

Ontario Energy Board

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF an application by Toronto Hydro-Electric System Limited for an order approving just and reasonable rates and other charges for electricity distribution to be effective June 1, 2012, May 1, 2013 and May 1, 2014.

**INTERROGATORIES OF
ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")**

PHASE 2

October 29, 2013

TORONTO HYDRO ELECTRIC SYSTEM LIMITED

2012, 2013 and 2014 IRM RATE ADJUSTMENTS and ICM RATE ADDERS

**ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES
PHASE 2**

Issue 3: Is THESL's application of the ICM criteria appropriate?

3-Energy Probe-1

Ref: Tab 9, Schedule 1, page 6

With reference to Staff's IR 3-Staff-17 please provide answers to the following additional questions:

- 1. Does THESL seek a declaration from the Board that the expenditure amount or the work content (or both) of its 2014 normal capital budget is non-discretionary?**
- 2. If the Board does provide the requested declaration would THESL then interpret that to mean that those work programs are non-discretionary for all future rate applications and/or ICM applications?**

Issue 7: For proposed capital projects which have changed significantly since Phase 1 of this proceeding, has THESL provided sufficient evidence including consultant reports, business cases and consideration of alternatives, to adequately justify them?

7-Energy Probe-2

**Ref: Tab 9, Schedule 1, page 5 &
Tab 9, Schedule A2**

In lines 1-5 of the first referenced schedule, THESL refers to reviews of the 2014 ICM segment evidence by Power System Engineering Inc. (PSE) and Navigant Consulting Inc. (Navigant).

In PSE's memorandum the following statement appears in the final paragraph on page 2:

“To the extent that THESL's Feeder Investment Model (FIM) analyses materially change, PSE reserves the ability to revisit its opinions regarding the affected project segments that were considered in PSE's Summary Report.”

- 1. Please state whether or not any of THESL's FIM analyses for 2014 projects have materially changed from those provided in Phase 1 of the proceeding.**
- 2. If any have changed please provide references to the evidence and explanations for the changes and state whether or not PSE has revisited its opinions in response to any material changes.**
- 3. Please describe how THESL decides whether changes in FIM analyses are material or not.**

7-Energy Probe-3

Ref: Tab 9, Schedule 1, page 11

Lines 1-6 discuss the allocation of engineering capital and note that “engineering capital is largely a fixed annual cost” and that “If the magnitude of THESL's work program is reduced, the engineering capital attracted by any given project and the amount that should properly be applied to it, necessarily increases”.

- 1. Does THESL use outside contract resources for any of its Engineering Capital?**
- 2. If yes, please explain why a reduction in its capital program would not also entail a reduction in its Engineering capital.**
- 3. If no, how is THESL coping with the increased demands of engineering design for its increased capital program?**

7-Energy Probe-4

**Ref: Tab 9, Schedule 1, page 12 &
Tab 9, Schedule A1**

Lines 3-13 discuss the fact that THESL undertook some projects in 2013 prior to the Board's partial decision in Phase 1 that were not approved in that decision for ICM funding.

- 1. Please describe the kinds of projects that fell into this category.**
- 2. Please provide a summary table by project and segment identifying the approved Phase 1 expenditures deferred from 2013 to 2014 referred to in lines 10-11.**
- 3. Please identify on that table which of the approved 2013 expenditures deferred to 2014 were intended in Phase 1 to be in service in 2013 and which were to be in service in 2014.**
- 4. Where are these deferred expenditures accounted for in the Capital Summary Table in Tab 9 Schedule A1?**

7-Energy Probe-5

Ref: Tab 9, Schedule B1

This schedule notes that proposed work in the Underground Infrastructure Segment for 2014 totals \$91.06 M which represents an increase of \$16 M (about 21%) over the May 2012 forecast.

- 1. Please explain the changed circumstances that have prompted such a significant increase in the proposed 2014 expenditure levels.**
- 2. It is also noted that this total does not include "spending related to approved Phase 1 jobs". Please confirm that "spending related to approved Phase 1 jobs" includes any projects deferred from 2013 to 2014 referred to in Tab 9, Schedule 1, page 12.**

7-Energy Probe-6

Ref: Tab 9, Schedule B1

Many of the projects described in this schedule contain the statement that “poor reliability is partially due to failures of underground assets, including direct buried cable”.

By contrast many of the projects in the Phase 1 evidence cite more specific reliability evidence as the reason for the project. A quick look through the 2013 evidence in Tab 4, Schedule B1 turned up many statements such as the following:

“over the past five years there have been 15 primary cable failures on this feeder” (p.26)

“In 2009 there were multiple major underground primary cable failures on this feeder. These failures were responsible for 97% of CI and 85% of CHI for that year” (p. 41)

“nearly half of the CI in 2010 is due to primary cable failure” (p. 53)

“The majority of CI and CHI in 2010 specifically 7188 out of 9370 in CI and 2992 out of 4962 in CHI was due to underground asset failures” (p.59)

- 1. Is THESL able to provide a better quantification of DB cable failure contribution to poor reliability in the 2014 projects?**
- 2. If not, can it provide some elaboration for how the statement “poor reliability is partially due to failures of underground assets, including direct buried cable” should be understood? For example, what other non-underground assets might be responsible for poor reliability and in what proportion? What proportion of the underground asset failures were direct buried cable failures?**

7-Energy Probe-7

Ref: Tab 9, Schedule B3

This schedule describes the replacement of handwells. The proposed 2014 work has been increased from 1031 handwells to 2500 with an attendant increase in expenditures from \$7.17 M to \$18.1 M.

Please explain why this program needs to be increased by more than 150% from the originally filed proposal.

7-Energy Probe-8

Ref: Tab 9, Schedule B4

This schedule describes overhead infrastructure work. Page 1 notes that the proposed 2014 work program has increased by \$12.93 M to \$33.04 M (an increase of about 60%).

The summary of changes box on page 1 notes that the “2014 program was revised to reflect work accomplished to date in 2013 and the continuing priority needs of the system”

- 1. How much of the \$12.93 M increase is due to work transferred from the 2013 program to the 2014 program?**
- 2. For the balance of the \$12.93 M not attributable to transfers out of the 2013 program please explain why the 2014 program needs to be increased.**