RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 6-STAFF-317

References: Excel spreadsheet,
THESL_6_T02_S02_2025_Income_Tax_PILs_Updated_20231219
Exhibit 6, Tab 2, Schedule 1, December 19, 2023, Page 1

Preamble:

OEB staff notes significant fluctuations of PILs submitted for bridge and test years through 2024 to 2029, as shown below in the Table 6-1. The PILs provisions were taken from the above-noted Exhibit 6 reference.

Table 6-1: Comparison of 2024 through 2029 PILs Provisions

	Bridge	**Forecast**				
	2024	**2025**	**2026**	**2027**	**2028**	**2029**
PILs	9.1	27.9	30.5	20.0	56.2	47.7
$ Change		18.8	2.6	(10.5)	36.2	(8.5)
% Change		207%	9%	(34%)	181%	(15%)

QUESTION (A – C):

a) Please confirm that Toronto Hydro agrees with values and calculations in Table 6-1.

b) If this is not the case, please update Table 6-1 for 2024 through 2029 values.

c) Please also update Table 6-1 to show 2023 values and the associated $ Change and % Change.

RESPONSE (A – C):

Toronto Hydro agrees with values and calculations in Table 6-1 subject to the following:

- The forecast PILs for 2024 Bridge year was updated from $9.1 million to $10.8 million (please refer to the response to Interrogatory 6-Staff-320 b). Therefore, the associated $ change and % change for 2025 was also updated as shown in the table below.

Toronto Hydro has also updated the Table 6-1 to show 2023 Values, Updated 2024 Forecast, and the associated $ and % change

Table 6-1: Comparison of 2023 through 2025 PILS Provisions

	2023 Historical	2024 Bridge	2025 Test
PILs	6.8	10.8	27.9
$ Change		4.0	17.1
% Change		59%	158%

Note that 2023 Historical forecast PILs in the table represents the forecast PILs expense to be paid by Toronto Hydro for 2023 taxation year. The forecast PILs for 2024 Bridge Year and 2025 Test Year represent the PILs expense included in revenue requirement.

QUESTION (D):

d) Please provide an explanation to year over year increases and decreases shown in Table 6-1, or in any updated Table 6-1 by Toronto Hydro.

RESPONSE (D):

2023-2024(Updated) Variance Explanation:

2023 forecast PILs are actual taxes to be paid per the tax return and 2024 forecast PILs are PILs calculated for the revenue requirement. The variance is due to two main reasons:

1. Regardless of the actual tax treatment accorded to regulatory assets and liabilities (both when they are created and disposed of), regulatory assets and liabilities are excluded from PILs for the purposes of calculating revenue requirement.[1] This difference in tax treatment is the primary reason to explain the PILs variance from 2023 to 2024. The variances will be reversed over time when the disposition of regulatory account balances is determined by the OEB and when they are included in future rates.

[1]In accordance with Section 2.6.2.1 of the *Filing Requirements For Electricity Distribution Rate Applications - 2023 Edition for 2024 Rate Applications issued December 15, 2022*

2. 2023 forecast PILs does not include an amount grossed up for taxes, whereas the 2024 forecast PILs includes a gross up amount for tax.

2024(Updated) -2025 Variance Explanation:

PILs increased by $17.1 million from 2024 to 2025 primarily due to higher regulatory income before taxes, and lower deductions for tax purposes in respect of temporary differences between capital cost allowance ("CCA") and accounting depreciation.

2025-2026 Variance Explanation:

PILs increased by $2.6 million from 2025 to 2026 primarily due to higher regulatory income before taxes, partially offset by higher deductions for tax purposes in respect of temporary differences between CCA and accounting depreciation.

2026-2027 Variance Explanation:

PILs decreased by $10.5 million from 2026 to 2027 primarily due to higher deductions for tax purposes in respect of temporary differences between CCA and accounting depreciation, partially offset by higher regulatory income before taxes.

2027-2028 Variance Explanation:

PILs increased by $36.2 million from 2027 to 2028 primarily due to lower deductions for tax purposes in respect of temporary differences between CCA and accounting depreciation, and higher regulatory income before taxes. Note that CCA deduction is lower in 2028 as compared to 2027 primarily due to the accelerated CCA rules ending as at December 31st, 2027.

2028-2029 Variance Explanation:

PILs decreased by $8.5 million from 2028 to 2029 primarily due to higher deductions for tax purposes in respect of temporary differences between CCA and accounting depreciation, partially offset by higher regulatory income before taxes.

