 or is the project/segment entirely brand new as of 2012.

a) Given the above clarification, please respond to the original questions - VECC #15 a) and b).

### 2.1 VECC TCQ#9

**Reference**: Tab 6E, Schedule 11-15 (VECC #15 d) & e))

**Preamble:** It is understood from the Manager's Summary (page 16) that for each year one third of the jobs may carry over to the next year. The focus of the original question was not with respect to individual jobs but rather the broader project/segment areas that that are comprised of a number of jobs.

b) Please respond to the original question - VECC #15 d) - and indicate if all of the noted projects/segments will be complete after the related jobs identified for 2012-2014 are finished or whether, for some, there will be additional "jobs" and related spending required after 2014.

c) Based on the response to the preceding part (a), please respond to VECC #15 e) as required.

### 2.1 VECC TCQ #10

**Reference**: Tab 6E, Schedule 11-16 (VECC #16)

a) Is the remaining $162.06 M in spending from 2012 expected to all be in-service in 2013? If not all, how much is forecast to be in-service in 2013?

**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 TCQ #11**

**Reference**: Tab 2, Addendum, page 3, Footnote 2; page 14, Table 2; page 7 and page 11
Tab 2 (Original), pages 7 and 16

**Preamble:** In the initial Application Toronto Hydro stated (page 16) that "every project addresses a well-defined need that must be met in the short term, i.e. over the three year period".

In the updated Application Toronto Hydro states (page 7) that the update "effectively takes the form of an administrative shifting of certain portions of its three year work plan between the ICM years".

a) With respect to Table 2, for each of the 22 Segments, how much of the variance (last column) is due to job cost updates as opposed to changes in the scheduling of the jobs between ICM years?

b) Please confirm that, with the update, the total anticipated capital spending (excluding the added jobs per page 11) over the three year period (2012-2014) is still approximately the same as in the original Application, after allowing for cost changes.

c) Please confirm that, for <u>each</u> of the Segments (per Table 2), Toronto Hydro needs to accomplish over the 3 year period (2011-2014) roughly the same amount of work and, therefore, plans to spend roughly the amount of capital as in the original Application (excluding the added jobs and cost changes).

d) If part (c) is not confirmed, please identify those Segments where the anticipated spending is now less by 10% or more and, in each case, explain the basis for change if the projects in the original Application were considered to be non-discretionary (i.e. must be done).

e) If part (c) is not confirmed, please identify those Segments where the anticipated spending is now greater by 10% more and, in each case, explain the basis for the increase and why this higher amount is now considered non-discretionary.

**2.2 VECC TCQ #12**

**Reference**: Tab 6F, Schedule 1-28 (Staff #28)
Tab 6F, Schedule 11-36 (VECC #36)

a) With respect to Staff #28, Table 1, please provide a “legend” indicating how the values in the various columns relate to one another.

b) It is noted that some of the Jobs (e.g., #3 and #6) have negative values for the three year avoided cost risk. Why are these jobs (and others with the same results) included in the 2011-2014 spending proposal?

**2.2 VECC TCQ#13**

**Reference**: Tab 4, Schedule B2, Tables 2, 3 and 4 (Updated)

a) For each of the 10 proposed Jobs in the Update, please provide a comparison of Option 2, Option 3 and Option 4 to Option 1, similar to that set out in Table 4 for the overall Segment.

**2.2 VECC TCQ #14**

**Reference**: Tab 6F, Schedule 1-28 (Staff #28), Table 1
Tab 6F, Schedule 11-51 (VECC #51), part a)
Tab 4, Schedule B4 (Updated), pages 17, 84 – 91 and page 180

a) Please provide a schedule that indicates how the following align with each other:
   - The five equipment categories listed on page 17,
   - The individual jobs set out on pages 84-91, and
   - The asset types set out in Table 1 of VECC #51

b) Do any of the individual Jobs proposed in the Updated Schedule B4 for 2012 or 2013 have a negative Three Year Avoided Risk Cost (per page 180, Table 1)? If so please provide a Table similar to Staff #28, Table 1 that sets out the determination of the Three Year Avoided Risk Cost for each such project and the associated project costs proposed for 2012 and 2013.

c) Please re-cast VECC #51, Table 1 so as to show the Concurrent Intervention Benefit and Project Net Cost for each Asset Type.

**2.2 VECC TCQ#15**

**Reference**: Tab 4, Schedule B5 (Updated), page 1 and page 4
Tab 6F, Schedule 11-56 (VECC #56)

a) Do any of the individual 15 Jobs proposed in the Updated Schedule B5 for 2012 or 2013 have a business case (per page 4, Table 1) that results in a negative NPV? Is so, please provide the summary of the business case for each such Job and the associated capital spending proposed for 2012 and 2013.

