RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 9-STAFF-336

References: Exhibit 9, Tab 1, Schedule 1, Page 12

THESL 2021 Audited Financial Statements, Note 8 Regulatory Balances

Preamble**:**

In section 4.4 of reference 1, Toronto Hydro states that they sold one of their surplus properties in 2021 resulting in an actual net gain of $1.6M.

In reference 2, the balance arising in 2021 relating to gains on disposals is $0.1M. In the 2020-2024 CIR decision and rate order, the incremental balance related to the actual realized gain and tax savings that exceeded the approved rate riders in connection with the disposal of the first two LDC properties was approved for disposition over a 22-month period commencing on March 1, 2020. The OEB also approved disposition of the actual realized gain and tax savings in connection with the disposal of the third property over a 22-month period commencing on March 1, 2020.

QUESTION (A):

a) Please explain and reconcile the difference in gains between reference 1 and reference 2.

RESPONSE (A):

Reference 1 relates to the Gain on Sale of Property Variance account which records both the actual gain on sale and the gain on sale embedded in rates. In 2021, Toronto Hydro realized a $1.6M gain from the sale of a property against the $1.0M gain embedded in rates. The balance arising in 2021 from this account is reported under the category “Other- Regulatory Balances” in the THESL 2021 Audited Financial Statements, Note 8 Regulatory Balances.[1]

[1] As noted in the response to 3-SEC-85, Toronto Hydro identified a correction to Table 8 on Exhibit 9, Tab 1, Schedule 1 at page 12 . Please see that response for the corrected table.

The properties discussed in Reference 2 pertains to the sale of properties as a result of the "Operating Centers Consolidation Program" and the "Gain on Sale – 50/60 Eglinton Avenue" accounts. These accounts were approved for disposition in EB-2018-0165. The balance arising in 2021 – $0.1M credit – pertains to the related carrying charges on the net principal balance which were approved for disposition commencing March 1, 2020.

QUESTION (B) :

b) Please confirm whether there are any residual balances to be disposed of from the sale of the three properties noted above.

RESPONSE (B):

There is a residual balance in relation to the Operating Centers Consolidation Program of $2.0 million (debit) which is included in the updated Group 2 account continuity schedule. The residual balance comprises $1.7 million that reflects an overpayment to rate payers, plus $0.3 million for related carrying charges. Due to the timing of the drawdown in January 2019 and the submission for the 2020-2024 CIR application, there was a balance of $1.7 million that was not included in the forecasted amount. This was also addressed in EB-2022-0065 Decision and Order, December 8, 2022, page 15 and 16. There are no other residual balances for the other two properties noted in Reference 2.

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 9-STAFF-337

Reference: Exhibit 9, Tab 1, Schedule 1, Pages 19-20

Preamble:

In 2018, Toronto Hydro disposed of its property at 5800 Yonge, resulting in a giveback to customers in the current 2020-2024 rate period of $73.7 million based on the fair market value payment that it received for this property. The gain on sale of 5800 Yonge was recorded in Account 1508 subaccount Variance Account for Gains on Sale of Properties Related to the Operating Centres Consolidation Program ("OCCP"), established by the OEB in the 2015-2019 rate application.

In addition to the fair market value of this property, a variable consideration ("bonus payment") was incorporated into the Agreement of Purchase and Sale ("APS") based on the potential increase in gross floor area as a result of zoning bylaw applications submitted by the purchaser. The increase in gross floor area was achieved and Toronto Hydro intends to return this variable consideration (bonus payment) to ratepayers to offset rate pressures in the 2025-2029 period, through the OCCP variance account. The amount proposed for clearance is a $33.4 million credit to customers.

Toronto Hydro requests the continuation of this variance account in the 2025-2029 period as there may be further variable consideration available to the utility under the APS.

QUESTION (A):

a) Given that the sale of 5800 Yonge occurred in 2018, please discuss what involvement Toronto Hydro still has with the property.

RESPONSE (A):

Toronto Hydro continues to monitor for new municipal permits and approvals, including any additional zoning applications with respect to the property, in order to determine any amounts of

variable consideration payable to Toronto Hydro in accordance with the provisions of the Agreement of Purchase and Sale ("APS").

QUESTION (B):

b) Please discuss what other variable considerations might be available to the utility under the APS.

RESPONSE (B):

Depending upon new zoning approvals associated with the 5800 Yonge property, further variable consideration may be available under the APS, however, Toronto Hydro deems this to be very unlikely.

QUESTION (C):

c) Does Toronto Hydro expect to realize any further variable considerations in the future? Are these considerations forecasted in the 2025-2029 revenue requirement?

RESPONSE (C):

Please refer to the response to subpart (b). Toronto Hydro did not incorporate any additional considerations in its 2025-2029 revenue requirement forecast because the utility deems such a scenario to be very unlikely.

QUESTION (D):

d) Please confirm whether Toronto Hydro has variable considerations with a purchaser on any other properties.

RESPONSE (D):

Yes, please refer to Exhibit 9, Tab 1, Schedule 1 at page 42, lines 9-14.

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 9-STAFF-338

References: **THESL_9_T01_S01_App A - Calculation of Useful Life Change Impacts_20231117.xls**
THESL_2A_T01_S02 - OEB Appendix 2-BA_20231117.xls

Preamble:

OEB staff notes a disposal amount of $454,416 for 2023 in reference 1. This amount agrees to the disposal amount for land in reference 2.

QUESTION (A) AND (B):

a) Please discuss why the disposal amount is positive rather than negative.
b) Please describe what the $454,416 relates to.

RESPONSE (A) AND (B):

Refer to the Note 10 found in year 2023 of Appendix 2-BA in Exhibit 2A, Tab 1, Schedule 2. The positive disposal value reflects a reversal/correction of land assets that were erroneously written off historically due to the naming convention used in the fixed asset register associated with this property which was originally acquired in 1995.

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 9-STAFF-339

References: Exhibit 9, Tab 1, Schedule 1, Pages 28-29

EB-2018-0165 Exhibit U, Tab 9, Schedule 1, Page 5, filed April 30, 2019

Preamble**:**

The Capital-Related Revenue Requirement Variance Account (CRRRVA) records the variance between the capital-related revenue requirement included in rates and the actual capital related revenue requirement (excluding balances captured in the Externally Driven Capital Variance Account).

The CRRRVA is an asymmetrical account in that it only records for disposition variances that result in a credit (refund) to customers. In the OEB's Decision and Order dated December 19, 2019 for EB-2018-0165, the OEB agreed with Toronto Hydro's proposal to dispose of ($88.4M) in a credit to ratepayers for the CRRRVA.

In reference 2, Toronto Hydro proposes to discontinue this account in the 2025-2029 rate period as it has proven over the last two custom rate periods (i.e. 2015-2019 and 2020-2024) its ability to deliver multi-year capital programs within very reasonable margins of variance. To protect customers against utility overearnings, Toronto Hydro proposes to continue the Earnings Sharing Mechanism approved in the last rate application. Furthermore, the utility proposes 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").

QUESTION (A) AND (B):

a) Please provide a table showing $ amount in debits or credits in the CRRRVA for the 2015-2019 period.

b) Please discuss why it is appropriate to discontinue the CRRRVA in light of the significant historical variance noted in EB-2018-0165.

RESPONSE (A) and (B):

Table 1 below summarizes the annual credits CRRRVA in the 2015-2019 period. The ending balance over the 2015-2019 rate period was $74.7M[1] credit to customers. However, a significant portion of this balance was driven by an adjustment related to the correction of metering useful lives,[2] which was unrelated to the execution of the plan. When normalized for the metering adjustment, the remaining balance in the 2015-2019 account was approximately $37.9 million. This remaining balance was driven by changes in the mix and timing of assets coming into service later than forecasted, in part due to the timing of the OEB's decision. Overall Toronto Hydro delivered the in-service additions associated with the 2015-2019 capital plan within a 2% variance from the forecast. In the current 2020-2024 rate period, Toronto Hydro has no balance in the CRRRVA and in-service additions are forecasted to be within a 1.1 per cent variance,[3] further demonstrating Toronto Hydro's ability to successfully deliver its capital work program.

Table 1: CRRRVA for the 2015-2019 period ($ Millions)

	2015	2016	2017	2018	2019
Opening Balance-Credit	**-**	**2.7**	**8.5**	**22.7**	**52.8**
Debits	-	-	-	-	-
Credits	2.7	5.8	14.3	30.1	21.8
Ending Balance-Credit	**2.7**	**8.5**	**22.7**	**52.8**	**74.7**

[1] See EB-2018-0165, Draft Rate Order (Updated: February 12, 2020), Schedule 13, page 9
[2] See EB-2018-0165, Exhibit 9, Tab 1, Schedule 1 at page 10.
[3] See Exhibit 2A, Tab 1, Schedule 1 at page 3; and Exhibit 9, Tab 1, Schedule 1, Section 5.2

QUESTION (C) :

c) Please discuss how the Demand Related Variance Account will offer the same or similar amount of protection to the ratepayer as the CRRRVA for the rate period 2025-2029, if the CRRRVA was discontinued.

RESPONSE (C):

As noted in the evidence at Exhibit 1B, Tab 2, Schedule 1 starting on page 36, the DRVA covers programs that are subject to greater degrees of uncertainty and variability based on a confluence of external factors that can affect customer demand in the next rate term. By being able to isolate and manage variances in these demand-driven programs from the rest of the investment plan, the DRVA provides a similar (and arguably greater) amount of protection to ratepayers than the CRRRVA did over the current rate period. In circumstances where demand-driven investments are lower than planned, the subaccount protects ratepayers by ensuring that (i) they do not pay for demand-driven work that can be deferred, and (ii) funds are not repurposed to manage variances in other aspects of the plan that are not driven by demand. Similarly, in circumstances where demand-related investments are higher than planned, the subaccount enables Toronto Hydro to respond to these externally-driven needs without having to defer other priority work within the plan and put key customer outcomes such as reliability and resiliency at risk.

QUESTION (D) :

d) Please provide the amount of capital forecasted to be included in the DRVA in comparison to the CRRRVA (assuming it continues) for the period 2025-2029.

RESPONSE (D):

Please see Table 2.

Table 2: DRVA Capital Expenditures vs. CRRRVA Capital Expenditures ($ millions)

	2025	2026	2027	2028	2029	Total
DRVA Capital Expenditures	164.8	163.6	166.8	195.8	206.4	897.4
CRRRVA Capital Expenditures	532.0	566.8	618.3	601.1	567.2	2,885.4

QUESTION (E)

e) Please discuss Toronto Hydro's thoughts on continuing the CRRRVA if its request to establish the PIM-DA, DRVA and IFVA are not granted.

