RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 1A-STAFF-1

Reference: N/A

Preamble:

Updated Revenue Requirement Work Form (RRWF) and Models

QUESTION (A):

a) Upon completing all interrogatories from Ontario Energy Board (OEB) staff and intervenors, please provide an updated RRWF in working Microsoft Excel format with any corrections or adjustments that the Applicant wishes to make to the amounts in the populated version of the RRWF filed in the initial applications. Entries for changes and adjustments should be included in the middle column on sheet 3 Data_Input_Sheet. Sheets 10 (Load Forecast), 11 (Cost Allocation), and 13 (Rate Design) should be updated, as necessary. Please include documentation of the corrections and adjustments, such as a reference to an interrogatory response or an explanatory note. Such notes should be documented on Sheet 14 Tracking Sheet and may also be included on other sheets in the RRWF to assist understanding of changes.

RESPONSE (A):

Toronto Hydro notes that it is not possible to complete this work within the timelines for responding to interrogatories. This information will be provided in advance of the Technical Conference,[1] along with the updated 2025-2029 revenue requirement and rates, as well as DVA balances and rate riders, related to the following:

(i) the 2023 financial actuals and updated 2024 forecast along with any material downstream impacts to 2025-2029 forecasts;[2]

[1] EB-2023-0195, Evidence Update Cover Letter (January 29,2024)
[2] Pleas see 2A-Staff-104 and 1B-SEC-01

(ii) the 2023 load and customer actuals and updated 2024-2029 forecast;

(iii) the January 29, 2024 evidence update as noted in the accompanying cover letter;

(iv) any other material updates or corrections identified in interrogatory responses;

As noted in the January 29, 2024 cover letter, in advance of the Technical Conference, the utility also intends to update the value of the Performance Incentive Mechanism (PIM) in Exhibit 1B, as the PIM is a function of the utility's 2025-2029 total revenue requirement. In addition, Toronto Hydro will file the 2023 actual results related to performance measures identified in Exhibit 1B, Tab 3, Schedule 1 (Performance Outcomes Framework) and Schedule 3 (Historical Performance Results).

QUESTION (B):

b) In addition, please file an updated set of models that reflects the interrogatory responses. Please ensure the models used are the latest available models on the OEB's 2024 Electricity Distributor Rate Applications webpage.

RESPONSE (B):

The OEB models filed as part of this rate application and subsequent updates include a number of modifications made to reflect the utility's specific considerations. Updating these models to the latest version would require a significant effort, which would not provide commensurate value at this stage of the proceeding based on Toronto Hydro's understanding that there are have only been minor changes from the previous version that the utility used when the application was filed. Where applicable, Toronto Hydro proposes to update the models at the time of the Draft Rate Order.

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 1A-STAFF-2

Reference: Chapter 2 Filing Requirements, Page 3 (update for 2024 FRs)

QUESTION:

As required in the Chapter 2 Filing Requirements, please provide a summary of any updates or amendments to an OEB model to accommodate Toronto Hydro's circumstance, if applicable.

RESPONSE:

Please see Toronto Hydro's response to interrogatory 1A-Staff-1.

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 1A-CCC-1

Reference: Exhibit 1A

Please file all materials provided to Toronto Hydro's Board of Directors with respect to this Application, the underlying budgets and THESL's most recent Business Plan.

RESPONSE:

Please refer to the appendices to this response for the following materials:

- Appendix A – Toronto Hydro's 2023-2025 Business Plan
- Appendix B – Toronto Hydro's 2024-2026 Business Plan
- Appendix C – 2025 Rate Application Strategy & Update
- Appendix D – Customer Engagement & Rate Application Update

Please note that some parts of these documents have been redacted for confidentiality purposes. Also, certain information in these documents is subject to solicitor-client privilege, or is not relevant to answering the question above, and has been permanently redacted in both the public and confidential versions of these documents.

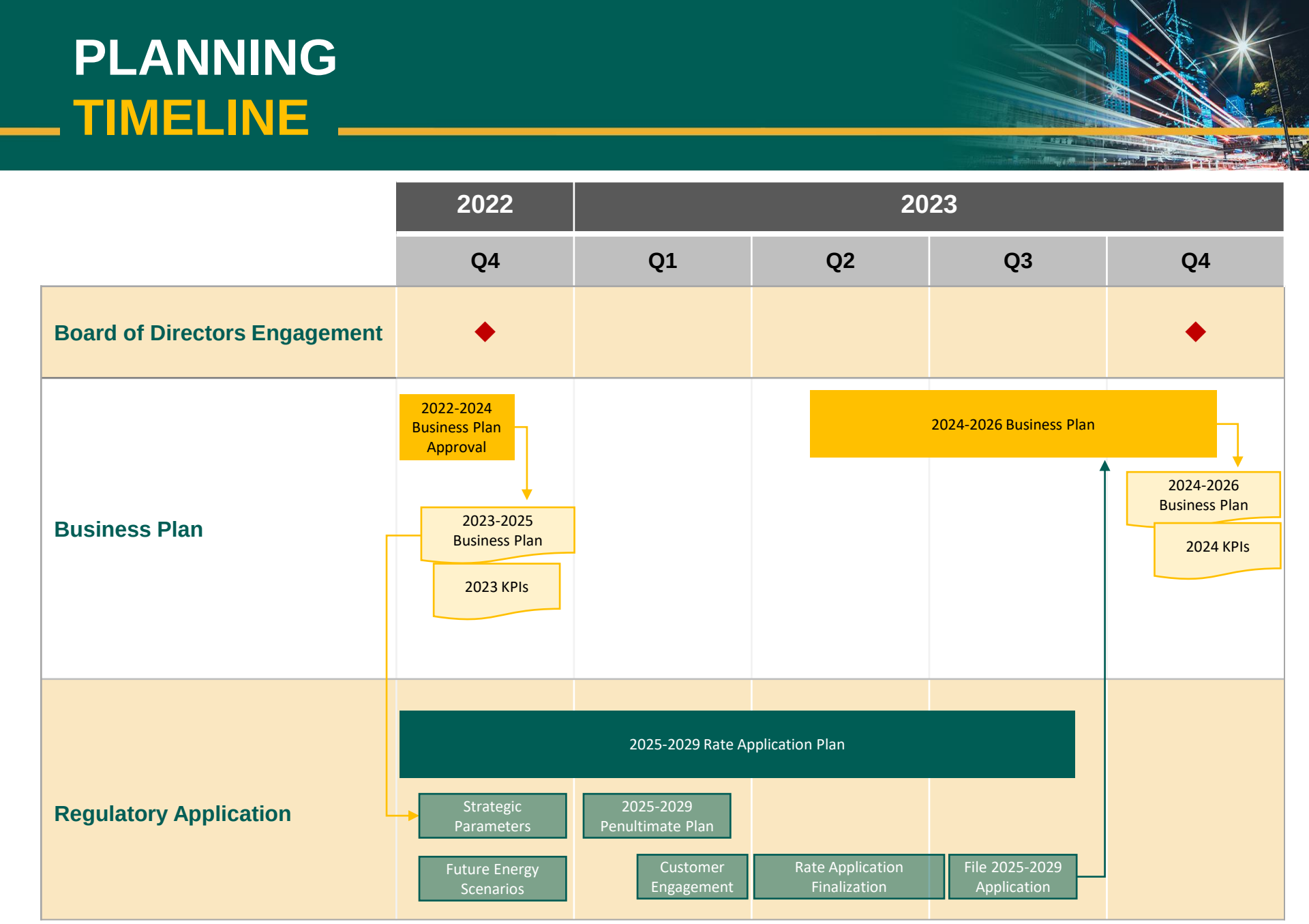
Toronto Hydro-Electric System Limited
EB-2023-0195
Interrogatory Responses
1A-CCC-01
Appendix A
UPDATED: March 21, 2024
(85 Pages)

2025-2029 REGULATORY STRATEGY AND 2023-2025 BUSINESS PLAN

This record has been prepared by and under the supervision of Toronto Hydro's senior management team for the purposes of providing advice and recommendations to the institution. It contains sensitive commercial information, including material facts, material changes and/or pending policy decisions, regarding the institution that have not yet been put into operation or made public. Any unauthorized or premature disclosure of this information will prejudice Toronto Hydro's economic interests, financial interests, legal interests and competitive position. In addition, any such disclosure could give rise to a breach of law, including applicable securities laws. Any unauthorized disclosure is strictly prohibited.

TORONTO HYDRO®

PLANNING TIMELINE

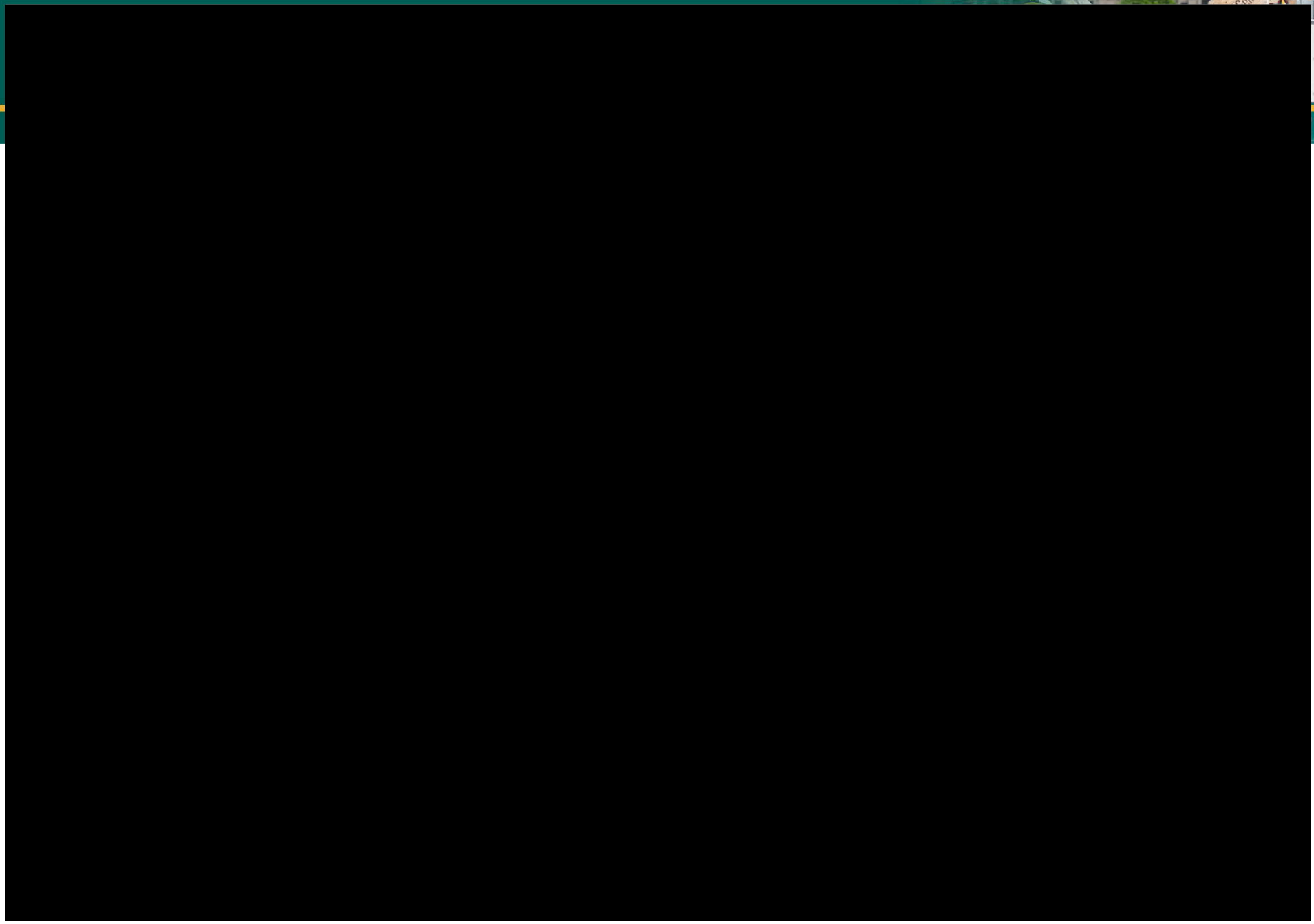


AGENDA

1. 2025-2029 Regulatory Strategy
2. 2023-2025 Business Plan
3. Regulatory, Compliance and Risk Assessment for 2023-2025 Business Plan
4. 2023 Corporate Performance Scorecard

2025-2029 REGULATORY STRATEGY

Privileged & Confidential



GRID & OPERATIONS PLANS

2025-2029 INVESTMENT DRIVERS

System Stewardship: Grid & Operational Performance	Modernization	City Growth & Electrification
Continue to deliver safe and reliable/resilient service	Adopt technology to modernize our grid and operations	Connect and serve growing demand

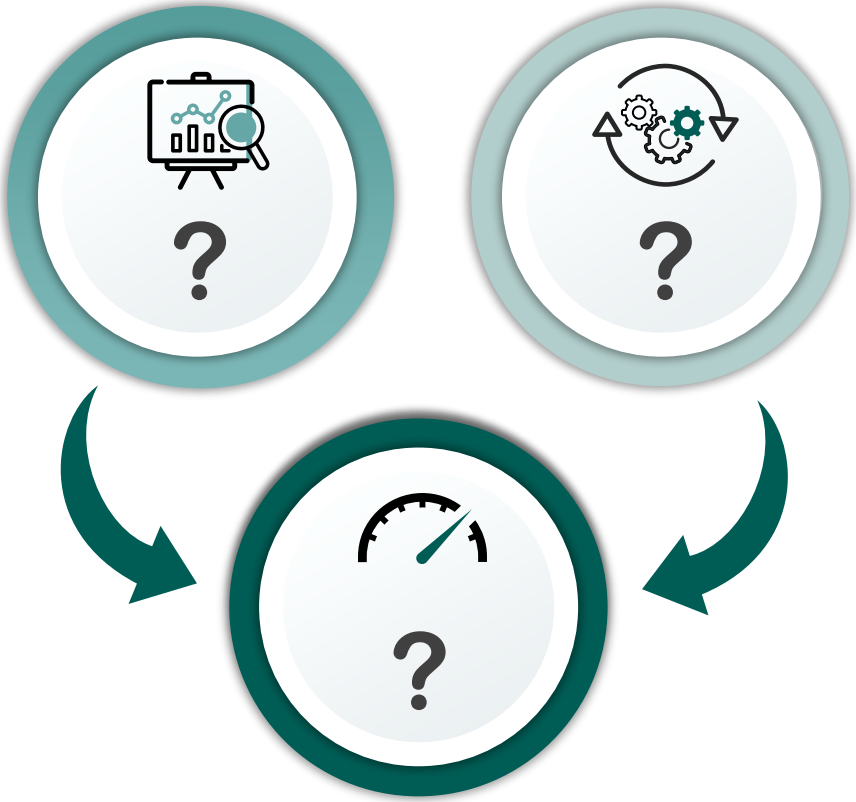
Privileged & Confidential

RATE APPLICATION

STRATEGIC PARAMETERS

Capital Plan

2025-2029 Capital Expenditures



Operations Plan

2025-2029 OM&A Expenses

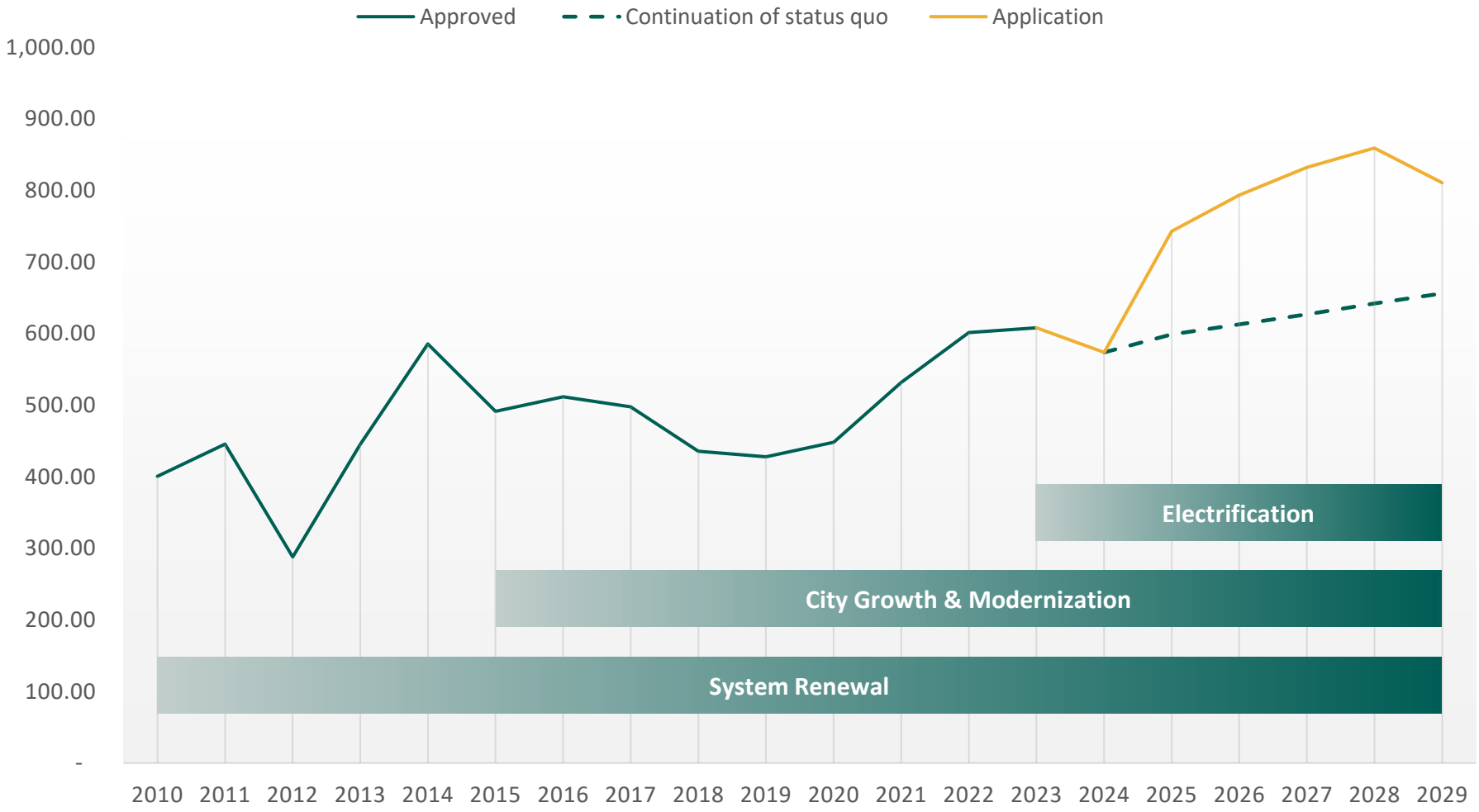
Distribution Rates

Average Annual Residential Rate Increase (2025-2029)

STRATEGIC PARAMETER:
CAPITAL PROGRAM (CAPEX)

STRATEGIC PARAMETERS

CAPITAL FUNDING



SUSTAINMENT

• OBJECTIVES

PLAN OBJECTIVES & HIGHLIGHTS

- Maintain **overall health demographics** of the asset population in 2025-2029
- Ensure investment pacing contributes to **stable long-term investment profiles** (2030+) for all assets
- Adhere to previous commitments for **safety and environmental compliance activities** (e.g. PCBs by 2025; Box Conversion by 2026)
- Maintain recent historical **system reliability.**
- **Optimize the pace of renewal investment** from year-to-year (cost control) using improved **risk-based** decision-making tools.

Outcome.	Goal	2025-2029 Status Quo Option	2025-2029 Business Plan	2025-2029 Enhanced Option
Total Expenditures*		$1,269.2	**$1,577.9**	$1,976.1
SAIFI	▶	🟡	🟢	🔵
SAIDI	▶	🟡	🟢	🔵
Assets Past Useful Life	▶	🔴	🟢	🔵
Asset Health	▶	🔴	🟢	🔵
Oil Spills cont. PCBs	▲	🟢	🟢	🟢
System Safety Risk	▲	🔴	🟢	🟢

**Total expenditures exclude allocations such as EAR & AFUDC*

- 🔵 *Exceed (improved)*
- 🟢 *Achieve (stable)*
- 🟡 *At Risk (caution)*
- 🔴 *Risk Realized*

GROWTH

• OBJECTIVES

PLAN OBJECTIVES & HIGHLIGHTS

- **Connect customers** efficiently and with consideration for a likely increase in connections volumes due to electrification
- **Expand stations capacity** to alleviate future load constraints, with consideration for increased EV uptake, decarbonization drivers, and other growth factors (digitization and redevelopment).
- **Optimize near-term system capacity** through load transfers, bus balancing, cable upgrades and the targeted use of non-wires alternatives such as demand response and energy efficiency.
- Alleviate constraints on restricted feeders to accommodate **increasing DER connections.**
- Install **control and monitoring capabilities** for all generators > 50kW
- Accommodate relocations for committed **third-party developments**, including priority transit projects

Outcome	Goal	2025-2029 Status Quo Option	2025-2029 Business Plan	2025-2029 Enhanced Option
Total Expenditures*		$861.3	**$940.5**	$1,109.5
Load Capacity	▲	🔴	🟢	🟢
Hosting Capacity	▲	🟡	🟢	🟢
Obligation to Serve	▶	🟢	🟢	🔵
Operational Flexibility	▲	🟡	🟢	🟢

**Total expenditures exclude allocations such as EAR & AFUDC*

- 🔵 *Exceed (improved)*
- 🟢 *Achieve (stable)*
- 🟡 *At Risk (caution)*
- 🔴 *Risk Realized*

MODERNIZATION

• OBJECTIVES

PLAN OBJECTIVES & HIGHLIGHTS

- Prioritize investments that will deliver demonstrable benefits to customers, especially enhancements that will **enhance value-for-money** in the long-term (i.e. efficiency)
- **Improve system reliability** through enhanced fault management, leveraging automation and advanced metering (AMI2.0)
- Enhance **system observability** across the system, enabling better asset management and operational decision making
- Leverage technology to **improve customer experience** (e.g. reliability, power quality, customer tools, DER integration)
- Enhance **resiliency** and **security** of the system through advanced grids, targeted undergrounding of critical overhead assets, and enhancements to distribution schemes for critical loads downtown.

Outcome	Goal	2025-2029 Status Quo Option	2025-2029 Business Plan	2025-2029 Enhanced Option
Total Expenditures*		$427.3	**$518.6**	$715.5
SAIFI	▲	🟡	🟢	🔵
SAIDI	▲	🟢	🔵	🔵
Customer Experience	▲	🟡	🟢	🔵
System Observability	▲	🟡	🟢	🔵
Operational Flexibility	▲	🟡	🟢	🔵
System Resiliency	▲	🟡	🟢	🔵
Operational Efficiency	▲	🟢	🔵	🔵

**Total expenditures exclude allocations such as EAR & AFUDC*

- 🔵 *Exceed (improved)*
- 🟢 *Achieve (stable)*
- 🟡 *At Risk (caution)*
- 🔴 *Risk Realized*

GENERAL PLANT

• OBJECTIVES

PLAN OBJECTIVES & HIGHLIGHTS

Fleet & Facilities:

- Implement **Toronto Hydro's NZ40** strategy:
  - Achieve 80% buildings emissions reductions by 2040
  - Expand fleet electric vehicle charging infrastructure and electrify 40% of fleet by 2029
- Improve **stations site conditions and physical security** to meet legislative requirements (OBC, OHSA, CSF, etc.)
- Replace **critical** facilities assets in **poor** condition

IT/OT:

- Support Utility of the Future objectives re Grid Modernization, Process Automation & Customer Experience objectives
- **Minimize reliability and cybersecurity risks**
- Ensure IT **infrastructure is available and reliable** with minimal service disruption

Outcome	Goal	2025-2029 Status Quo Option	2025-2029 Business Plan	2025-2029 Enhanced Option
Total Expenditures*		$480.8	**$613.4**	$665.3
Asset Condition & Reliability	▶	🔴	🟢	🔵
Emissions Reductions	▲	🟡	🟢	🔵
Security & Resiliency	▲	🔴	🟢	🟢
Grid Modernization	▲	🟡	🟢	🔵
Process Automation	▲	🟡	🟢	🔵
Customer Experience	▲	🟡	🟢	🔵

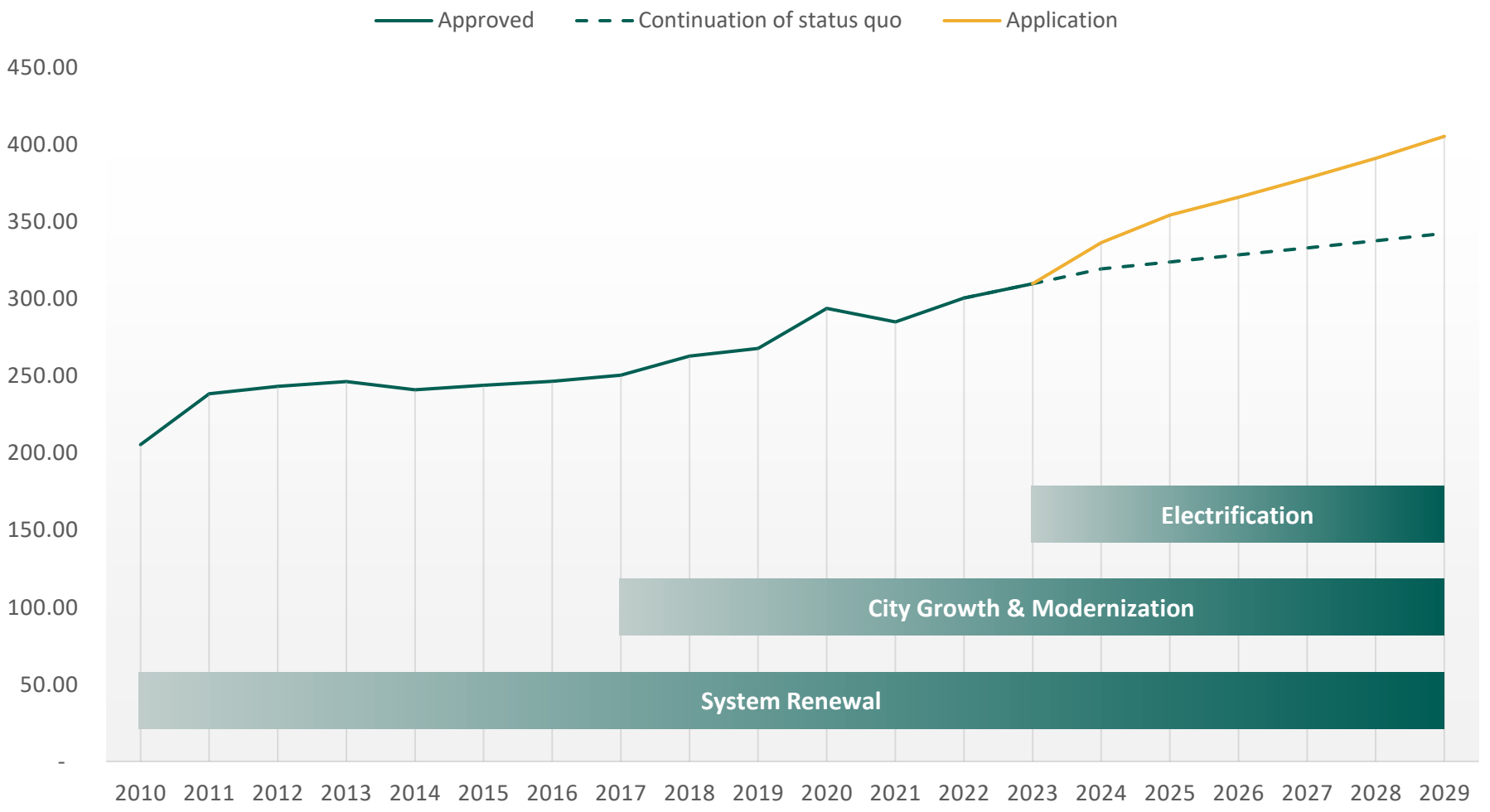
**Total expenditures exclude allocations such as EAR & AFUDC*

- 🔵 *Exceed (improved)*
- 🟢 *Achieve (stable)*
- 🟡 *At Risk (caution)*
- 🔴 *Risk Realized*

STRATEGIC PARAMETER:
OPERATIONS PROGRAM (OM&A)

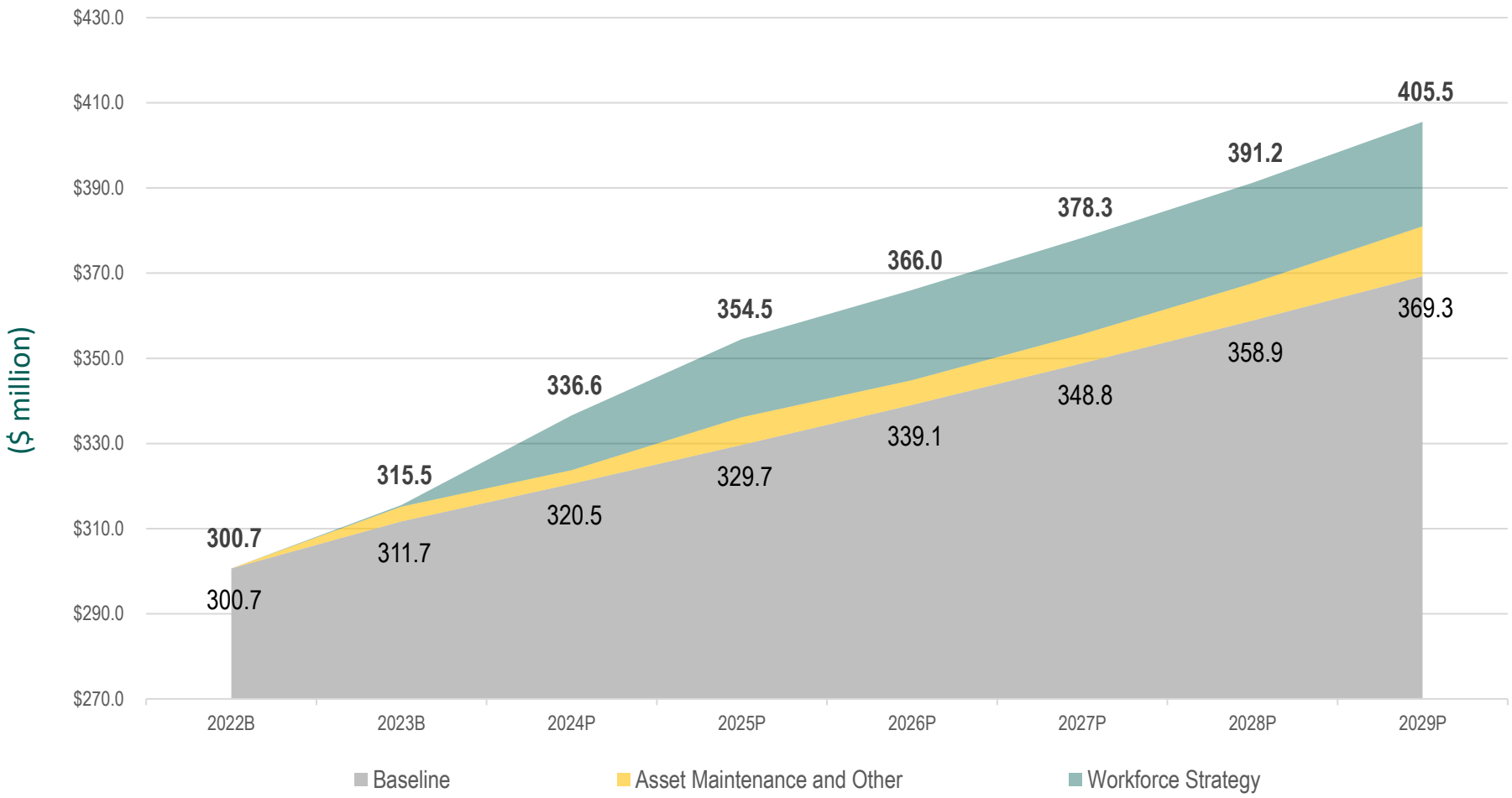
REGULATORY APPROVALS

OPERATIONAL FUNDING



STRATEGIC PARAMETERS

OPERATIONAL PLAN



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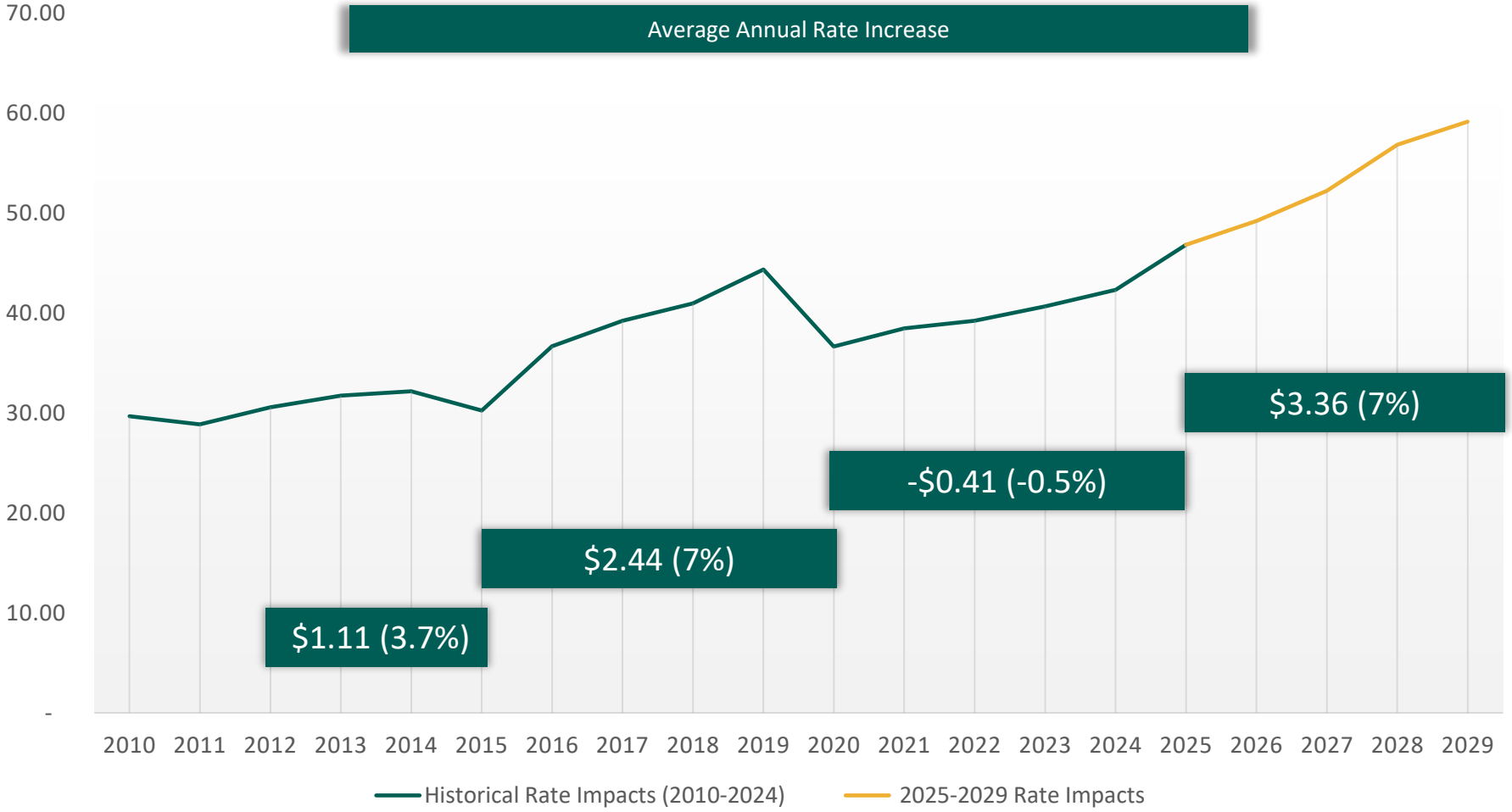
STRATEGIC PARAMETER: RATES