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 6-STAFF-318

References: **Excel spreadsheet, THESL_6_T02_S02_2025_Income_Tax_PILs_Updated_20231219**
Exhibit 6, Tab 2, Schedule 3, 2022 T2 Corporation Income Tax Return, November 17, 2023
Exhibit 6, Tab 2, Schedule 1, December 19, 2023, Page 5

Preamble:

OEB staff compared the tax return provided by Toronto Hydro to the historical tax data in PILs model. The provided tax return is for the taxation year 2022, while historical data required is for taxation year 2023.

In the Excel PILs model, Toronto Hydro stated that certain sections of the PILs model will be updated once the 2023 tax return is filed in June 2024.

Toronto Hydro stated that it does not have any non-capital or capital loss carry-forwards as of the end of December 2022, and does not expect to have such loss carry-forwards as of the end of December 2029.

QUESTION (A):

a) Please provide the 2023 tax return when it is available.

RESPONSE (A):

Toronto Hydro confirms it will provide the 2023 tax return once it becomes available.

QUESTION (B):

b) the 2023 tax return is not available at the time of interrogatory responses, please explain how Toronto Hydro proposes to have discovery on any evidence related to the 2023 tax return.

RESPONSE (B):

Please refer to the response in 6-Staff-320 b), 2023 forecast PILs to be paid by Toronto Hydro per the tax return and associated information was updated in the PILs model Excel spreadsheet. The forecast is calculated based on the 2023 year-end financials and can be used for purposes of discovery of evidence related to the 2023 taxation year.

QUESTION (C):

c) Please update the PILs model for 2023 historical data in all tabs of the PILs model relating to 2023 amounts.

RESPONSE (C):

Please see the response in Part b).

QUESTION (D):

d) Please reconcile the historical data relating to 2023 amounts in the PILs model to the 2023 tax return, including the UCC closing balance in Tab H8 Sch 8 CCA Hist

RESPONSE (D):

Please see the response in Part b).

QUESTION (E):

e) Please confirm that there are no loss carry forwards that will be included on Toronto Hydro’s 2023 tax return. If there are loss carry forwards, please incorporate into the PILs model.

RESPONSE (E):

There are no loss carry forwards forecasted for Toronto Hydro's 2023 taxation year.

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 6-STAFF-319

References: **Excel Spreadsheet,**
THESL_6_T02_S02_2025_Income_Tax_PILs_Updated_20231219
Exhibit 6, Tab 2, Schedule 1, December 19, 2023, Pages 2, 6

Preamble:

Toronto Hydro stated that for Tabs “B8 Sch 8 CCA Bridge” and “T8 Sch 8 CCA Test”, it updated the following in the “Relevant factor” column for 2024 Bridge year and 2025 Test year:

• Class 43.1 updated from 2.33 to 1.5
• Class 43.2 updated from 1.0 to 0.5
• Added Class 54 row and added relevant factor with 1.5
• Other Classes updated from 0.5 to 0

Toronto Hydro described the phase-out of accelerated CCA in its evidence. Toronto Hydro stated that for eligible assets acquired after November 20, 2018 and put in service after 2023 and before 2028, the accelerated CCA is up to two times the normal first-year CCA deduction.

QUESTION (A):

a) Please explain the rationale for any non-zero relevant factors in the bridge year (2024) and test years (2025), as noted in the preamble to this interrogatory.

RESPONSE (A):

Subsection 1100(2) of *Income Tax Regulations* (“ITR”) includes the half-year rule as well as the rules relating to accelerated investment incentive property (“AIIP”) and the rules relating to zero-emission property (“ZEP”). The half-year rule is suspended for AIIP and does not apply to ZEP. The undepreciated capital cost (“UCC”) adjustment factors (“relevant factor”) for AIIP and ZEP for the following CCA classes, if the eligible property became available for use by the taxpayer in 2024 or 2025, are:

- 1 1/2 (i.e., 1.5) for Class 43.1 [subparagraph 1100(2)(b)(ii) of the ITR]
- 1/2 (i.e., 0.5) for Class 43.2 [subparagraph 1100(2)(c)(ii) of the ITR]
- 1 1/2 (i.e., 1.5) for Class 54 [subparagraph 1100(2)(e)(ii) of the ITR]

By incorporating the above relevant factors in 2024 Bridge year and 2025 Test year, Schedule 8 (the enhanced first-year CCA allowance for Class 43.1, Class 43.2 and Class 54) will provide a 75%[1] deduction for the eligible property that became available for use by the taxpayer in 2024 or 2025. For more information, please see Exhibit 6, Tab 2 Schedule 1 (Updated December 19, 2023) at Page 6, Table 2.

QUESTION (B):

b) Please explain why the non-zero relevant factors noted in the preamble to this interrogatory were not factored into Toronto Hydro's 2026 and 2027 CCA schedules in the PILs model.