RESPONSE (E):

Toronto Hydro stands behind its proposal to discontinue the asymmetrical CRRRVA irrespective of whether the other accounts are approved. If the DRVA and the other accounts are not granted as requested, Toronto Hydro requires even greater flexibility to manage the plan and deliver its performance objectives within the rates set. The asymmetrical CRRRVA limits flexibility to adapt the plan to respond to greater uncertainty and more dynamic business conditions that the utility faces in the next rate term. It could also create an improper incentive for the utility to prioritize capital investment over other solutions enabled by technology which may offer new and innovative ways to address grid needs and business requirements.

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 9-STAFF-340

References: Exhibit 9, Tab 1, Schedule 1, Page 42

Decision and Order EB-2018-0165, Page 188

Preamble**:**

In the 2020-2024 rate application (EB-2018-0165), Toronto Hydro requested approval to clear forecasted net gains on the sale of property at 50/60 Eglinton Avenue through a rate rider without a deferral or variance account. The OEB accepted the disposition of relevant amounts, noting that although the proposed refund of the proceeds of sale from the Eglinton property and other amounts is appropriate, the OEB may not permit in the future the disposition of a regulatory balance without an approved account.

In addition to the sale proceeds previously refunded to ratepayers, Toronto Hydro received a variable consideration (bonus payment) from the purchaser, based on the terms of the relevant agreement of purchase and sale, which stipulate additional consideration to the utility where the purchaser achieves an increase in gross floor area as a result of zoning bylaw applications. Toronto Hydro intends to return this variable consideration (bonus payment) to ratepayers in the 2025-2029 period.

Toronto Hydro is requesting to clear an estimated $10.2 million credit to customers.

QUESTION (A):

a) Please discuss why it is appropriate to create another subaccount for the 50/60 Eglinton bonus payment when a generic gain on sale of property subaccount has already been established.

RESPONSE (A):

Toronto Hydro proposed a separate sub-account to be responsive to the OEB's comment in the last decision. The utility has no particular preference for which account should be used to capture this material incremental benefit to customers, and thus defers to the Staff's view on this matter.

QUESTION (B):

b) Please discuss what other terms of contract might allow rate payers to receive variable consideration in the future.

RESPONSE (B):

If the gross floor area currently approved is further increased as a result of a variance, zoning by-law, official plan amendment or other binding approval within the 2025-2029 period, Toronto Hydro would be entitled to further variable consideration. The exact amount would be dependent on the additional gross floor area achievable by virtue of the further approval.

QUESTION (C):

c) When does Toronto Hydro expect to finalize the bonus payment amount to customers?

RESPONSE (C):

With respect to further variable consideration described in (b) above, Toronto Hydro notes that whether additional bonus payments can be unlocked is entirely contingent on the factors outlined above in (b). At this time, Toronto Hydro has no knowledge or evidence that any of these factors would be met. However, in the unlikely (but possible) event that there is a variance, zoning by-law, or official plan amendment that unlocks additional bonus payments, Toronto Hydro intends to return these bonus payments to ratepayers during the 2025-2029 period by bringing forward a request for disposition through the annual rate update process.

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 9-STAFF-341

References: Exhibit 9, Tab 1, Schedule 1, Page 40

Exhibit 1B, Tab 2, Schedule 1, Pages 29-33

Chapter 2 Filing Requirements Cost of Service, Section 2.9.2 dated Dec 15, 2022

Preamble**:**

Toronto Hydro's rate framework proposes a proactive 0.6 percent performance incentive factor that further reduces revenues by approximately $65 million over the rate term, providing customers an additional upfront rate reduction. The performance incentive mechanism ("PIM") is linked with the 2025-2029 Custom Scorecard detailed in Exhibit 1B, Tab 3, Schedule 1. Toronto Hydro proposes to defer the finalization of the targets to a second phase of this proceeding that can be run in parallel with the Draft Rate Order process. The PIM deferral account ("PIM-DA") would record the earnings and would be brought forward for revenue and disposition in next rebasing app.

In the event a distributor seeks an accounting order to establish a new DVA, the distributor must file evidence demonstrating how the following eligibility criteria have been met:

• Causation: the forecast amount to be recorded in the proposed account must be clearly outside of the base upon which rates were derived.

• Materiality: the annual forecast amounts to be recorded in the proposed account must exceed the OEB-defined materiality threshold and have a significant influence on the operation of the distributor, otherwise they must be expensed or capitalized in the normal course and addressed through organizational productivity improvements.

• Prudence: the nature of the amounts and forecast quantum to be recorded in the proposed account must be based on a plan that sets out how the amounts will be reasonably incurred, although the final determination of prudence will be made at the time of disposition. For any costs incurred, in terms of the quantum, this means that the distributor must provide evidence

demonstrating that the option selected represented a cost-effective option (not necessarily least initial cost) for ratepayers.

QUESTION (A):

a) Please discuss the PIM-DA considering the 3 eligibility criteria above.

RESPONSE (A):

The PIM-DA atisfies the OEB's criteria as follows:

- **Causation:** the PIM related revenue to be recorded in this account is clearly outside of the base upon which rates were derived. As noted in the evidence, the PIM is tied to a 0.6% incentives as part of the proposed X-Factor in the Custom Revenue Cap Index, which proactively reduces the revenue that the utility is able to collect through its base rates. Further, the recording and recovery of any amounts in the PIM-DA is uncertain, and will depend on Toronto Hydro's performance and ability to meet pre-defined targets. This uncertainty confirms that amounts in the PIM-DA are outside the basis on which rates have been calculated.
- **Materiality**: the PIM related revenue that would be recorded in this account if the utility achieves its targets is $65 million, which well exceeds the OEB-defined materiality threshold applicable to Toronto Hydro, and has a significant influence on the operation of the distributor.
- **Prudence**: the PIM related revenue that would be recorded in this account is tied to the prudence of the 2025-2029 Investment Plan (and resulting revenue requirement) which is being evaluated in this rate application. Furthermore, the detailed evidence in Exhibit 1B, Tab 3, Schedule outlines the specific measures and targets that are tied to the proposed PIM, and provides the relative weights of each measure to the overall incentive amount available under the PIM. This evidence also explains and quantifies (where possible) the customer benefits of achieving the target performance.

QUESTION (B):

b) What other alternative approaches were considered for achieving the objectives of the PIM that did not make use of a deferral account?

RESPONSE (B):

To that end, since a deferral account is a commonly used mechanism in utility rate regulation,[1] Toronto Hydro did not consider any alternative approaches capturing the revenues related to the PIM. In developing the custom rate framework, Toronto Hydro sought to apply established utility rate regulation approaches (wherever possible) in order to ensure that the elements and mechanisms of the proposed custom rate framework proposal are (1) structurally aligned with existing policies, practices and conventions[2] and (2) can be efficiently tested by the OEB and interested parties.

[1] In utility rate regulation, a deferral account is a financial mechanism used to track certain costs or revenues that are deferred for future recovery or adjustment. These accounts are established by regulatory authorities and are part of the regulatory framework designed to ensure fairness, transparency, and the proper allocation of costs and benefits among utility customers.

[2] E.g. long-standing practice of utilizing a Demand-Side Management Incentive Deferral Account ("DSMIDA") to record and dispose of shareholder incentive payments to natural gas distributors

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 9-STAFF-342

References: **Exhibit 9, Tab 1, Schedule 1, Page 41**
Exhibit 1B, Tab 2, Schedule 1, Pages 33-35
Exhibit 1B, Tab 4, Schedule 2
THESL_9_T03_S01 - Rate Rider Table_20231117.xls

Preamble**:**

Toronto Hydro proposes to establish an Innovation Fund to support the design and execution of innovative pilot projects over the 2025-2029 rate period. The pilot projects undertaken through the Innovation Fund would be focused on testing new technologies, advanced capabilities and alternative strategies that enable electrification grid readiness and are responsive to the OEB's expectations with respect to facilitating DER integration, as expressed in the Framework for Energy Innovation (FEI) report.

Toronto Hydro proposes to collect an amount of $16M through a rate rider rather than through base rates to provide transparency to ratepayers on the bill and flexibility to the utility to determine how the funds should be allocated across capital and operational expenditures on the basis of the selected pilot projects. Toronto Hydro proposes to establish a new symmetrical variance account to record variances between the amounts collected by the rate rider and the actual costs incurred to execute the selected pilot projects as part of the Innovation Fund.

Toronto Hydro expects to collect the $16M during 2029.

QUESTION (A):

a) Please elaborate on the rate mechanism of Toronto Hydro's collection of the $16M fund in 2029 and how it plans to track the variance, given that the funding will be collected in

2029.

i. Please discuss why it is appropriate for the IFDA to be symmetrical.

RESPONSE (A):

The rate mechanism of Toronto Hydro's collection for the Innovation Fund consists of a rate rider (IFRR) and variance account (IFVA). The rate rider will recover an amount equivalent to 0.3% of the total revenue requirement approved by the OEB for 2025-2029. Assuming that the full revenue requirement that is being asked for gets approved, the rate rider will recover approximately $16 million. The Innovation Fund Variance Account (IFVA) will track variances between the revenues collected through the Innovation Fund Rate Rider and the actual costs incurred (i.e. revenue requirement) by the Innovation Fund pilot projects by the end of the rate period.

As depicted in the Rate Rider table in Exhibit 9, Tab 3, Schedule 1, there are no revenues being collected through the Innovation Rate Rider in years 2025-2028, meaning that the balance in this account will be in a debit position during this period of time. In 2029 when the rate rider revenues are being collected from customers, they will be applied as a credit to reduce the balance in the account. At the end of the rate term, the delta between the total revenue requirement booked in this account over the 2025-2029 rate term (inclusive of carrying charges) and the total revenues collected through the Innovation Fund Rate Rider, will be reconciled. The account will be brought forward for disposition in the 2030+ rebasing application.

Toronto Hydro considers it appropriate for the IFVA to be symmetrical because it is consistent with the intent of the Innovation Fund, which is to provide the flexibility needed to undertake innovative pilot projects by overcoming barriers s discussed at page 4 of the Innovation Fund evidence.This, coupled with the fact that Toronto Hydro is proposing a level funding that is at the lower end of the range identified through its research, leads Toronto Hydro to view symmetrical treatment of the variance account as providing Toronto Hydro with the necessary flexibility to pursue promising opportunities without being constrained by a "hard cap". That said, Toronto Hydro faces significant

regulatory oversight risk for overspending, and as such does not intend to stray far outside of its boundaries, unless there is a strong value proposition for doing so.

QUESTION (B):

b) Please elaborate how external stakeholders will be involved in the execution and evaluation phases of the pilot projects selected.
i. Please confirm whether the steering committee members mentioned in reference 3 will involve external stakeholders, and the proposed composition of the committee of external to internal stakeholders.