RATE APPLICATION

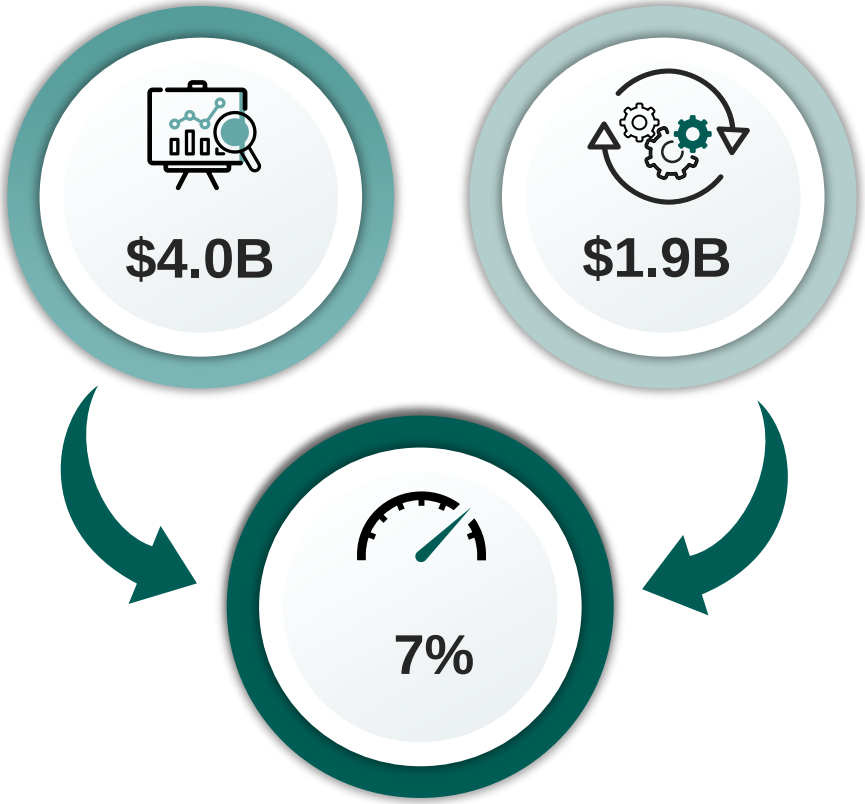
RESIDENTIAL RATE IMPACTS



RATE APPLICATION
STRATEGIC PARAMETERS WITH RATE FRAMEWORK

Capital Plan

2025-2029 Capital Expenditures
+
Performance Incentive
0.5% ROE



Operations Plan

2025-2029 OM&A Expenses
+
Performance Incentive
0.3% Stretch Factor

Distribution Rates

Average Annual Residential Rate Increase
(2025-2029)

2023-2025
BUSINESS PLAN

INTEGRATED BUSINESS PLAN

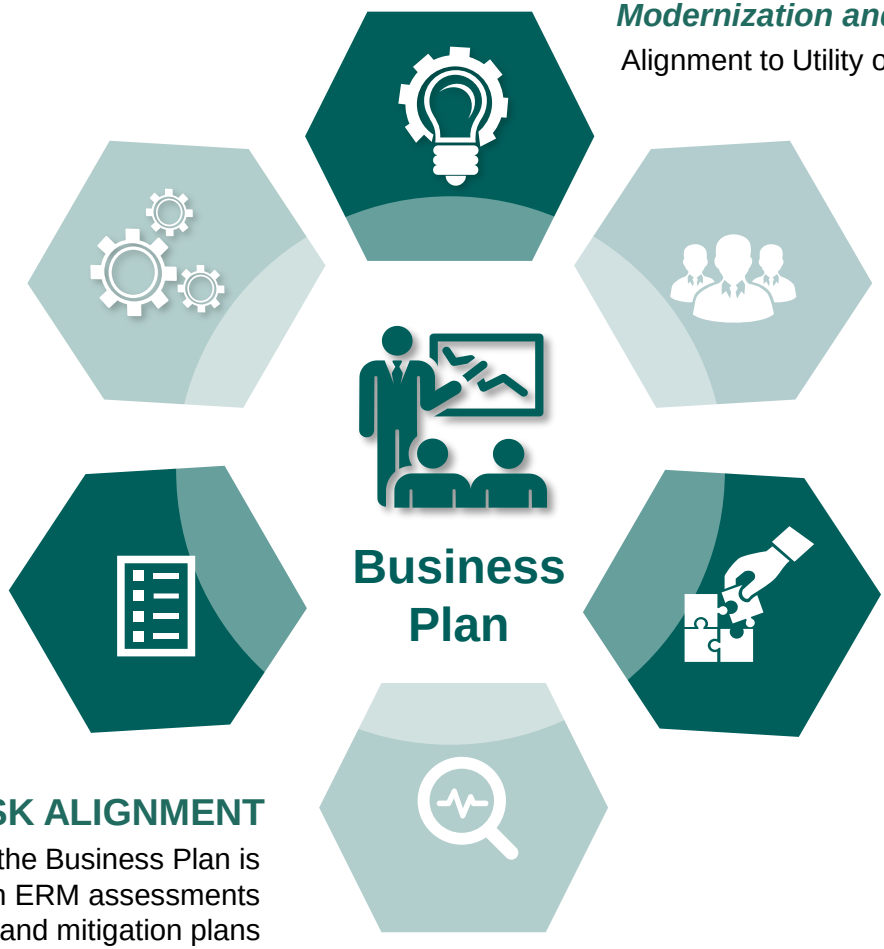
CORPORATE STRATEGY
Modernization and Electrification

Alignment to Utility of the Future and Climate Action

BUSINESS NEEDS
Identification of Capital Investment and Operational needs that underpin the Corporate Pillars

PEOPLE STRATEGY
Workforce of Tomorrow

Build a culture of safety, sustainment and innovation that propels TH into the future



COMPLIANCE REVIEW
Consideration of compliance requirements and related mitigating actions

REGULATORY ALIGNMENT
- 2023-2024: Alignment to 2020-2024 OEB decision and inclusion of new emerging issues (e.g.: customer connections, inflation)
- 2025: Alignment to 2025-2029 rate application strategy

RISK ALIGNMENT
Ensure the Business Plan is grounded in ERM assessments and mitigation plans

BUSINESS PLAN
ASSUMPTIONS

The 2023-2025 Business Plan incorporates the following:

- Alignment to the 10-year Utility of the Future strategy and strategic priorities including Climate Action;
- 2020-2024 CIR decision and inclusion of new emerging issues (e.g.: increase in customer connections and incremental inflationary costs);
- 2025 aligned to 2025-2029 rate application strategy;
- Long-term economic impact resulting from COVID-19;

[redacted]

LEGAL ENTITIES

THC

- Corporate

THESL

- Regulated
- Electricity Distribution

THESL

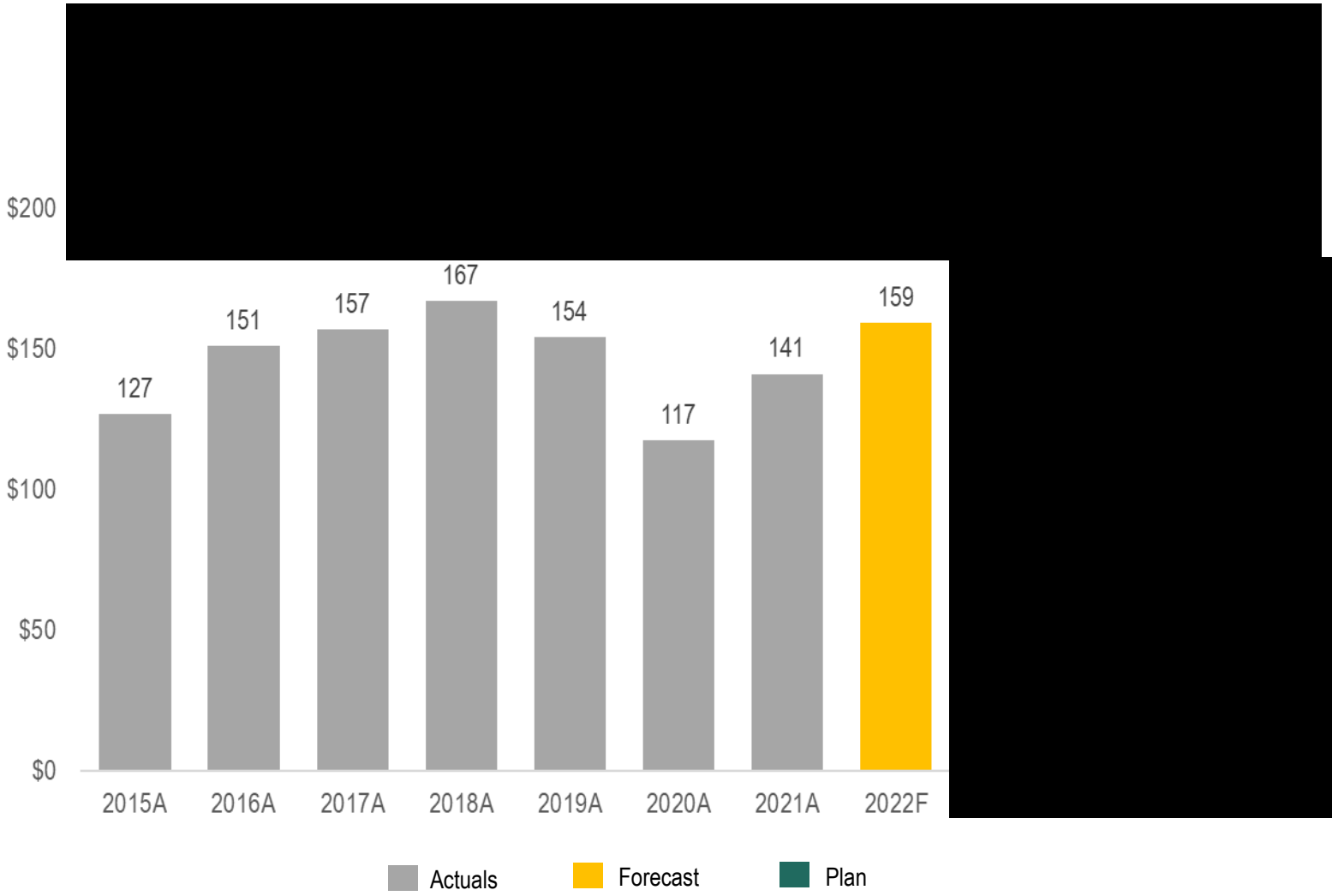
- Unregulated
- Climate Advisory Services and Energy Solutions

THESI

- Unregulated
- Street Lighting

CONSOLIDATED FINANCIALS

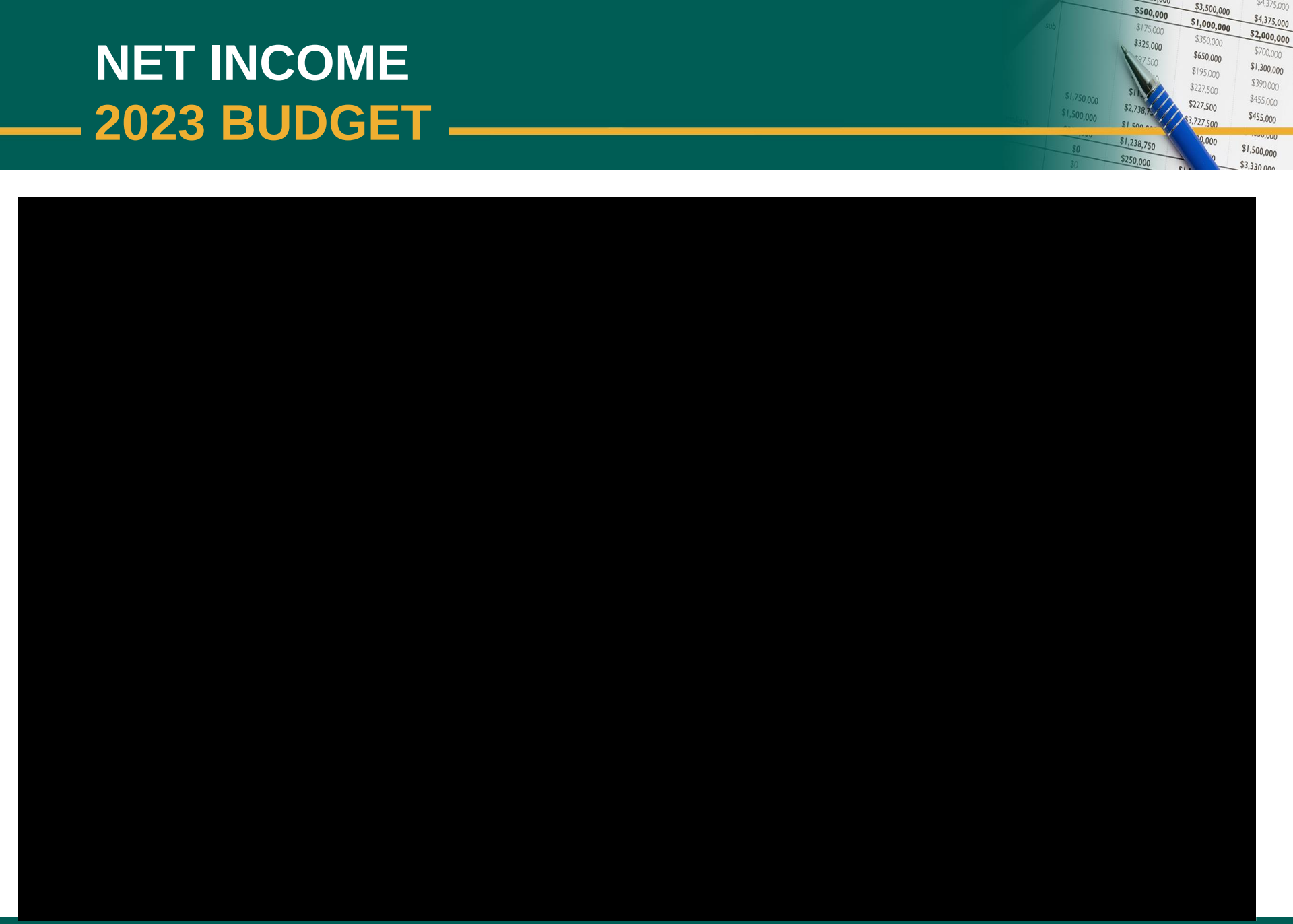
NET INCOME
COMPOUNDED ANNUAL GROWTH RATE



2023 STATEMENTS OF INCOME
CONSOLIDATED

Statements of Income In millions of Canadian dollars For the year ending December 31, 2023	[redacted]	Regulated	[redacted]
Energy sales		2,988	
Distribution revenue		827	
Other revenues		87	
Total revenues		**3,902**	
Energy purchases		2,988	
Operating expenses		331	
Depreciation and amortization		267	
Total expenses		**3,586**	
Finance costs		99	
Gain on disposals of property, plant and equipment		1	
Income/(loss) before income taxes		**218**	
Income tax (expense)/recovery		45	
Net movements in regulatory balances		(71)	
Net movements in regulatory balances arising from deferred taxes		50	
Net income after net movements in regulatory balances		**152**	

NET INCOME
2023 BUDGET



CORPORATE

2023 STATEMENTS OF INCOME

CORPORATE

Statements of Income In millions of Canadian dollars For the year ending December 31, 2023	[redacted]	Regulated	[redacted]
Energy sales		2,988	
Distribution revenue		827	
Other revenues		87	
Total revenues		**3,902**	
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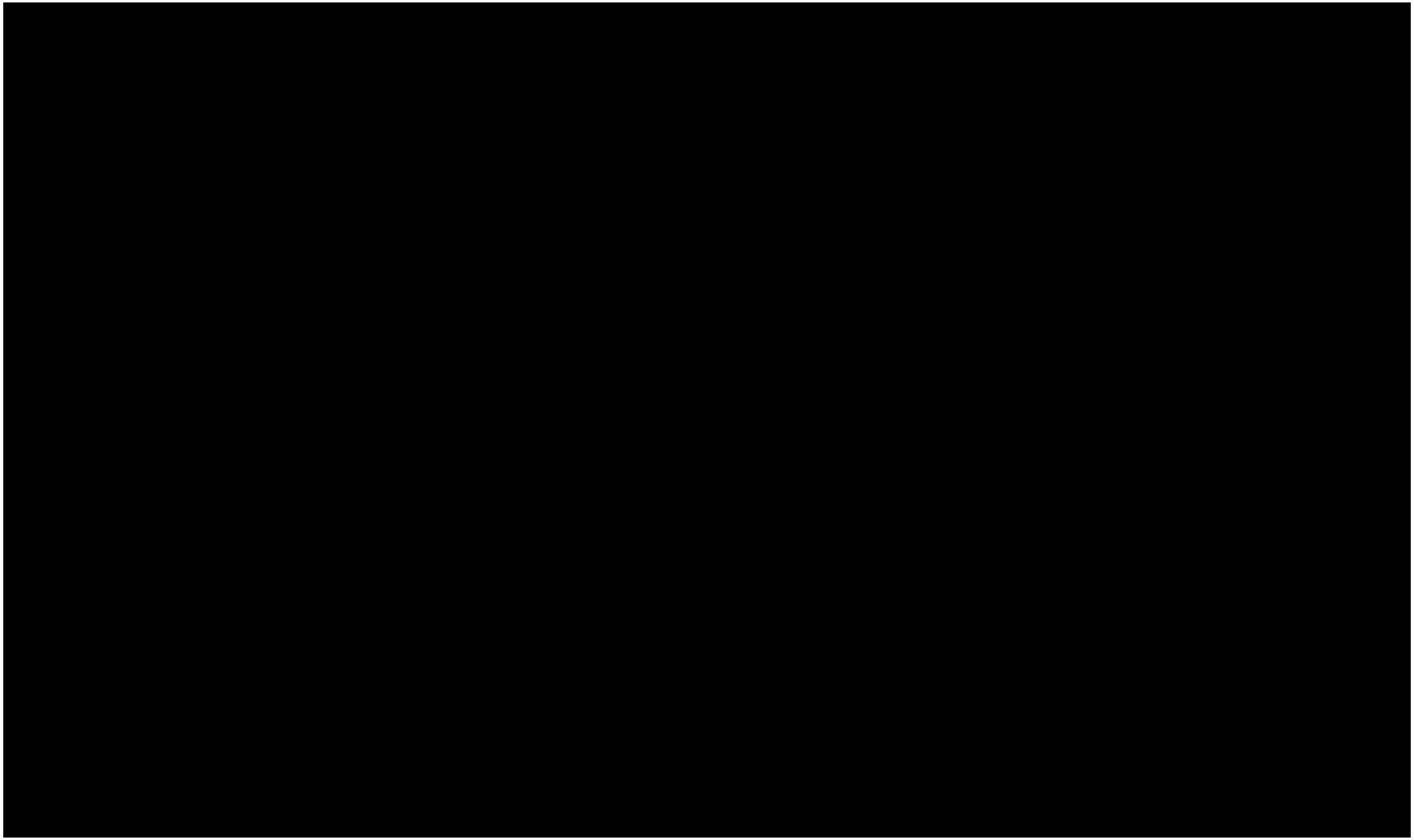
Net income after net movements in regulatory balances		**152**	

OPERATING EXPENSES



REGULATED

2023 STATEMENT OF INCOME

REGULATED

Statements of Income In millions of Canadian dollars For the year ending December 31, 2023	Regulated
Energy sales	2,988
Distribution revenue	827
Other revenues	87
Total revenues	**3,902**
Energy purchases	2,988
Operating expenses	331
Depreciation and amortization	267
Total expenses	**3,586**
Finance costs	99
Gain on disposals of property, plant and equipment	1
Income/(loss) before income taxes	**218**
Income tax (expense)/recovery	45
Net movements in regulatory balances	(71)
Net movements in regulatory balances arising from deferred taxes	50
Net income after net movements in regulatory balances	**152**

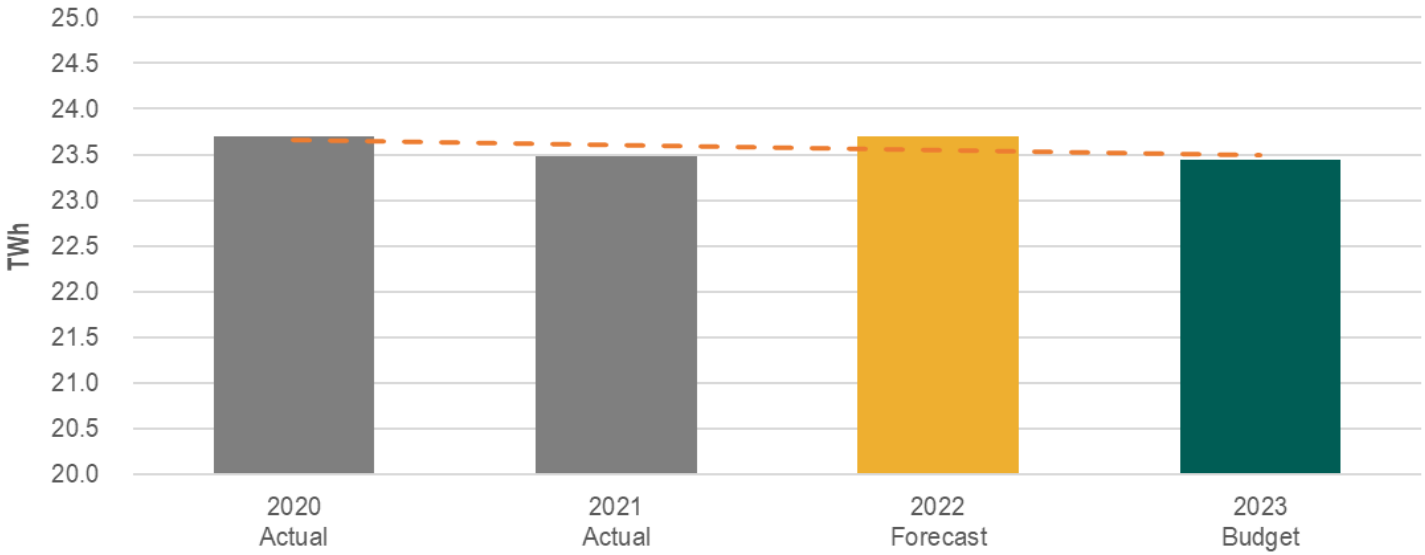
REVENUES

In millions of Canadian dollars	2021 Actual	2022 Budget	2022 Forecast	2023 Budget	Variance
Distribution Revenue	759	750	750	827	77
Other Revenues	86	84	85	87	2
Total Revenues	**845**	**834**	**835**	**914**	**79**

- Higher Distribution Revenue due to the recovery of regulatory settlement variances, which are offset in net movement line, and increase in distribution rates in 2023 resulting from the 2020-2024 regulatory decision
- Increase in Other Revenues primarily due to higher late payment fees and customer demand work

LOAD FORECAST

	2021 Actual	2022 Budget	2022 Forecast	2023 Budget
Load (TWh)[1]	23.5	23.7	23.7	23.4
Year over Year % Change	(1%)	0%	1%	(1%)



- Loads over the 2018-2022 period exhibit an overall declining trend as customer growth is offset by declining average use per customer primarily driven by conservation activities

[1] Wholesale Purchase Load

ENERGY PURCHASES

In millions of Canadian dollars	2021 Actual	2022 Budget	2022 Forecast	2023 Budget
Commodity Charges	2,333	2,496	2,429	2,424
Transmission Charges	335	363	378	391
Wholesale Service Charges	96	80	162	161
Rural Rate Assistance	12	12	12	12
Total Energy Purchases	**2,776**	**2,951**	**2,981**	**2,988**
Total $/kWh	**0.1182**	**0.1245**	**0.1236**	**0.1275**

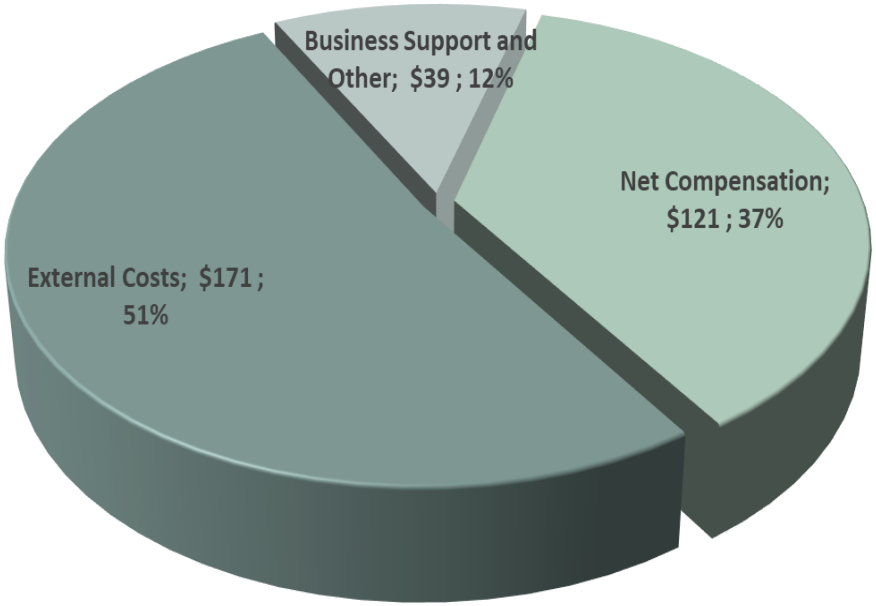
- Energy Purchases are a pass-through and are collected through Revenue as Energy Sales

OTHER REVENUES

In millions of Canadian dollars	2021 Actual	2022 Budget	2022 Forecast	2023 Budget	Variance
Pole, Ducts and Other Rentals	18	21	21	21	-
Customer Demand Work	18	16	16	17	1
Reclaimed Materials	15	8	12	12	-
Street Lighting	9	10	9	9	-
Subtotal Customer Demand Work	**60**	**55**	**58**	**59**	**1**
Customer Charges	7	6	7	7	-
Late Payment Charges	2	3	3	4	1
Capital Contribution	12	17	16	16	-
Regulatory Deferral Accounts	4	1	-	-	-
Other	1	2	1	1	-
Total Revenues	**86**	**84**	**85**	**87**	**2**

- Increase in Other Revenues primarily due to higher late payment fees and customer demand work

OPERATING EXPENSES



In millions of Canadian dollars	2021 Actual	2022 Budget	2022 Forecast	2023 Budget	Variance
Net Compensation	108	118	106	121	15
External Costs	152	157	162	171	9
Business Support and Other	48	41	35	39	4
Total Operating Expenses	**308**	**316**	**303**	**331**	**28**

NET COMPENSATION

In millions of Canadian dollars	2021 Actual	2022 Budget	2022 Forecast	2023 Budget	Variance
Payroll	165	178	171	192	21
Benefits	41	47	42	49	7
Capitalization	(98)	(107)	(107)	(120)	(13)
Net Compensation	**108**	**118**	**106**	**121**	**15**

- Increase in net compensation costs due to increase in number of headcount

EXTERNAL COSTS

In millions of Canadian dollars	2021 Actual	2022 Budget	2022 Forecast	2023 Budget	Variance
Maintenance of Facilities	13	10	12	14	2
IT External Consultants	7	7	7	7	-
IT Maintenance Contracts	27	29	30	32	2
Call Centre (Outsourced)	6	6	8	9	1
Distribution System Maintenance & Materials	74	75	78	81	3
Professional Services	9	12	8	8	-
Administrative and General Expenses	12	13	13	13	-
Collections Services & Processing	3	3	4	5	1
Miscellaneous	1	2	2	2	-
Total External Costs	**152**	**157**	**162**	**171**	**9**

- Increase in External Costs due to ramp-up of the distribution system maintenance program, Cyber and Physical security programs.

BUSINESS SUPPORT & OTHER COSTS

In millions of Canadian dollars	2021 Actual	2022 Budget	2022 Forecast	2023 Budget	Variance
Utilities and Communication	6	7	8	8	-
Office Supplies and Postage	6	7	7	7	-
Employee Expenses	1	2	2	2	-
Rental and Leases	1	1	1	1	-
Bad Debt	7	5	2	5	3
OEB Fees	3	4	4	4	-
Insurance	5	6	6	6	-
Property Taxes and Other	5	5	5	5	-
Ancillary Services Costs	33	23	24	25	1
Capitalization, Allocation and Other	(19)	(19)	(24)	(24)	-
Total Business Support Costs	**48**	**41**	**35**	**39**	**4**

- Higher Business support and other costs due to increase in bad debt expense. 2022 Forecast reflects the reversal of $3.0M of COVID related bad debt expense.