RESPONSE (B):

With reference to the response in part a), the relevant factors for the following CCA classes, if the eligible property became available for use by the taxpayer in 2026 or 2027, are:

- 5/6 (i.e., 0.8333) for Class 43.1 [subparagraph 1100(2)(b)(iii) of the ITR]
- 1/10 (i.e., 0.1) for Class 43.2 [subparagraph 1100(2)(c)(iii) of the ITR]
- 5/6 (i.e., 0.8333) for Class 54 [subparagraph 1100(2)(e)(iii) of the ITR]

[1] https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/sole-proprietorships-partnerships/report-business-income-expenses/claiming-capital-cost-allowance/accelerated-investment-incentive.html

The above relevant factors are embedded in CCA Column (Column O) in 2026 Test year and 2027 Test year Schedule 8, the enhanced first-year CCA allowance for Class 43.1, Class 43.2 and Class 54 will provide a 55%[2] deduction for the eligible property became available for use by the taxpayer in 2026 or 2027. For more information, please see Exhibit 6, Tab 2 Schedule 1 (Updated December 19, 2023) at Page 6, Table 2.

QUESTION (C):

c) Please confirm that non-zero relevant factors are not applicable to the Toronto Hydro's 2028 and 2029 CCA schedules in the PILs model, as the phase out is expected to be finished on December 31, 2027. If this is not the case, please explain.

RESPONSE (C):

Toronto Hydro confirms that non-zero relevant factors are not applicable to the Toronto Hydro's 2028 and 2029 CCA schedules in the PILs model.

QUESTION (D):

d) Please confirm that the relevant factors noted in the preamble to this interrogatory will be used by Toronto Hydro in its actual 2024 tax return to be filed with the Canada Revenue Agency. If this is not the case, please explain.

RESPONSE (D):

In accordance with the current tax rules and legislations, Toronto Hydro confirms that the relevant factors noted in the preamble to this interrogatory will be used by Toronto Hydro in its actual 2024 tax return.

[2] https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/sole-proprietorships-partnerships/report-business-income-expenses/claiming-capital-cost-allowance/accelerated-investment-incentive.html

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 6-STAFF-320

References: Excel Spreadsheet,
THESL_6_T02_S02_2025_INCOME_TAX_PILS_UPDATED_20231219
Excel Spreadsheet, THESL_2A_T01_S02 - OEB APPENDIX 2-BA_20240129

Preamble:

OEB staff compared the capital additions per year for Bridge (2024) and Test (2025 to 2029) years between Reference 1 and Reference 2 and noted the differences below.

Table 6-2: Comparison of Capital Additions

Capital Additions	PILS module Sch 8	Appendix 2-BA	Difference
Historical Year 2023	-	607,858,845	
Bridge Year 2024	591,256,223	607,861,685	(16,605,462)
Test Year 2025	632,309,581	647,410,639	(15,101,058)
Test Year 2026	685,392,626	696,660,168	(11,267,542)
Test Year 2027	772,784,474	811,377,756	(38,593,282)
Test Year 2028	753,616,719	776,588,421	(22,971,702)
Test Year 2029	853,206,373	898,351,761	(45,145,388)

Question (A):

a) Please update Table 6-2 to show 2023 actual capital additions in the PILs model Schedule 8 and the difference versus Appendix 2-BA.

RESPONSE (A):

Please see Table 1 below for the updated 2023 and 2024 forecast capital additions in the Updated PILs model Schedule 8, and 2023 actual and 2024 updated forecast capital additions in the Updated Appendix 2-BA[1]. Toronto Hydro has also updated Income Tax/PILS work form found in the evidence at Exhibit 6, Tab 2 Schedule 2, to include updated for 2023 Historical year and 2024 Bridge Year, which is attached as Appendix A to this response.

[1] Please see the response to interrogatory 1B-SEC-1 e)

Table 1: Comparison of Capital Additions for the updated 2023 and 2024 forecast

Capital additions	PILs model Sch 8	Appendix 2-BA	Difference
Historical Year 2023	578,747,322	594,237,479	(15,490,157)
Bridge Year 2024	604,748,823	626,323,423	(21,574,600)

Please see Table 2 below for the reconciliation of 2023 and 2024 capital additions differences in the Updated PILS model as compared to the Updated Appendix 2-BA.

Table 2: Reconciliation of Capital Additions in the Updated PILs model Schedule 8 and the Updated Appendix 2-BA for 2023 Historical Year and 2024 Bridge Year

Capital additions	[A] PILS model Sch 8	[B] Capital additions for Non Rate-Regulated Utility Assets	[C] Capital additions for Socialized Renewable Energy Generation Investments	[D] Interest capitalized for accounting (AFUDC), not for tax	[E] Other post employment benefits (OPEB) amounts capitalized for accounting, not for tax	[F] Capitalized depreciation for accounting, not for tax	[G] Accrued decommissioning provisions capitalized for accounting, not for tax	[A] + [B] + [C] + [D] + [E] + [F] + [G] Appendix 2-BA
Historical Year 2023	578,747,322	-	-	8,303,302	5,928,377	1,293,555	(35,077)	594,237,479
Bridge Year 2024	604,748,823	5,990,032	552,685	7,366,822	6,444,840	1,220,221	-	626,323,423

Question (B):

b) Please confirm that Toronto Hydro agrees with the values and calculations in Table 6-2. If not confirmed, please update as applicable.