RESPONSE (B):

Please see Toronto Hydro's responses to interrogatories 1B-CCC-46 part (a) and 1B-DRC-06 part (i).

QUESTION (C) :

c) Please discuss any quantifiable goals and outcomes Toronto Hydro can establish for the pilot projects.

RESPONSE (C):

As stated in the Innovation Fund evidence, "*a key component of the design phase is to maximize Toronto Hydro's ability to learn and develop new distribution capabilities*." To do this, pilot project owners set outcomes, which include learning objectives for each pilot project independently. The evidence further states that these may include (a) developing an understanding of the business case, (b) defining and testing a "theory of operation", and (c) further exploring use cases with a focus on ratepayer benefit. In addition to these qualitative objectives, pilot project owners may set outcomes using quantitative measures if suitable for a given pilot project. For more information see Exhibit 1B, Tab 4, Schedule 2.

QUESTION (D):

d) Please discuss any evidence demonstrating the utility's current limitations in funding and executing innovative pilot projects without the establishment of the Innovation Fund.

RESPONSE (D):

Please see the Innovation Fund evidence in Exhibit 1B, Tab 4, Schedule at page 4, lines 6 to 26.

QUESTION (E):

e) Please explain why the total balance for disposition is presented as $19,380,781 in Reference 4 where other references indicate a proposal for a $16 million fund.

RESPONSE (E):

Toronto Hydro has reviewed and modified its proposal based on the approach outlined above in part (a). For clarity, Toronto Hydro no longer proposes to apply carrying charges to the rate rider. Rather, the rate rider will be set based on the proposed/approved funding amount ($16 million), and carrying charges will be applied as actual amounts are booked in the account year over year.

QUESTION (F) :

f) Please provide reference(s) whereby a utility established a variance account that: had a balance at inception, costs were not yet incurred, and there was no forecast provided of expected costs.

RESPONSE (F):

Toronto Hydro has clarified its proposal with respect to the Innovation Fund Rate Rider and variance account in the responses to parts (a) and (e) above. With these clarifications provided, the question is no longer relevant as: 1) there is no balance in the IFVA at inception; 2) any balances that will be tracked in the IFVA would be based on the actual costs incurred; and 3) the forecast of expected cost is the proposed/approved $16 million Innovation Fund allotment.

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 9-STAFF-343

References: Exhibit 9, Tab 1, Schedule 1, Pages 40-41
Exhibit 1B, Tab 4, Schedule 2
Exhibit 9, Tab 1, Schedule 1, Pages 28-29

Preamble**:**

Toronto Hydro seeks approval to establish a new symmetrical variance account for demand related variances related to structural unknowns in forecasted costs and revenues. Subject to OEB approval, Account 1508 - Demand-Related Variance Account (DRVA) would record:

(i) the demand-driven revenue requirement impacts arising from variances in actual versus forecast capital and operational expenditures for certain demand-based programs; and

(ii) (ii) the revenue impacts arising from variances in (1) forecast versus (2) actual weather normalized billing determinants (customer count, kWh and kVA) over the rate period.

To that end, the account would consist of two subaccounts:

1. The Expenditure Variance subaccount would record the symmetrical revenue requirement impacts, including PILs, arising from the variance between the forecast expenditures for the 2025-2029 period and actual expenditures related to the following capital and operations programs: Customer Connections, Customer Operations, Stations Expansion, Load Demand, Non-Wires Solution, Generation Protection Monitoring and Control and Externally-Initiated Plant Relocations & Expansions (collectively “Demand-Related Investments”).

2. The Revenue Variance subaccount would record the revenue impacts resulting from weather-normalized variances in billing determinants (e.g. customer count and billed demand).

QUESTION (A):

a) Please discuss in detail what information is missing currently to allow THESL to build a reasonably accurate forecast related to demand for the 2025-2029 period.

RESPONSE (A):

Toronto Hydro stands behind the accurate reasonability of its forecasts as presented in this application. The purpose of the DRVA is protect customers and the utility from structural forecasting risks in a time of unprecedented uncertainty with respect to future demand. Please refer to Exhibit 1B, Tab 2, Schedule 1 at pages 35-47 for detailed evidence supporting the basis for DRVA.

RESPONSE (B):

b) Considering Toronto Hydro's statement in reference 4, "Toronto Hydro proposes to discontinue [the CRRRVA] account in the 2025-2029 rate period as it has proven over the last two custom rate periods (i.e. 2015-2019 and 2020-2024) its ability to deliver multi-year capital programs within very reasonable margins of variance." Please discuss how the basis for discontinuing the CRRRVA is not contradictory to establishing the DRVA.

RESPONSE (B):

The CRRRVA was established in the first Custom IR application (EB-2014-0116) to address concerns about underspending related to the utility's ability to execute the five-year capital work program funded through rates.[1] The CRRRVA was not established to address variability in demand-related investments. As such, the basis for discontinuation of the CRRRVA is distinct from the basis for establishment of the DRVA, which is discussed above in the response to part (a) and the pre-filed evidence cited therein.

QUESTION (C):

c) Please discuss in detail how Toronto Hydro intends to support the prudency of the expenditures in this account.

[1] EB-2014-0116, Decision and Order (December 29, 2015) at pages 52-53.

RESPONSE (C):

The prudency of expenditures in this account will be supported by detailed evidence, which will be filed in the 2030 rebasing application. The specific evidence to be brought forward to support prudency will be assessed on the basis of the facts and circumstances surrounding the nature of variances in expenditures that are booked in this account.

Throughout the rate term, Toronto Hydro will leverage its Investment Planning and Portfolio Reporting (IPPR) process and supporting financial, legal and regulatory oversight management systems noted in the evidence at Exhibit 2B and Exhibit 4, Tab 2, Schedules 16 and 18 to manage the prudence of investment decisions with respect to the capital and operational program budgets that would be tracked in this account over the 2025-2029 rate term.

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 9-STAFF-344

Reference: Exhibit 9, Tab 1, Schedule 1, Pages 34-35

EB-2018-0165, Decision and Order, Pages 190-193

Preamble:

In the Decision and Order for EB-2018-0165, the OEB agreed that the ESM methodology applied by THESL only reflected changes in non-capital related revenue requirement (OM&A and revenue offsets). The OEB accepted the submission by intervenors in that proceeding that changes in both costs and revenues (including changes in load relative to forecast amounts) should be added to the ESM definition.

QUESTION (A):

a) In reference 1, Toronto Hydro provided Table 18 with the 2019 ESM calculation that included OM&A and revenue offsets. Please update the ESM calculations for 2019 through 2022 to include changes in revenue and provide supporting schedules.

RESPONSE (A):

Please see the table below and supporting calculations for the 2019 ESM calculation that includes revenue.

Toronto Hydro notes that the 2020-2022 ESM calculation is identical to what was provided in the referenced pre-filed evidence at Table 17, as the methodology for 2020-2024 ESM was modified in EB-2018-0165 to include revenues.

Table 1: 2019 ESM Calculation using ESM Methodology Approved in EB-2018-0165

2019 RRR 2.1.5.6 ROE (updated methodology)		**($ Millions)**
Regulatory net income from RRR	P	154.0
Adjustments in OM&A and revenue offsets included in rates	**Q= D+E**	**0.5**
Other adjustments to income not related to OM&A and revenue offsets:		
Interest Expense adjustments to deemed interest expense	S	(23.8)
Deduct other out-of-period (revenue) / expense	T	(0.4)
Payments-in-lieu of taxes adjustments	U	17.5
Subtotal	**V (S+T+U)**	**(6.7)**
Total Adjustment to RRR net Income	**W=Q+V**	**(6.2)**
2.1.5.6 Adjusted Net Income	X=P+W	147.8
2.1.5.6 Adjusted Deemed Equity	M	1,751.8
2.1.5.6 ROE	**Y=X/M**	**8.44%**
ROE Approved	Z	9.30%
ROE Over (Under)	**Y Compared to Z**	**(0.86%)**

QUESTION (B):

b) Please discuss any differences with Toronto Hydro's filings of RRR 2.1.5.6 for 2019-2022.

RESPONSE (B):

There are no differences with Toronto Hydro's filings of RRR 2.1.5.6 for 2020-2022 as the RRR has been reported consistently with the methodology approved in EB-2018-0165.

The 2019 ESM calculation in response to part (a) is not comparable to what was in RRR for that period because the methodology for the 2015-2029 ESM (approved in EB-2014-0116) is not the same as the methodology in part (a).

QUESTION (C):

c) Please provide the actual 2023 ESM and ROE.

RESPONSE (C):

The preliminary 2023 ROE was 6.80 percent (cumulative ROE for 2020 – 2023 was 6.82 percent) and the ESM was (1.70 percent) under the approved ROE of 8.52 percent. This will be finalized and filed for the 2023 reporting year on April 30, 2024 per the RRR Filing Guide.

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 9-STAFF-345

References: Exhibit 9, Tab 1, Schedule 1, 37

Exhibit 9, Tab 3, Schedule 1, Rate Rider Table

QUESTION (A):

a) OEB staff notes that the renewal generation connection funding adder deferral account of ($7.4M) is missing from the rate rider table in reference 2. Please confirm that Toronto Hydro seeks disposition of this account and the disposition to each class by updating the evidence.

RESPONSE (A):

Toronto Hydro notes that that variance of $7.4 million forecasted within account 1533 Renewable Generation Connection Funding Adder represents the difference between payments received from the IESO based on approved revenue requirement[1] and actual revenue requirement. These amounts were not included in rates as they are provincially funded. Toronto Hydro intends to clear the balances directly with the IESO similar to how the balances associated with 2015-2019, which were payable to the IESO, were cleared in May 2020.

[1] EB-2019-0279, EB-2020-0238, EB-2021-0303, EB-2022-0270, and EB-2023-0267.

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 9-STAFF-346

References: OEB Accounting Procedures Handbook Guidance issued on March 2015 APH_Guidance_March2015 (oeb.ca), Question 10, Pages 10-13
Exhibit 9, Tab 2, Schedule 1, THESL_9_T02_S01-Continuity_Schedule_20231117, Tab 2b Continuity Schedule

Preamble:

On page 11, Reference 1 states "The following is the account description for Account 1533 Renewable Generation Connection Funding Adder Deferral Account.

This account is used to record the Provincial Rate Protection payments under O. Reg. 330/09 at the end of each fiscal year. The account will include the net of
I. The annual revenue requirement impact on an actual basis applicable to in-service capital assets, depreciation, and incurred OM&A expenses, eligible for Provincial Rate Protection, AND
II. Provincial Rate Protection payments, as approved by the Board, and received from the IESO in that year."