**2.2 VECC TCQ#16**

**Reference**: Tab 4, Schedule B6 (Updated), pages 39-40 and page 10

a) Do any of the individual eight rear lot conversion projects proposed for 2012-2013 have a negative NPV (as per page 10, Table 1) when compared with Option 1 or Option 2? If so, please provide a summary of the business case for each such project in a formal similar to Table 1.

**2.2 VECC TCQ#17**

**Reference**: Tab 4, Schedule B8, page 29
Tab 4, Schedule B8 (Updated), pages 2, 18 and 30
Tab 6F, Schedule 7-46 (EP #46)
Tab 6F, Schedule 11-61 (VECC #61)

a) The original plan called for 152 switches to be replaced over 2012-2014. Based on the Update, how many will be replaced in 2012-2013?

b) Page 29 of the initial Application indicated that individual optimal intervention timing results were calculated for each of the 152 switches. This analysis, provided in response to EP #46 & VECC #61, indicates that for a number of the switches the optimal replacement timing is 2015 or later. Are any of these switches still planned for replacement in 2012-2013 after the October Update? If yes, why?

**2.2 VECC TCQ#18**

**Reference**: Tab 4, Schedule B10 (Updated), pages 21-25 and page 33
Tab 6F, Schedule 11-65 (VECC #65)

a) Page 32 of the initial Application indicated that individual optimal intervention timing results were calculated for each of the Fibertop Network Units. The response to VECC #65 indicates that for a number of these the units the optimal replacement timing is 2015 or later. Are any of these units still planned for replacement in 2012 -2013 after the October Update? If yes, why?

**2.2 VECC TCQ#19**

**Reference**: Tab 4, Schedule B12 (Updated), pages 1-2 and 53

Tab 6E, Schedule 11-70

a) Page 53 of the initial Application indicated that individual optimal intervention timing results were calculated for each of the power transformers. The response to VECC #70 indicates that for a couple of these transformers the optimal intervention timing is after 2015. Are any of these units still planned for replacement in 2012-2013 after the Update? If yes, why?

**2.2 VECC TCQ#20**

**Reference**: Tab 4, Schedule B13.1 (Updated), pages 1 and 22
Tab 6F, Schedule 11-72 (VECC #72)

a) Page 21 of the initial Application indicated that individual optimal intervention timing results were calculated for each of the switchgear assets. The response to VECC #72 indicates that for many of these assets the optimal intervention timing is well after 2015. . Are any of these units still planned for replacement in 2012-2013 after the Update? If yes, why?

**2.2 VECC TCQ#21**

**Reference**: Tab 4, Schedule B14 (Updated), pages 1, 3 and 43
Tab 6F, Schedule I-51 (Staff #51), parts (a) and (b)
Tab 6F, Schedule 11-80 (VECC #80)

a) With respect to Staff #51, are there any breakers with a “Poor” condition that are not included with those scheduled for replacement in 2012-2013? If so, please explained why they were not assigned a higher priority than those designated as being in “Fair” condition.

b) Page 42 of the initial Application indicated that individual optimal intervention timing results were calculated for each of the circuit breaker assets. The response to VECC #80 indicates that for some of these assets the optimal intervention timing is well after 2015. . Are any of these units still planned for replacement in 2012-2013 after the Update? If yes, why?

**2.2 VECC TCQ #22**

**Reference**: Tab 4, Schedule B16 (Updated), page 1

a) Please explain the increase in the total cost of the Feeder Tie Dufferin to Bridgman from $7.45 M to $9.5 M.

**2.2 VECC TCQ #23**

**Reference**: Tab 4, Schedule B19 (Updated), pages 122 – 124

Tab 6F, Schedule 1-60 (Staff #60)

a) Do the proposed projects for each TS involve Feeder Automation for all of the feeders at each of these TSs?

b) If yes, is it technically necessary to automate all of feeders at the same time?

c) If it is not technically necessary to automate all of the feeders for station at the same time, please indicate whether each of the individual feeders proposed for automation has a favourable benefit-cost ratio. If not, what is the capital spending now proposed for 2012 and 2013 for those feeders with unfavourable ratios (i.e. <1.0)?

**2.2 VECC TCQ#24**

**Reference**: Tab 4, Schedule B20, page 4
Tab 6F, Schedule 1-62 (Staff #62), part (d)

a) Contrary to what is suggested in Schedule B20, the response to Staff #62 d) suggests that some of the meter upgrades are proposed for 2012-2013 so as to be done in conjunction with switchgear replacement as opposed to being required for regulatory compliance purposes. Please confirm if this is the case and, if so, identify which stations are involved and the associated wholesale metering capital spending for 2012 and 2013.