DEPRECIATION & AMORTIZATION

In millions of Canadian dollars	2021 Actual	2022 Budget	2022 Forecast	2023 Budget	Variance
Total Depreciation and Amortization	288	300	303	267	(36)

- Decrease in depreciation and amortization expenses due to change in assets useful life as a result of new depreciation study

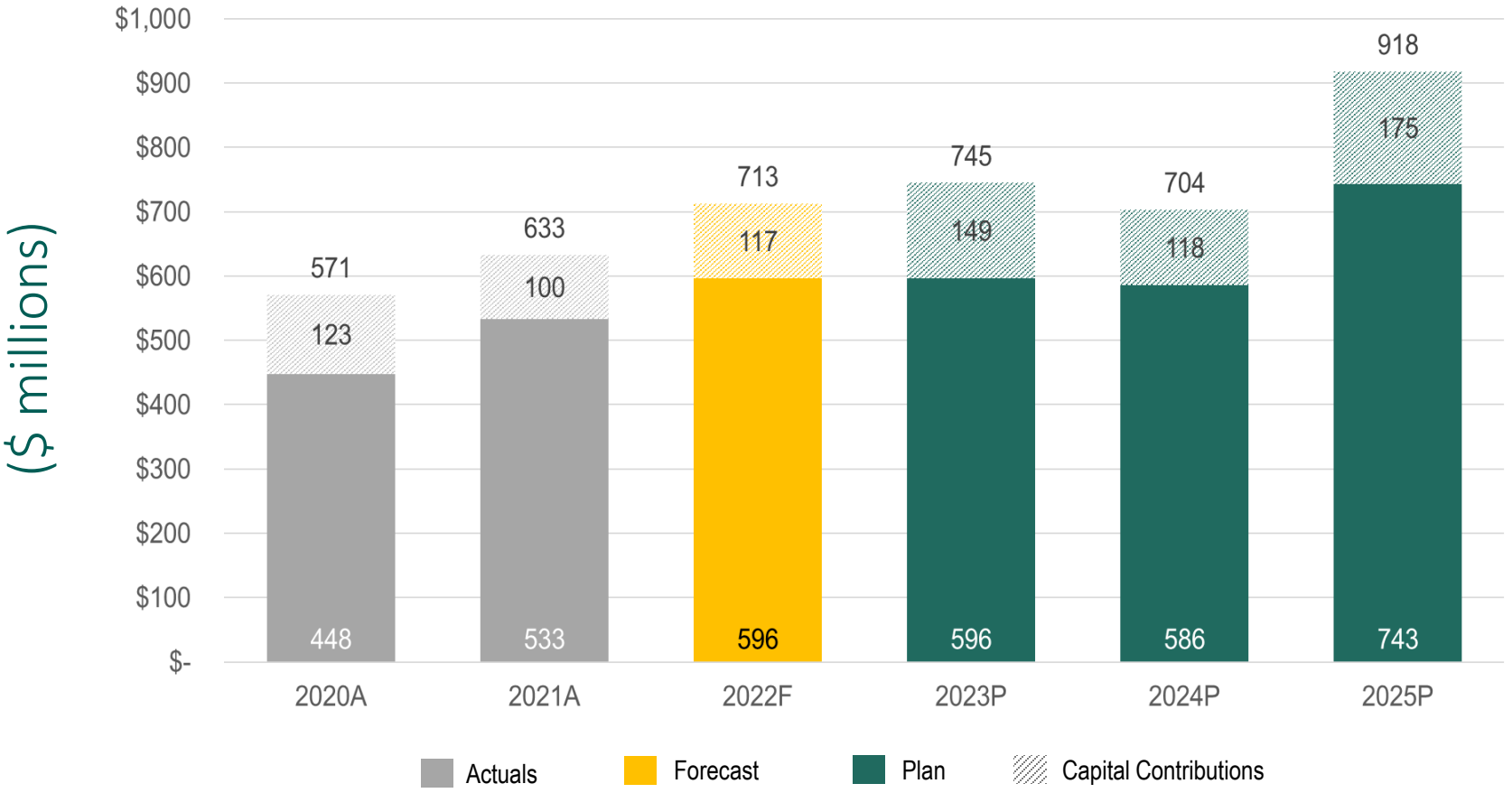
FINANCE

COSTS

In millions of Canadian dollars	2021 Actual	2022 Budget	2022 Forecast	2023 Budget	Variance
Interest on Short and Long Term Debt	86	88	89	108	19
Capitalized Interest	(5)	(7)	(7)	(8)	(1)
Financing Costs and Other	2	3	2	(1)	(3)
Total Finance Costs	**83**	**84**	**84**	**99**	**15**

- 2022 Forecast updated for 30 year debenture issued October 13, 2022 for $300M at 4.95%
- 2023 Budget includes a $250M debt replacement and $200M new debenture to be issued on July 1st, 2023 at 5.45%

CAPITAL EXPENDITURES (GROSS vs NET*)



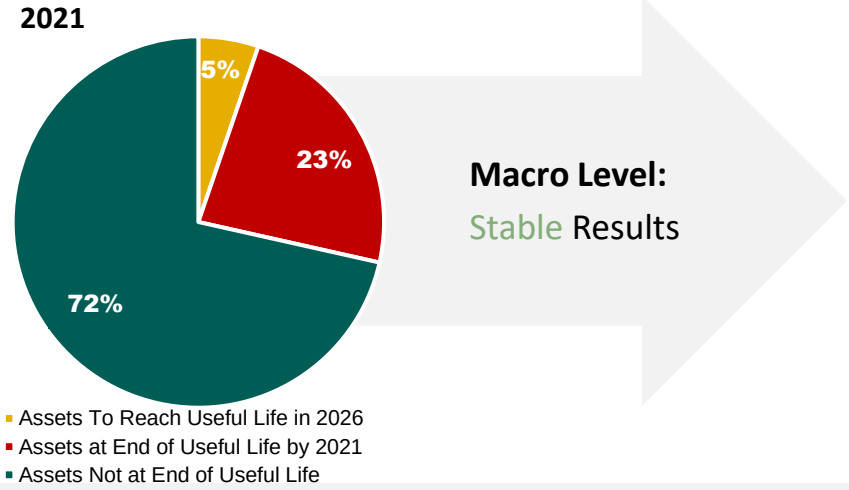
*Net of capital contributions received

CAPITAL EXPENDITURES

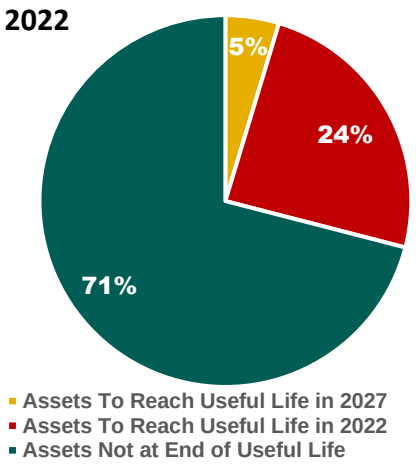
In millions of Canadian dollars	2021 Actual	2022 Budget	2022 Forecast	2023 Budget	Variance
Infrastructure Renewal	268	319	334	347	13
Reactive Capital	43	46	40	43	3
Customer Connections	125	98	117	140	23
Hydro One Contributions	20	26	22	17	(5)
Copeland Transformer Station	35	25	25	11	(14)
IT, Fleet and Facilities	73	101	104	94	(10)
Externally Initiated Plant Relocations & Expansions	68	94	67	84	17
Provincial Allocations and Other	1	7	4	9	5
Gross Capital Expenditures	**633**	**716**	**713**	**745**	**32**
Capital Contributions	(100)	(142)	(117)	(149)	(32)
Net Capital Expenditures	**533**	**574**	**596**	**596**	**-**

SYSTEM RENEWAL

Leading Indicator: Assets Past Useful Life (Age)

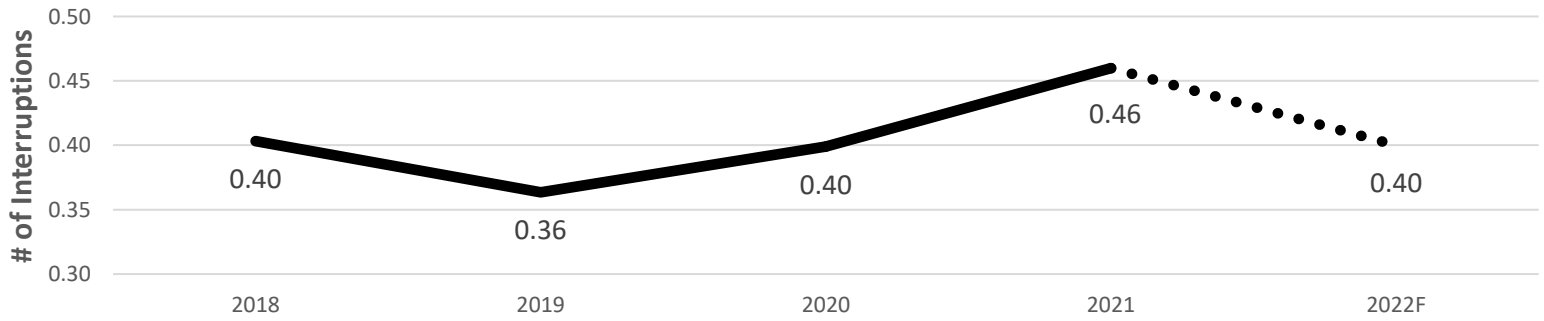


Macro Level:
Stable Results

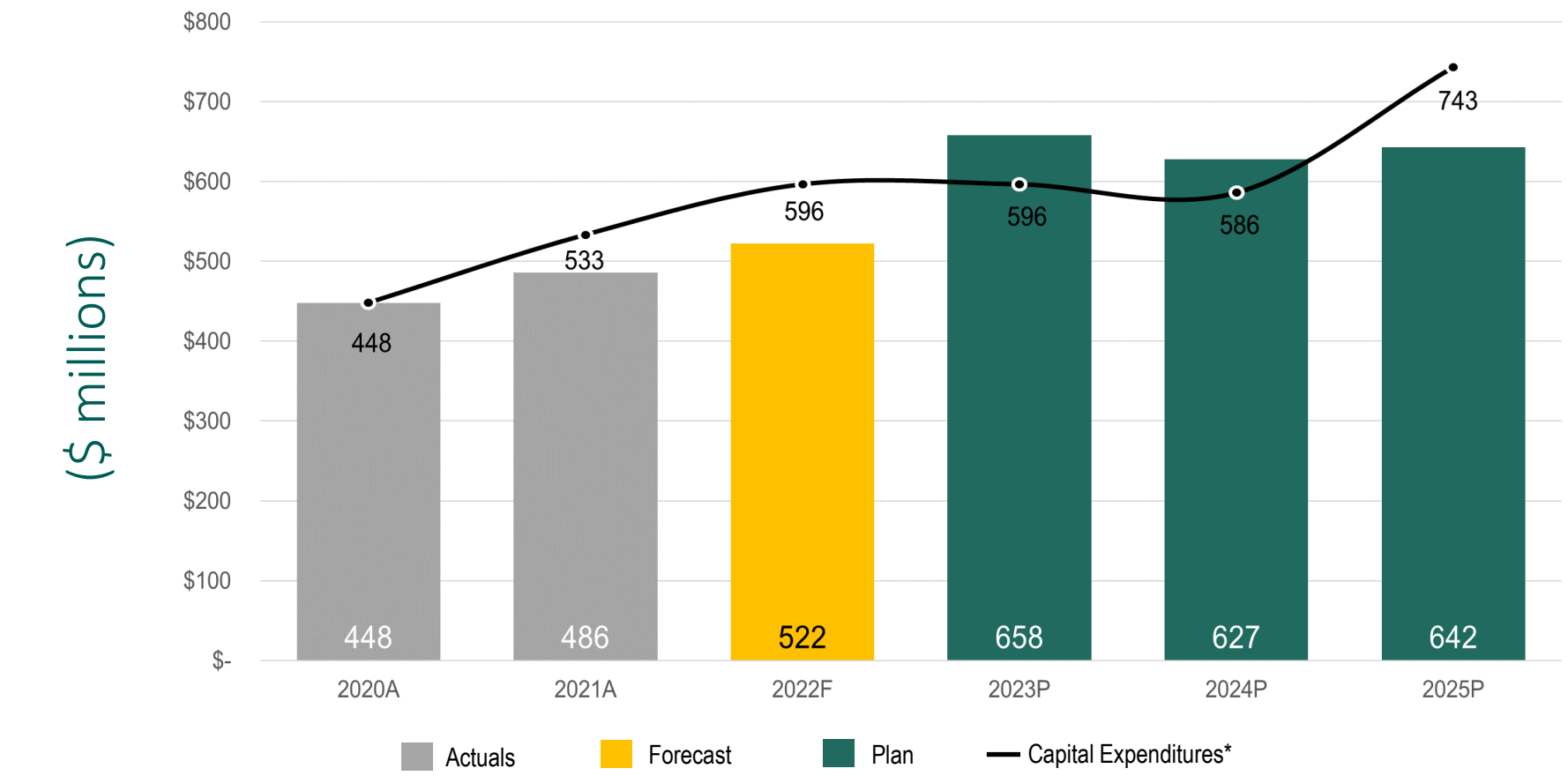


Micro Level:
Slight deterioration for some asset types (e.g. underground cable). Similar deterioration for some asset condition results.

Lagging Indicator: System Average Interruption Frequency Index (SAIFI-Defective)



IN-SERVICE ADDTIONS* AND CAPITAL EXPENDITURES



* Net of capital contributions received

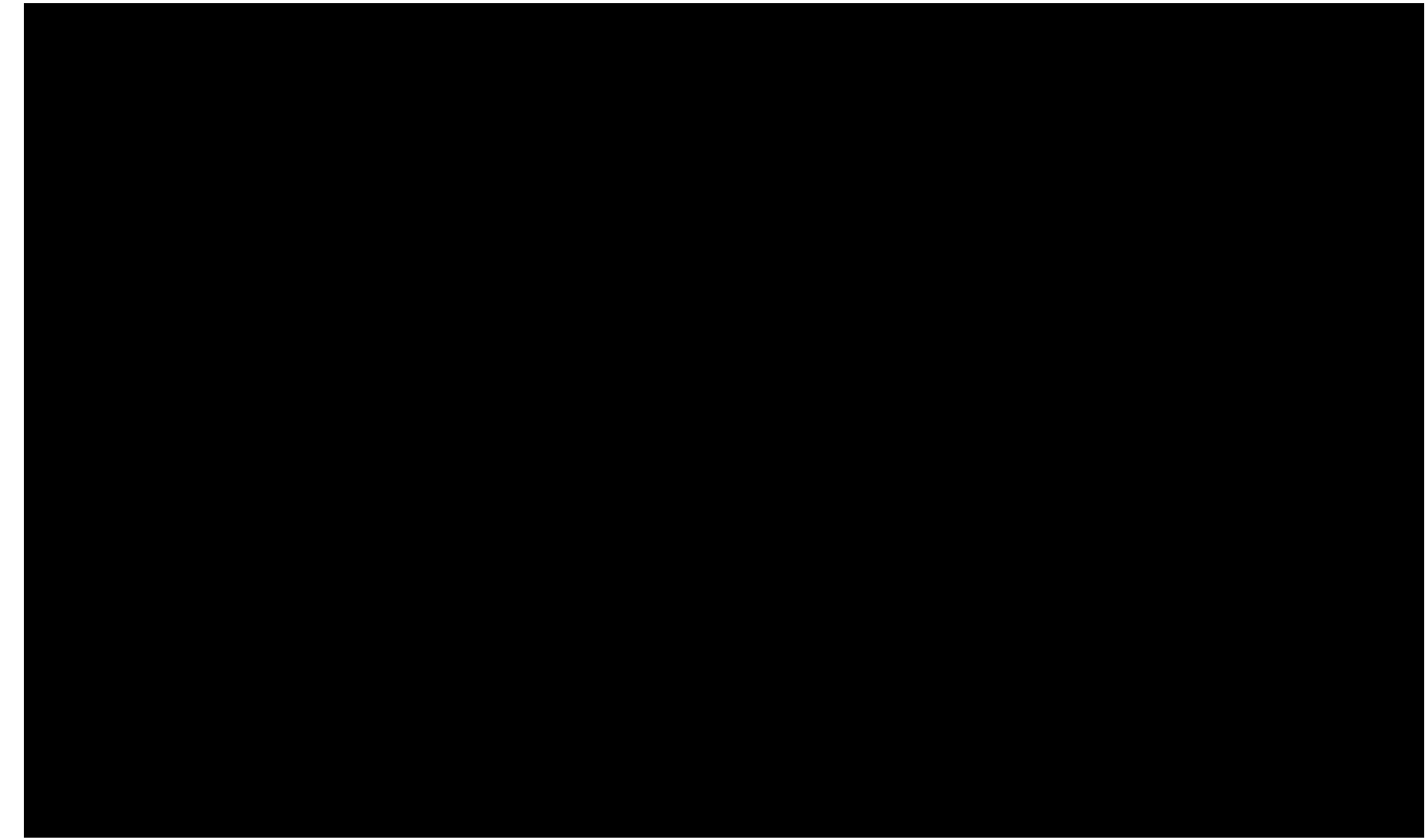
UNREGULATED

2023 STATEMENT OF INCOME

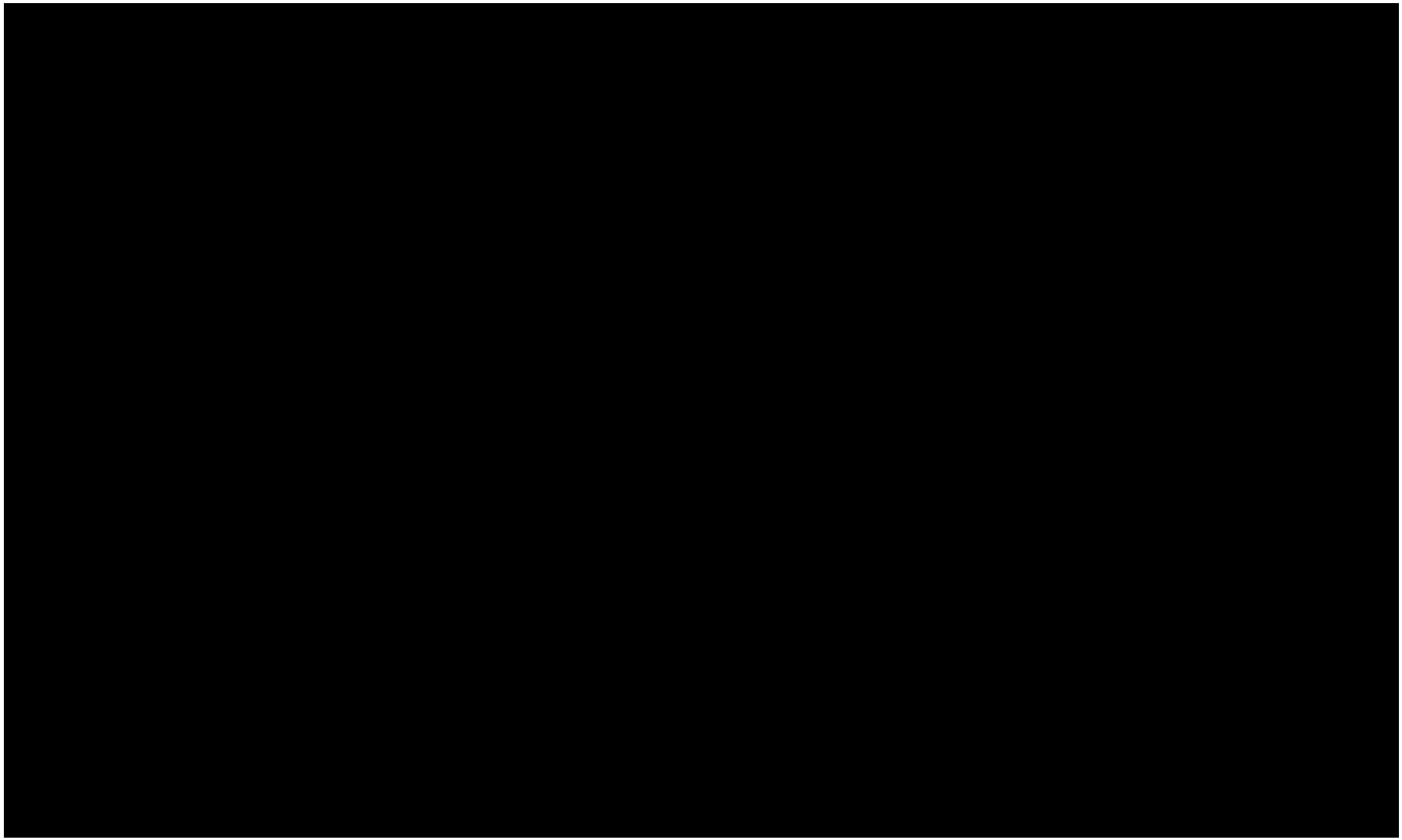
UNREGULATED

Statements of Income In millions of Canadian dollars For the year ending December 31, 2023	[redacted]	Regulated	[redacted]
Energy sales		2,988	
Distribution revenue		827	
Other revenues		87	
Total revenues		**3,902**	
Energy purchases		2,988	
Operating expenses		331	
Depreciation and amortization		267	
Total expenses		**3,586**	
Finance costs		99	
Gain on disposals of property, plant and equipment		1	
Income/(loss) before income taxes		**218**	
Income tax (expense)/recovery		45	
Net movements in regulatory balances		(71)	
Net movements in regulatory balances arising from deferred taxes		50	
Net income after net movements in regulatory balances		**152**	

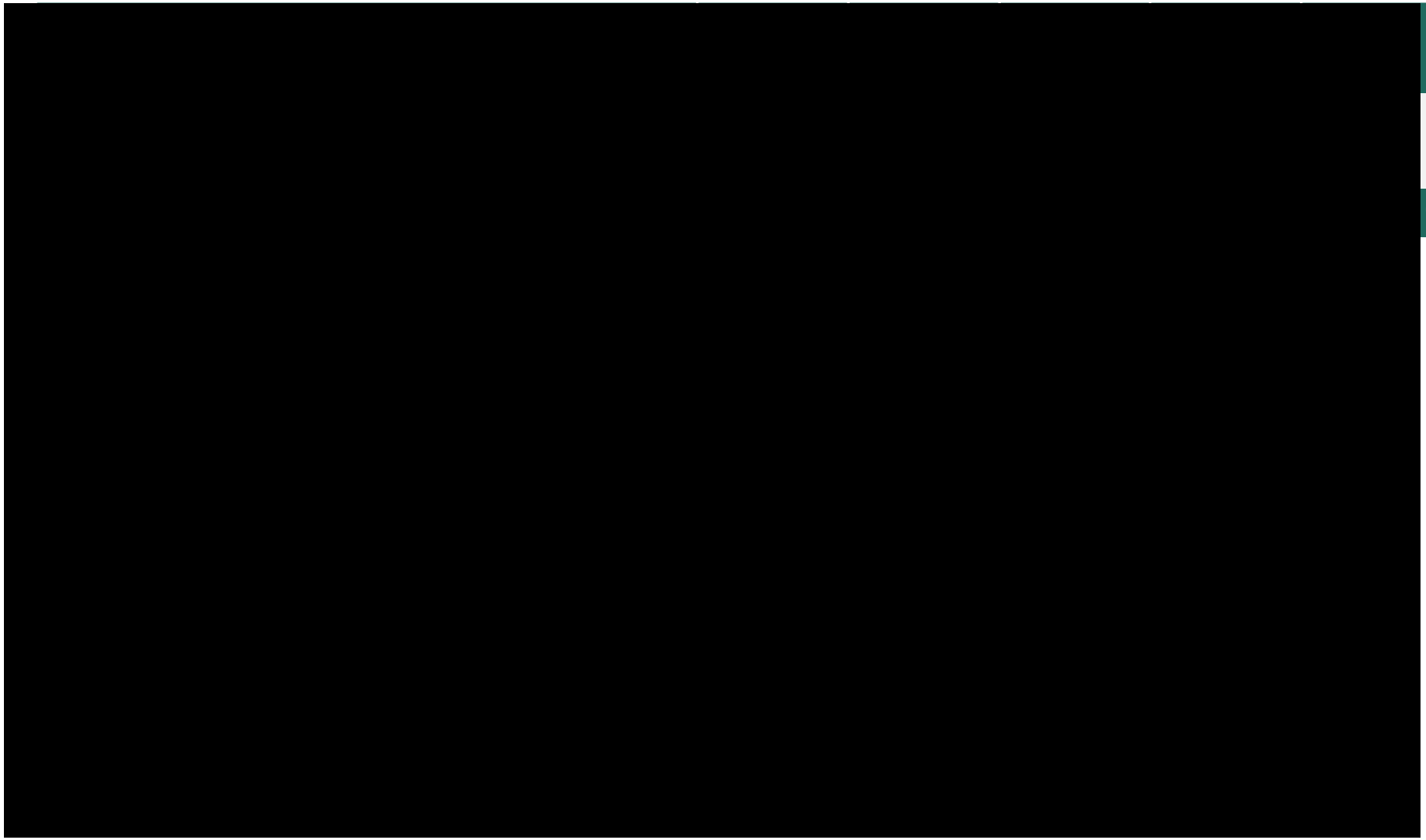
OTHER REVENUES



OPERATING EXPENSES



CAPITAL EXPENDITURES



FINANCIAL STATEMENTS PROFORMAS

CONSOLIDATED
STATEMENTS OF INCOME

Consolidated Statements of Income In millions of Canadian dollars For the years ended December 31	2021 Actual	2022 Budget	2022 Forecast	2023 Budget	2024 Budget	2025 Budget
Energy sales	2,702	2,951	2,888	2,988	3,066	3,136
Distribution revenue	759	750	750	827	913	891
Other revenues	106	101				
Total revenues	**3,567**	**3,802**				
Energy purchases	2,775	2,951	2,981	2,988	3,066	3,136
Operating expenses	323	333				
Depreciation and amortization	293	306				
Total expenses	**3,391**	**3,590**				
Finance costs	79	81				
Gain on disposals of property, plant and equipment	3	1	1	1	1	1
Income/(loss) before income taxes	**100**	**132**				
Income tax (expense)/recovery	22	40				
Net movements in regulatory balances	54	32	121	(71)	(120)	23
Net movements in regulatory balances arising from deferred taxes	9	32	6	50	50	50
Net income after net movements in regulatory balances	**141**	**156**				

CONSOLIDATED
BALANCE SHEETS

Consolidated Balance Sheets In millions of Canadian dollars As at December 31	2021 Actual	2022 Budget	2022 Forecast	2023 Budget	2024 Budget	2025 Budget
Assets						
Current						
Accounts receivable	219	281				
Unbilled revenue	240	330				
Other assets	31	36				
Total current assets	**490**	**647**				
Property, plant, equipment and intangible assets	5,735	6,179				
Other assets	7	5				
Total assets	**6,232**	**6,831**				
Regulatory balances	181	189	267	271	226	272
Total Assets and regulatory balances	**6,413**	**7,020**				
Liabilities and Equity						
Current						
Working capital facility and commercial paper	284	269				
Debentures	-	250				
Other liabilities	524	656				
Total current liabilities	**808**	**1,175**				
Debentures	2,430	2,380				
Deferred tax liabilities	64	111				
Other liabilities	977	1,144				
Total liabilities	**4,279**	**4,810**				
Equity						
Share capital	818	818				
Retained earnings	1,165	1,233				
Total equity	**1,983**	**2,051**				
Total liabilities and equity	**6,262**	**6,861**				
Regulatory balances	151	159	218	243	268	241
Total liabilities, equity and regulatory balances	**6,413**	**7,020**				

CONSOLIDATED
STATEMENTS OF CASH FLOWS

Consolidated Statements of Cashflows in millions of Canadian dollars Year ended December 31	2021 Actual	2022 Budget	2022 Forecast	2023 Budget	2024 Budget	2025 Budget
Operating Activities						
Net income after net movements in regulatory balances	141	156				
Net movements in regulatory balances	(54)	(32)	(121)	71	120	(23)
Net movements in regulatory balances arising from deferred taxes	(9)	(32)	(6)	(50)	(50)	(50)
Depreciation, amortization and other changes	400	416				
Capital contribution received	101	147	119	149	118	175
Changes in non-cash operating working capital balances	8	67				
Net cash provided by operating activities	**587**	**722**				
Investing Activities						
Purchase of property, plant, equipment and intangible assets	(603)	(722)				
Proceeds on disposal of property, plant, and equipment	3	1	1	1	1	1
Net cash used in investing activities	**(600)**	**(721)**				
Financing Activities						
Increase (decrease) in commercial paper, net	115	(40)				
Dividends paid	(70)	(79)				
Proceeds from issuance of debentures net of debt issuance costs paid	348	199				
Repayment of debentures	(300)	-				
Interest paid	(82)	(81)				
Net cash provided by (used in) financing activities	**11**	**(1)**				
Net change in cash and cash equivalents during the year	**(2)**	**-**				
Working capital facility, beginning of year	(6)	-				
Working capital facility, end of year	**(8)**	**-**				

2023 CORPORATE PERFORMANCE SCORECARD

SUBJECT TO APPROVAL AND CHANGES BY THE HUMAN RESOURCES AND ENVIRONMENT COMMITTEE FOR RECOMMENDATION TO THE BOARD

CORPORATE
2022-2023 SCORECARD

Pillar	KPI	2022 Weight	2023 Weight	Pillar Weight
Customer	New Services Connected on Time	5%	5%	Customer 15%
	Estimated Time of Restoration	5%	5%	
	First Contact Resolution	5%	5%	
People	Total Recordable Injury Frequency	10%	10%	People 15%
	Employee Engagement	5%	5%	
Env.	Building Emissions Reduction	5%	5%	Environment 10%
	Fleet Electrification	5%	5%	
Operations	SAIFI	10%	10%	Operations 20%
	SAIDI	10%	10%	
Financial	In-Service Assets	10%	10%	Finance 40%
	Cash Flow Management	5%	-	
	Consolidated Net Income	25%	30%	
		100%	100%	