On page 12 Paragraph (A), Reference 1 states:
"No carrying charges are to be recorded on the balance in Account 1533, Sub-account Provincial Rate Protection Payment Variances".

QUESTION (A)

a) Please confirm that Toronto Hydro has complied with the March 2015 Accounting Guidance on Account 1533, specifically:
    i. If the transaction debits/(credits) recorded in the Account 1533 continuity schedules represent the net of annual revenue requirement on the actual basis and the IESO payments for the year. If the transaction debts/(credits) recorded

in the Account 1533 does not represent the net difference as referred in the March 2015 Accounting Guidance, please explain in detail what the transaction debits/(credits) represent.

RESPONSE (A):

Toronto Hydro confirms the transaction debits/(credits) recorded in the Account 1533 continuity schedule represent the net of annual revenue requirement on the actual basis and the IESO payments for the year.

QUESTION (B):

b) Please confirm that there is no interest recorded in all continuity schedules of Account 1533.

ii. If not, please write off the interest recorded in all continuity schedules of Account 1533, given the direction in the March 2015 Accounting Guidance.

RESPONSE (B):

Toronto Hydro confirms that there is no interest recorded for Account 1533 in the continuity schedule

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 9-STAFF-347

Reference: THESL_9_T02_S01-Continuity_Schedule_20231117.xls

QUESTION (A):

a) OEB staff notes closing interest amounts in Exhibit 9, Tab 2b Continuity Schedule for 2023, in BV48 of ($115,161,484), BV70 of ($115,161,484) and BV72 of ($42,159) which appear to be hard coded into the schedule in error. Please confirm and update the evidence accordingly.

RESPONSE (A):

These were hard coded into the schedule in error. Refer to the response to 9-Staff-349 for the updated Continuity Schedule for 2023.

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 9-STAFF-348

References: Exhibit 9, Tab 1, Schedule 1, Updated December 19, 2023, Page 19
Exhibit 9, Tab 2, Schedule 1, Excel Model - THESL_9_T02_S01
Continuity_Schedule_20231117, Tab 2b Continuity Schedule

Preamble:

Table 11 in reference 1 shows the approved revenue requirement amounts for Renewable Enabling investments from 2020 to 2024. OEB staff uses this information to produce a table below comparing the approved revenue requirement amounts from Table 11 and the OEB's previously approved RGCRP funding amounts for Toronto Hydro shown below.

	Table 11 (Ref 1) ($ Millions)	OEB Decisions ($)	EB#
May 1 – Dec 31, 2026	-	$1,173,258	EB-2016-0170
2017	-	$1,514,587	EB-2017-0004
2018	-	$2,068,451	EB-2017-0370
2019	-	2,627,506	EB-2018-0295
2020	1.5	1,448,698	EB-2019-0279
2021	2.2	2,311,021	EB-2020-0238
2022	2.6	2,673,671	EB-2021-0303
2023	3.0	2,998,066	EB-2022-0270
2024	3.3	3,247,440	EB-2023-0267

OEB staff notes that there are some discrepancies between the approved revenue requirement amounts in Table 11 and the OEB's previously approved decisions from 2020 to 2024.

QUESTION (A):

a) Please explain the discrepancies.

RESPONSE (A):

The discrepancies are due to rounding errors. Please see the table below with the updated figures.

Table 1: OEB Table for Comparing the Approved Revenue Requirement Amounts from Table 11 and the OEB's Previously Approved RGCRP Funding Amounts

	Table 11 (Ref 1) ($ Millions)	OEB Decisions ($)	EB#
May 1 – Dec 31, 2026	-	$1,173,258	EB-2016-0170
2017	-	$1,514,587	EB-2017-0004
2018	-	$2,068,451	EB-2017-0370
2019	-	$2,627,506	EB-2018-0295
2020	$1,448,698	$1,448,698	EB-2019-0279
2021	$2,311,021	$2,311,021	EB-2020-0238
2022	$2,673,671	$2,673,671	EB-2021-0303
2023	$2,998,066	$2,998,066	EB-2022-0270
2024	$3,247,441	$3,247,440	EB-2023-0267

QUESTION (B):

b) Please revise the evidence (e.g. the amounts recorded in Account 1533 in reference 2) to reflect the OEB's approved revenue requirement amounts as needed.

RESPONSE (B):

Please see updated Table 11 below with the rounding corrected. Toronto Hydro notes that approved revenue requirement amounts included in Account 1533 are based on actual payments received from the IESO, which are on a one-month lag based on timing of issuance of the respective OEB decisions listed in the preamble.

Table 11: REI Variance Account ($ Millions)

	Actual				Forecast	Total
	2020	**2021**	**2022**	**2023**	**2024**	
Approved Revenue Requirement	1.4	2.3	2.7	3.0	3.2	**12.7**
Actual/Forecast Revenue Requirement	0.8	1.3	1.3	1.3	0.9	**5.6**
Variance Account Balance	**(0.7)**	**(1.0)**	**(1.4)**	**(1.7)**	**(2.4)**	**(7.1)**

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 9-STAFF-349

References: Exhibit 9, Tab 1, Schedule 1, Pages 24, 28
DVA Continuity Schedule, November 17, 2023
Global Adjustment (GA) Analysis Workform, November 17, 2023.

Preamble:

Toronto Hydro is seeking OEB approval to dispose the 2022 balances in Accounts 1588 and 1589 in the current proceeding, that were not disposed in its 2024 Custom IR Update proceeding.

Toronto Hydro stated that through the discovery phase of this proceeding, it intends to update the evidence that pertain to Group 1 balances accumulated during the 2023 calendar year.

OEB staff notes that the DVA Continuity Schedule included in the pre-filed evidence has many blank tabs that need to be completed. Also, the GA Analysis Workform needs to be updated with 2023 balances.

QUESTION:

Please update all evidence that pertains to actual Group 1 and Group 2 balances accumulated during the 2023 calendar year, as well as Accounts 1588 and 1589 balances accumulated during the 2022 calendar year.

RESPONSE:

An updated DVA Continuity Schedule is attached to this interrogatory response. Toronto Hydro notes that the GA Analysis Workform Tab GA 2023 cannot be updated at this time because the 2023 data has not yet been filed for RRR.

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 9-STAFF-350

References: Exhibit 9, Tab 1, Schedule 1, Page 28
EB-2020-0057, 2021 Custom IR Update, Decision and Rate Order, December 10, 2020, Pages 15 and 16
Filing Requirements for Electricity Distribution Rate Applications - 2023 Edition for 2024 Rate Applications, Chapter 2 Cost of Service, December 15, 2022, Page 62

Preamble:

Toronto Hydro stated that it is not proposing to dispose any residual balances in Account 1595. Toronto Hydro stated that it does not have any sub-accounts that have not already been approved for disposition and no sub-account will meet the two-year requirement for 2025 disposition.

However, OEB staff notes that DVA balances were cleared in Toronto Hydro's 2021 Custom IR Update decision and Account 1595 (2021) would be eligible for disposition in the current proceeding, consistent with the OEB's filing requirements. Toronto Hydro's rate riders were to be in effect over a one-year period from January 1 to December 31, 2021, relating to its 2021 Custom IR Update decision.

The OEB's filing requirements state that distributors become eligible to seek disposition of residual balances two years after the expiry of the rate rider.

Consistent with the filing requirements, if the 2021 rate riders expired on December 31, 2021, the balance of sub-account 1595 (2021) is eligible to be disposed after the account balance as at December 31, 2023 has been audited. Therefore, sub-account 1595 (2021) would be eligible for disposition in the 2025 rate year, as the respective balance has been audited.

QUESTION (A)

a) Please update all evidence that relates to the disposition of Account 1595 (2021).

RESPONSE (A):

This subaccount does not meet the 2-year requirement for 2025 disposition as there are other approved balances related to Group 2 accounts transferred to sub-account 1595 (2021). The last rate rider will end in December 2024. Please see Exhibit 9, Tab 1, Schedule 1 (updated on December 15, 2023) at page 2, Table 1 for sub-account 1595 (2021) and Toronto Hydro's Draft Rate Update in the 2020-2024 Custom Incentive Rate-setting Application (EB-2018-165) dated February 12, 2020 at page 13.[1]

	Clearance Start Date	Clearance End Date	Clearance Amount as at March 1, 2020 ($ Millions)	Carrying Charges from March 1, 2020 to Clearance Start Date	Total Balance at Clearance ($ Millions)
Group 2 Accounts					
Impact for USGAAP Deferral	1-Mar-2020	31-Dec-2020	6.4	-	6.4
CRRRVA	1-Jan-2023	31-Dec-2024	(77.2)	(4.6)	(81.8)
Externally Driven Capital	1-Mar-2020	31-Dec-2020	(3.2)	-	(3.2)
Derecognition	1-Jan-2022	31-Dec-2022	(32.9)	(1.3)	(34.2)
Wireless Attachments	1-Jan-2021	31-Dec-2024	(0.7)	(0.0)	(0.7)
Monthly Billing	1-Mar-2020	31-Dec-2022	11.4	-	11.4
OCCP	1-Mar-2020	31-Dec-2021	(73.7)	-	(73.7)
OPEB Cash vs Accrual	1-Mar-2020	31-Dec-2020	7.1	-	7.1
Stranded Meter Costs	1-Jan-2021	31-Dec-2024	(1.4)	(0.0)	(1.4)
IFRS-USGAAP Transitional PP&E Amounts	1-Mar-2020	31-Dec-2020	(1.6)	-	(1.6)
PILs and Tax Variances – CCA Changes	1-Jan-2023	31-Dec-2024	(10.9)	(0.6)	(11.6)
Other Amounts					
Excess Expansion Deposits	1-Jan-2021	31-Dec-2024	(10.9)	(0.2)	(11.1)
Gain on Sale 50/60 Eglinton Avenue	1-Mar-2020	31-Dec-2021	(11.8)	-	(11.8)
Accounts Receivable Credits	1-Jan-2021	31-Dec-2024	(3.4)	(0.1)	(3.5)
Foregone Revenue					
2020 Foregone Revenue	1-Mar-2020	31-Dec-2021	(4.0)	-	(4.0)

[1] https://www.rds.oeb.ca/CMWebDrawer/Record/667697/File/document

QUESTION (B):

b) If there is a material residual balance being proposed for disposition, please provide a detailed explanation, including quantifying any significant drivers of the residual balance.

RESPONSE (B):

Please refer to section a) above.