RESPONSE (B):

Please see the response in part a) for the updated 2023 and 2024 values.

For 2025-2029 values, Toronto Hydro notes that the version of Appendix 2-BA used in Table 6-2 is from the Update filed on January 29, 2024. As mentioned in the Application Evidence Update[2], the PILS model was not updated for the forecast capital additions in the January 29, 2024 version. Toronto Hydro has updated the 2025-2029 values for Appendix 2-BA in Table 6-2 in Table 3 below with a comparison to the version of Appendix 2-BA submitted on November 17, 2023.

Table 3: Updated Comparison of Capital Additions for 2025-2029 Test Years

Capital additions	PILs model Sch 8	Appendix 2-BA	Difference
Test Year 2025	632,309,581	651,222,632	(18,913,051)
Test Year 2026	685,392,626	704,361,977	(18,969,351)
Test Year 2027	772,784,474	817,152,427	(44,367,953)
Test Year 2028	753,616,719	776,606,769	(22,990,050)
Test Year 2029	853,206,373	899,317,519	(46,111,146)

Question (C):

c) Please explain the differences for the historical, bridge and test years (2023 to 2029). If required, please provide updated evidence, as necessary.

RESPONSE (C):

See response in part a) for the reconciliation of the updated 2023 and 2024 forecast. Table 4 below shows the reconciliation for 2025-2029 capital additions using the comparable version as mentioned in part b)

[2] THESL_2025-2029 Rate Application Evidence Update_20240129.PDF, page 1

1 **Table 4 - Reconciliation of Capital Additions in the PILs model Schedule 8 (December 19, 2023)**
2 **and Appendix 2-BA (November 17, 2023) for 2025-2029 Test Years**

Capital additions	[A] PILS model Sch 8	[B] Capital additions for Non Rate-Regulated Utility Assets	[C] Capital additions for Socialized Renewable Energy Generation Investments	[D] Interest capitalized for accounting (AFUDC), not for tax	[E] Other post employment benefits (OPEB) amounts capitalized for accounting, not for tax	[F] Capitalized depreciation for accounting, not for tax	[G] Land additions not required to include in PILs model Sch 8	[A] + [B] + [C] + [D] + [E] + [F] + [G] Appendix 2-BA
Test Year 2025	632,309,581	5,350,956	-	5,634,925	6,478,384	1,448,786		651,222,632
Test Year 2026	685,392,626	4,954,055		5,647,262	6,613,087	1,754,947		704,361,977
Test Year 2027	772,784,474	7,674,815	13,857,710	7,522,153	6,752,991	2,021,000	6,539,284	817,152,427
Test Year 2028	753,616,719	7,387,485		6,441,961	6,880,722	2,279,882		776,606,769
Test Year 2029	853,206,373	16,627,144	7,337,579	12,539,200	7,008,131	2,599,092	-	899,317,519

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 6-STAFF-321

References: **Excel Spreadsheet,**
THESL_6_T02_S02_2025_Income_Tax_PILs_Updated_20231219
Excel Spreadsheet, OEB Appendix 2-BA_20240129

<u>Preamble:</u>

OEB staff compared the depreciation per year for years 2023 through 2029 between Reference 1 and Reference 2 and noted the differences below:

Table 6-3: Comparison of Depreciation

Depreciation Expense	PILS module Sch 1	Appendix 2-BA	Difference
Historical Year 2023	-	244,251,250	
Bridge Year 2024	270,629,442	254,366,994	16,262,448
Test Year 2025	285,335,169	266,434,512	18,900,657
Test Year 2026	299,636,600	281,231,459	18,405,141
Test Year 2027	319,928,789	301,948,227	17,980,562
Test Year 2028	342,059,947	325,977,318	16,082,629
Test Year 2029	354,470,110	339,731,877	14,738,233

Question (A):

a) Please update Table 6-3 to show 2023 actual depreciation in the PILs model Schedule 8 and the difference versus Appendix 2-BA.