CONTINUOUS IMPROVEMENT FRAMEWORK

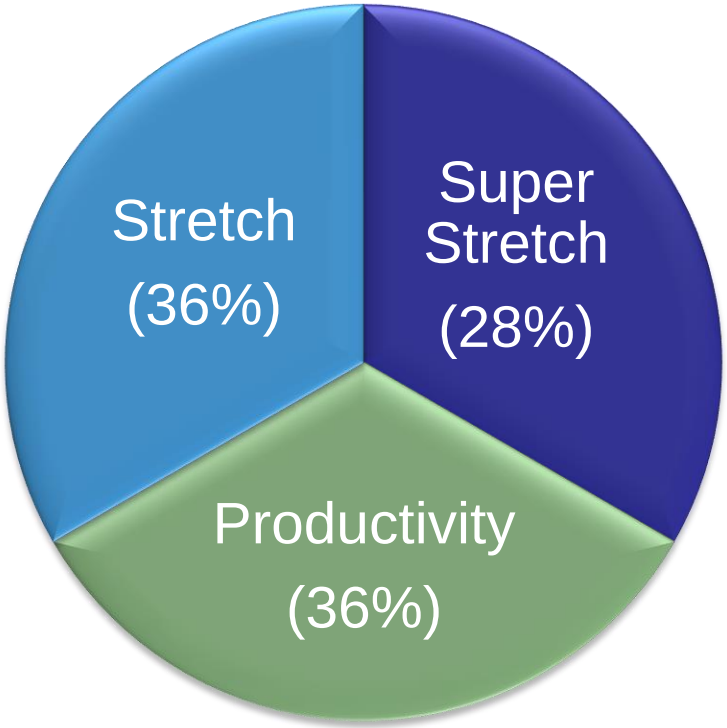
CUSTOMER

PEOPLE

ENVIRONMENT

OPERATIONS

FINANCIAL



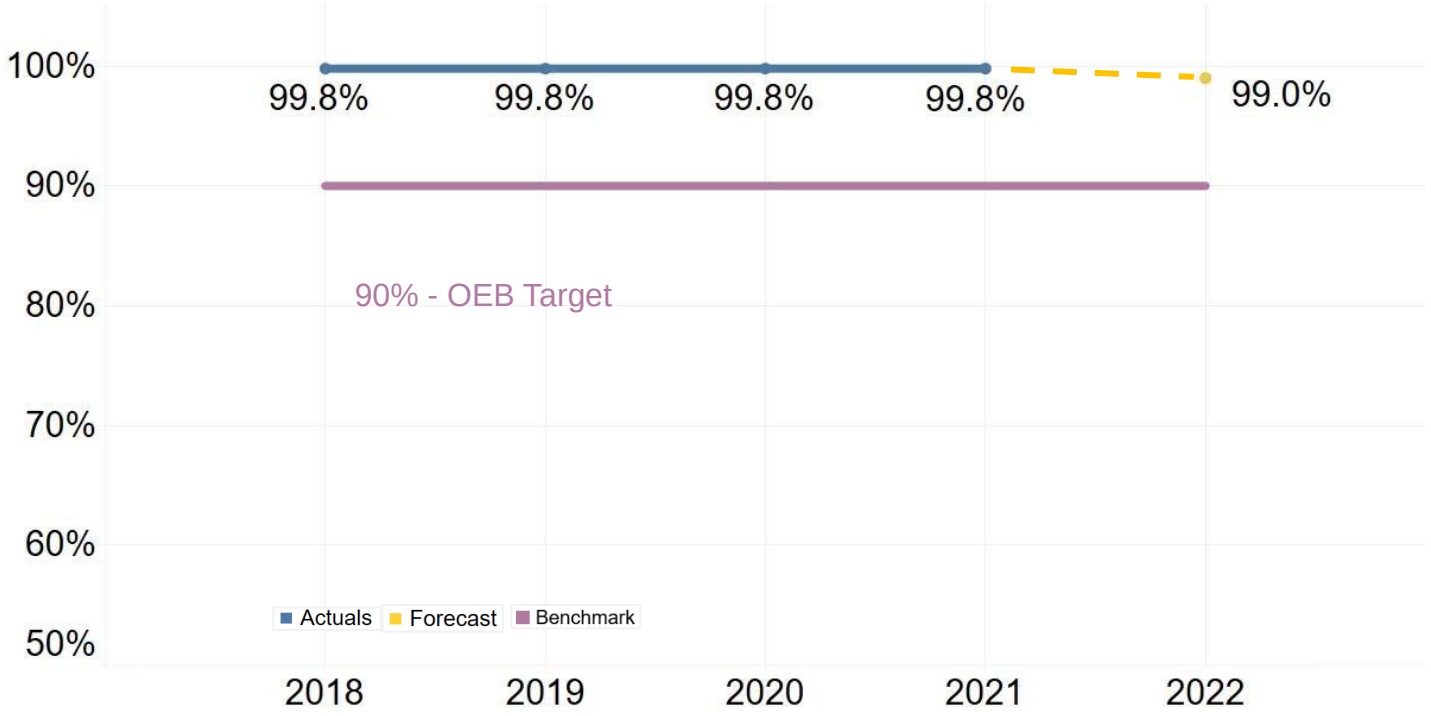
Customer (15%)

- **New Services Connected on Time: 5%**
- **Estimated Time of Restoration (ETOR): 5%**
- **First Contact Resolution: 5%**

NEW SERVICES CONNECTED ON TIME (5%)

Continuous Improvement

Stretch



CUSTOMER

Percentage of new service requests (high voltage, low voltage and upgrades) connected on time.*

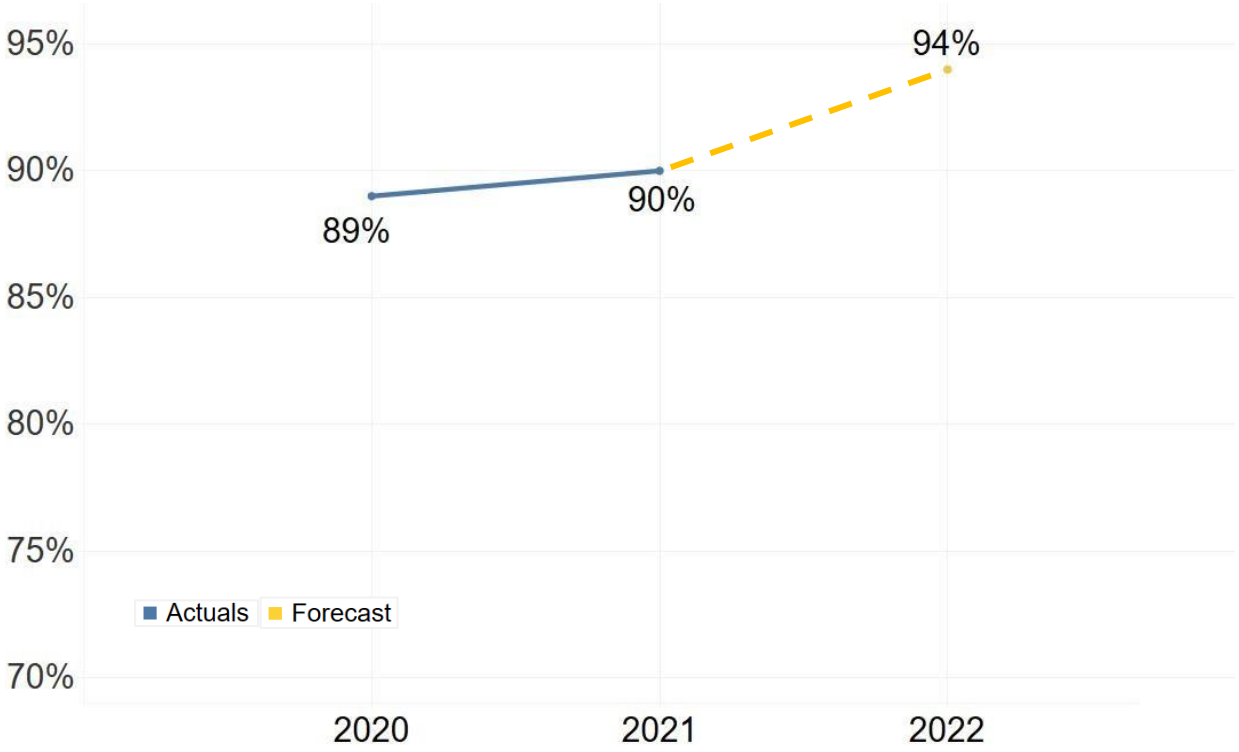
%	2022	2023
Threshold	93%	93%
Target	98%	98%
Stretch	99%	99%

**High Voltage Connections added to the scope in 2023*

ESTIMATED TIME OF RESTORATION (ETOR) (5%)

Continuous Improvement

Stretch



CUSTOMER

A composite measure of the percentage of power outages that are assigned an Estimated Time of Restoration (ETOR) within 60 minutes and the accuracy of ETORs within +/- 120 minutes*

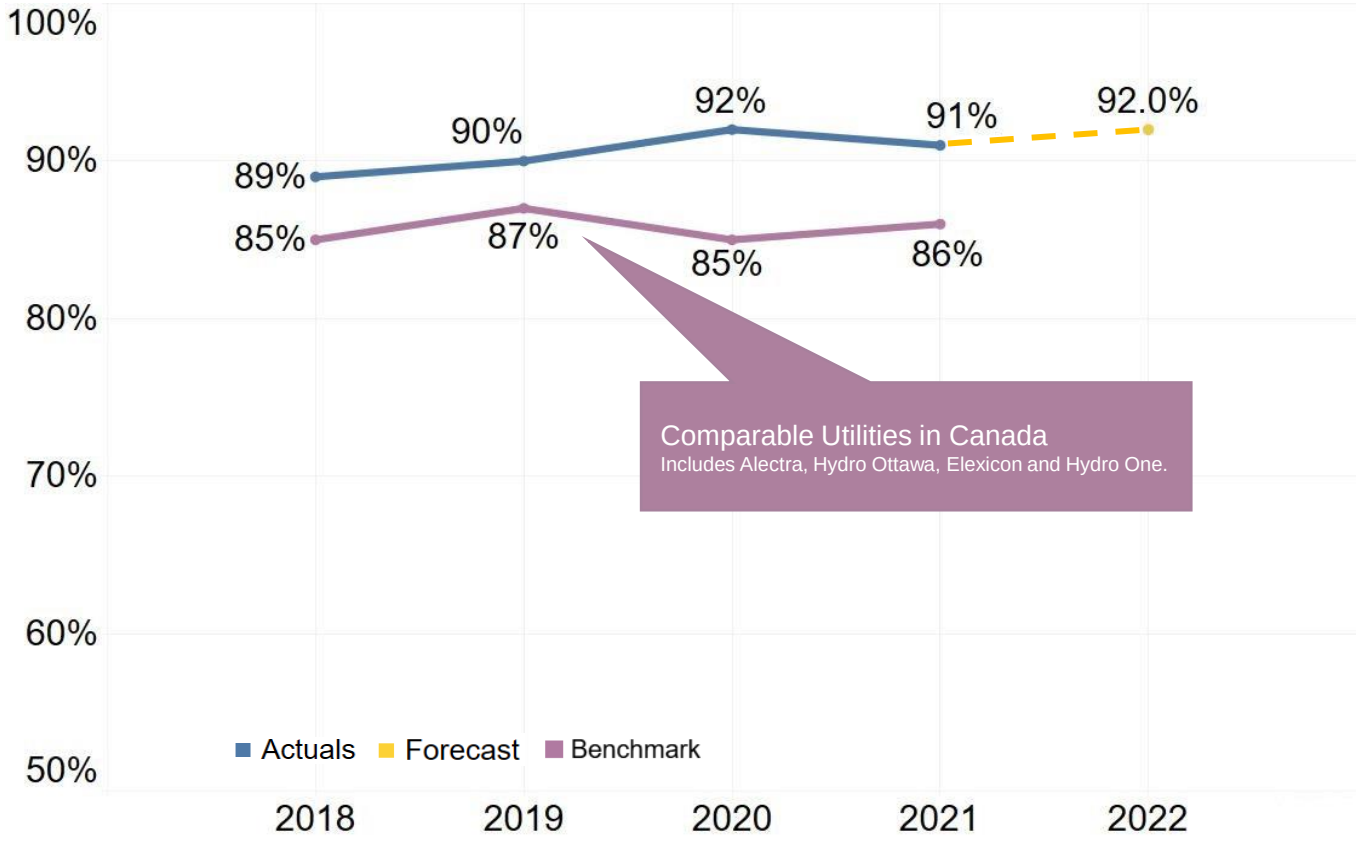
%	2022	2023
Threshold	80%	80%
Target	85%	85%
Stretch	90%	90%

**Scope expanded to provide accurate and timely ETORs for all events on Outage Map.*

FIRST CONTACT RESOLUTION (5%)

Continuous Improvement

Productivity



CUSTOMER

Percentage of telephone and email enquiries resolved in one contact, within a 21 day time period.

%	2022	2023
Threshold	82%	82%
Target	86%	86%
Stretch	88%	88%

Anticipated higher volume of disconnects and collections required in 2023

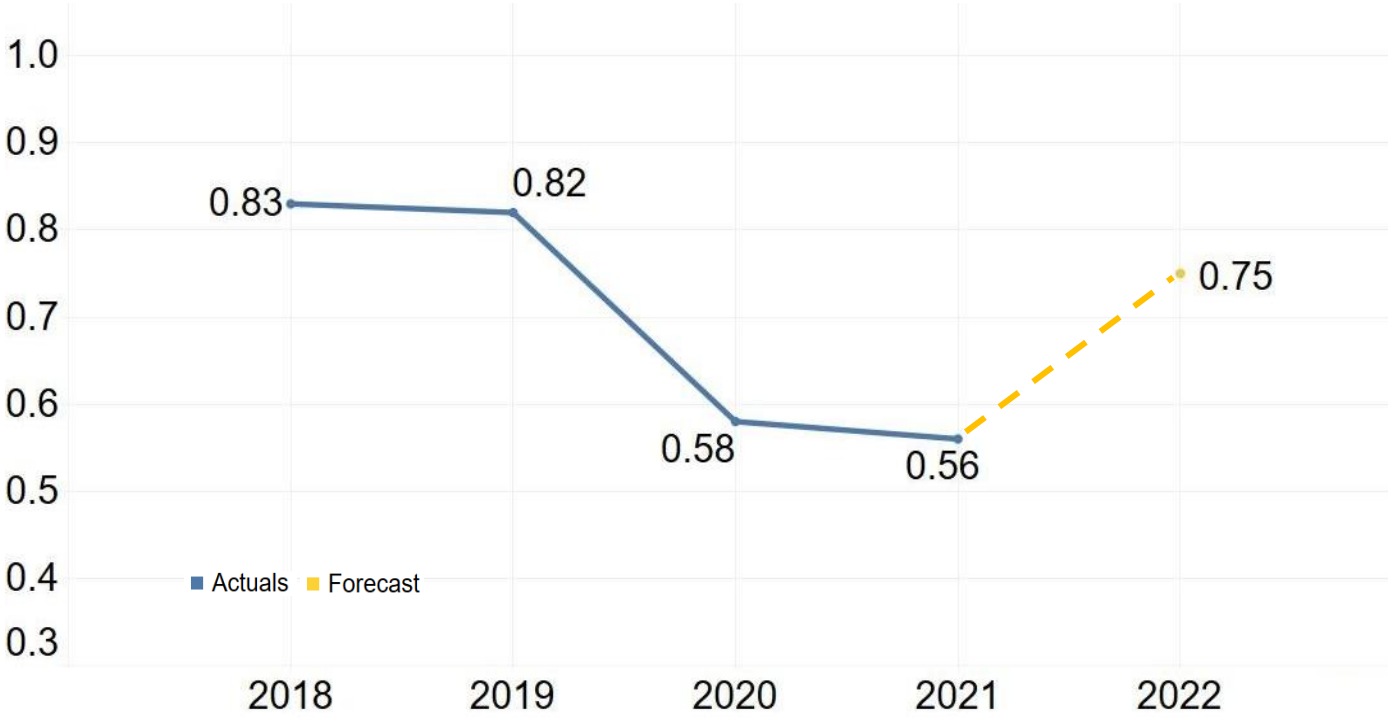
People (15%)

- **Total Recordable Injury Frequency: 10%**
- **Employee Engagement: 5%**

TOTAL RECORDABLE INJURY FREQUENCY (10%)

Continuous Improvement

Super Stretch



PEOPLE

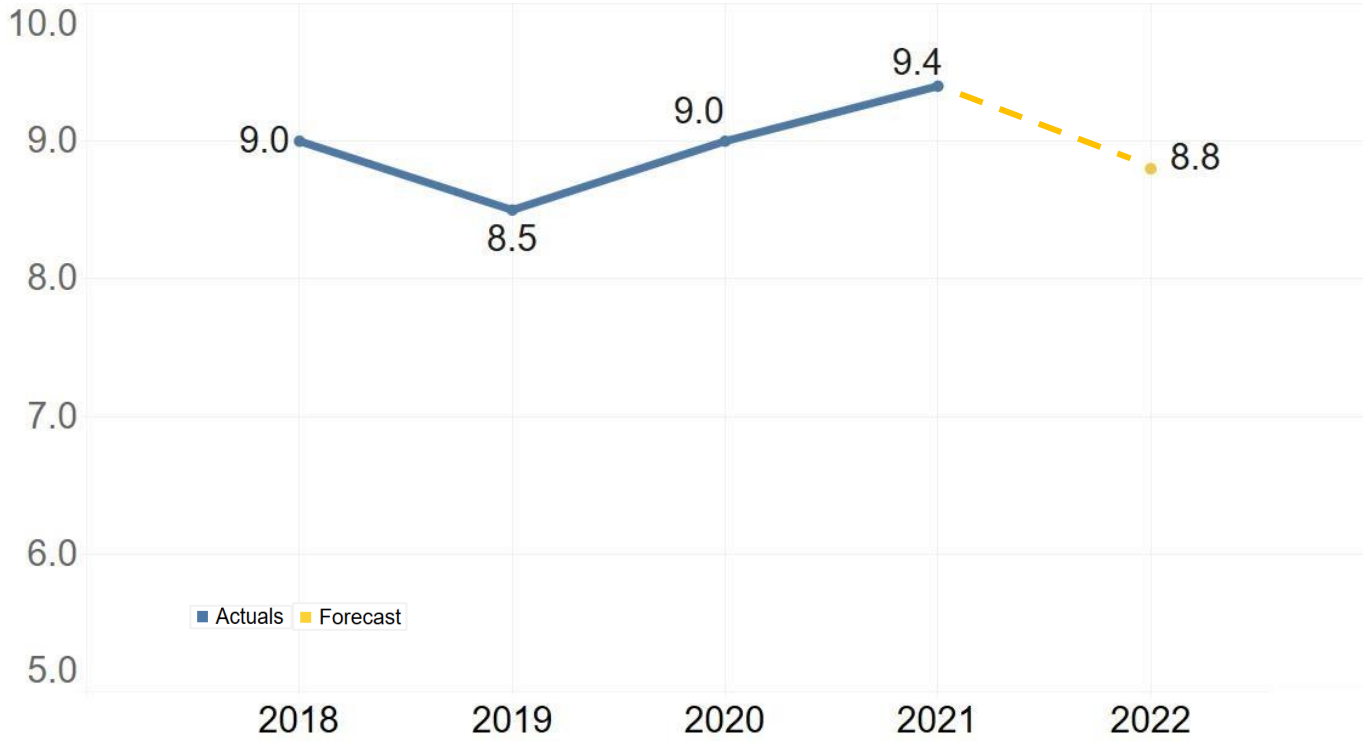
Total Recordable Injury Frequency Rate, as per Electricity Canada Standard.

#	2022	2023
Threshold	1.15	1.05
Target	1.10	1.00
Stretch	1.05	0.95

EMPLOYEE ENGAGEMENT (5%)

Continuous Improvement

Stretch



PEOPLE

Average number of engagement sessions attended per employee per year

#	2022	2023
Threshold	7.0	7.5
Target	7.5	8.0
Stretch	8.0	8.5

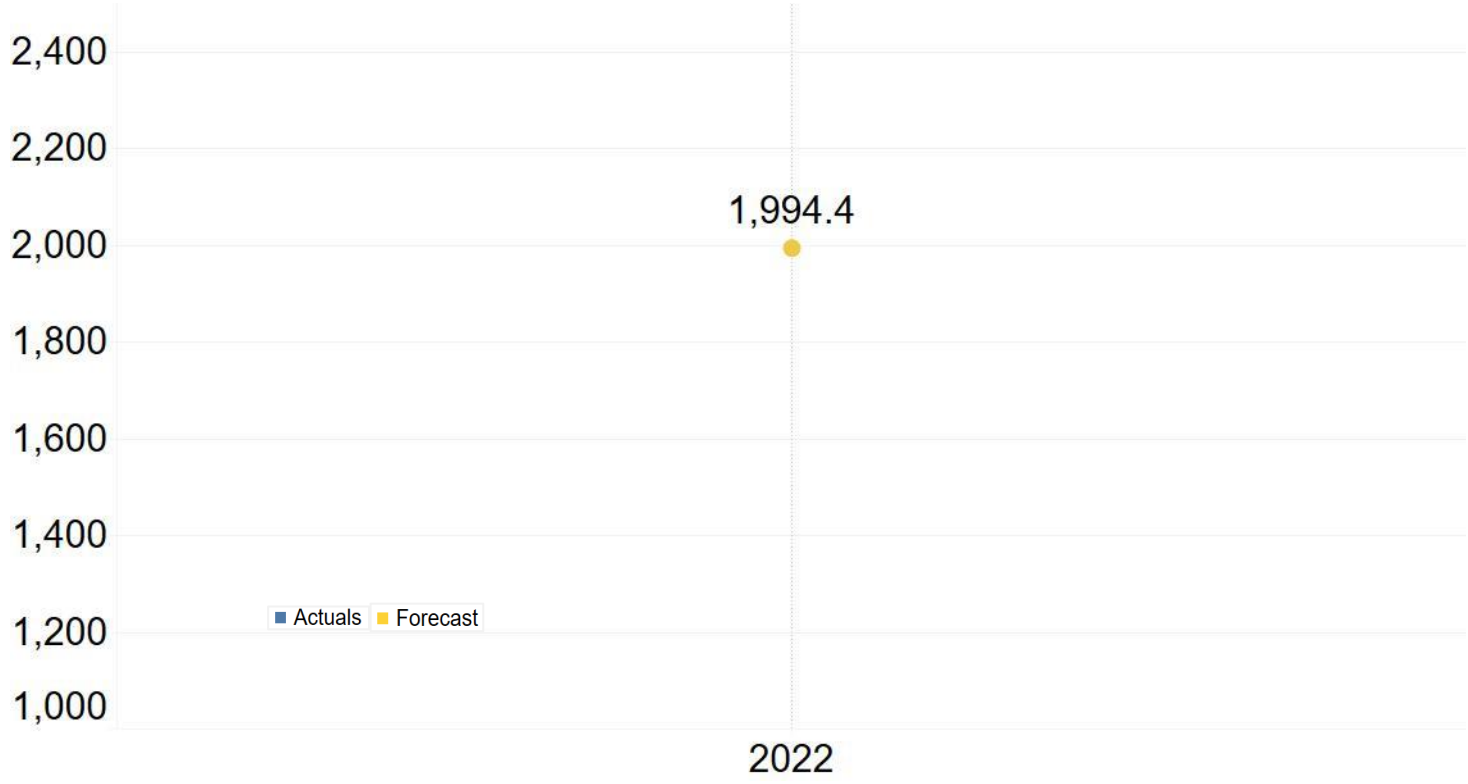
Environment (10%)

- **Building Emissions Reduction: 5%**
- **Fleet Electrification: 5%**

BUILDING EMISSIONS REDUCTION (5%)

Continuous Improvement

Stretch



ENVIRONMENT

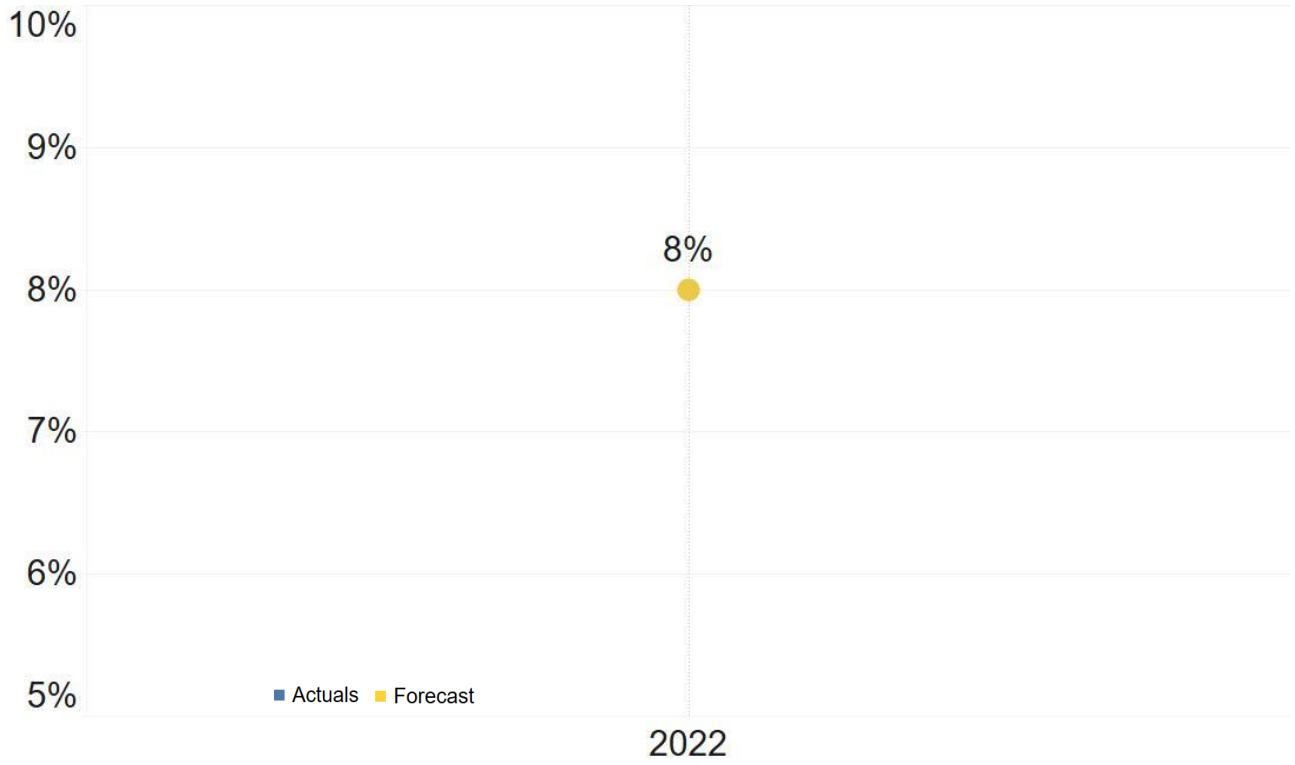
Emissions from Toronto Hydro occupied work centres

tCO2e	2022	2023
Threshold	2235.7	2213.6
Target	2213.6	2191.5
Stretch	2191.5	2145.8

FLEET ELECTRIFICATION (5%)

Continuous Improvement

Super Stretch



ENVIRONMENT

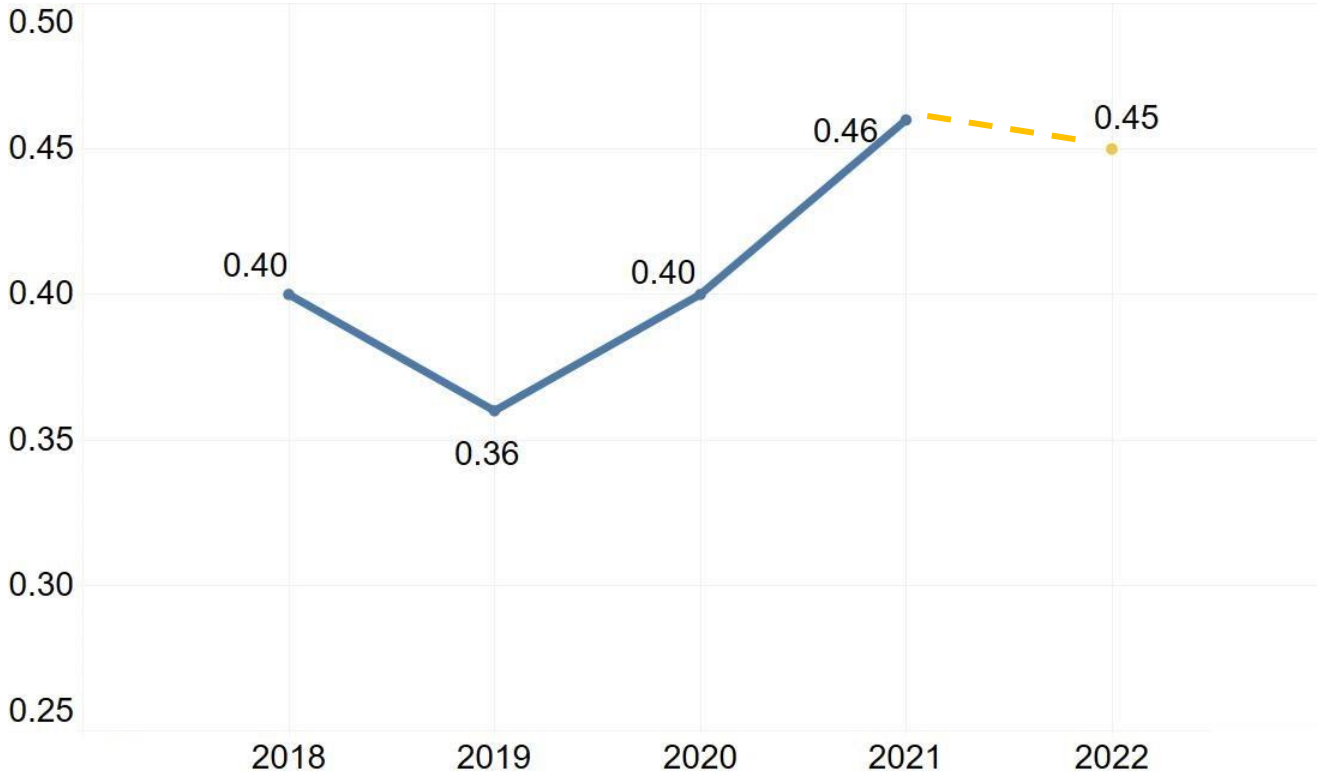
Percentage of fleet (driving vehicles) that is either EV/hybrid.