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 9-STAFF-351

References: **EB-2023-0054, 2024 Custom IR Update, Decision and Rate Order, December 14, 2023, pp. 10, 11**
Exhibit 9, Tab 1, Schedule 1, December 19, 2023, Pages 25, 26
OEB Letter, Adjustments to Correct for Errors in Electricity Distributor "Pass-Through" Variance Accounts After Disposition, October 31, 2019
Filing Requirements for Electricity Distribution Rate Applications – 2023 Edition for 2024 Rate Applications – Chapter 3, Incentive Rate-Setting Applications, June 15, 2023, Section 3.2.6

In the 2024 Custom IR Update decision, the following was noted in the background of this decision:

- Toronto Hydro proposed not to dispose of the 2022 balances within Accounts 1588 and 1589, due to the need to further analyze a 2021 principal adjustment of a credit of $5.7 million that was approved for disposition as part of the Account 1588 balance in its 2023 Custom IR Update proceeding.
- Such a credit would usually be reversed as a debit in the 2024 Custom IR Update proceeding, but Toronto Hydro proposed instead to examine this $5.7 million amount further.
- This principal adjustment is associated with reporting enhancements, specifically an enhanced model for customer billings.
- Toronto Hydro proposed instead to defer the review and disposition of Accounts 1588 and 1589 to this current proceeding.

In the 2024 Custom IR update decision, the OEB approved Toronto Hydro's request to defer the review and disposition of Accounts 1588 and 1589 to the current proceeding. The OEB's expectation was that Toronto Hydro, amongst other items, will address the requirements of the OEB's October 31, 2019 letter and section 3.2.6 of the filing requirements. This documentation outlines required documentation to be filed in a proceeding, including any adjustments made to

DVA balances that were previously approved by the OEB on a final basis.

In the current proceeding, Toronto Hydro stated that its request regarding the $5.7 million amount does not represent a correction of an error (per the OEB's October 31, 2019 letter). Toronto Hydro stated that it relates to an enhancement of a model, rather than an error in the utility's accounting records. Similarly, Toronto Hydro noted that its proposal does not represent an adjustment to an account balance that was previously approved by the OEB on a final basis.

OEB staff notes that the OEB's October 31, 2019 letter and section 3.2.6 of the filing requirements relate to any adjustments made to DVA balances that were previously approved by the OEB on a final basis.

QUESTION (A) AND (B):

a) Given that the OEB's October 31, 2019 letter and section 3.2.6 of the filing requirements relate to any adjustments made to DVA balances that were previously approved by the OEB on a final basis, as well as the OEB's expectations set out in the 2024 Custom IR Update decision, please address both the OEB letter and the filing requirements.
b) Please explain Toronto Hydro's statement that its $5.7 million debit principal adjustment relates to "an enhancement of a model, rather than an error", in the context of the OEB's requirements which relate to any adjustments made to DVA balances. Please also elaborate on what aspects of the model were enhanced and how the enhancement impacted the DVA balances as of 2021-year end that were cleared in Toronto Hydro's 2023 Custom IR proceeding.

RESPONSE TO (A) AND (B):

As shown in the excerpt below, the October 31, 2019 letter clearly states that the guidance applies to errors:

Where an accounting or other error is discovered after the balance in one of the above listed variance accounts has been cleared by a final order of the OEB, the OEB will determine on a case-by-case basis whether to make a retroactive adjustment based on the particular circumstances of each case, including factors such as:

- *whether the error was within the control of the distributor*
- *the frequency with which the distributor has made the same error*
- *failure to follow guidance provided by the OEB*
- *the degree to which other distributors are making similar errors.*

Toronto Hydro stands by its assessment that the proposed adjustment is not the result of an error as there was no mistake in the prior methodology/data used – the former approach was the best information that was available at the time, and the enhanced approach provided data that enabled more precision. Toronto Hydro enhanced its Electricity Revenue Application system in late 2022 to improve the calculation of unbilled revenue by using actual meter reads (instead of bill estimates) and to improve the logic used in the model validate larger rate classes. Prior to this enhancement, Toronto Hydro calculated unbilled revenue on the basis of bill estimates, which was the best available information available at the time.

This enhancement also enabled Toronto Hydro more precisely account for actual billings and allocate usage to the billing period based on actual meter reads. For a description of the aspects of the model which were enhanced, please refer to Exhibit 9, Tab 1, Schedule 1 at pages 24-25. Overall, the improvements to the model are reasonable and justified, and therefore the outcome of making these improvements does not constitute an error.

Additionally, Toronto Hydro does not agree that its request for clearance of Account 1588 and Account 1589 constitutes an adjustment to DVA balances that were previously approved by the OEB on a final basis. This is evident from the fact that the opening 2022 principal and interest amounts for Account 1588 and Account 1589, shown in the continuity schedule, reconcile with the previously

approved 2021 closing balances. Toronto Hydro does not propose to adjust the 2021 Account 1588 balance cleared on a final basis in the 2023 Custom IR update proceeding.[1] Rather, Toronto Hydro proposes to reverse the full 2021 Principal Adjustment of $7.5 million which includes the $5.7 million that relates to the model enhancement as per standard requirement in the Global Adjustment Analysis Workform ("GA Workform"), and seek clearance for the Accounts 1588 and 1589 2022 year-end balances. This approach complies with the Chapter 3 Filing Requirements for Electricity Distributors whereby '*the opening principal amounts as well as the opening interest amounts for Group 1 balances, shown in the continuity schedule, must reconcile with the last applicable approved closing balances'* and *'the OEB expects that distributors will not adjust any DVA balances that were previously approved by the OEB on a final basis.'*

DVA balances prior to 2021 are not impacted by the above principal adjustment reversal since each respective year's principal adjustments have been reversed year-over-year in the GA Workform and are not included in the GL (since the utility's GL balances hold the actual customer billings and estimated accruals). By reversing this $5.7 million, Toronto Hydro ensures that it remains consistent with the year-over-year reversals required in the GA Workform. In so doing, *"customers ultimately pay no more and no less than what their distributor paid, and that costs are tracked for recovery on the appropriate basis*", as per OEB's October 31, 2019 letter.

Even if the OEB is inclined to consider this adjustment an error, which Toronto Hydro does not agree with for the reasons noted above, the utility notes that: (i) none of the factors listed in the October 19, 2019 letter are present in this situation, (ii) the proposal is appropriate to ensure consistency with DVA continuities and the GA workform (see 9-Staff-352), and (iii) this adjustment does not cause any harm ratepayers since it reflects a more accurate assessment of the delta between what customer paid and the distributor paid. Thus, to ensure consistency and preserve fairness, the OEB should allow the adjustment to be made.

[1] For more information on Toronto Hydro's proposed approach to clearance, please refer to the response to interrogatory 9-Staff-352(c).

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 9-STAFF-352

Reference: Exhibit 9, Tab 1, Schedule 1, December 19, 2023, Pages 25, 26
GA Analysis Workform, November 17, 2023

Preamble**:**

In the current proceeding, Toronto Hydro proposes to reverse the Account 1588 $5.7 million credit cleared in the 2023 Custom IR Update proceeding, as a debit in the current proceeding. This is demonstrated on the GA Analysis Workform.

OEB staff notes that there could be a permanent disconnect between the Account 1588 balance in the DVA continuity schedule and the Reporting and Record Keeping Requirements (RRR) 2.1.7 balance. This disconnect could occur if the OEB does not approve Toronto Hydro's request to recover the overstated credit of $5.7 million in Account 1588 through a debit adjustment in the current proceeding.

Instead, OEB staff notes that Account 1588 could be debited by $5.7 million and Account 1595 (2025) could be credited by $5.7 million. This would ensure that there would be no permanent disconnect in Account 1588, as noted above, while at the same time ensuring that the extra refund to ratepayers of $5.7 million made in the 2023 Custom IR update proceeding would not be clawed back.

QUESTION (A):

a) If the OEB decides not to approve the $5.7 million debit to Account 1588 in the current proceeding, please explain whether the following approach would be appropriate. To eliminate any permanent disconnect between the Account 1588 balance in the DVA continuity schedule and the RRR 2.1.7 balance, Account 1588 could be debited by $5.7 million and Account 1595 (2025) could be credited by $5.7 million.

b) If Toronto Hydro does not agree with the approach outlined in part a) of this interrogatory, please explain.

RESPONSE (A) AND (B)

A decision not to approve the reversal of the $5.7 million overstated Principal Adjustment amount in question would create a permanent difference between the Account 1588 balance and the DVA continuity schedule. Toronto Hydro agrees with the proposal put forth by the OEB, however would recommend that Account 1588 be credited and Account 1595 be debited by $5.7 million in order to eliminate the disconnect between the Account 1588 balance and the DVA continuity schedule.

QUESTION (C) :

c) Please explain how the $5.7 million adjustments (credit and debit) were reflected in the following Toronto Hydro documentation and the associated period(s):
   i. General ledger
   ii. "Transactions Debit / (Credit)" columns of the DVA Continuity Schedule
   iii. "Principal Adjustments" columns of the DVA Continuity Schedule
   iv. Tabs of the GA Analysis Workform

RESPONSE (C):

i) No adjustment was recorded in the General ledger for $5.7M. Account 1588 reflects the disposition of the amounts approved in the OEB Decision and Rate Order (EB-2022-0065).

ii) No adjustment has been reflected in "Transactions Debit / (Credit)" columns of the DVA continuity Schedule.

iii) Please refer to Table 1 below for a summary of the "Principal Adjustments" column of the DVA Continuity Schedule for the respective years ended December 31, 2021 and 2022.

Table 1: Summary of Principal Adjustments Column

Summary of the Principal Adjustments columns for:	**2021**	**2022**
Recognize the current year principal adjustments:		
IESO cost true-up based on actuals	*834,880*	*4,720,029*
Unbilled to actual revenue true up	*3,769,180*	*7,252,076*
Enhanced model adjustment	*(5,705,292)*	-
Total current year principal adjustments	(1,101,232)	11,972,105
Reversal of the prior year principal adjustments:		
Reversal of IESO cost true-up true-up based on actuals	*(3,358,709)*	*(834,880)*
Reversal of the unbilled to actual revenue accrual	*(3,022,358)*	*(3,769,180)*
Reversal of the enhanced model adjustment	-	*5,705,292*
Total reversal of prior year principal adjustments	(6,381,067)	1,101,232
Total principal adjustments in the DVA Continuity Schedule	**(7,482,299)**	**13,073,337**

If this $5.7 million is not reversed as part of the 2022 Principal Adjustments, this will result in the balance in Account 1588 being incorrect. Please refer to response in interrogatory 9-Staff-351.

iv) In the GA Workform "Principal adjustment" tab for 2022, the $5.7 million has been included in the reversal of the prior year adjustments, pending the outcome of this decision.