**2.2 VECC TCQ #25**

**Reference**: Tab 6F, Schedule I-67, (Staff #67), part (a)
Tab 4, Schedule C1 (Updated), page 2

a) How much of the proposed 2012 and 2013 Engineering capital spending is associated with projects having in-service dates in 2012 and 2013?

**2.2 VECC TCQ#26**

**Reference**: Tab 4, Schedule C1 (Updated), page 3

a) Has Toronto Hydro calculated the “Avoided Estimated Risk Cost” associated with proposed spending on its identified worst performing feeders? If not why, why not? If yes, what were the results?

**2.2 VECC TCQ#27**

**Reference**: Tab 6F, Schedule 2-22 (AMPCO #22)

a) Do the proposed projects for 2012 and 2013 address all 12 of the vaults with a status of "Very Poor"? If not, why not?

**2.2 VECC TCQ#28**

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

a) Please reconcile the "Good" health index rating for Albion with the comments provided in the last paragraph to part (d).

**2.2 VECC TCQ #29**

**Reference**: Tab 6F, Schedule 7-17 (EP #17), part (a)

a) Please confirm that in Figure 1 all of the costs are net present valued to 2012.

b) Please confirm whether, in Figure 2, all of the costs are net present valued to 2012 or 2015.

c) Please explain why the $COO_{UG}$ values are the same for Option 4 in both Figures 1 and 2. Wouldn't the values change if the work is done in 2015 as opposed to 2012?

d) If the response to part (b) is 2012, why is the project cost for Option 4 higher in Figure 2 than in Figure 1 since the discount rate used is higher than inflation?

e) What is the overall cost for the Albion F1 Silverstone Rear Lot Conversion, (i.e., ownership cost plus project costs) of for Option 4 assuming a 2012 conversion date as compared to a 2015 conversion date – where both are net present valued to 2012?

f) Are there any of the rear lot conversion projects where an analysis similar to that outlined in part (e) would yield a lower total cost for Option 4 assuming a 2015 (as opposed to 2012) conversion date? If so, which ones are they?

**2.2 VECC TCQ#30**

**Reference**: Tab 6F, Schedule 10-16 (SEC #16)

a) Please explain why some of the higher priority jobs (e.g. Priority Numbers 6, 11, 12 and 14) are not scheduled for completion in 2012-2013 instead of the lower priority projects that are scheduled.

**2.2 VECC TCQ#31**

**Reference**: Tab 6F, Schedule 11-20 (VECC #20), part (b)

a) In Toronto Hydro's view what are the appropriate measures that should be used to judge its reliability, what are the current values for these measures and what values would be required in order to Toronto Hydro to consider its reliability to be "at an acceptable level"? Please provide Toronto's rationale for its response to the third part of question.

**2.2 VECC TCQ#32**

**Reference**: Tab 6F, Schedule 11-28 (VECC #28), parts b) & c)

a) Does this mean that Toronto Hydro's calculations overestimate the cost of outages to customers? If not, please explain why.

**2.2 VECC TCQ#33**

**Reference**: Tab 6E, Schedule 10-9 (SEC #9)
Tab 6F, Schedule 11-39 (VECC #39)
Tab 6F, Schedule 11-41 (VECC #41)

a) Please provide a schedule that lists all the projects where "public and employee safety" is considered to be a factor in the project being non-discretionary and in each case indicate: i) the changed spending proposed for 2012 and 2013 (separately) as a result of the October Update; ii) whether the scope/number of jobs has been reduced for 2012 and/or 2013 and iii) if so, the justification for the reduction if "safety" is one of the drivers.

**2.2 VECC TCQ#34**

**Reference**: Tab 6F, Schedule 11-47 (VECC #47)
Tab 6F, Schedule 11-22 (VECC#22), part (b)

a) With respect to the response to VECC #22, since the Avoided Risk Analysis includes the cost of outages (both customer and utility costs) doesn't this measure also demonstrate whether the project is justified from a reliability perspective? If not, please explain why not?

**2.2 VECC TCQ#35**

**Reference**: Tab 6F, Schedule 11-48 (VECC #48)
Tab 4, Schedule B4 (Updated), page 94

a) What HI score range is compatible with Danger and Caution poles classification of levels 4 and 5?

b) Please explain why Toronto Hydro is proposing to replace poles with HI scores as high as 58 as part of its Danger and Caution Pole program.

**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?**

**2.4 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?**

**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?**

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

**4.2 VECC TCQ#36**

**Reference**: Tab 2, Addendum, page 17
Tab 2 (Updated), page 21

a) In the Addendum Toronto Hydro states that the Board has previously declared distribution rates interim as of June, 2012. However, in the update to Tab 2 Toronto Hydro is still requesting an Order making its rates in effect as of May 31

2012 interim as of June 1, 2012.  Please confirm that the referenced request in the Update is no longer necessary.

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