RESPONSE (A):

Please see below Table 1 updated for 2023 actuals and 2024 updated forecast:

Table 1: Updated Comparison of Depreciation table (2023-2024)

Depreciation Expense	PILS module Sch 1[1]	Appendix 2-BA	Difference
Historical Year 2023	259,865,782	247,107,134	12,758,648
Bridge Year 2024	276,564,046	259,753,795	16,810,251

Please see below Table 2 for the reconciliation of the differences between 2023-2024 depreciation in the PILS model compared to Appendix 2-BA:

Table 2: PILs module Sch 1 and Appendix 2-BA depreciation bridge (2023-2024)

Depreciation Expense	PILS module Sch 1 [A]	Exclude Deferred Revenue [B]	Exclude Derecognition [C]	Appendix 2-BA [D] = [A]-[B]-[C]
Historical Year 2023	259,865,782	- 15,745,226	28,503,875	247,107,134
Bridge Year 2024	276,564,046	- 17,911,385	34,721,635	259,753,795

Question (B):

b) Please confirm that Toronto Hydro agrees with the values and calculations in Table 6-3. If not confirmed, please update as applicable.

RESPONSE (B):

Toronto Hydro notes that the version of Appendix 2-BA used in Table 6-3 is from the update filed on January 29, 2024. As set out in Application Evidence update,[2] the PILS models were not yet updated based on that forecast update. Toronto Hydro has updated the 2025-2029 values in Table 6-3 from the preamble above to reflect a comparable version of the Appendix 2-BA forecast as shown in below table 3:

[1] 6-Staff-320 b)
[2] EB-2023-0195, Toronto Hydro 2025-2029 Custom Rate Application For Electricity Distribution Rates and Charges – Evidence Update, January 29,2024, page 1.

Table 3: Updated Comparison of Depreciation table (2025-2029)

Depreciation Expense	PILS module Sch 1	Appendix 2-BA	Difference
Test Year 2025	285,335,169	266,455,942	18,879,227
Test Year 2026	299,636,600	281,335,356	18,301,243
Test Year 2027	319,928,789	302,170,853	17,757,936
Test Year 2028	342,059,947	326,275,602	15,784,345
Test Year 2029	354,470,110	340,146,430	14,323,680

Question (C):

c) Please explain the differences for the historical, bridge and test years (2023 to 2029). If required, please provide updated evidence upon any revisions.

RESPONSE (C):

Please see response to a) for the reconciliation of 2023 actuals and 2024 forecast. Table 4 shows the reconciliation for 2025-2029 using comparable versions of the schedule based on the November 17, 2023 version.

A comparable view of depreciation expense can also be found in Exhibit 2A, Tab 2, Schedule 1, Appendix A.

Table 4: PILs module Sch 1 and Appendix 2-BA depreciation bridge

Depreciation Expense	PILS module Sch 1 [A]	Exclude Deferred Revenue [B]	Exclude Derecognition [C]	Appendix 2-BA [D] = [A]-[B]-[C]
Test Year 2025	285,335,169	- 19,027,618	37,906,845	266,455,942
Test Year 2026	299,636,600	- 21,074,726	39,375,969	281,335,356
Test Year 2027	319,928,789	- 23,375,371	41,133,307	302,170,853
Test Year 2028	342,059,947	- 25,829,927	41,614,273	326,275,602
Test Year 2029	354,470,110	- 28,461,204	42,784,885	340,146,430

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 6-STAFF-322

References: **Exhibit 6, Tab 2, Schedule 1, December 19, 2023 Page 5**
Exhibit 9, Tab 1, Schedule 1, December 19, 2023, Page 15
EB-2022-0065, 2023 Custom IR Update Decision and Rate Order, December 8, 2022, Page 15
Exhibit 9, Tab 1, Schedule 1, December 19, 2023, Page 30
EB-2018-0165, 2020 Custom IR Decision and Order, December 19, 2019, Pages 149, 150
Filing Requirements For Electricity Distribution Rate Applications, 2023 Edition for 2024 Rate Applications, Chapter 2, Cost of Service December 15, 2022, Pages 63, 64

Preamble:

Toronto Hydro stated that it claimed the maximum CCA amount in 2025-2029. Toronto Hydro confirmed that the accelerated CCA rules introduced by Bill C-97 were applied in the PILs tax models, and that the maximum accelerated CCA were claimed.

Toronto Hydro confirmed that the revenue requirement impacts of the accelerated CCA rules were reflected in its approved 2020-2024 rates. Toronto Hydro stated that the entire 2018 and forecasted 2019 revenue requirement impact of the accelerated CCA rule changes was recorded within the sub-account of Account 1592.

Toronto Hydro noted that the impact recorded in the new sub-account of Account 1592 was approved for disposition starting on January 1, 2023, and was trued-up as part of the application for rates and other charges effective January 1, 2023. Toronto Hydro stated that any forecasting variances over 2020-2024 period will be captured in the Capital Related Revenue Requirement Variance Account (CRRRVA).