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 9-STAFF-353

References: EB-2023-0054, 2024 Custom IR Update, Decision and Rate Order, December 14, 2023, Pages 10, 11
GA Analysis Workform, November 17, 2023
EB-2022-0065, 2023 Custom IR Update, Reply Submission, November 22, 2022, Page 5

Preamble:

In its 2024 Custom IR Update decision, the OEB approved Toronto Hydro's request to defer the review and disposition of Accounts 1588 and 1589 (pertaining to balances accumulated during the 2022 calendar year) to the current proceeding.

OEB staff notes that an Account 1589 2022 principal adjustment of a credit of $3,461,257 was shown in the Tab Principal Adjustments of the GA Analysis Workform, but this amount was not shown in Tab GA 2022.

In Toronto Hydro's 2023 Custom IR Update reply submission, it explained that certain principal adjustments on the Principal Adjustments tab of the GA Analysis Workform do not need to be shown on other tabs of the GA Analysis Workform (e.g., Tab GA 2021). Toronto Hydro stated that this is because its general ledger balance and the expected balance calculated in the GA Analysis Workform are both determined based on estimated unbilled consumption. Toronto Hydro concluded that it is not appropriate for the unbilled to actual true-up to be presented as a difference (i.e., reconciling item) on Tab GA 2021.

QUESTION (A):

a) Please confirm that the Account 1589 2022 principal adjustment of a credit of $3,461,257 shown in the Tab Principal Adjustments of the GA Analysis Workform does not need be

shown in Tab GA 2022 for the same reasons indicated by Toronto Hydro in its 2023 Custom IR Update reply submission (see preamble above).

RESPONSE (A):

Confirmed - Account 1589 2022 principal adjustment of a credit of $3,461,257 shown in the Tab Principal Adjustments of the GA Analysis Workform does not need be shown in Tab GA 2022, for the same reasons indicated by Toronto Hydro in its 2023 Custom IR Update reply submission.

QUESTION (B):

b) If this is not the case, please clarify which is the correct balance to use as a 2022 principal adjustment for Account 1589 and update the evidence, including the DVA Continuity Schedule.

RESPONSE (B):

Refer to a) above.

QUESTION (C):

c) If this is not the case, after addressing part b) of this interrogatory, if cell C93 (i.e., Unresolved Difference as % of Expected GA Payments to IESO) of Tab GA 2022 is greater than the threshold of +/- 1%, please explain.

RESPONSE (C):

Refer to a) above.

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 9-STAFF-354

References: Exhibit 9, Tab 2, Schedule 3, Pages 1 and 2

Exhibit 9, Tab 2, Schedule 3, Appendix A

Preamble:

Toronto Hydro has requested approval to dispose of the balances in its LRAMVA which has a total debit balance of $5.6 million and are in relation to new savings from CDM programs delivered between 2020 and 2022, and lost revenues from persisting savings in 2020-2022 from CDM programs delivered from 2018-2021. To help mitigate rate impacts, Toronto Hydro has requested to recover this amount over a 60-month period, beginning January 1, 2025.

QUESTION (A):

a) Please confirm that Toronto Hydro's LRAMVA balance includes all outstanding lost revenues from past and current CDM programs. If any there are any amounts that remain from current CDM programs, please provide details of the amounts, including CDM program, year, and amount and when, if at all, Toronto Hydro will request disposition.

RESPONSE (A):

Based on the LRAMVA framework, Toronto Hydro anticipates it will be eligible to seek additional recovery for 2023-2024 lost revenues related to programs from the 2022 and prior period. The utility is currently working on the update and will provide the required information in advance of the Technical Conference.

QUESTION (B):

b) Please confirm that there are no LRAMVA balances related to the IESO's wind-down of the CFF nor from the Interim CDM Framework that remain outstanding. If there are, please discuss why these amounts have not been requested for disposition.

RESPONSE (B):

Please refer to part a of the response.

QUESTION (C):

c) Please discuss why there are no LRAMVA balances for 2023 or 2024 being proposed, including persisting CDM savings in 2023 and 2024.

RESPONSE (C):

Please refer to part a of the response.

QUESTION (D):

d) Please confirm that Toronto Hydro is not requesting approval of any prospective LRAMVA balances and that the LRAMVA will have a balance of zero if all requested amounts are approved.

RESPONSE (D):

Please refer to part a of the response.

QUESTION (E):

e) Please indicate if Toronto Hydro is seeking to maintain access to the LRAMVA for the possibility of future entries, either for distribution-rate funded CDM activities or partnership with the IESO for a Local Initiative Program.

RESPONSE (E):

The DRVA (revenue variance subaccount) proposed by Toronto Hydro would have the effect of capturing the effects of CDM, eliminating the necessity of the LRAMVA. In the event that the OEB does not approve the DRVA (revenue variance subaccount) as proposed, Toronto Hydro would request that the LRAMVA be continued for both distribution-rate funded CDM activities and CDM through engagements with the IESO.

QUESTION (F):

f) Please provide a table that clearly identifies what source was used to inform the savings totals in Tab 5 of the LRAMVA workform for the 2019, 2020 and 2021 program years (Tables 5-e, 5-f and 5-g, respectively). As part of your response, provide any additional discussion on how the Net Energy Savings (Column D) and New Demand Savings (column R) values were sourced/developed.
Additionally, please provide the IESO CDM persistence reports that support the data included in Tab 7 of the LRAMVA workform.

RESPONSE (F):

Toronto Hydro relied on information as outlined on Exhibit 9, Tab 2, Schedule 3, Section 2. Please refer to Appendix B for a table that identifies the appendices used to inform the savings totals in Tab 5 of the LRAMVA workform for the 2019, 2020 and 2021 program years.

Toronto Hydro relied on 2017 net-to-gross ratios ("NTGs") from IESO's 2017 Final Verified Annual LDC CDM Program Results Report to calculate the Net Energy Savings (Column D) and New Demand Savings (column R). Please refer to Exhibit 9, Tab 2, Schedule 3, Appendix A for the NTGs.
To calculate the savings persistence, Toronto Hydro used the savings persistence from the 2017 Final Verified Annual CDM Program results to develop persistence rates and applied those rates to the 2019, 2020, 2021 savings. Please refer to Appendix A for the 2017 persistence rates by program.

QUESTION (G):

g) Please confirm if Toronto Hydro is requesting the continuation of the LRAMVA during the 2025 to 2029 period.

RESPONSE (G):

Please see response to part (e) above.

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 9-STAFF-355

References: Exhibit 9, Tab 2, Schedule 3, Pages 3-7

Exhibit 9, Tab 2, Schedule 3, Appendix A

Preamble:

Toronto Hydro has requested approval of a modified LRAMVA threshold. Toronto Hydro indicates that it has modified the LRAMVA threshold excludes forecast CDM savings from programs that were transferred to the IESO.

QUESTION (A):

a) Please confirm that the LRAMVA balances included in the LRAMVA workform have been calculated using the proposed modified LRAMVA thresholds.

RESPONSE (A):

Toronto Hydro confirms the LRAMVA balances included in the LRAMVA workform have been calculated using the proposed modified LRAMVA thresholds.

QUESTION (B):

b) Please provide a live MS Excel spreadsheet that includes all calculations Toronto Hydro undertook in developing its modified LRAMVA threshold amount. In particular, please include all CDM programs, the forecast savings at the time of the 2018 rate application, calculations performed to remove programs transferred to the IESO, calculations performed to estimate Toronto Hydro's savings portion of transferred programs, calculations performed to estimate Toronto Hydro's portion of the IESO's Interim Framework programs, and any other calculations conducted to determine the modified LRAMVA threshold amounts.

RESPONSE (B):

Please refer to the following 9-Staff-355 Appendices:

- Appendix A:
  - Tab 1 - Toronto Hydro's calculations performed to determine Toronto Hydro's portion of the IESO's Interim Framework programs that are removed from its LRAMVA threshold.
  - Tab 2 - Toronto Hydro's calculations performed to remove programs transferred to the IESO.
- Appendix B – The IESO's 2019-2020 Interim Framework CDM Plan
- Appendix C – Toronto Hydro's CDM plan under the Conservation First Framework ("CFF")
- Appendix D – Reconciliation for Original to Modified LRAMVA Thresholds

QUESTION (C):

c) Please discuss how Toronto Hydro's 2018 LRAMVA threshold was used in relation to the CDM adjustment made to its approved 2018 load forecast, if at all, with relevant references and supporting documentation.

RESPONSE (C):

Toronto Hydro's 2018 LRAMVA threshold was not used in relation to the CDM adjustment made to its approved 2018 load forecast.

QUESTION (D):

d) Please provide a sample calculation of the LRAMVA balances using the LRAMVA threshold as approved by the OEB in EB-2018-0165. Please provide a comparison table to the LRAMVA balance that uses the modified LRAMVA threshold.

RESPONSE (D):

Please see Table 1 below for the results of sample calculations using the LRAMVA threshold as approved in EB-2018-0165 and the modified LRAMVA threshold.

Table 1: LRAMVA balances using the Original and Modified LRAMVA thresholds

	Residential	CSMUR	GS<50kW	GS 50-999kW	GS 1000-4999kW	Large User
	$M	$M	$M	$M	$M	$M
Original	-0.0	-0.0	-3.4	-5.6	-1.3	-1.2
Modified	-0.1	-0.0	-1.3	3.4	0.9	2.7

As outlined in Exhibit 9, Tab 2, Schedule 3, Section 1.1, the OEB approved Toronto Hydro's most recent load forecast and the related CDM forecast for rate-making purposes during the period when the CFF was revoked and the future direction on LRAMVA was still unknown. The sample Original LRAMVA as presented in Table 1 above is based on LRAMVA thresholds which include all of the Toronto Hydro CDM programs under the CFF plan, while the actuals to be used for the LRAMVA calculations include only those programs that the utility continued to manage post CFF as contractually obligated under the CFF wind-down. While the original LRAMVA threshold is consistent with what was previously approved, Toronto Hydro believes that this approach using mismatched versions of CDM values is not aligned with the intent of the LRAMVA as described in Conservation and Demand Management Guidelines for Electricity Distributors[1].

QUESTION (E):

e) For the MWh and MW amounts shown in Table 2: LRAMVA Threshold, please confirm:
   i. That the Original row is inclusive of all of Toronto Hydro's CDM programs under the CFF.
   ii. That the Modified row includes only Toronto Hydro's programs that actually proceeded after the cancellation of the CFF.

[1] EB-2021-0106, Conservation and Demand Management Guidelines for Electricity Distributors, Section 8, at page 26.

RESPONSE (E):

Toronto Hydro confirms that i) the figures in the Original row on page 3 of Exhibit 9, Tab 2, Schedule 3 is inclusive of all CDM programs planned under the CFF prior to the wind-down and includes programs that were later transferred to the IESO. ii) the Modified row includes programs that were fully discontinued, and those which the utility was contractually obligated to complete as part of the CFF wind-down.