%	2022	2023
Threshold	3%	11%
Target	5%	13%
Stretch	8%	15%

Operations (20%)

- **Outage Frequency (SAIFI): 10%**
- **Outage Duration (SAIDI) : 10%**

OUTAGE FREQUENCY – DEFECTIVE EQUIPMENT (10%)



OPERATIONS

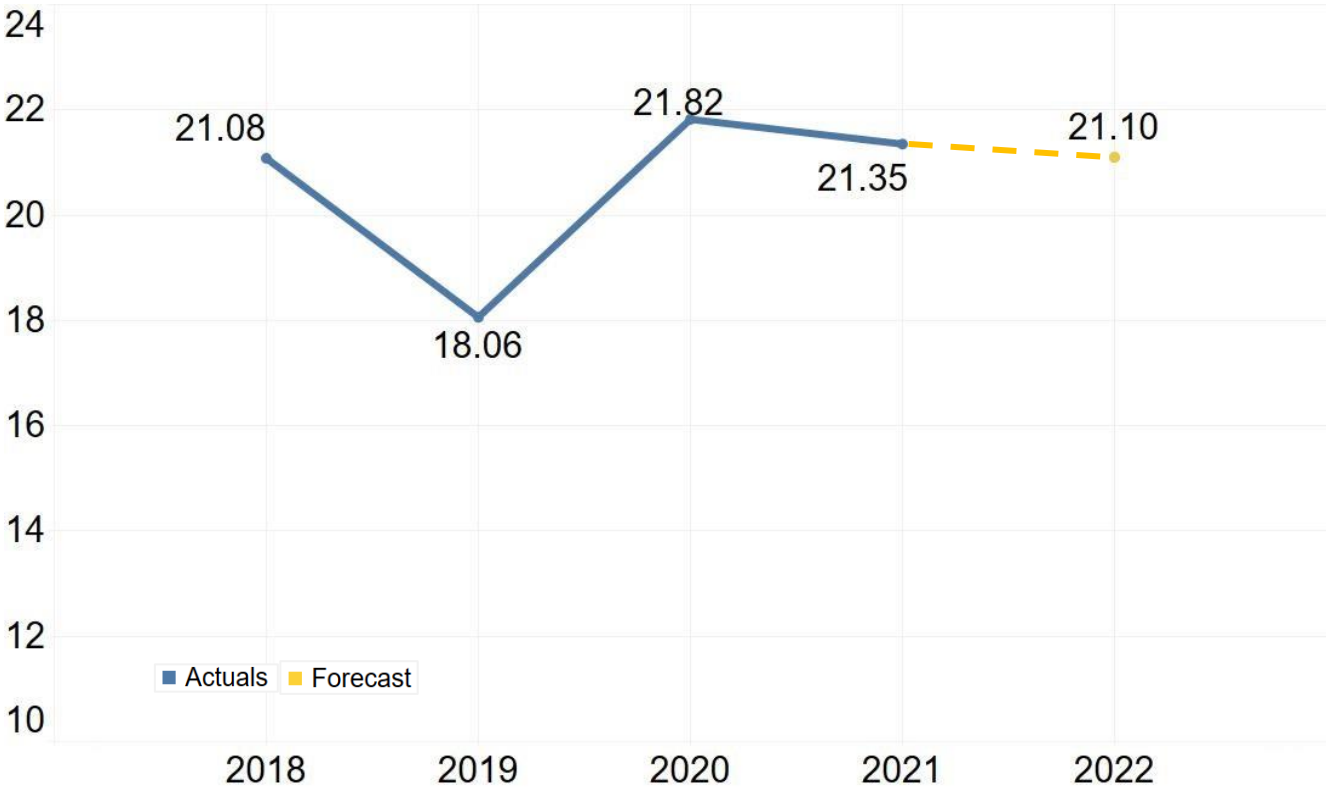
Average number of interruptions per customer; tracked using only the Defective Equipment cause code

#	2022	2023
Threshold	0.61	0.61
Target	0.50	0.50
Stretch	0.48	0.48

OUTAGE DURATION – DEFECTIVE EQUIPMENT (10%)

Continuous Improvement

Productivity



OPERATIONS

Average outage duration for each customer served; tracked using only the Defective Equipment cause code

Min	2022	2023
Threshold	32.20	32.20
Target	26.47	26.47
Stretch	25.23	25.23

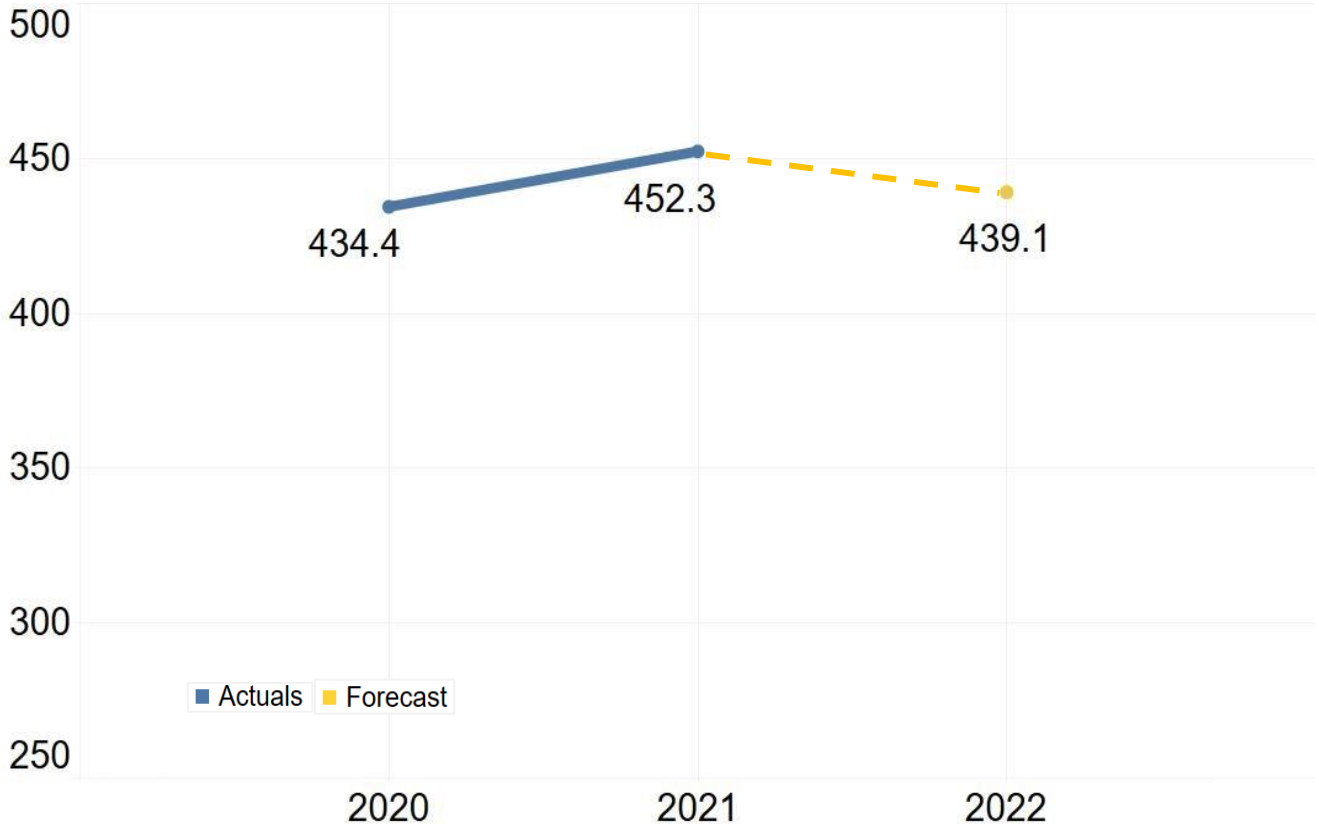
Financial (40%)

- **In-Service Assets: 10%**
- **Consolidated Net Income: 30%**

IN-SERVICE ASSETS (10%)

Continuous Improvement

Super Stretch



OPERATIONS

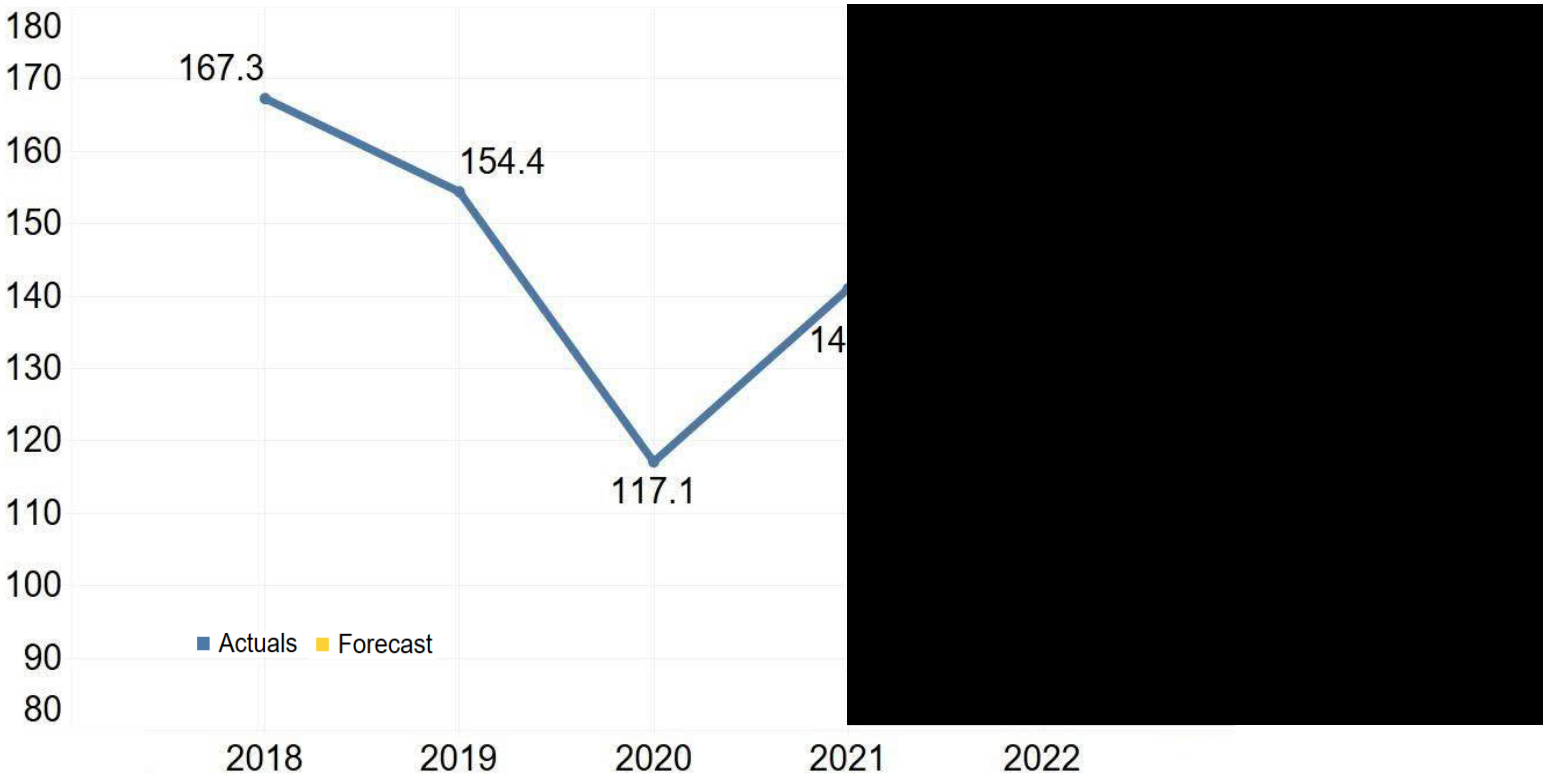
Measures the actual In-Service Asset amounts recognized in 2023 (net of capital contributions)

$M	2022	2023
Threshold	429.1	504.4
Target	434.1	509.4
Stretch	439.1	514.4

CONSOLIDATED NET INCOME (30%)

Continuous Improvement

Productivity



FINANCIAL

As per the audited financial statements for the 2023 fiscal year

$M	2022	2023
Threshold	151	128
Target	156	133
Stretch	161	138

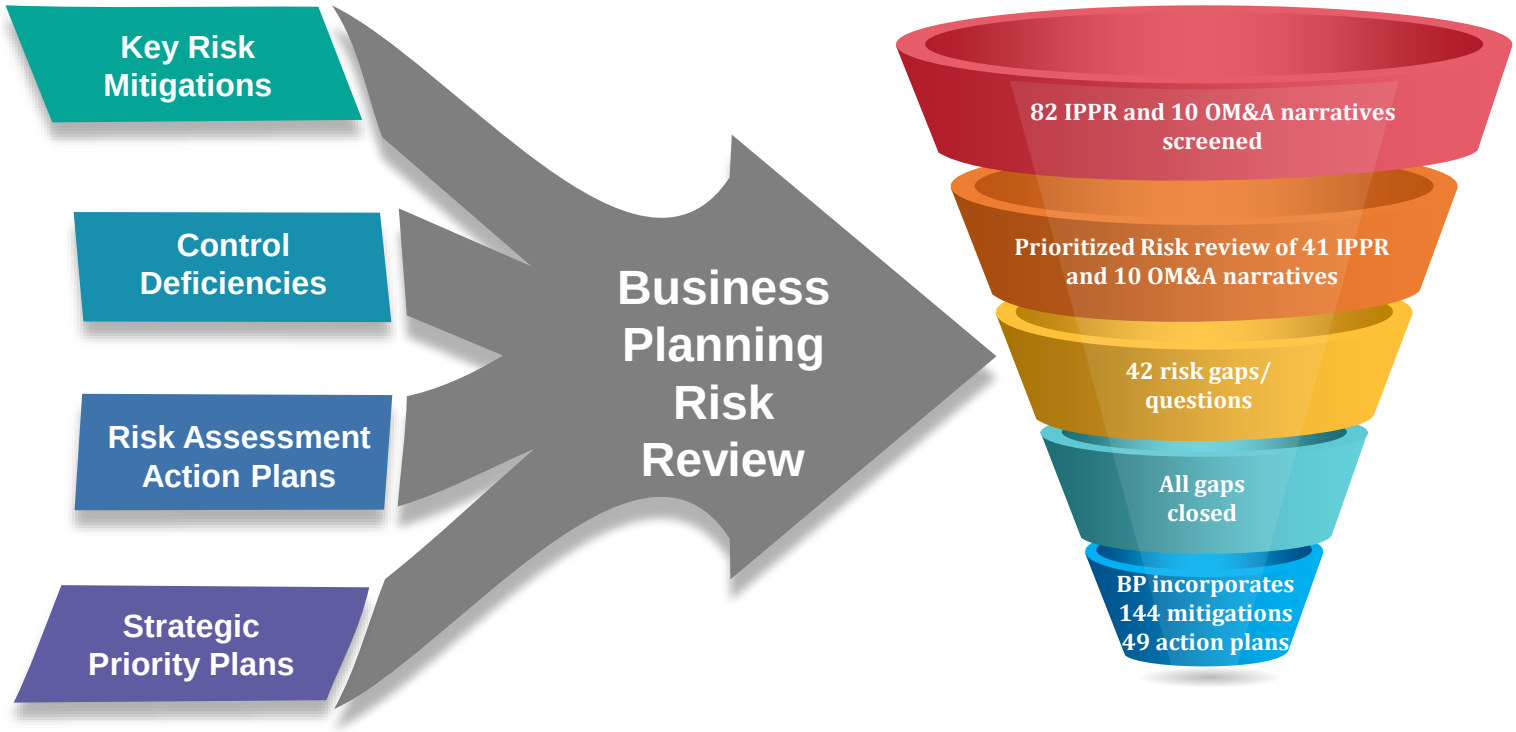
2023 CORPORATE SCORECARD

Review and recommend for approval to the THC Board via HREC

Pillar	KPI	2023 Weight	2023 Threshold	2023 Target	2023 Stretch	2023 Continuous Improvement
Customer	New Services Connected on Time	5%	93%	98%	99%	
	Estimated Time of Restoration	5%	80%	85%	90%	
	First Contact Resolution	5%	82%	86%	88%	
People	Total Recordable Injury Frequency	10%	1.05	1.00	0.95	
	Employee Engagement	5%	7.5	8.0	8.5	
Env.	Building Emissions Reduction	5%	2213.6	2191.5	2145.8	
	Fleet Electrification	5%	11%	13%	15%	
Operations	SAIFI	10%	0.61	0.50	0.48	
	SAIDI	10%	32.20	26.47	25.23	
Financial	In-Service Assets	10%	504.4	509.4	514.4	
	Consolidated Net Income	30%	128	133	138	
		100%	25%	100%	150%	

REGULATORY, COMPLIANCE, & RISK ASSESSMENT

BUSINESS PLAN RISK REVIEW
INPUTS & FINDINGS



The Business Plan should support Toronto Hydro's strategic priorities and address the key risk mitigations and action plans identified during the risk assessment.

BUSINESS PLAN (2023-2025)

RISK ANALYSIS

ERM Framework

- **Quarterly Risk Reporting**
- **Annual Risk Assessment**
- **Strategic Priorities**

↓

Business Plan

↓

Enterprise Risk	Current Status Q3 - 2022	Business Plan 2023-2025*
Oversight Risk		
Governance Risk	[redacted]	
Franchise Risk		
Human Capital Risk		
Financial Risk	[redacted]	
Compliance Risk		
Safety Risk		
Cyber Security Risk		
Operations Risk		

*** Forecasted Enterprise Risk status at end of Business Plan period**

Heat Map Status

- High
- Medium-High
- Medium
- Low-Medium
- Low

REGULATORY ALIGNMENT

2020-2024 DECISION

Distribution Capital	Alignment
Customer Connections	Improved
Externally Initiated Relocations	Stable
Load Demand	Stable
Metering	Stable
Generation Protection Monitoring & Control	Stable
Rear Lot Conversions	Stable
Box Construction	Improved
Underground Renewal Horseshoe	Caution
Underground Renewal Downtown	Stable
Overhead System Renewal	Caution
Network System Renewal	Improved
Stations Renewal	Stable
Reactive Capital	Stable
Energy Storage Systems	Stable
Stations Expansion	Improved
Copeland Phase 2	Stable
System Enhancements	Stable
Network Condition Monitoring & Control	Stable

General Plant Capital	Alignment
Fleet	Stable
Facilities	Stable
Information Technology	Stable
Control Center	Improved
ERP Phase 2	Improved
CIS Upgrade	Stable

Operational Plan	Alignment
Distribution Operations	Stable
System Maintenance	Stable
Corporate Services	Stable
Information Technology	Stable
Customer Operations	Stable

Improved

Stable

Caution

CORPORATE
COMPLIANCE ASSESSMENT

- Improved
- Stable
- Caution

Preventative Compliance | **Detective Compliance** | **Corrective Compliance** | **Reactive Compliance**

↓

Business Plan

↓

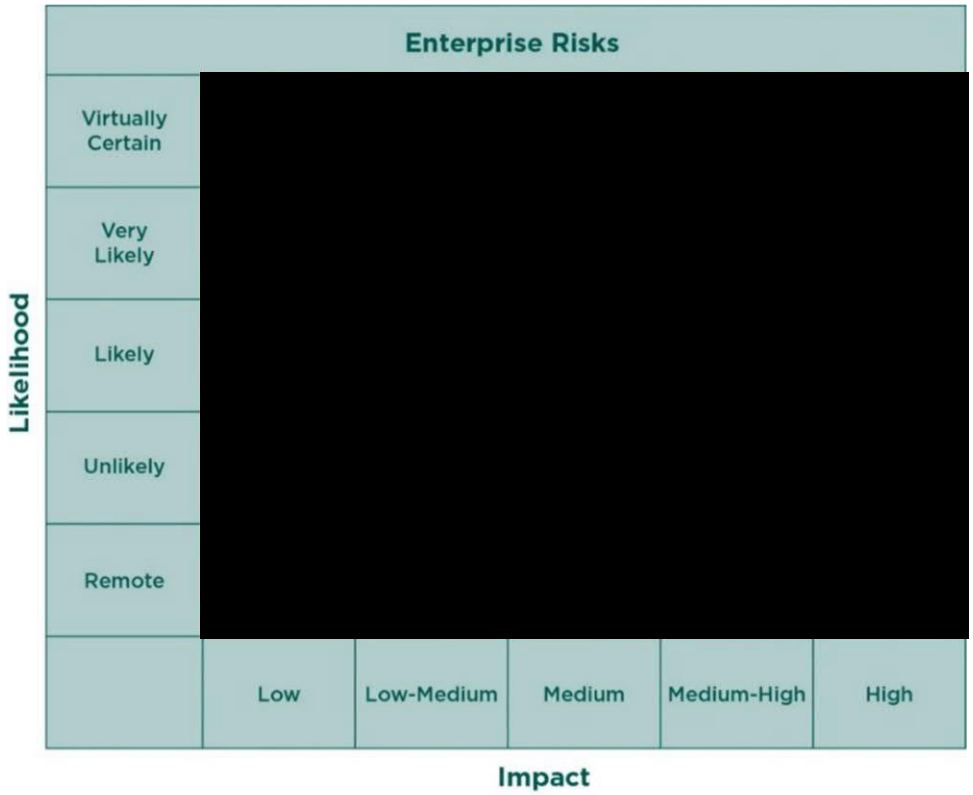
Compliance Risks	Current Compliance Issues
Environment	[redacted]
Finance & Governance	
Health & Safety	
Regulatory	
Privacy & Cyber Security	
Labour & Employment	
OVERALL	

TORONTO HYDRO®

APPENDIX

ENTERPRISE RISK

Q3 2022 RISK STATUS



Strategic Risks		Functional Risks	
Ov	Oversight	H	Human Capital
G	Governance	S	Safety
Fr	Franchise	Op	Operations
		Fi	Financial
		C	Compliance
		Cy	Cybersecurity

Heat map represents risk status for Q3 2022. Arrows indicate change from Q2.

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TORONTO HYDRO®

Toronto Hydro-Electric System Limited
EB-2023-0195
Interrogatory Responses
1A-CCC-01
Appendix B
UPDATED: March 21, 2024
(64 Pages)

2024-2026 BUSINESS PLAN

November 15th, 2023

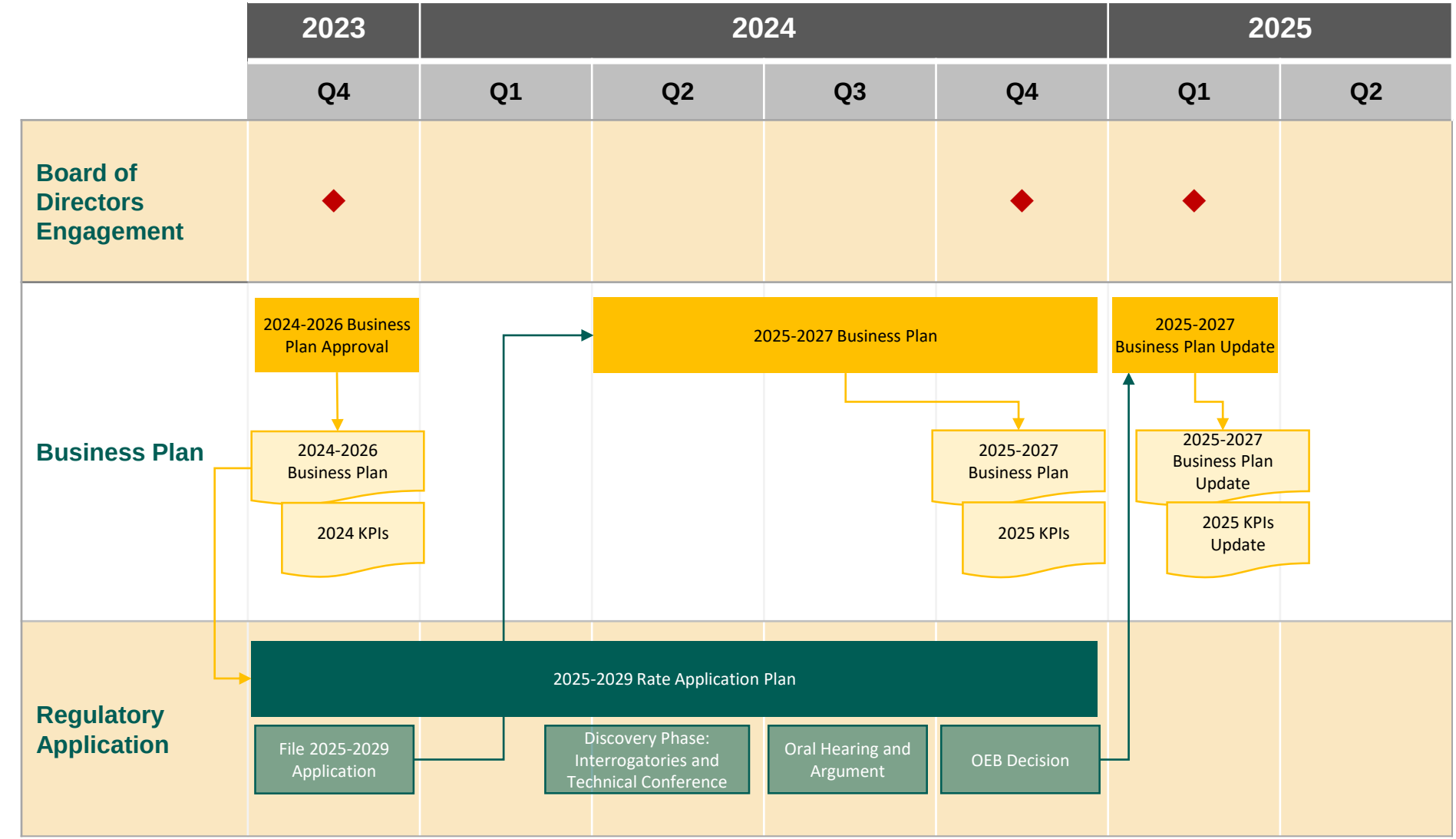
This record has been prepared by and under the supervision of Toronto Hydro's senior management team for the purposes of providing advice and recommendations to the institution. It contains sensitive commercial information, including material facts, material changes and/or pending policy decisions, regarding the institution that have not yet been put into operation or made public. Any unauthorized or premature disclosure of this information will prejudice Toronto Hydro's economic interests, financial interests, legal interests and competitive position. In addition, any such disclosure could give rise to a breach of law, including applicable securities laws. Any unauthorized disclosure is strictly prohibited.

TORONTO HYDRO®

AGENDA

1. 2024-2026 Business Plan
2. Consolidated Financials
3. 2024 Budget by Entity
4. Regulatory, Compliance and Risk Assessment for 2024-2026 Business Plan
5. 2024 Corporate Performance Scorecard

PLANNING TIMELINE



INTEGRATED BUSINESS PLAN

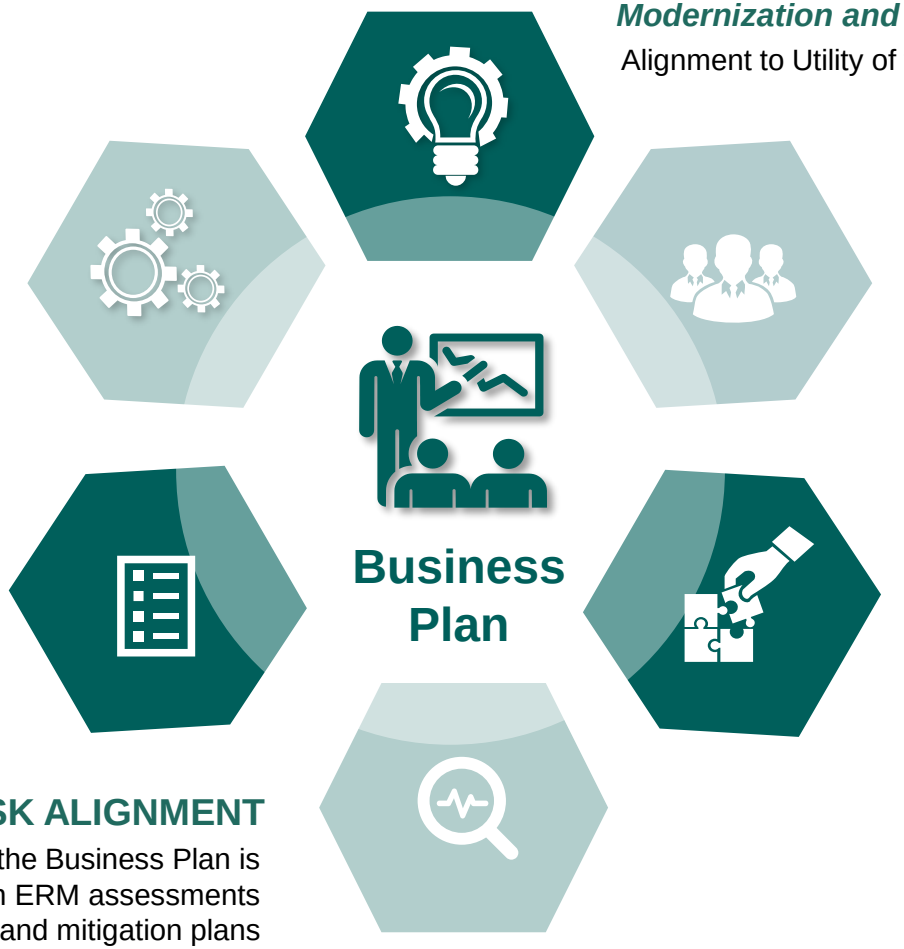
CORPORATE STRATEGY
Modernization and Electrification

Alignment to Utility of the Future and Climate Action

BUSINESS NEEDS
Identification of Capital Investment and Operational needs that underpin the Corporate Pillars

PEOPLE STRATEGY
Workforce of Tomorrow

Build a culture of safety, sustainment and innovation that propels TH into the future



COMPLIANCE REVIEW
Consideration of compliance requirements and related mitigating actions

REGULATORY ALIGNMENT
- 2024: Alignment to 2020-2024 OEB decision and inclusion of new emerging issues (e.g.: customer connections, inflation)
- 2025-2026: Alignment to 2025-2029 rate application strategy

RISK ALIGNMENT
Ensure the Business Plan is grounded in ERM assessments and mitigation plans

BUSINESS PLAN
ASSUMPTIONS

The 2024-2026 Business Plan incorporates the following:

- Alignment to the 10-year Utility of the Future strategy and strategic priorities including Climate Action;
- 2020-2024 CIR decision and inclusion of new emerging issues (e.g. increase in customer connections, inflationary costs, ramp-up to support electrification);
- Regulated Operations Plan aligned to 2025-2029 rate application strategy and strategic parameters approved by the Board;

RATE APPLICATION
STRATEGIC PARAMETERS

Capital Program

2025-2029 Capital Expenditures

$3.9B

Operational Plan

2025-2029 Operational Expenditures

$1.9B

Distribution Rates

2024-2029 Average Annual Residential Rate Increase (smoothed)

7% CAGR

LEGAL ENTITIES

THC

- Corporate

THESL

- Regulated
- Electricity Distribution

THESL

- Unregulated
- Climate Advisory Services and Energy Solutions

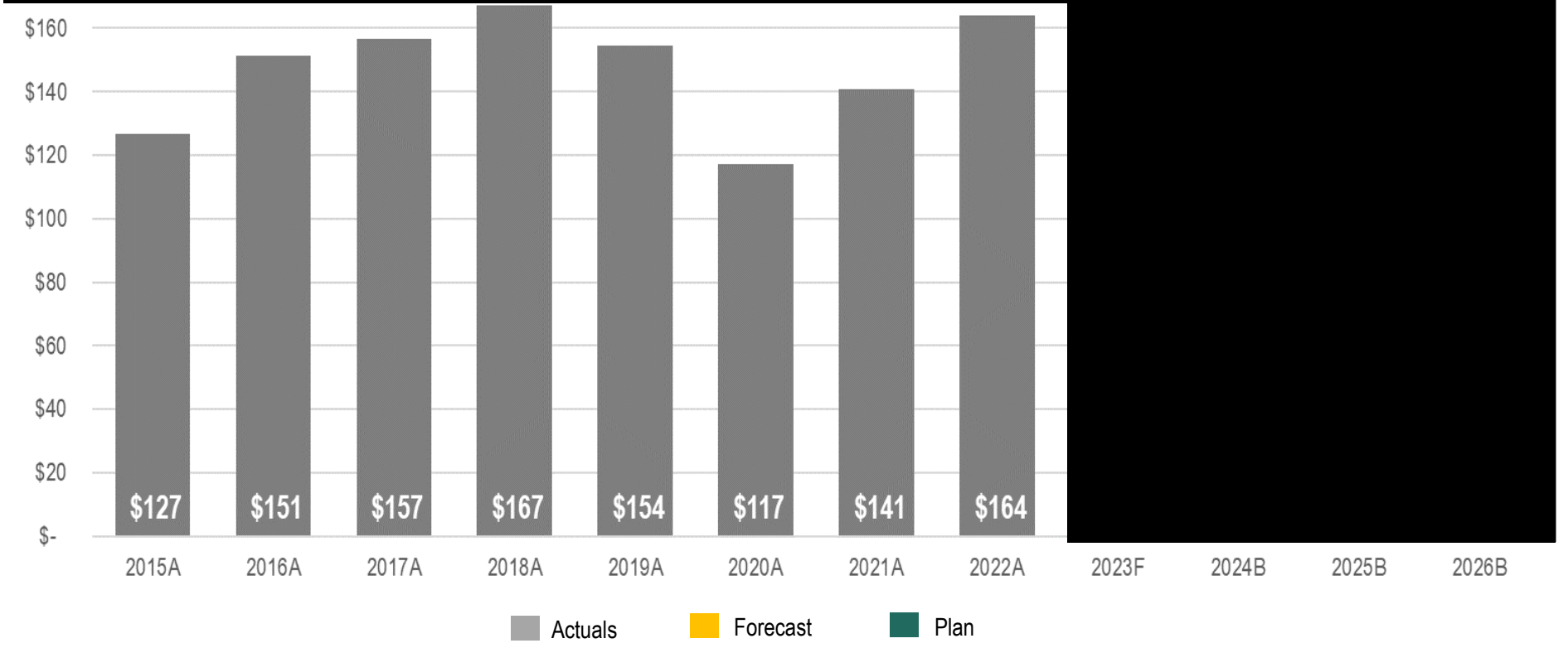
THESI

- Unregulated
- Street Lighting

CONSOLIDATED FINANCIALS

NET INCOME
COMPOUNDED ANNUAL GROWTH RATE

[redacted]



2024 STATEMENTS OF INCOME

CONSOLIDATED

Statements of Income In millions of Canadian dollars For the year ending December 31, 2024	Regulated
Energy sales	2,960
Distribution revenue	931
Other revenues	87
Total revenues	**3,978**
Energy purchases	3,004
Operating expenses	349
Depreciation and amortization	289
Total expenses	**3,642**
Finance costs	108
Gain on disposals of property, plant and equipment	2
Income/(loss) before income taxes	**230**
Income tax expense/(recovery)	36
Net movements in regulatory balances	(80)
Net movements in regulatory balances arising from deferred taxes	33
Net income after net movements in regulatory balances	**147**

CORPORATE

2024 STATEMENTS OF INCOME

CORPORATE

Statements of Income In millions of Canadian dollars For the year ending December 31, 2024	[redacted]	Regulated	[redacted]
Energy sales		2,960	
Distribution revenue		931	
Other revenues		87	
Total revenues		**3,978**	
Energy purchases		3,004	
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OPERATING EXPENSES

FINANCE

COSTS

REGULATED

2024 STATEMENT OF INCOME

REGULATED

Statements of Income In millions of Canadian dollars For the year ending December 31, 2024	Regulated
Energy sales	2,960
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Net income after net movements in regulatory balances	**147**