Toronto Hydro has proposed to discontinue the CRRRVA in the 2025-2029 rate period.

In its 2020 Custom IR decision, the OEB agreed with Toronto Hydro's treatment of accelerated CCA and the CRRRVA relating to the 2020-2024 period. Toronto Hydro noted that the PILs impact of Bill C-97 (i.e., accelerated CCA) will be embedded in its 2020-2024 capital forecast at the time of the draft rate order, which means that the CRRRVA will capture any forecasting variances over that period.

However, the OEB also determined that Toronto Hydro was required to record the entire 2018 and forecasted 2019 revenue requirement impact of the CCA tax rule changes within Account 1592, PILs and Tax Variances, Sub-account CCA Changes. The OEB directed Toronto Hydro to dispose of the noted sub-account as part of the 2020 Custom IR proceeding.

As per OEB's filing requirements, distributors must provide the following:
i. The full revenue requirement impact recorded in Account 1592, Sub-account CCA Changes and the balance sought for review and disposition.
ii. Calculations for accelerated CCA differences per year, based on actual capital additions. These calculations should include:
a. The undepreciated capital cost (UCC) continuity schedules for each year, itemized by CCA class.
b. The calculated PILs/tax differences.
c. The grossed-up PILs/tax differences.
d. Any other applicable information.
iii. Confirmation that Account 1592 amounts related to ICM/ACM have been included in the account, if applicable.
iv. A reconciliation of these amounts to the amounts presented in the Account 1592 sub-account for CCA changes in the DVA continuity schedule.
v. If a distributor does not have a balance in this sub-account, the distributor must explain why.

QUESTION (A):

a) Please confirm that the December 31, 2019 balance in Account 1592, PILs and Tax Variances, Sub-account CCA Changes was disposed on a final basis in Toronto Hydro's 2020 Custom IR proceeding, subject to a subsequent true-up to reflect actual capital additions. If this is not the case, please explain.

RESPONSE (A):

Toronto Hydro confirms that the December 31, 2019 balance in Account 1592, PILs and Tax Variances, Sub-account CCA Changes was disposed on a final basis in Toronto Hydro's 2020 Custom IR proceeding, subject to a subsequent true-up to reflect actual capital additions.

QUESTION (B):

b) Please confirm that the balance described in part a) above was approved for disposition in Toronto Hydro's 2020 Custom IR proceeding (subject to a true-up), but the rate rider related to this sub-account was implemented in Toronto Hydro's 2023 Custom IR Update proceeding. If this is not the case, please explain.

RESPONSE (B):

Toronto Hydro followed the OEB's direction in its 2020 Custom IR proceeding (subject to a true-up). The 2019 balance described in part a) was approved for disposition over a 24-month period rate-rider commencing on January 1, 2023[1]. The true-up amount was approved in Toronto Hydro's 2023 Custom IR Update proceeding. OEB staff supported Toronto Hydro's proposal to transfer the true-up amount to Account 1595 (2023) and found that a separate rate rider to dispose of this balance was not required, consistent with prior OEB decisions regarding Group 2 true-up balances. Toronto Hydro followed the OEB's decision to transfer the true-up amount to Account 1595 (2023)[2].

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[1] EB-2018-0165 Decision and Order, February 20, 2020, pages 44-65, Schedule 17-4A and 17-5A.
[2] EB-2022-0065 Decision and Order, December 8, 2022, page 16.

QUESTION (C):

c) Please confirm that although the revenue requirement impacts of the accelerated CCA rules were reflected in Toronto Hydro's approved 2020-2024 rates, a true-up to reflect actual capital additions has been recorded in the CRRRVA account. If this is not the case, please explain.

RESPONSE (C):

Toronto Hydro confirms that the PILs revenue requirement variances with respect to any forecasting capital additions variances over 2020-2024 period were/will be captured in CRRRVA. Please refer to pages 28 and 29 of Exhibit 9 Tab 1 Schedule 1 (Updated December 31, 2023), the CRRRVA is an asymmetrical account in that it only records for disposition variances that result in a credit (refund) to customers. Since the forecasted CRRRVA balance over 2020-2024 period is in a receivable position (debit collectible) from customers, Toronto Hydro has not recorded any balances in the CRRRVA for the period 2020-2024.

QUESTION (D):

d) Please confirm that Toronto Hydro plans to record any true-ups to reflect actual capital additions for the 2025 through 2029 period in Account 1592, PILs and Tax Variances, Sub-account CCA Changes, given that Toronto Hydro has requested that the CRRRVA account be discontinued in this proceeding. If this is not the case, please explain.