QUESTION (F):

f) Please discuss why the LRAMVA threshold is higher in the Modified row than the Original row.

RESPONSE (F):

The LRAMVA threshold is higher in the Modified row as it includes 2018 CDM persistence that was not included in the original LRAMVA threshold. As described in Exhibit 9, Tab 2, Schedule 3, Section 1.2, Toronto Hydro proposes to include 2018 CDM persistence in the modified threshold for calculating the 2020-2022 LRAMVA as this information was not included in the threshold that the OEB approved in EB-2018-0165, due to the uncertainty related to CFF.[2] Please see Appendix D for reconciliation of including 2018 CDM persistence.

QUESTION (G):

g) Please provide an updated Table 2: LRAMVA Threshold that includes additional rows showing all programs and their corresponding LRAMVA threshold energy or demand savings under both the Original and Modified headings.

[2] This proposal aligns with VECC's position in EB-2018-0165, VECC Submission (August 28, 2019).

RESPONSE (G):

In the calculations for its Modified threshold, Toronto Hydro only removed programs that were transferred to the IESO. Please refer to Appendices A to D for Toronto Hydro's calculations performed to remove programs transferred to the IESO.

Energy Efficiency Interim Framework Program Plan

June 2019

Toronto Hydro-Electric System Limited
EB-2023-0195
9-Staff-355
Appendix B
FILED: March 11, 2024
(2 Pages)

The Interim Framework Program Plan is an overview of energy-efficiency programs IESO is offering in Ontario from April 2019 to December 2020. It sets out forecast budgets and, where applicable, targets and expected cost-effectiveness for Save on Energy programs. Details about incentives and how to apply for programs are available at www.SaveonEnergy.ca.

The IESO will report on the progress of the Interim Framework on a quarterly and annual basis.

Budget and Targets:

The plan, which is subject to changes and revisions over time, allocates the Interim Framework budget of $353 million over the suite of programs to create a cost-effective portfolio that is expected to achieve 1.4 TWh of electricity savings, and 189 MW of demand savings at a Levelized Unit Energy Cost (LUEC) of two cents per kWh. This budget represents a savings of up to $442 million from the previous Conservation First Framework.

Cost Effectiveness:

Program cost-effectiveness under the Interim Framework is assessed using forecasted program participation and supply side avoided costs – which estimate the cost of supplying that same amount of energy from the current electricity generation mix. An updated cost-effectiveness tool reflecting updated projections of avoided costs for 2019-2040 is available on the IESO website.

Reporting:

As part of its responsibilities, the IESO will publish the results of its Evaluation, Measurement, and Verification (EM&V) of the activities of the Interim Framework, as well as costs related to audits, capability building and training. The IESO will publish verified results on a yearly basis, as well as quarterly program updates, to inform the sector on the progress to meet the targets over the Interim Framework.

Interim Framework Summary	2019-2020			Cost-Effectiveness Tests		
	Budget ($M)	Energy Savings (TWh)	Demand Savings (MW)	Total Resource Cost Test (TRC)	Program Administrator Cost Test (PAC)	Levelized Unit Energy Cost ($/kWh)
Business Programs						
Retrofit	141	0.925	144	1.28	2.99	0.02
Small Business Lighting	16	0.066	8.3	1.74	1.39	0.03
Energy Managers	17	0.151	7.6	1.18	2.21	0.02
Process and Systems Upgrades	52	0.210	21.1	1.45	2.68	0.02
Energy Performance Program	6	0.024	2.8	1.20	1.09	0.02
Total Business Programs	***232***	***1.35***	***184***	***1.22***	***2.36***	***0.02***
Low Income and Indigenous programs						
Home Assistance	50	0.035	3.6			
Indigenous Programs	16	0.014	1.4			
Total Low Income & Indigenous Programs	***66***	***0.05***	***5***	-	-	-
LDC Local Program Fund	27					
IESO Central Services Costs	28					
Total Interim Framework	**353**	**1.4**	**189**	-	-	-

The "-" symbol signifies that those programs are not required to be cost effective as per the directive.

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 9-CCC-64

Reference: Exhibit 9, Tab 1. Schedule 1, Page 8

Please explain why Toronto Hydro is seeking to recover $.6 million from customers as recorded in the Customer Choice Initiative Costs/ Account 1508 subaccount as the amount is not material.

RESPONSE:

Toronto Hydro recorded the revenue requirement impacts resulting from the Customer Choice Initiative in accordance with OEB requirements, namely (i) section 2.9.1.8 of the Chapter 2 Filing Requirements for Electricity Distributors and (ii) the Accounting Order for the Establishment of a Deferral Account to Record Impacts Arising from Implementing the Customer Choice Initiative OEB (EB-2020-0152).[1] This initiative was incremental to the 2020-2024 plan and provided value to customers and government stakeholders in terms of enabling greater customer choice in response to changing circumstances brought on by the COVID-19 pandemic.[2]

[1] EB-2020-0152 - Accounting Order for the Establishment of a Deferral Account to Record Impacts Arising from Implementing the Customer Choice Initiative (September 16, 2020)
[2] News Release, *Ontario Supports Those Struggling with Electricity Bills during COVID-19* (June 1, 2020)

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 9-CCC-65

Reference: Exhibit 9, Tab 1, Schedule 1, Page 22

Please explain why Toronto Hydro is seeking to recover $.1 million from customers as recorded in the Ultra-low Overnight Rate Costs/ Account 1508 subaccount as the amount is not material.

RESPONSE:

Toronto Hydro recorded the revenue requirement impacts resulting from the Ultra-low Overnight Rate initiative in accordance with OEB requirements, namely (i) section 2.9.1.8 of the Chapter 2 Filing Requirements for Electricity Distributors and (ii) the Accounting Order (001-2023) for the Establishment of a Deferral Account to Record Impacts Arising from Implementing the Ultra-Low Overnight (ULO) Regulated Price Plan (EB-2022-0160).[1] This initiative was incremental to the 2020-2024 plan and provided value to customers and government stakeholders in terms of enabling greater customer choice in response to changing circumstances brought on by electrification of transportation.[2]

[1] EB-2022-0160 - Accounting Order (001-2023) for the Establishment of a Deferral Account to Record Impacts Arising from Implementing the Ultra-Low Overnight (ULO) Regulated Price Plan Option (March 2, 2023)
[2] News Release, *Ontario Launches New Ultra-Low Overnight Electricity Price Plan* (April 11, 2023)

RESPONSES TO ENERGY PROBE RESEARCH FOUNDATION INTERROGATORIES

INTERROGATORY 9-EP-36

Reference: Exhibit 9, Tab 1, Schedule 1, Page 27, Account 1508 - subaccount - Getting Ontario Connected Act ("GOCA") Variance Account

Preamble:

"On October 31, 2023, the OEB established a generic, industry-wide variance account to record incremental costs of locates resulting from the implementation of Bill 93 (Getting Ontario Connected Act, 2022), with an effective date of April 1, 2023. As this decision was released just weeks before Toronto Hydro submitted its application to the OEB, the utility intends to file supplemental evidence to forecast the balances that it expects in this account over the current rate period."

QUESTION:

Has this supplemental evidence been filed? If the answer is yes, please provide the link to the filing. If the answer is no, please file it or indicate when it will be filed.

RESPONSE:

Please see Toronto Hydro's response to 4-Staff-296(e).

RESPONSES TO POLLUTION PROBE INTERROGATORIES

INTERROGATORY 9-PP-50

References: General information on the Innovation Fund in Exhibit 9, plus
Exhibit 1B, Tab 2, Schedule 1, Page 33

"The proposed Innovation Fund is an important part of Toronto Hydro's 2025-2029 Custom Rate Framework because it addresses needs that are not adequately met by existing funding mechanisms which favour investment where the beneficial outcomes are proven or certain."

QUESTION (A):

a) Please provide any documentation that defines the criteria and boundaries of spending under the proposed Innovation Fund. Please explain how this would be different from other Capital or OM&A spending and how the results would be tracked.

RESPONSE (A):

The criteria and boundaries of spending under the proposed Innovation Fund, as well as the planned approach to tracking results, are set out in the referenced evidence. The expenditures to be incurred under the proposed Innovation Fund would be tracked and accounted for in a manner similar to other Capital and OM&A programs.

QUESTION (B):

b) Please provide (or explain if documents do not exist) the governance structure intended to be used for the Innovation Fund, including which external stakeholders would be part of the advisory committee (or equivalent).

RESPONSE (B):

A detailed discussion of the governance framework for the proposed Innovation Fund is provided in Section 4.1 of the referenced evidence. The Innovation Fund evidence lists the following external

stakeholder groups that can potentially participate in the Innovation Fund (Exhibit 1B, Tab 4, Schedule 2 at page 11):

- provincial bodies such as the OEB and IESO, in particular their innovation teams;
- energy services companies and clean technology vendors and suppliers;
- government agencies such as Natural Resources Canada; and
- other regulated entities such as Ontario distributors and energy companies in other jurisdictions that have relevant experience with innovation projects.

For a description on the role of the internal steering committee that would oversee the Innovation Fund, please refer to Toronto Hydro's response to interrogatory 1B-DRC-06 part i). As described in Toronto Hydro's response to interrogatory 1B-CCC-46 part a), the role of external stakeholder participated is scoped to provide input and feedback to inform the pilot selection phase.

QUESTION (C):

c) The OEB, IESO and others have had programs to enable LDC and industry innovation, including ones that THESL already leverages. Please explain what THESL has done to maximized use of those tools and why a separate Innovation fund just for THESL is required.

RESPONSE (C):

Toronto Hydro has been an active participant in Innovation programs led by the industry. In the 2020-2024 rate period, Toronto Hydro launched an innovation pilot project called "Benefit Stacking Transmission and Distribution System Non-Wires Alternatives Pilot Project" (also known as "Etobicoke Demand Response Pilot"), with funding from IESO's Grid Innovation Fund and support from OEB's Innovation Sandbox. The evidence in Exhibit 1B, Tab 3, Schedule 1 provides a full list of strategies and initiatives that Toronto Hydro has undertaken in the 2020-2024 rate period to maximize innovation within the current business structure and based on available tools. A detailed discussion of differentiators for the Innovation Fund is available in the response to 1B-Staff-99 (d).

QUESTION (D):

Please explain the process THESL will use to leverage results from the proposed Innovation Fund more broadly to benefit other LDCs and stakeholders in Ontario.

RESPONSE (D):

Please see Toronto Hydro's response to interrogatory 1B-SEC-29 part (a).