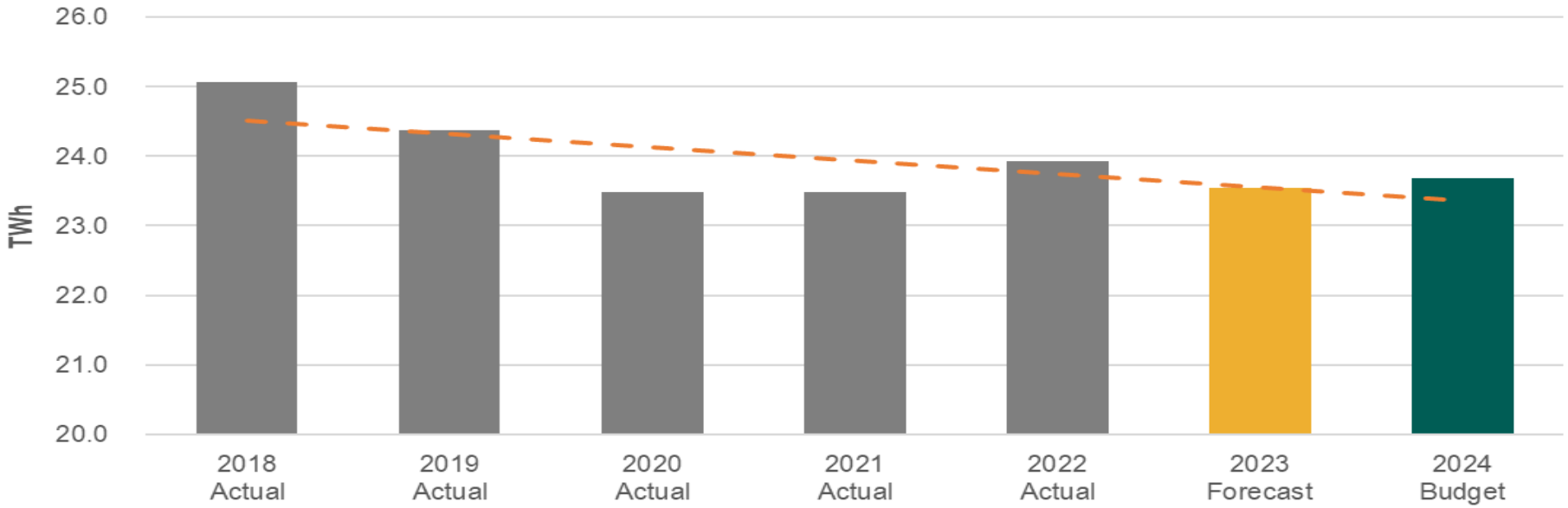
REVENUES

In millions of Canadian dollars	2022 Actual	2023 Budget	2023 Forecast	2024 Budget	Variance
Distribution Revenue	754	827	833	931	98
Other Revenues	93	87	86	87	1
Total Revenues	**847**	**914**	**919**	**1,018**	**99**

- Higher Distribution Revenue due to the recovery of regulatory settlement variances, which are offset in net movement line, and increase in distribution rates in 2024 resulting from the 2020-2024 regulatory decision
- Increase in Other Revenues primarily due to higher capital contributions

LOAD FORECAST

	2022 Actual	2023 Budget	2023 Forecast	2024 Budget
Load (TWh)[1]	23.9	23.4	23.5	23.7
Year over Year % Change	1.9%	(0.2%)	(1.6%)	0.6%



- Loads over the 2018-2022 period exhibit an overall declining trend as customer growth is offset by declining average use per customer primarily driven by conservation activities

[1] Wholesale Purchase Load

ENERGY PURCHASES

In millions of Canadian dollars	2022 Actual	2023 Budget	2023 Forecast	2024 Budget
Commodity Charges	2,320	2,424	2,374	2,461
Transmission Charges	385	391	400	419
Wholesale Service Charges	130	161	109	107
Rural Rate Assistance	12	12	15	17
Total Energy Purchases	**2,847**	**2,988**	**2,898**	**3,004**
Total $/kWh	**0.1190**	**0.1275**	**0.1230**	**0.1269**

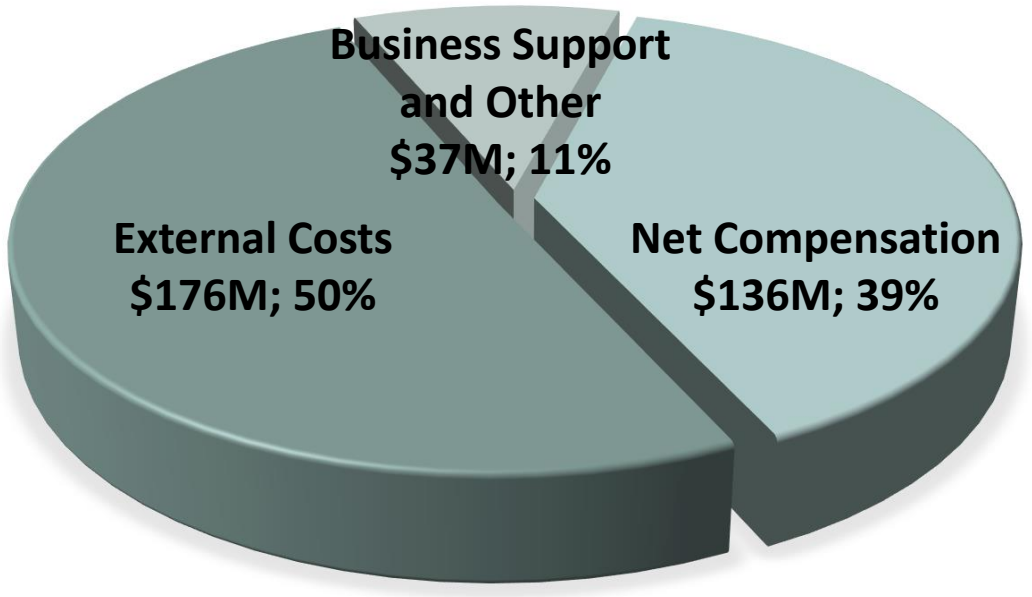
- Energy Purchases are a pass-through and are collected through Revenue as Energy Sales

OTHER REVENUES

In millions of Canadian dollars	2022 Actual	2023 Budget	2023 Forecast	2024 Budget	Variance
Pole, Ducts and Other Rentals	18	21	19	19	-
Customer Demand Work	26	17	17	17	-
Reclaimed Materials	10	12	12	12	-
Street Lighting	10	9	9	9	-
Subtotal Customer Demand Work	**64**	**59**	**57**	**57**	**-**
Customer Charges	6	7	6	6	-
Late Payment Charges	3	4	5	5	-
Capital Contributions	17	16	16	17	1
Regulatory Deferral Accounts	2	-	-	-	-
Other	1	1	2	2	-
Total Revenues	**93**	**87**	**86**	**87**	**1**

- Increase in Other Revenues primarily due to increase in capital contributions

OPERATING EXPENSES



In millions of Canadian dollars	2022 Actual	2023 Budget	2023 Forecast	2024 Budget	Variance
Net Compensation	104	121	115	136	21
External Costs	159	171	168	176	8
Business Support and Other	43	39	40	37	(3)
Total Operating Expenses	**306**	**331**	**323**	**349**	**26**

NET COMPENSATION

In millions of Canadian dollars	2022 Actual	2023 Budget	2023 Forecast	2024 Budget	Variance
Payroll	170	192	192	216	24
Benefits	41	49	44	57	13
Capitalization	(107)	(120)	(121)	(137)	(16)
Net Compensation	**104**	**121**	**115**	**136**	**21**

- Increase in net compensation costs due to increase in number of headcount

EXTERNAL COSTS

In millions of Canadian dollars	2022 Actual	2023 Budget	2023 Forecast	2024 Budget	Variance
Maintenance of Facilities	18	14	16	16	-
IT External Consultants	8	7	7	7	-
IT Maintenance Contracts	29	32	31	33	2
Call Centre (Outsourced)	9	9	8	9	1
Distribution System Maintenance & Materials	77	81	83	86	3
Professional Services	6	8	8	9	1
Administrative and General Expenses	8	13	11	11	-
Collections Services & Processing	4	5	4	5	1
Miscellaneous	-	2	-	-	-
Total External Costs	**159**	**171**	**168**	**176**	**8**

- Increase in External Costs due to ramp-up of the distribution system maintenance programs and IT maintenance and subscription costs.

BUSINESS SUPPORT & OTHER COSTS

In millions of Canadian dollars	2022 Actual	2023 Budget	2023 Forecast	2024 Budget	Variance
Utilities and Communication	7	7	7	7	-
Office Supplies and Postage	7	7	7	7	-
Employee Expenses	1	2	2	2	-
Rental and Leases	1	1	1	1	-
Bad Debt	5	5	8	5	(3)
OEB Fees	4	4	5	5	-
Insurance	5	6	6	6	-
Property Taxes and Other	5	5	5	5	-
Ancillary Services Costs	27	25	25	25	-
Capitalization, Allocation and Other	(19)	(23)	(26)	(26)	-
Total Business Support and Other Costs	**43**	**39**	**40**	**37**	**(3)**

- Lower Business support and other costs due to decrease in bad debt expense. 2023 Forecast reflects the increase in bad debt provision for non-electricity receivables.

DEPRECIATION & AMORTIZATION

In millions of Canadian dollars	2022 Actual	2023 Budget	2023 Forecast	2024 Budget	Variance
Total Depreciation and Amortization	305	267	278	289	11

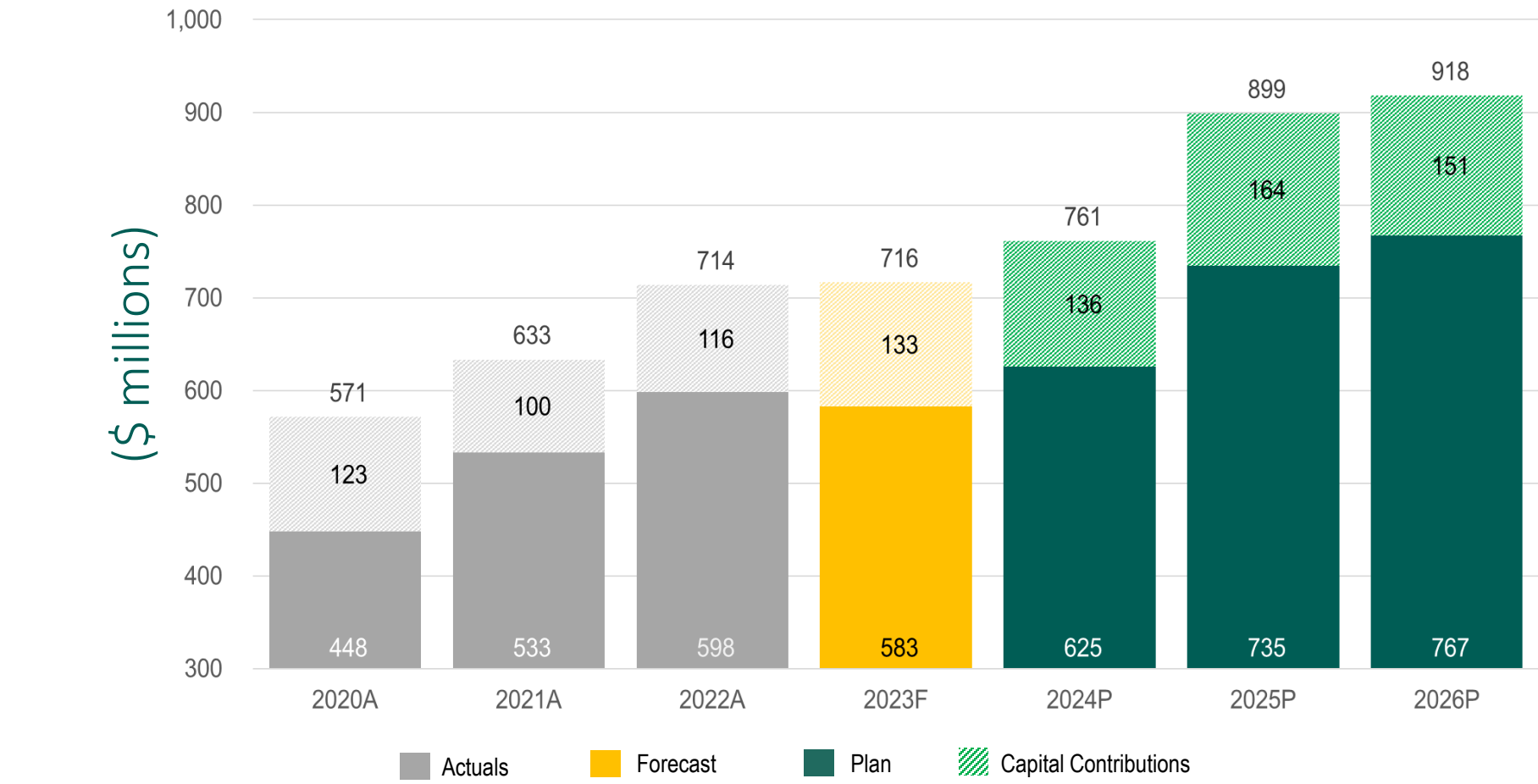
- Decrease in 2023 Forecast vs 2022 Actuals is a result of the revised useful lives based on a depreciation study
- Increase in depreciation from 2023 Forecast vs 2024 Budget is due to higher capital investments for distribution infrastructure

FINANCE
COSTS

In millions of Canadian dollars	2022 Actual	2023 Budget	2023 Forecast	2024 Budget	Variance
Interest on Short and Long Term Debt	88	108	105	112	7
Capitalized Interest	(7)	(8)	(7)	(7)	-
Customer Deposits	1	-	-	-	-
Financing Costs and Other	3	(1)	3	3	-
Total Finance Costs	**85**	**99**	**101**	**108**	**7**

- 2023 Forecast includes 10 year $250M debt replacement issued on June 14th, 2023 at 4.66% and 5 year $200M new debenture issued on October 12th, 2023 at 5.18%.
- 2024 Budget includes a $200M debt issuance on November 1st, 2024 at 5.85%

CAPITAL EXPENDITURES (GROSS vs NET*)



*Net of capital contributions received

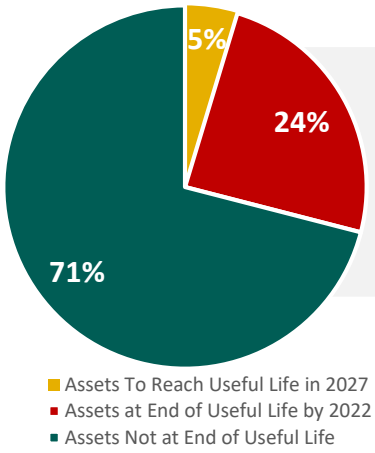
CAPITAL EXPENDITURES

In millions of Canadian dollars	2022 Actual	2023 Budget	2023 Forecast	2024 Budget	Variance
Infrastructure Renewal	312	347	342	414	72
Reactive Capital	48	43	46	45	(1)
Customer Connections	126	140	124	138	14
Hydro One Contributions	24	17	13	10	(3)
Copeland Transformer Station	27	11	6	4	(2)
IT, Fleet and Facilities	112	94	96	81	(15)
Externally Initiated Plant Relocations & Expansions	65	84	85	64	(21)
Provincial Allocations and Other	-	9	4	5	1
Gross Capital Program	**714**	**745**	**716**	**761**	**45**
Capital Contributions	(116)	(149)	(133)	(136)	(3)
Net Total Capital	**598**	**596**	**583**	**625**	**42**

SYSTEM RENEWAL

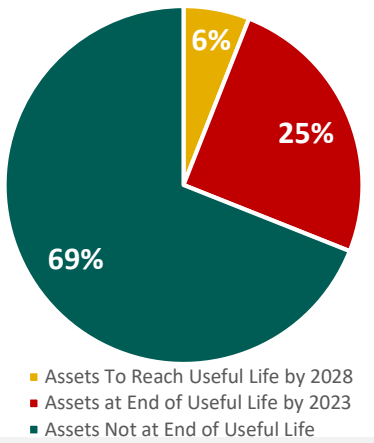
Leading Indicator: Assets Past Useful Life (Age)

2022



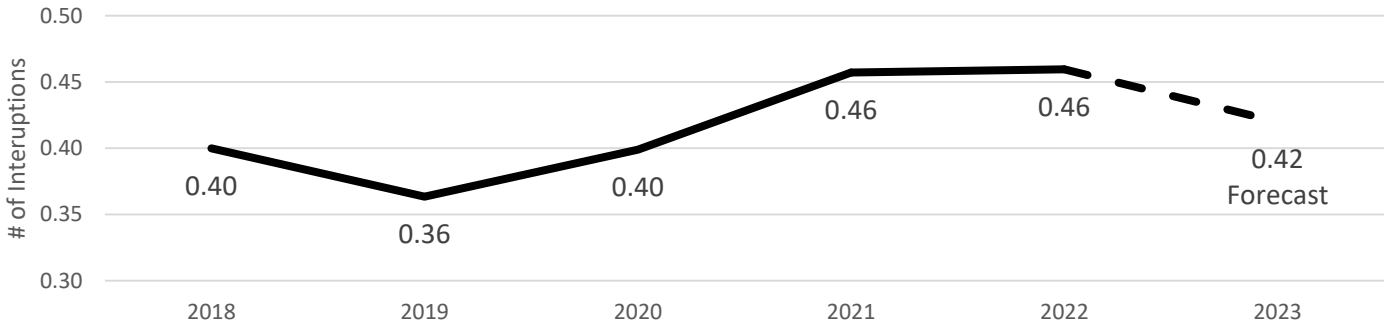
Macro Level:
Stable Results

2023

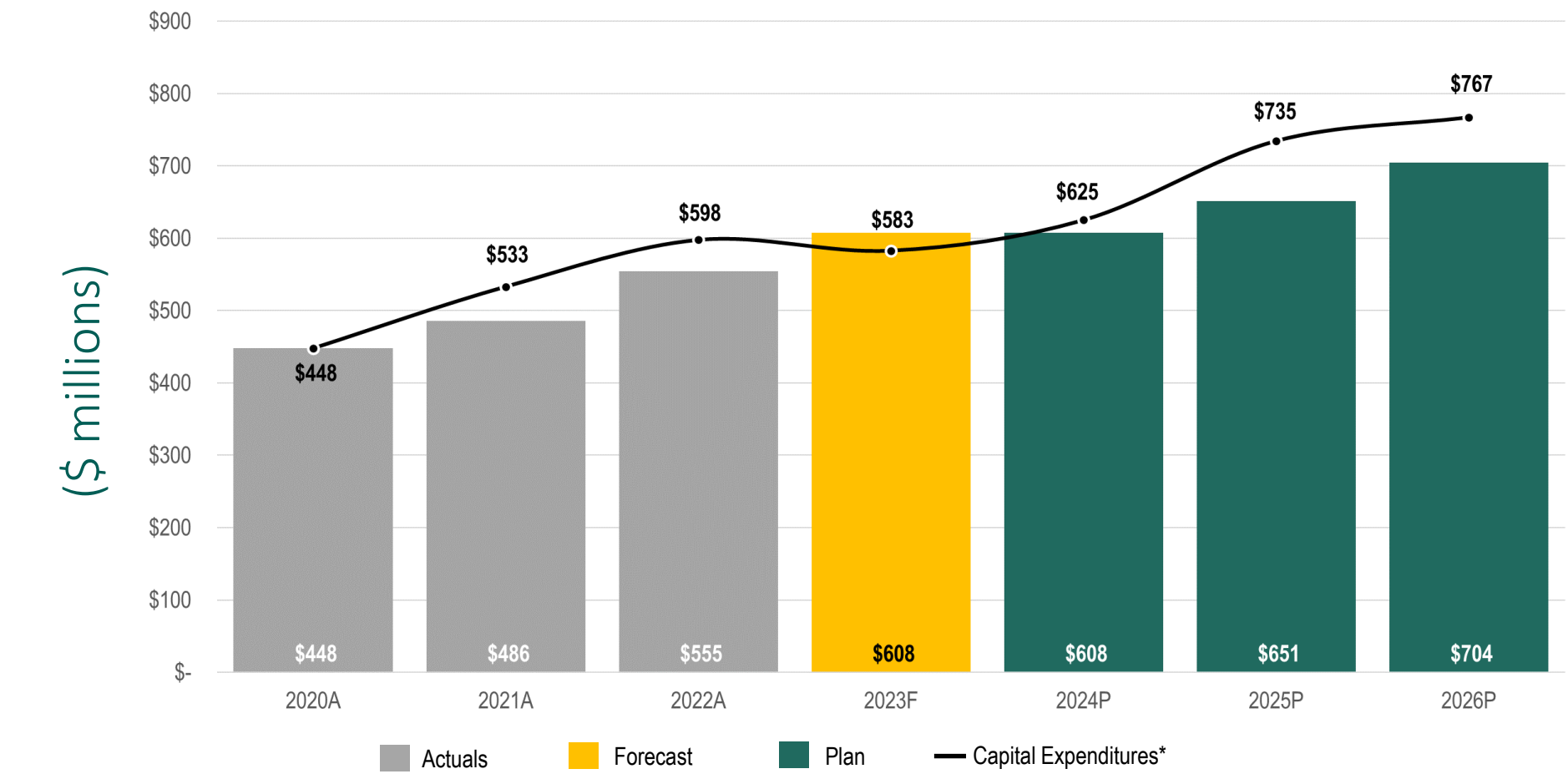


Micro Level:
Slight deterioration for some asset types (e.g. underground cable). Similar deterioration for some asset condition results.

Lagging Indicator: System Average Interruption Frequency Index (SAIFI - Defective Equipment)



IN-SERVICE ADDTIONS* AND CAPITAL EXPENDITURES



* Net of capital contributions received

UNREGULATED

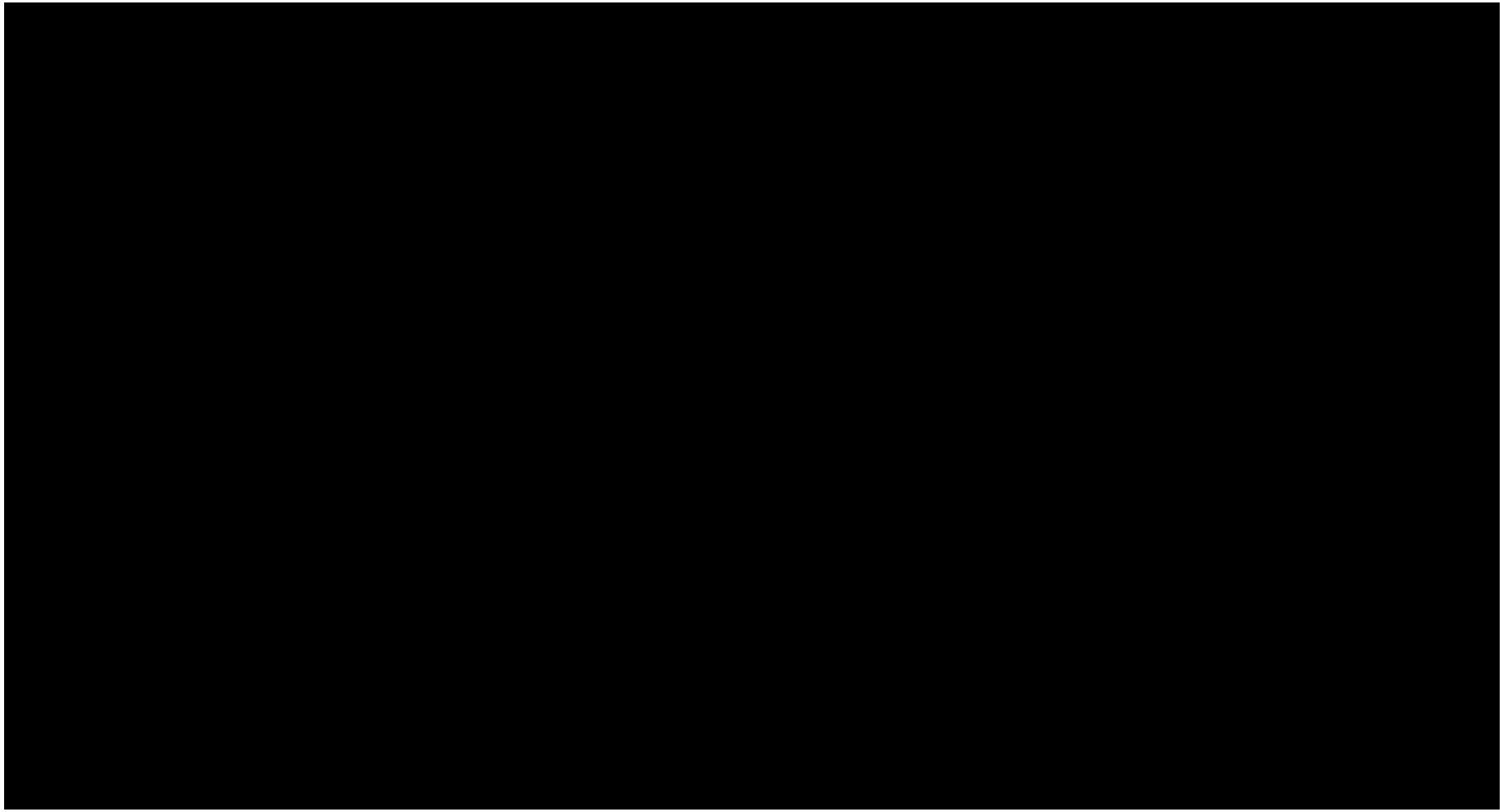
2024 STATEMENT OF INCOME

UNREGULATED

Statements of Income In millions of Canadian dollars For the year ending December 31, 2024	[redacted]	Regulated	[redacted]
Energy sales		2,960	
Distribution revenue		931	
Other revenues		87	
Total revenues		**3,978**	
Energy purchases		3,004	
Operating expenses		349	
Depreciation and amortization		289	
Total expenses		**3,642**	
Finance costs		108	
Gain on disposals of property, plant and equipment		2	
Income/(loss) before income taxes		**230**	
Income tax expense/(recovery)		36	
Net movements in regulatory balances		(80)	
Net movements in regulatory balances arising from deferred taxes		33	
Net income after net movements in regulatory balances		**147**	

OTHER REVENUES

OPERATING EXPENSES



CAPITAL EXPENDITURES

*Includes contributions received related to energy storage

FINANCIAL STATEMENTS PROFORMAS

CONSOLIDATED
STATEMENTS OF INCOME

Consolidated Statements of Income In millions of Canadian dollars For the years ended December 31	2022 Actual	2023 Budget	2023 Forecast	2024 Budget	2025 Budget	2026 Budget
Energy sales	2,738	2,988	2,811	2,960	3,060	3,128
Distribution revenue	754	827	833	931	1,035	1,023
Other revenues	110	105				
Total revenues	**3,602**	**3,920**				
Energy purchases	2,847	2,988	2,898	3,004	3,060	3,128
Operating expenses	323	359				
Depreciation and amortization	311	274				
Total expenses	**3,481**	**3,621**				
Finance costs	88	104				
Gain on disposals of property, plant and equipment	-	1	36	2	2	2
Income/(loss) before income taxes	**33**	**196**				
Income tax (expense)/recovery	8	42				
Net movements in regulatory balances	137	(71)	(1)	(80)	(68)	(11)
Net movements in regulatory balances arising from deferred taxes	2	50	20	33	33	33
Net income after net movements in regulatory balances	**164**	**133**				

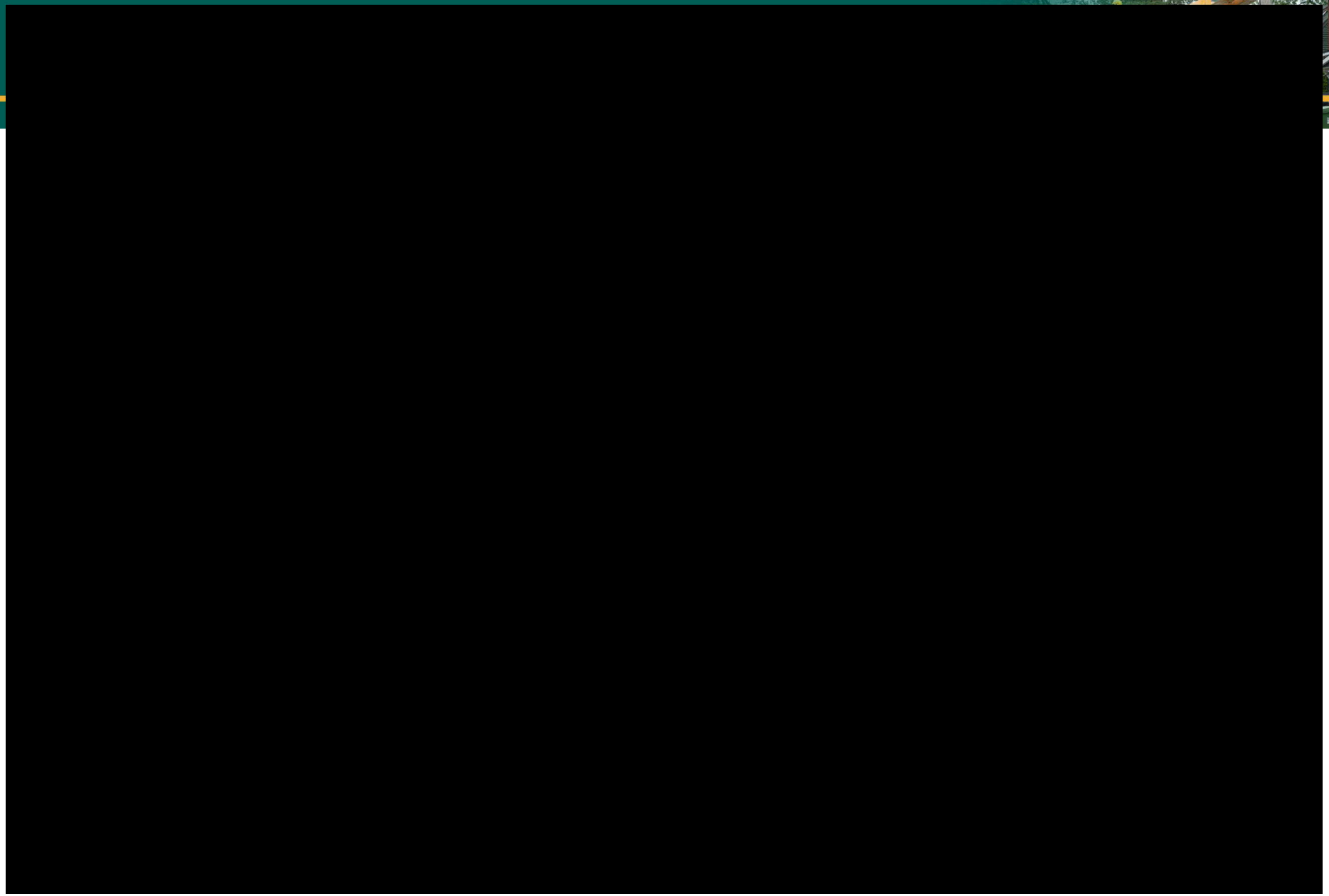
CONSOLIDATED
BALANCE SHEETS

Consolidated Balance Sheets In millions of Canadian dollars As at December 31	2022 Actual	2023 Budget	2023 Forecast	2024 Budget	2025 Budget	2026 Budget
Assets						
Current						
Accounts receivable	224	228				
Unbilled revenue	277	270				
Other assets	25	31				
Total current assets	**526**	**529**				
Property, plant, equipment and intangible assets	6,144	6,612				
Other assets	14	8				
Total assets	**6,684**	**7,149**				
Regulatory balances	263	271	391	387	333	333
Total assets and regulatory balances	**6,947**	**7,420**				
Liabilities and Equity						
Current						
Working capital facility and commercial paper	368	407				
Debentures	250	-				
Other liabilities	565	544				
Total current liabilities	**1,183**	**951**				
Debentures	2,479	2,927				
Deferred tax liabilities	85	141				
Other liabilities	988	1,063				
Total liabilities	**4,735**	**5,082**				
Equity						
Share capital	818	818				
Retained earnings	1,244	1,277				
Total equity	**2,062**	**2,095**				
Total liabilities and equity	**6,797**	**7,177**				
Regulatory balances	150	243	252	295	276	254
Total liabilities, equity and regulatory balances	**6,947**	**7,420**				