RESPONSE (D):

Toronto Hydro does not plan to record any true-ups to reflect actual capital additions for the 2025 through 2029 period in Account 1592, PILs and Tax Variances, Sub-account CCA Changes, since this account is specifically for the purposes of tracking the impact of changes in CCA rules[3], not for tracking forecasting variances. Please refer to Exhibit 9 Tab 1 Schedule 1 (Updated December 19,

[3] Accounting Direction Regarding Bill C-97 and Other Changes in Regulatory or Legislated Tax Rules for Capital Cost Allowance (July 25, 2019).

2023), page 30. Toronto Hydro proposes to discontinue the CRRRVA in the 2025-2029 rate period and proposes to continue to track variances in capital expenditures that have a higher degree of sensitivity or variability due to external factors through the proposed Demand-Related Variance Account ("DRVA") outlined in Exhibit 9 Tab 1 Schedule 1 (Updated December 19, 2023) at Section 9.2, page 40. Toronto Hydro plans to capture any related forecasting variances on its PILs revenue requirement in this proposed DRVA.

QUESTION (E):

e) Please provide a high-level derivation of the accelerated CCA amounts recorded in the CRRRVA account (and/or Account 1592, PILs and Tax Variances, Sub-account CCA Changes, as applicable) for the 2020 to 2029 period. Please show anything that is missing after addressing all of the OEB's filing requirements noted in the preamble to this interrogatory.

RESPONSE (E):

See responses in part a) to d).

QUESTION (F):

f) In Toronto Hydro's response, please also reconcile the 2023 to 2029 accelerated CCA amounts used in the CRRRVA / Account 1592 calculations to the amounts shown in the CCA calculations (Schedule 8) in the PILs model.

RESPONSE (F):

Refer to the responses in part a) to d), 2023 to 2029 accelerated CCA amounts were not recorded in the CRRRVA / Account 1592 calculations, therefore, reconciliation is not applicable.

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 6-STAFF-323

Reference: **Excel spreadsheet, THESL_6_T02_S02_2025_Income_Tax_PILs_Updated_20231219**

Preamble:

Toronto Hydro is proposing to re-class $2.5 million of tax credits to OM&A for each of the 2024 through 2029 periods, plus a gross-up of $0.9 million for each of these years.

QUESTION (A):

a) Please confirm that instead of incorporating these $2.5 million of tax credits to reduce the PILs provisions for each of the 2024 through 2029 periods, Toronto Hydro is proposing to reduce OM&A by $3.4 million for each of the 2024 through 2029 periods (including the gross-up impact).

RESPONSE (A):

Toronto Hydro confirms that $2.5 million of tax credits has already reduced the OM&A for each of the 2024 through 2029 periods in the original submission (November 17, 2023) and in the Update (January 24, 2024) (see Section 2.2, page 2, Exhibit 4 Tab 2 Schedule 20). Toronto Hydro adjusted the tax credits reclass to OM&A and the related gross up portion in Exhibit 6 Tab 2 Schedule 2.

Toronto Hydro is not proposing to further reduce the gross-up of $0.9 million in OM&A for each of the 2024 through 2029 periods. The gross up of $0.9 million reflected in the PILs model represents the regular gross up calculation assuming tax credits of $2.5 million were not included in Regulatory income before tax. If Toronto Hydro included the $0.9 million gross-up to reduce OM&A, the tax credits would be reduced twice in OM&A as well as in the PIL revenue requirement.

QUESTION (B):

b) If yes, please provide a reference to where the tax credits of $2.5 million (plus the gross-up of $0.9 million) are shown to reduce Toronto Hydro's 2024 through 2029 OM&A budgets.

RESPONSE (B):

Please see response in part a).

QUESTION (C):

c) If no, please explain.

RESPONSE (C):

Please see response in part a).

QUESTION (D):

d) Please explain what is being proposed for the 2023 period, in relation to the re-class of tax credits and associated gross-up.

RESPONSE (D):

Please refer to the response in Interrogatory 6-Staff-317 c) and d). 2023 Historical forecast PILs represents the forecast PILs expense to be paid by Toronto Hydro for 2023 taxation year. There is no gross up amount for actual tax.

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 6-CCC-63

Reference: Exhibit 6, Tab 1, Schedule 1

Please provide the following - The impact on the 2025-2029 Revenue Requirements if Toronto Hydro's in-service additions were reduced by $100 million each year. Please include all assumptions.

RESPONSE:

The impact of in-service additions on capital-related revenue requirement depends on the specific assets in question. Different assets types carry different assumptions with respect to useful life (and consequent impacts on depreciation, return on equity and interest), and CCA rates for PILs/tax purposes. For example, an IT software-related in-service addition typically has a useful life of 4 years and CCA of 100% (with half-year rule/accelerated CCA rules where applicable) for tax purposes, whereas transformers can have useful life between 30-50 years and a CCA of 8% (with half-year rule/accelerated CCA rules where applicable). As a result of these differences, revenue requirement of a $10 million in-service addition related to software is not the same as a $10 million in-service addition related to transformers. Thus, without specific details with respect to the type of in-service additions that would be reduced, it is not possible to model the capital-related revenue requirement impact.

RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES

INTERROGATORY 6-SEC-120

Reference: Exhibit 6, Tab 1, Schedule 1, Page 4

With respect to the revenue deficiency drivers table, please revise the table to include, a) each year of the rate term, and b) separately calculate the distribution revenue and total deficiency, as compared to the previous years approved/proposed rates (i.e. For 2026, distribution revenue at proposed 2025 rates).

RESPONSE:

See the table below.

	2020 OEB Approved	2025 Forecast	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast
Rate Base	4,514.8	5,901.2	6,284.5	6,714.7	7,177.9	7,608.2
ROE	8.52%	9.36%	9.36%	9.36%	9.36%	9.36%
Debt Rate	3.64%	4.04%	4.04%	4.04%	4.04%	4.04%
DRIVERS OF DEFICIENCY						
OM&A	266.7	343.0	355.4	364.8	377.2	388.2
Depreciation	263.7	285.3	297.5	315.4	334.9	344.5
Deemed Interest Expense	98.5	143.2	151.3	160.5	170.4	179.3
Return on Equity	153.9	220.9	233.6	247.9	263.1	276.9
PILS	9.7	27.9	30.3	19.6	55.1	46.4
Total Service Revenue Requirement	**792.5**	**1,020.3**	**1,068.1**	**1,108.2**	**1,200.7**	**1,235.4**
Distribution Revenue at previous years approved/ proposed rates	771.4	870.2	970.9	1,017.4	1,059.6	1,144.7
Revenue Offsets	42.3	47.9	48.5	49.1	49.7	50.3
Total Operating Revenue	**813.7**	**918.1**	**1,019.4**	**1,066.5**	**1,109.3**	**1,195.1**
Total Deficiency		**102.2**	**48.7**	**41.7**	**91.4**	**40.4**

RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES

INTERROGATORY 6-SEC-121

Reference: Exhibit 6, Tab 2, Schedule 1, Page 4

With respect to the PILs:

QUESTION (A):

a) Does the summary of PILs in Table 1 include utilization of accelerated CCA that has been captured in the PILs and Tax Variances – CCA Changes Sub-Account? If so, please provide a revised version of the table that removes those amounts.

RESPONSE (A):

Please refer to Exhibit 6 Tab 2 Schedule 1 (updated December 19, 2023), accelerated CCA is included in the actual/forecasted taxes paid/to be paid for 2020-2023 (page 10, Table 4) and in the forecasted PILs revenue requirement for the 2024 Bridge Year (page 1, Table 1). Note that accelerated CCA has not been captured in the PILs and Tax Variances – CCA Changes Sub-Account. We have therefore not provided a revised version of the tables to remove those amounts.

QUESTION (B):

b) Please provide a similar table that shows the PILs expense for each year between 2025 and 2029.

RESPONSE (B):

PILs revenue requirement for 2025-2029 Test Years are summarized in Exhibit 6 Tab 2 Schedule 1 (updated December 19, 2023), Table 1, page 1.

QUESTION (C):

c) For each year between 2020 and 2024, please provide a table that shows the approved PILs expense n EB-2018-0165, and the actual/forecast PILs expense. Please explain the annual variance.

RESPONSE (C):

Please see Tables 1 and 2 below.

Table 1: Summary of approved PILs expense included in revenue requirement in EB-2018-0165 ("Approved PILs RR") ($ Millions)

	2020	2021	2022	2023	2024
Approved PILs RR	9.7	19.2	10.3	24.8	36.1

Table 2: Summary of the actual/forecast PILs expense paid by Toronto Hydro per tax return ($ Millions)

	Actual			Forecast	
	2020	2021	2022	2023	2024
Actual/Forecast PILs	2.0	8.0	7.6	6.8	3.5

In accordance with Section 2.6.2.1 of the *Filing Requirements For Electricity Distribution Rate Applications - 2023 Edition for 2024 Rate Applications issued December 15, 2022*, regulatory assets and liabilities have been excluded from PILs for purposes of calculating revenue requirement, both when they were created and when they were disposed, regardless of the actual tax treatment accorded those amounts. This difference in tax treatment is the primary reason to explain the variance between approved PILs expense and actual/forecast PILs expense. The variance will be reversed over time when disposition of regulatory account balances is determined by the OEB and when the balances are included in future rates. In addition, actual/forecast PILs expense does not include an amount grossed up for taxes, whereas the approved PILs RR includes a gross up amount for tax. Both of these differences primarily contribute to the variance between approved PILs expense and actual/forecast PILs expense.