RESPONSES TO POLLUTION PROBE INTERROGATORIES

INTERROGATORY 9-PP-51

Please explain what the 'asymmetrical' Earning Sharing Mechanism means in comparison to the existing 'symmetrical' ESM.

RESPONSE:

See Exhibit 9, Tab 1, Schedule 1, pages 33-35 for a description of Toronto Hydro's currently approved asymmetrical Earnings Sharing Mechanism ("ESM"). The ESM is asymmetrical in that it operates only to share overearnings in excess of 100 basis points over the approved return on equity ("ROE"), shared 50:50 with ratepayers compared to a symmetrical ESM which would provide protection to both the utility and the rate payer for both overearnings and underearnings in excess of 100 basis points of the approved ROE.

RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES

INTERROGATORY 9-SEC-126

Reference: Exhibit 9, Tab 1, Schedule 1, Page 2

Please provide a revised version of Table 1 that shows balanced as of December 31, 2023.

RESPONSE:

Please refer to the updated continuity schedules filed in response to interrogatory 9-Staff-349.

RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES

INTERROGATORY 9-SEC-127

Reference: Exhibit 9, Tab 1, Schedule 1, Page 15

With respect to the Account 1592 - PILs and Tax Variances – CCA Changes Sub-Account

a. For each year between 2020 and 2024, please provide the amount credited (or forecast to be credited) to the sub-account related to the changes in capital cost allowance rules included in Bill C-97.
b. For the years Toronto Hydro seeks to dispose of (2020 to 2022), please provide supporting calculations.

RESPONSE:

For each year between 2020 and 2024, there are no amounts credited (or forecast to be credited) to the sub-account related to the changes in capital cost allowance rules included in Bill C-97. For more information, please refer to integratory 6-Staff-322.

RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES

INTERROGATORY 9-SEC-128

References: Exhibit 9, Tab 1, Schedule 1, Page 26

With respect to Account 1508 – Getting Ontario Connected Act Variance Account:

QUESTION (A) :

What is the balance of the account as of December 31, 2023? Please provide details including a breakdown of costs.

RESPONSE (A):

Please refer to Toronto Hydro's response to 4-Staff-296(e).

QUESTION (B) :

Please provide the locate costs for each year between 2025 and 2029 that the account would capture variance from.

RESPONSE (B):

Please refer to pages 29-30 of Exhibit 4, Tab 2, Schedule 8, where Table 6 provides the forecast costs for 2025-2029 that the account would capture variance from.

QUESTION (C) :

On November 22,2023, the Government of Ontario introduced Bill 153, Building Infrastructure Safely Act, 2023 which SEC understands addresses some issues raised by distributors in the Getting Ontario Connect Act. Please provide Toronto Hydro's view on how the bill, if passed, would impact locate costs.

RESPONSE (C):

If passed, Bill 153 may help reduce the magnitude of the potential cost increases by: (i) extending timelines for project locates, which would allow more effective management of locate resources; and (ii) creating a better balance of financial risk between excavators and infrastructure owners.[1] However, Bill 153 as drafted would not address other significant drivers of incremental costs that arose from the enactment of Bill 93 in 2022, which notably include:

- Requirements to complete locates on time 100% of the time;
- No performance requirement allowance for extreme weather events, force majeure situations, or peak volume periods; and
- Other circumstances outside of the utility's control, such as potential locate ticket supply or system disruptions at Ontario One Call, fee increases from Ontario One Call;
- Specific requirements and accelerated timelines for supporting dedicated locator requests;
- New and improved systems to support increased compliance requirements including new requirements in Bill-93 for written confirmation of all appointment scheduling changes (previously verbal appointment scheduling changes were permitted).

Further, a key aspect of Bill 153 is to shift from a predominantly legislative framework to a predominantly regulatory framework through enactment of detailed regulations. Thus, the impact of Bill 153 on locate cost increases is contingent on regulations that have not yet been developed by the Government and its agency, Ontario One Call.

In summary, while changes proposed in Bill 153 may change the cost of locates, the direction and magnitude of those changes remains highly uncertain over the remainder of 2024 and well into (and potentially beyond) 2025.

[1] E.g. by repealing a current provision under the *Ontario Underground Infrastructure Notification System Act, 2012* that requires infrastructure owners to compensate excavators for late locates.

RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES

INTERROGATORY 9-SEC-129

Reference: Exhibit 9, Tab 1, Schedule 1, p.40

QUESTION :

If the OEB were to approve a modified proposed Demand Related Variance Account – Expenditure Sub-Account that would not capture all revenue requirement impacts from expenditures for demand related programs, but limited to the revenue requirement impact of expenditures in demand programs solely related to the variance in forecast of customer connections and customer demand (as opposed for example to variances costs to connect customers etc.), how would Toronto Hydro propose the account would work?

RESPONSE:

Toronto Hydro interprets this question as asking whether it is possible to isolate the demand from other drivers which may yield variances in the programs that form part of the Demand Related Variance Account – Expenditure Sub-Account. This approach is not supported by the evidence presented in Exhibit 1B, Tab 2, Schedule 1 at pages 35-46, and Toronto Hydro would be concerned if the OEB were to approve the modified DRVA as inferred by the question. The concern emanates from the fact that it would be very complex, cumbersome, and in the case of Customer Connections[1], impossible to administer the account as SEC suggests. As a result, this approach to the DRVA would unnecessarily constrain Toronto Hydro's ability to maintain responsiveness to customer requirements for new connections or service upgrades, as well as emerging and existing policy priorities, including: *Building Transit Faster Act,2020*[2] *More Homes Built Faster Act*[3] and the OEB's

[1] The Customer Connections forecast is a trend-based forecast that is impacted by a myriad of factors as outlined in Exhibit 2B, Section E5.1 at pages 19-23. It would not be possible to disentangle demand from other drivers within the forecast and the actuals.
[2] SO 2020, Ch 12.
[3] SO 2022, Ch 21.

Framework For Energy Innovation: Setting A Path Forward For DER Integration (January 2023) and the *Filing Guidelines for Incentives for Electricity Distributors to Use Third-Party DERs as Non-Wires Alternatives* (March 28, 2023).

In addition to the complexity of differentiating cost variances between customer demand and costs to connect, Toronto Hydro also notes that variances in revenue requirement as a result of prudent and necessary changes in the timing of in-service additions due to execution-related considerations, would not be captured in the sub-account under the modified approach set out in the preamble. For large projects such as Stations Expansions, this could result in prejudice to ratepayers.

RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES

INTERROGATORY 9-SEC-130

Reference: Exhibit 9, Tab 1, Schedule 1, Page 40

Please explain Toronto Hydro's expectations regarding how any balance in the two Demand-Related Variance Account sub-accounts would be allocated between customer classes.

RESPONSE:

The balance in both the Demand-Related Variance Account (Expenditure Variance sub-Account) and the Demand-Related Variance Account (Revenue Variance sub-Account) will be allocated among the rate classes proportionately based on actual distribution revenue recovered from each class for the latest year available at the time of clearance.

RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES

INTERROGATORY 9-SEC-131

Reference: Exhibit 9, Tab 1, Schedule 1, Appendix A, Pages 1-3

Using 2020 as an illustrative example, please provide the entries that would have been made into the Demand-Related Variance Account, including all supporting calculations, if it had been in place at the time.

RESPONSE:

Toronto Hydro is unable to produce the entries that would have been subject to the sub-account in 2020 within the timelines of providing interrogatory responses, but undertakes to provide the information prior to the Technical Conference.

RESPONSES TO VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES

INTERROGATORY 9-VECC-97

References: Exhibit 9, Tab 2, Schedule 1, Table 1

QUESTION:

Please update Table 1 to show the DVA balances as of December 31, 2023. In the updated table please also include the account number for each Group 1 and 2 account.

RESPONSE:

Please refer to the updated continuity schedules filed in response to interrogatory 9-Staff-349.

RESPONSES TO VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES

INTERROGATORY 9-VECC-98

Reference: Exhibit 1B, Tab 1, Schedule 3, Page 13

"The total net DVA balances proposed for clearance are $163.7 million (credit/refund) to customers beginning January 1, 2025."

QUESTION (A) :

a) We are unable to reconcile this statement with the evidence at Exhibit 9. Please clarify.

RESPONSE (A):

The table below reconciles the DVA balances with the rate riders.

	($ Millions)
DVA balance as per Rate Rider calculation[1]	($163.7)
Proposed Innovation Fund rate rider is not included in the DVA balance Rate Rider [2]	($19.4)
Variance account "Renewable Generation Connection Funding Adder Deferral Account – Provincial Rate Protection Payment Variances"[3]	($7.4)
Proposed Dispositions – Group 2 Accounts[4]	**($190.5)**

[1] Exhibit 9, Tab 3, Schedule 1.
[2] Exhibit 9, Tab 3, Schedule 1. This amount has been updated to $16.0 million to exclude carrying charges in response to interrogatory 9-Staff-342.
[3] Exhibit 9, Tab 1, Schedule 1, page 37.
[4] Exhibit 9, Tab 1, Schedule 1, pages 36-37.

RESPONSES TO VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES

INTERROGATORY 9 -VECC -99

Reference: Exhibit 9, Tab 1, Schedule 1, Page 15

QUESTION (A):

a) We are unable to locate the calculation showing the derivation of Account 1592 - CCA Changes. Please provide a reference for this calculation. If the detailed calculation has not been provided please prove tables showing the AIIP additions, the CCA with and without acceleration and the other annual calculations that support the proposed disposition balance.

RESPONSE (A):

Please refer to Exhibit 9 Tab 1 Schedule 1 (Updated December 19, 2023) at page 15 and the response to interrogatory 6-Staff-322 (c).

RESPONSES TO VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES

INTERROGATORY 9-VECC-100

Reference: Exhibit 9, Tab 1, Schedule 1, Tables 19 and 20, Pages 36-

"As this decision (EB-2023-0143) was released just weeks before Toronto Hydro submitted its application to the OEB, the utility intends to file supplemental evidence to forecast the balances that it expects in this account over the current rate period.

QUESTION (A):

a) We are unable to locate the referenced supplemental evidence. Please clarify whether this evidence has been filed.

RESPONSE (A):

Please refer to Toronto Hydro's response to 4-Staff-296(e).

QUESTION (B):

b) The Board approved account is to " track the incremental costs of locates in 2023 and future years arising from the implementation of Bill 93." (page 2). This requires that THESL have an amount from which Bill 93 related locate costs are incremental from. What is "normal" annual locate costs from which Bill 93 incremental costs are to vary from.

RESPONSE (B):

"Normal" annual costs will be based on prevailing locate costs prior to the enactment of Bill 93. Please see also Toronto Hydro's responses to 4-Staff-296(b) and (e) for additional details.