CONSOLIDATED
STATEMENTS OF CASH FLOWS

Consolidated Statements of Cashflows in millions of Canadian dollars Year ended December 31	2022 Actual	2023 Budget	2023 Forecast	2024 Budget	2025 Budget	2026 Budget
Operating Activities						
Net income after net movements in regulatory balances	164	133	[redacted]			
Net movements in regulatory balances	(137)	71	1	80	68	11
Net movements in regulatory balances arising from deferred taxes	(2)	(50)	(20)	(33)	(33)	(33)
Depreciation, amortization and other changes	364	414	[redacted]			
Capital contribution received	86	149	133	104	164	151
Changes in non-cash operating working capital balances	(6)	(29)	[redacted]			
Net cash provided by operating activities	**469**	**688**				
Investing Activities						
Purchase of property, plant, equipment and intangible assets	(675)	(754)	[redacted]			
Proceeds on disposal of property, plant, and equipment	-	1	36	2	2	2
Net cash used in investing activities	**(675)**	**(753)**	[redacted]			
Financing Activities						
Increase (decrease) in commercial paper, net	80	67	[redacted]			
Dividends paid	(85)	(95)				
Proceeds from issuance of debentures net of debt issuance costs paid	299	448				
Repayment of debentures	-	(250)				
Interest paid	(92)	(105)				
Common Shares Issued	-	-				
Net cash provided by (used in) financing activities	**202**	**65**				
Net change in cash and cash equivalents during the year	**(4)**	**-**				
Working capital facility, beginning of year	(9)	-				
Working capital facility, end of year	**(13)**	**-**				

REGULATORY, COMPLIANCE, & RISK ASSESSMENT



BUSINESS PLAN (2024-2026)

RISK ANALYSIS

ERM Framework

- Quarterly Risk Reporting
- Annual Risk Assessment
- Strategic Priorities

↓

Business Plan

↓

Enterprise Risk	Current Status Q3 - 2023	Business Plan 2023-2025*	Business Plan 2024-2026*
Oversight Risk			
Governance Risk			
Franchise Risk			
Human Capital Risk			
Financial Risk			
Compliance Risk			
Safety Risk			
Cyber Security Risk			
Operations Risk			

*** Forecasted Enterprise Risk status at end of Business Plan period**

Heat Map Status

- High
- Medium-High
- Medium
- Low-Medium
- Low

REGULATORY ALIGNMENT

2020-2024 DECISION

Distribution Capital	Alignment
Customer Connections	Improved
Externally Initiated Relocations	Stable
Load Demand	Stable
Metering	Stable
Generation Protection Monitoring & Control	Stable
Rear Lot Conversions	Stable
Box Construction	Improved
Underground Renewal Horseshoe	Caution
Underground Renewal Downtown	Stable
Overhead System Renewal	Caution
Network System Renewal	Improved
Stations Renewal	Stable
Reactive Capital	Stable
Energy Storage Systems	Stable
Stations Expansion	Improved
Copeland Phase 2	Improved
System Enhancements	Stable
Network Condition Monitoring & Control	Stable

General Plant Capital	Alignment
Fleet	Stable
Facilities	Stable
Information Technology	Stable
Control Center	Improved
ERP Phase 2	Improved
CIS Upgrade	Stable

Operational Plan	Alignment
Distribution Operations	Stable
System Maintenance	Stable
Corporate Services	Stable
Information Technology	Stable
Customer Operations	Stable

Improved

Stable

Caution

CORPORATE
COMPLIANCE ASSESSMENT

- Improved
- Stable
- Caution

Preventative Compliance | **Detective Compliance** | **Corrective Compliance** | **Reactive Compliance**

↓

Business Plan

↓

Compliance Risks	Current Compliance Issues
Environment	
Finance & Governance	
Health & Safety	
Regulatory	
Privacy & Cyber Security	
Labour & Employment	
OVERALL	

2024 CORPORATE PERFORMANCE SCORECARD

SUBJECT TO APPROVAL AND CHANGES BY THE HUMAN RESOURCES AND ENVIRONMENT COMMITTEE FOR RECOMMENDATION TO THE BOARD

CORPORATE
2023-2024 SCORECARD

Pillar	KPI	2023 Weight	2024 Weight	Pillar Weight
Customer	New Services Connected on Time	5%	10%	Customer 25%
	Estimated Time of Restoration	5%	5%	
	First Contact Resolution	5%	10%	
People	Total Recordable Injury Frequency	10%	10%	People 15%
	Employee Engagement	5%	5%	
Environment	Building Emissions Reduction	5%	-	
	Fleet Electrification	5%	-	
Operations	SAIFI (Defective Equipment Only)	10%	10%	Operations 20%
	SAIDI (Defective Equipment Only)	10%	10%	
Financial	In-Service Assets	10%	10%	Finance 40%
	Consolidated Net Income	30%	30%	
		100%	100%	100%

CONTINUOUS IMPROVEMENT FRAMEWORK

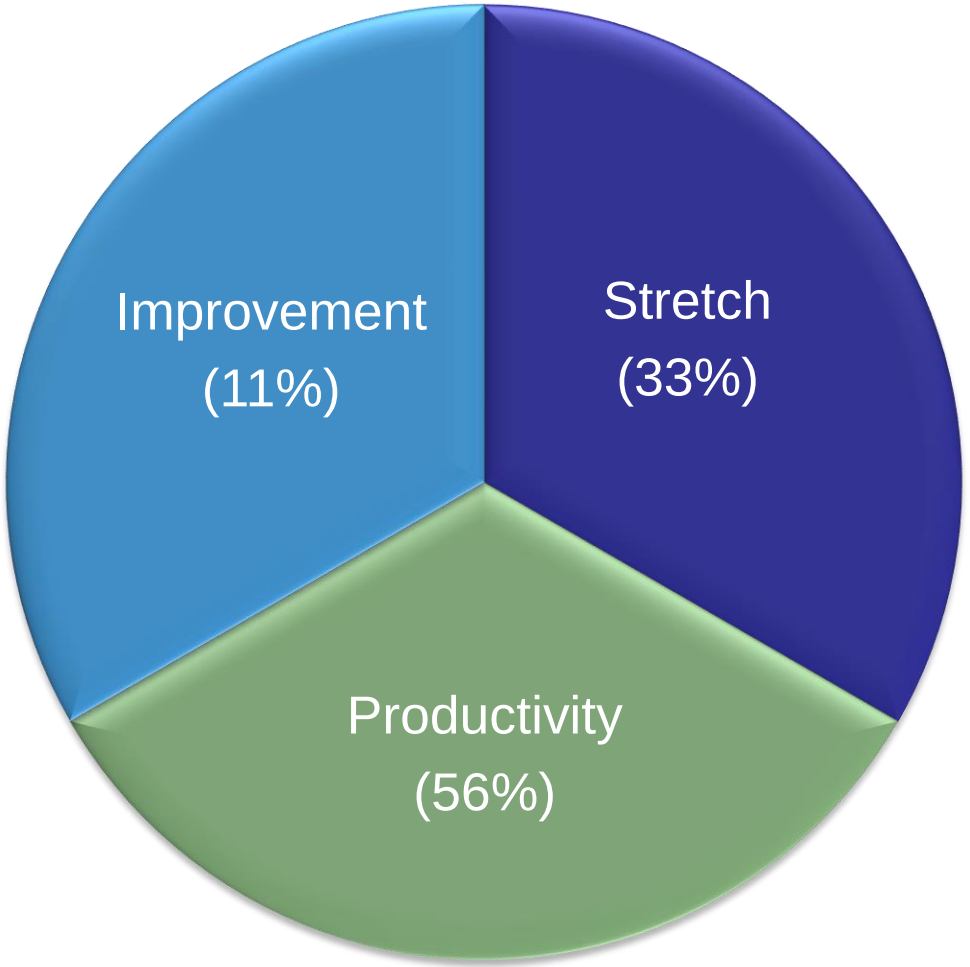
CUSTOMER

PEOPLE

ENVIRONMENT

OPERATIONS

FINANCIAL



2024 CORPORATE SCORECARD

ANALYSIS

9 KPIs in 2024 (11 in 2023)

Pillar	KPI	2024 Weight	2024 Threshold	2024 Target	2024 Stretch	2024 Continuous Improvement
Customer	New Services Connected on Time →	10%	93%	98%	99%	
	Estimated Time of Restoration →	5%	80%	85%	90%	
	First Contact Resolution →	10%	82%	86%	88%	
People	Total Recordable Injury Frequency ↑	10%	1.00	0.95	0.90	
	Employee Engagement ↑	5%	8.0	8.5	9.0	
Operations	SAIFI (Defective Equipment Only) →	10%	0.61	0.50	0.48	
	SAIDI (Defective Equipment Only) ↑	10%	30.69	25.23	24.19	
Financial	In-Service Assets ↑	10%	496.0	501.0	506.0	
	Consolidated Net Income ↓	30%	100.0	105.0	110.0	
		100%	25%	100%	150%	

↑ **4 are harder - 44.5%** → **4 are the same – 44.5%** ↓ **1 is lower - 11%**

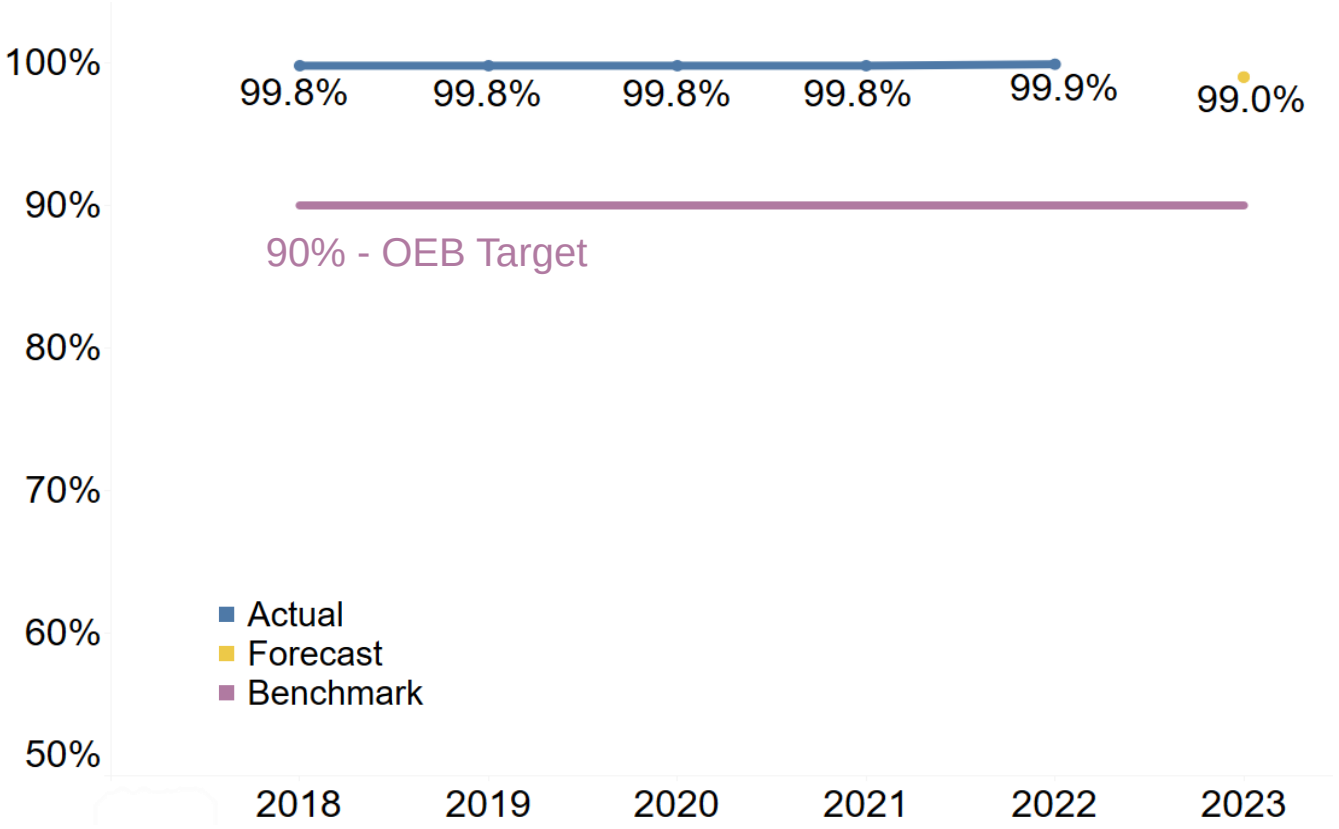
Customer (25%)

- **New Services Connected on Time: 10%**
- **Estimated Time of Restoration (ETOR): 5%**
- **First Contact Resolution: 10%**

NEW SERVICES CONNECTED ON TIME (10%)

Continuous Improvement

Productivity



CUSTOMER

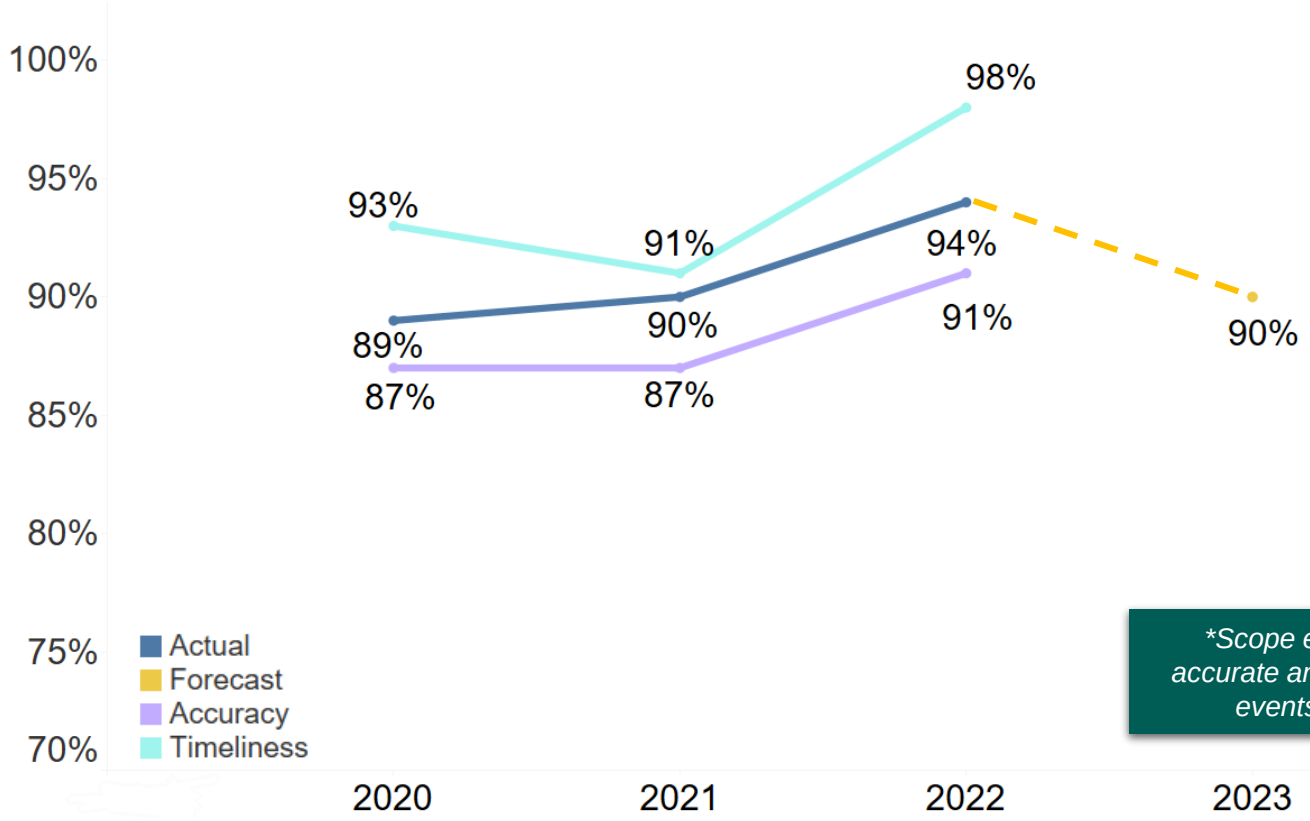
Percentage of new service requests (high voltage, low voltage and upgrades) connected on time.

%	2023	2024
Threshold	93%	93%
Target	98%	98%
Stretch	99%	99%

ESTIMATED TIME OF RESTORATION (ETOR) (5%)

Continuous Improvement

Productivity



**Scope expanded to provide accurate and timely ETORs for all events on Outage Map.*

CUSTOMER

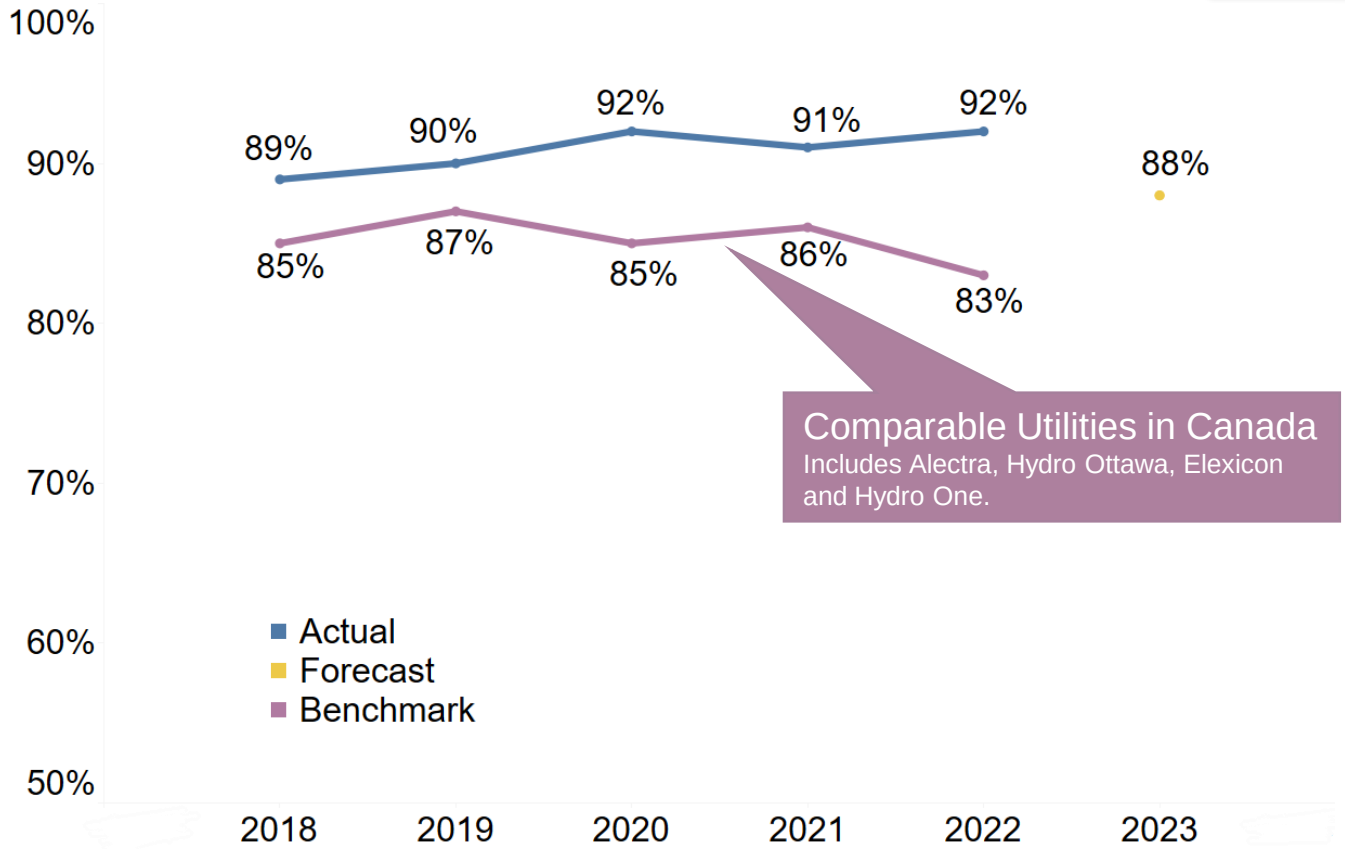
A composite measure of the percentage of power outages that are assigned an Estimated Time of Restoration (ETOR) within 60 minutes and the accuracy of ETORs within +/- 120 minutes*

%	2023	2024
Threshold	80%	80%
Target	85%	85%
Stretch	90%	90%

FIRST CONTACT RESOLUTION (10%)

Continuous Improvement

Productivity



CUSTOMER

Percentage of telephone and email enquiries resolved in one contact, within a 21 day time period.

%	2023	2024
Threshold	82%	82%
Target	86%	86%
Stretch	88%	88%

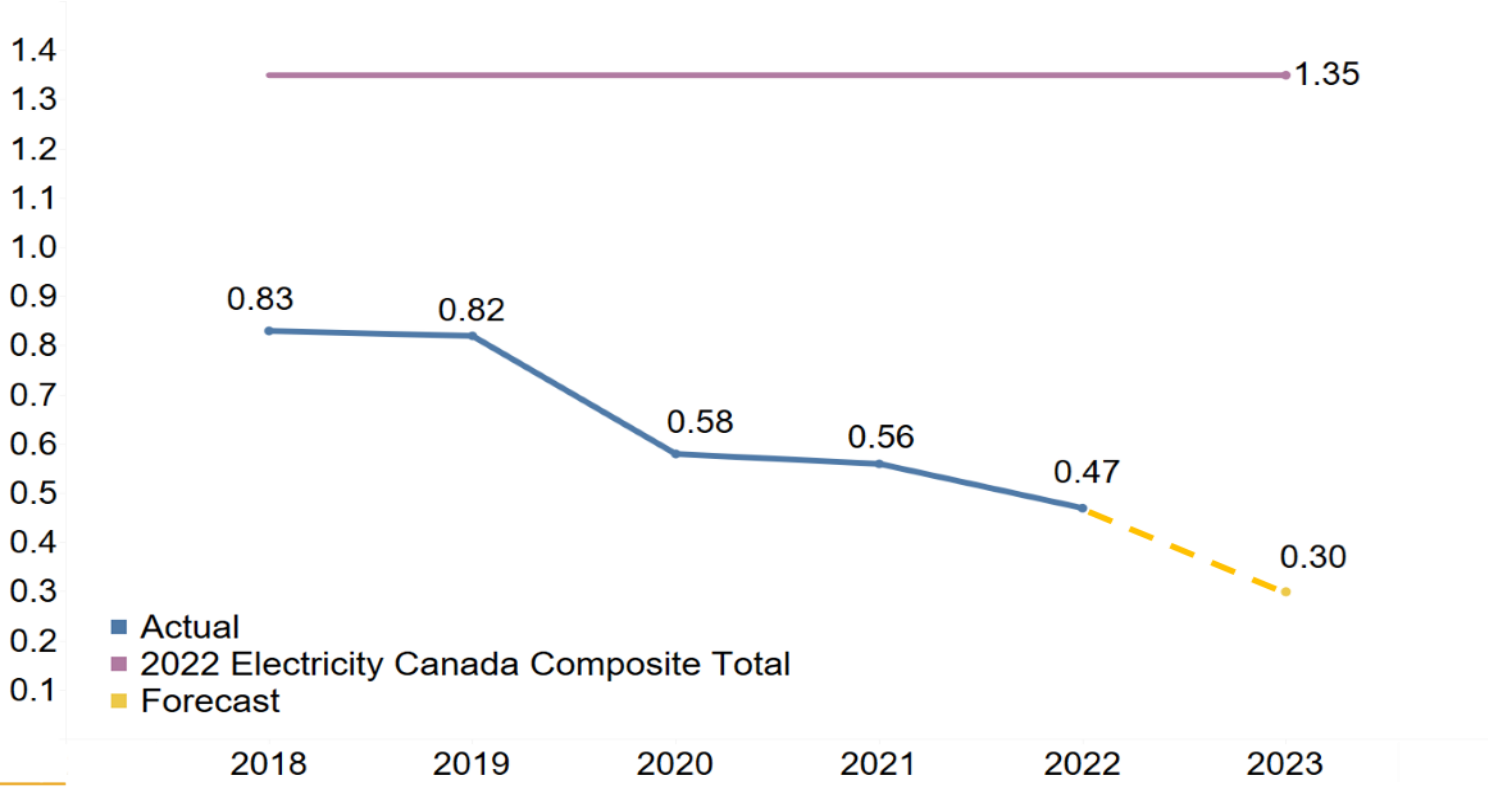
People (15%)

- **Total Recordable Injury Frequency: 10%**
- **Employee Engagement: 5%**

TOTAL RECORDABLE INJURY FREQUENCY (10%)

Continuous Improvement

Stretch



PEOPLE

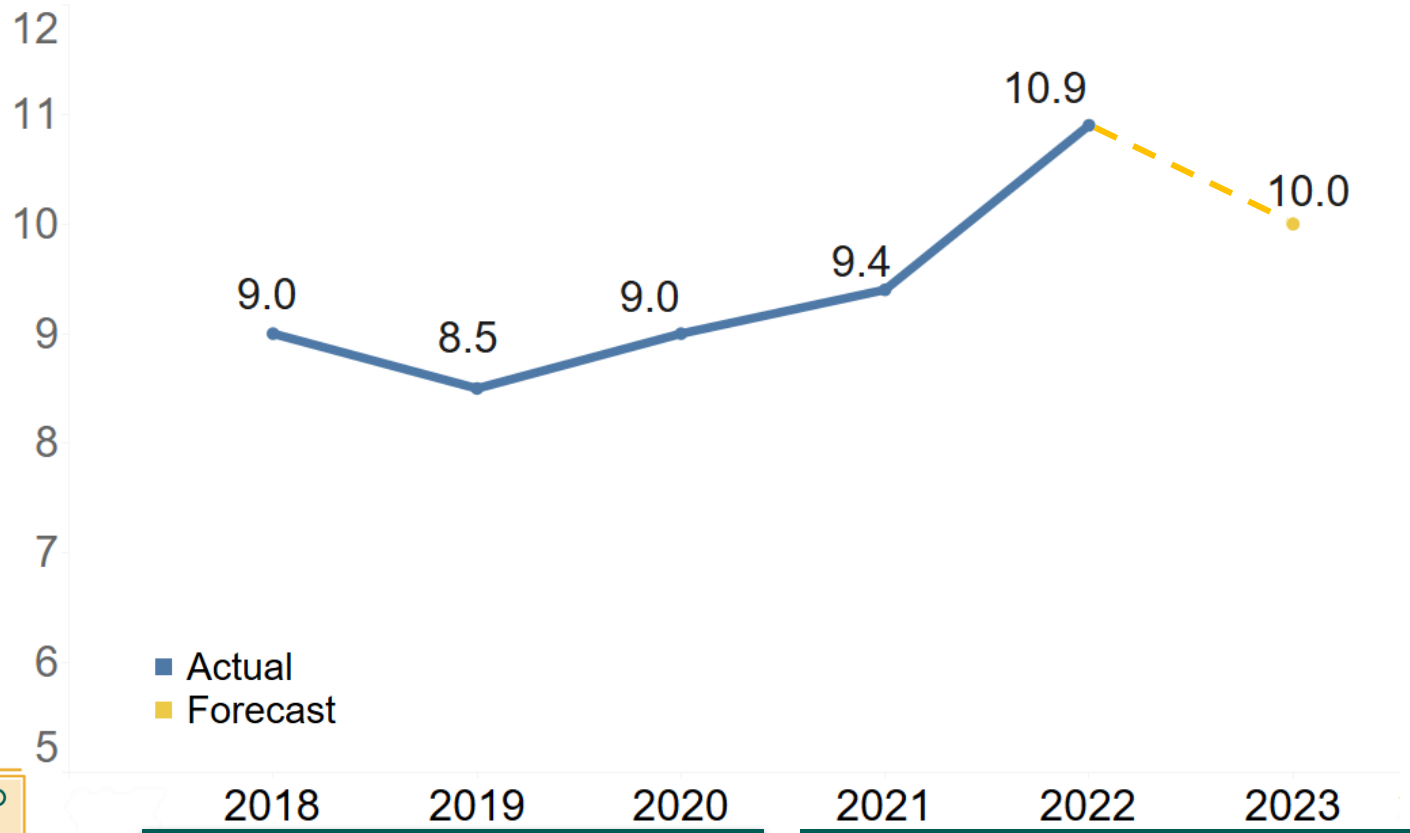
Total Recordable Injury Frequency Rate, as per Electricity Canada Standard.

#	2023	2024
Threshold	1.05	1.00
Target	1.00	0.95
Stretch	0.95	0.90

EMPLOYEE ENGAGEMENT (5%)

Continuous Improvement

Stretch



PEOPLE

Average number of engagement sessions attended per employee per year

#	2023	2024
Threshold	7.5	8.0
Target	8.0	8.5
Stretch	8.5	9.0

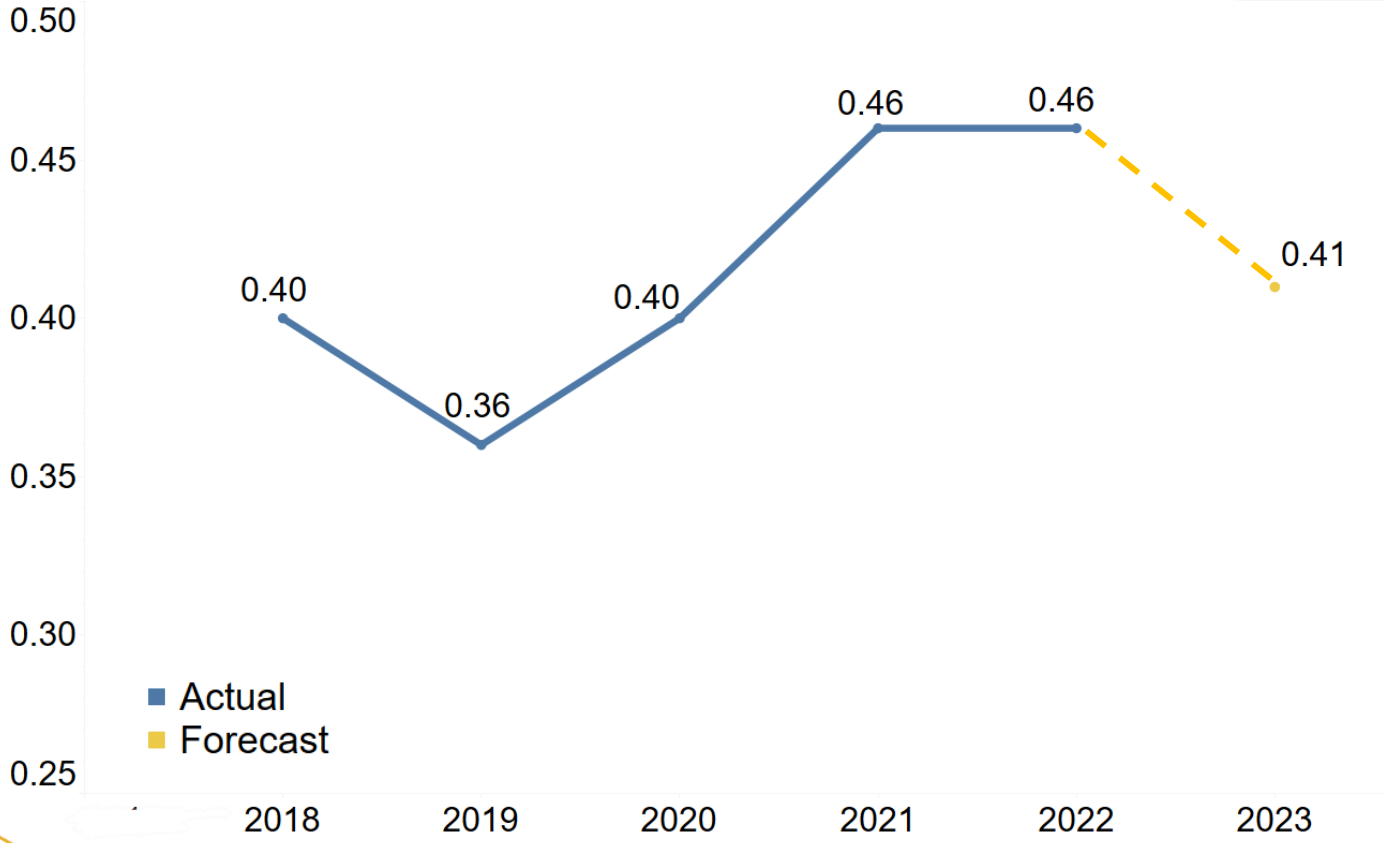
Operations (20%)

- **Outage Frequency (SAIFI – Defective Equipment): 10%**
- **Outage Duration (SAIDI – Defective Equipment) : 10%**

OUTAGE FREQUENCY – DEFECTIVE EQUIPMENT (10%)

Continuous Improvement

Productivity



OPERATIONS

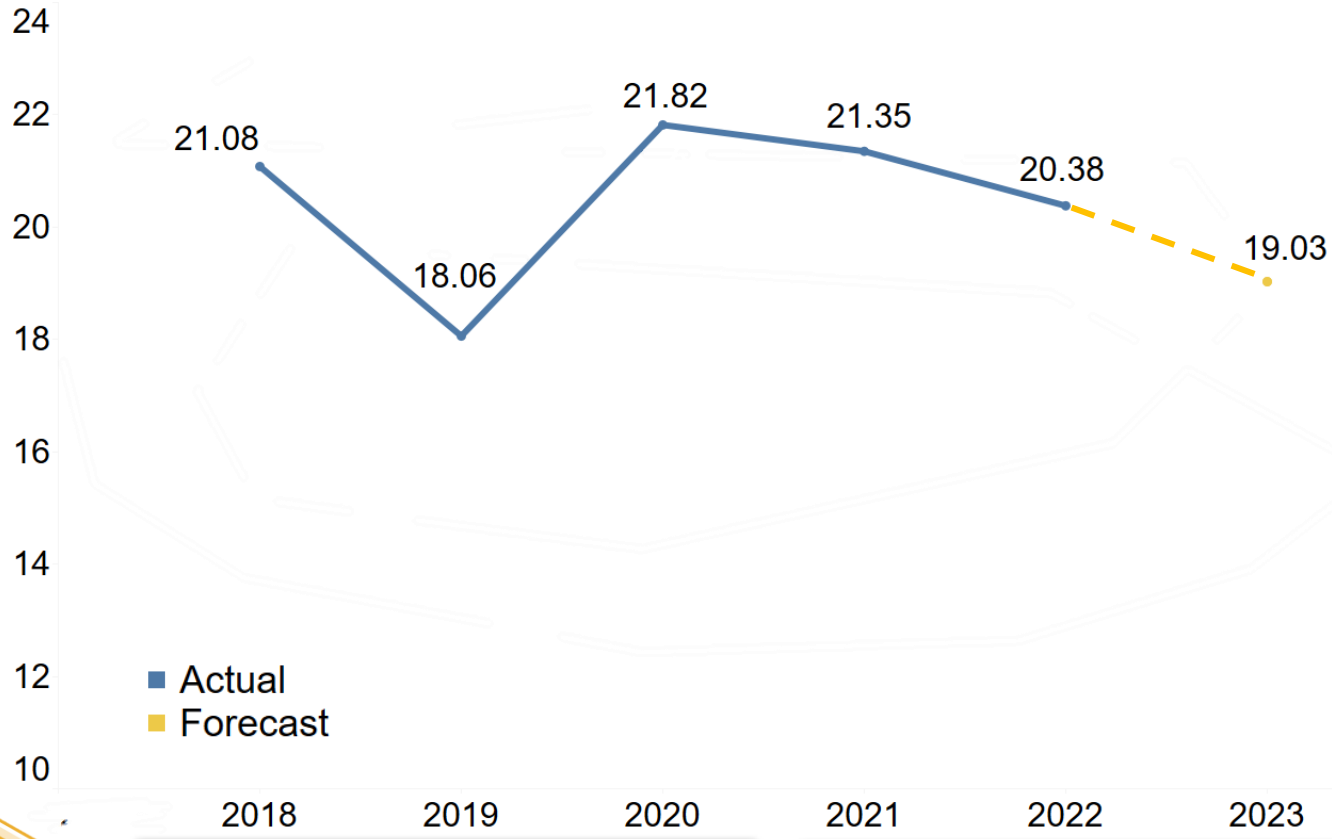
Average number of interruptions per customer; tracked using only the Defective Equipment cause code

#	2023	2024
Threshold	0.61	0.61
Target	0.50	0.50
Stretch	0.48	0.48

OUTAGE DURATION – DEFECTIVE EQUIPMENT (10%)

Continuous Improvement

Stretch



OPERATIONS

Average outage duration for each customer served; tracked using only the Defective Equipment cause code

Min	2023	2024
Threshold	32.20	30.69
Target	26.47	25.23
Stretch	25.23	24.19

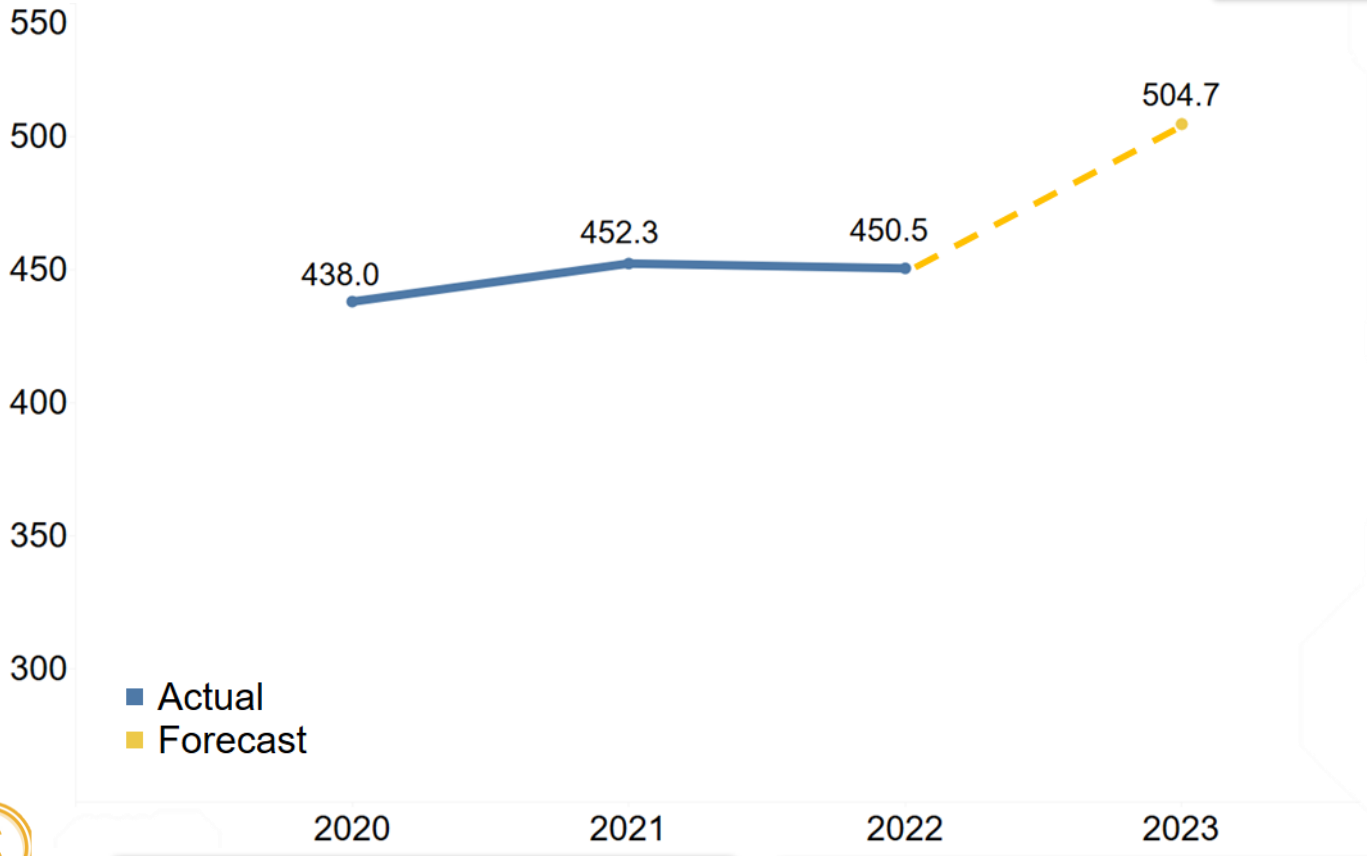
Financial (40%)

- **In-Service Assets: 10%**
- **Consolidated Net Income: 30%**

IN-SERVICE ASSETS (10%)

Continuous Improvement

Improvement



FINANCIAL

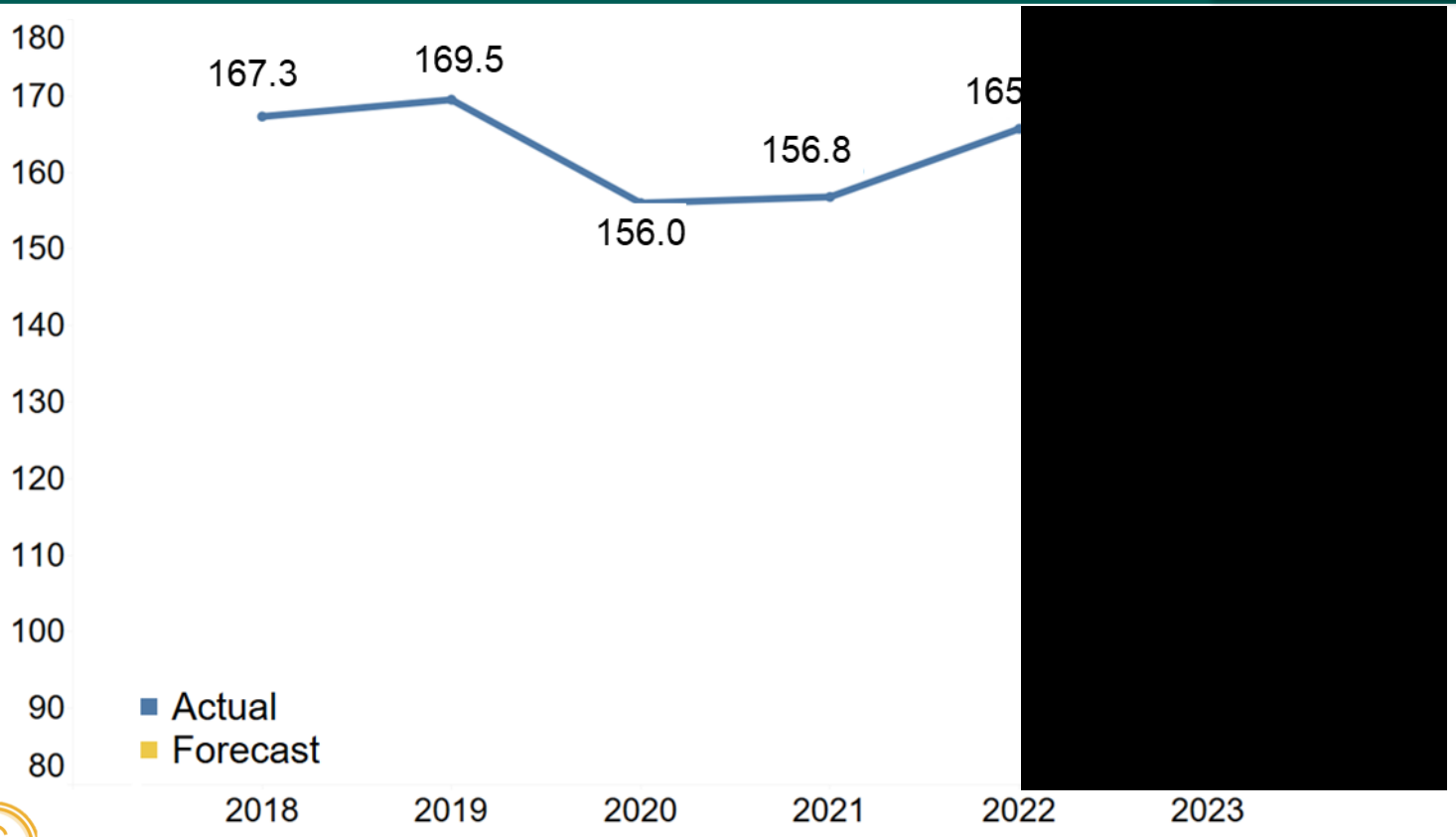
Measures the actual In-Service Asset amounts recognized in 2024 (net of capital contributions)

$M	2023	2024
Threshold	494.7	496.0
Target	499.7	501.0
Stretch	504.7	506.0

CONSOLIDATED NET INCOME (30%)

Continuous Improvement

Productivity



FINANCIAL

As per the audited financial statements for the 2024 fiscal year

$M	2023	2024
Threshold		
Target		
Stretch		

2024 CORPORATE SCORECARD

Review and recommend for approval to the THC Board via HREC

		2024				
Pillar	KPI	Weight	Threshold	Target	Stretch	Continuous Improvement
Customer	New Services Connected on Time	10%	93%	98%	99%	
	Estimated Time of Restoration	5%	80%	85%	90%	
	First Contact Resolution	10%	82%	86%	88%	
People	Total Recordable Injury Frequency	10%	1.00	0.95	0.90	
	Employee Engagement	5%	8.0	8.5	9.0	
Operations	SAIFI (Defective Equipment Only)	10%	0.61	0.50	0.48	
	SAIDI (Defective Equipment Only)	10%	30.69	25.23	24.19	
Financial	In-Service Assets	10%	496.0	501.0	506.0	
	Consolidated Net Income	30%	100.0	105.0	110.0	
		100%	25%	100%	150%	

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Toronto Hydro-Electric System Limited
EB-2023-0195
Interrogatory Responses
1A-CCC-01
Appendix C
UPDATED: March 21, 2024
(26 Pages)

2025 RATE APPLICATION
STRATEGY & UPDATE

August 14, 2023

Amanda Klein
EVP, External Affairs, Corporate Development & Chief Legal Officer

2025-2029 REGULATORY STRATEGY

Note for new independent directors: the THC board received this strategy (slides 3-8 plus appendix slides) as part of the November 2022 business plan meeting. We are bringing this forward here for your information.

GRID & OPERATIONS PLANS
2025-2029 INVESTMENT DRIVERS

System Stewardship: Grid & Operational Performance

Continue to deliver safe and reliable/resilient service

Modernization

Adopt technology to modernize our grid and operations

City Growth & Electrification

Connect and serve growing demand

RATE APPLICATION
STRATEGIC PARAMETERS

Capital Program

2025-2029 Capital Expenditures

$4.0B

Operational Plan

2025-2029 Operational Expenditures

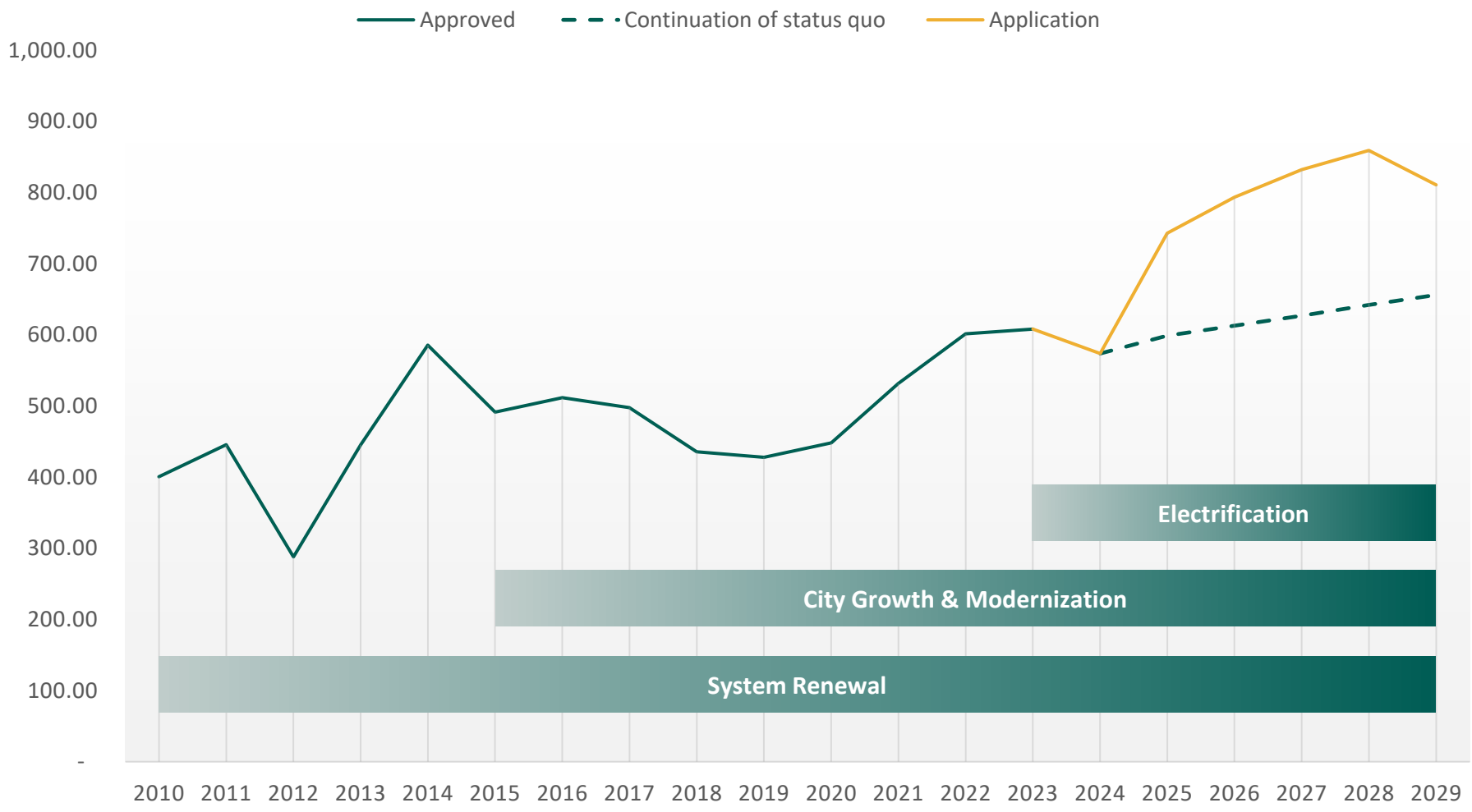
$1.9B

7%
CAGR

Distribution Rates

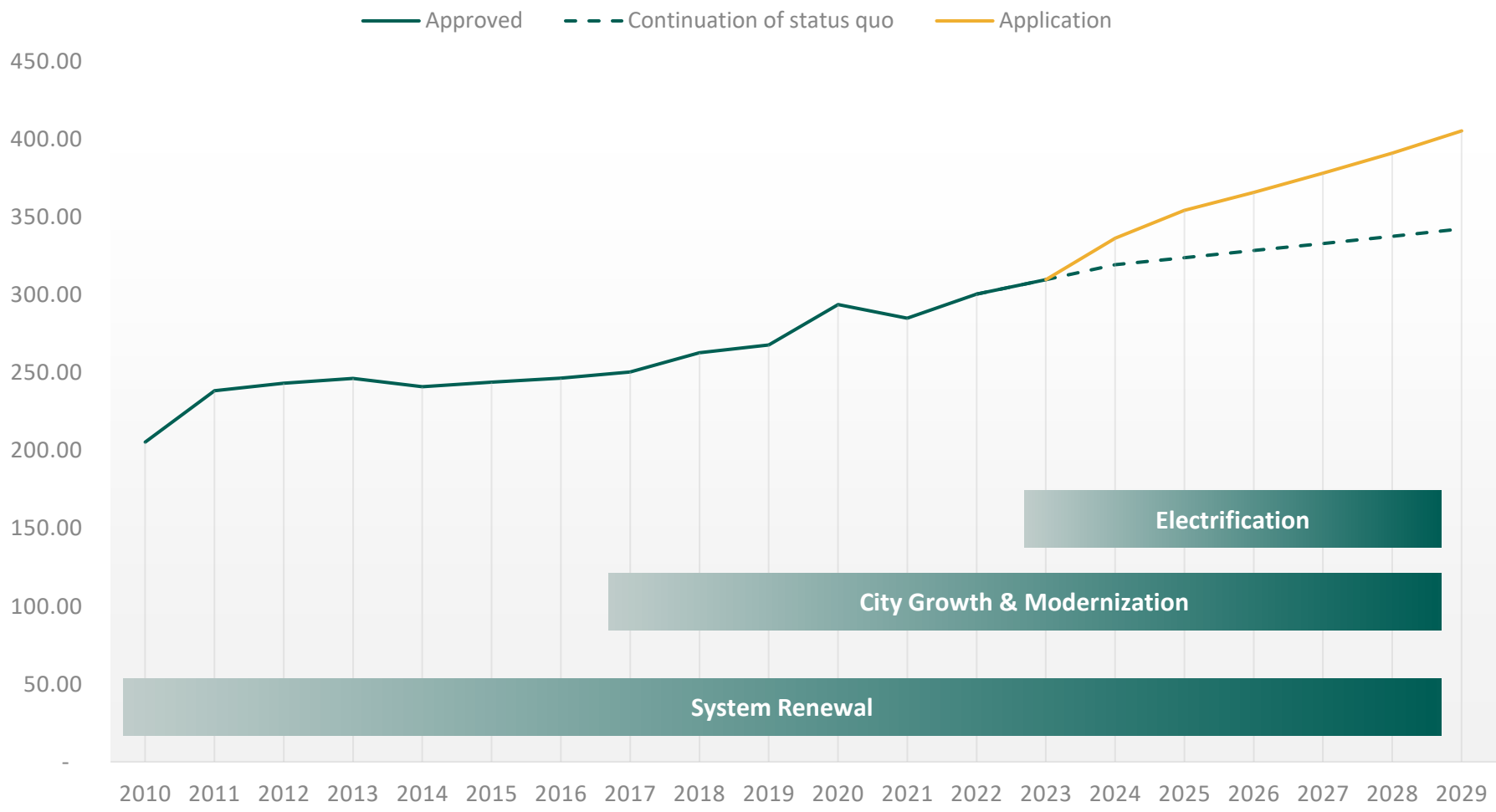
2024-2029 Average Annual Residential Rate Increase (without rate smoothing)

STRATEGIC PARAMETERS
CAPITAL FUNDING



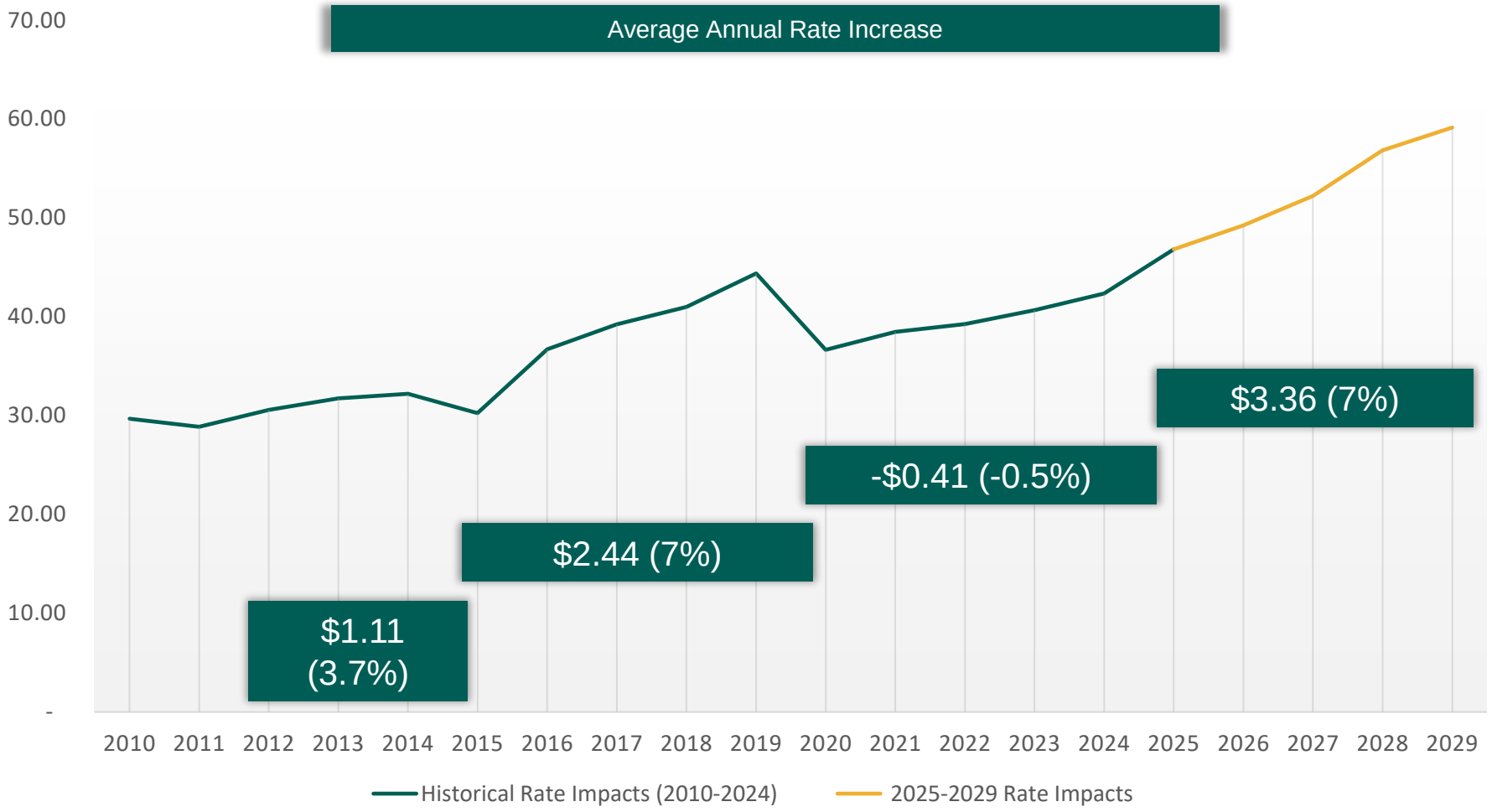
STRATEGIC PARAMETERS

OPERATIONAL FUNDING



STRATEGIC PARAMETERS

RESIDENTIAL RATE IMPACTS



RATE APPLICATION UPDATE

RATE APPLICATION
JOURNEY TO FILING

Utility of the Future

Strategic plan for the organization

Climate Action Plan

Enabling electrification as the expanded distributor

Customer Engagement Phase 1 (Needs & Priorities)

Customer needs and priorities for the 2025-2029 planning period

Regulatory Strategy

Funding and flexibility to execute the 2025-2029 investment plan

Integrated Business & Investment Planning

2023-2029 Investment Plans (Workforce, OM&A, Capital)

Regulatory Landscape

Emerging OEB expectations and requirements for LDC performance (Activity & Program Based Benchmarking, Framework for Energy Innovation, Reliability & Power Quality Benchmarking, Distribution Sector Resilience, Responsiveness & Cost Efficiency)

Customer Engagement Phase 2 (Draft Plan)

Customer feedback on key trade-offs and social permission for the draft plan

2025-2029 Custom Incentive Rate Application

Performance incentives provide upfront benefits to customers (rate mitigation) and place the risk/reward emphasis on the delivery of performance outcomes.

We are here

GRID & OPERATIONS PLANS

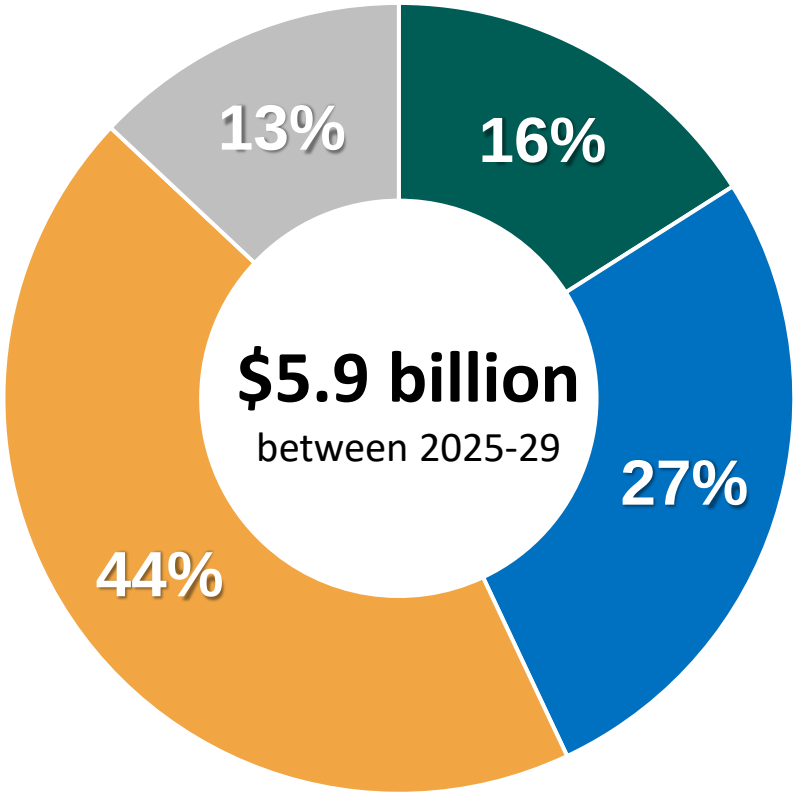
KEY INVESTMENT CATEGORIES

General Plant

Investments in vehicles, work centers and IT to keep the business running and reduce Toronto Hydro's emissions.

Modernization

Investments in technology to get more use out of existing equipment, and build a smarter, more efficient and reliable grid.



Sustainment & System Stewardship

Investments to upkeep old equipment that is in poor condition and replace outdated equipment.

City Growth & Electrification

Investments in capacity to power the growing city and serve customers' growing and changing needs for electricity.

CUSTOMER ENGAGEMENT RESULTS

Rate Class	2018 Participation Numbers	2018 Social Permission	2023 Participation Numbers	2023 Social Permission	2018 vs. 2023 Participation Numbers	2018 vs. 2023 Social Permission
Residential	10,765	71%	32,187	80%	199%	+9%
Small Business	396	55%	695	77%	76%	+22%
C&I	202	73%	264	82%	31%	+9%
Key Accounts	37	78%	52	96%	41%	+18%
Total	11,400	69%	33,198	84%	191%	+15%

STRATEGIC PARAMETERS

Capital Program

2025-2029 Capital Expenditures

$3.9B

Operational Plan

2025-2029 Operational Expenditures

$1.9B

Distribution Rates

2024-2029 Average Annual Residential Rate Increase (without rate smoothing)
~7.2% smoothed

~7% CAGR

RATE FUNDING FORMULA

HOW IT WORKS

Regulated Rate of Return

Value of Assets

Interest Expenses

Cost of Capital

Depreciation & Taxes (PILS)

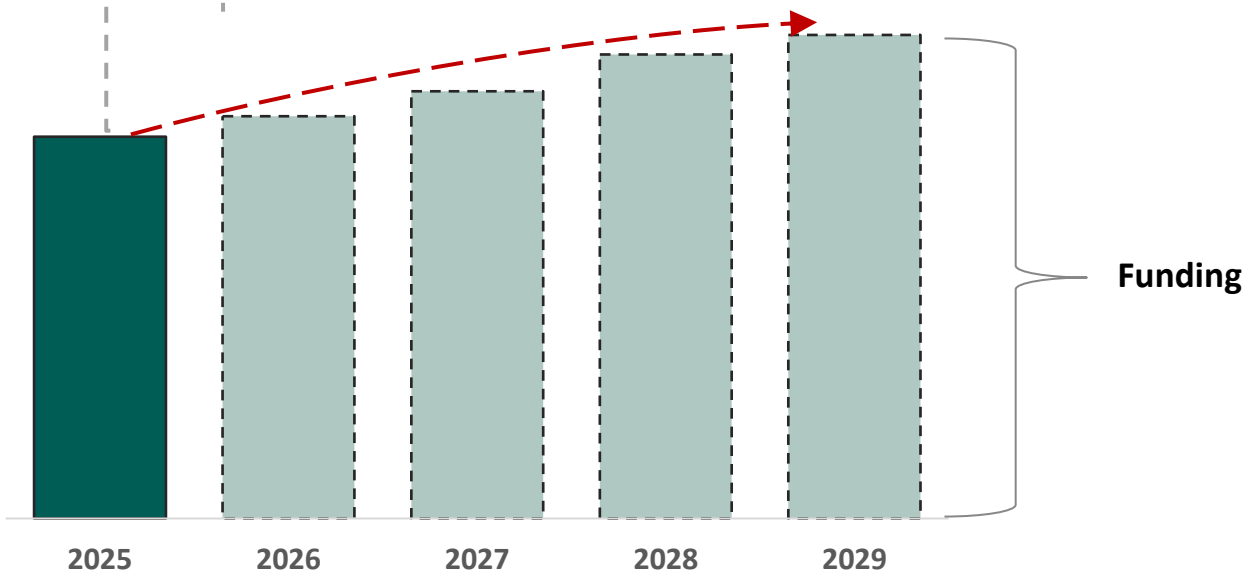
Operating Expenses

Revenue Offsets

Recoverable Revenues

Customer Rates

Prior Year Revenue × (Inflation Factor − X-Factor (Incentive) + Revenue Growth Factor ~~C-Factor~~)



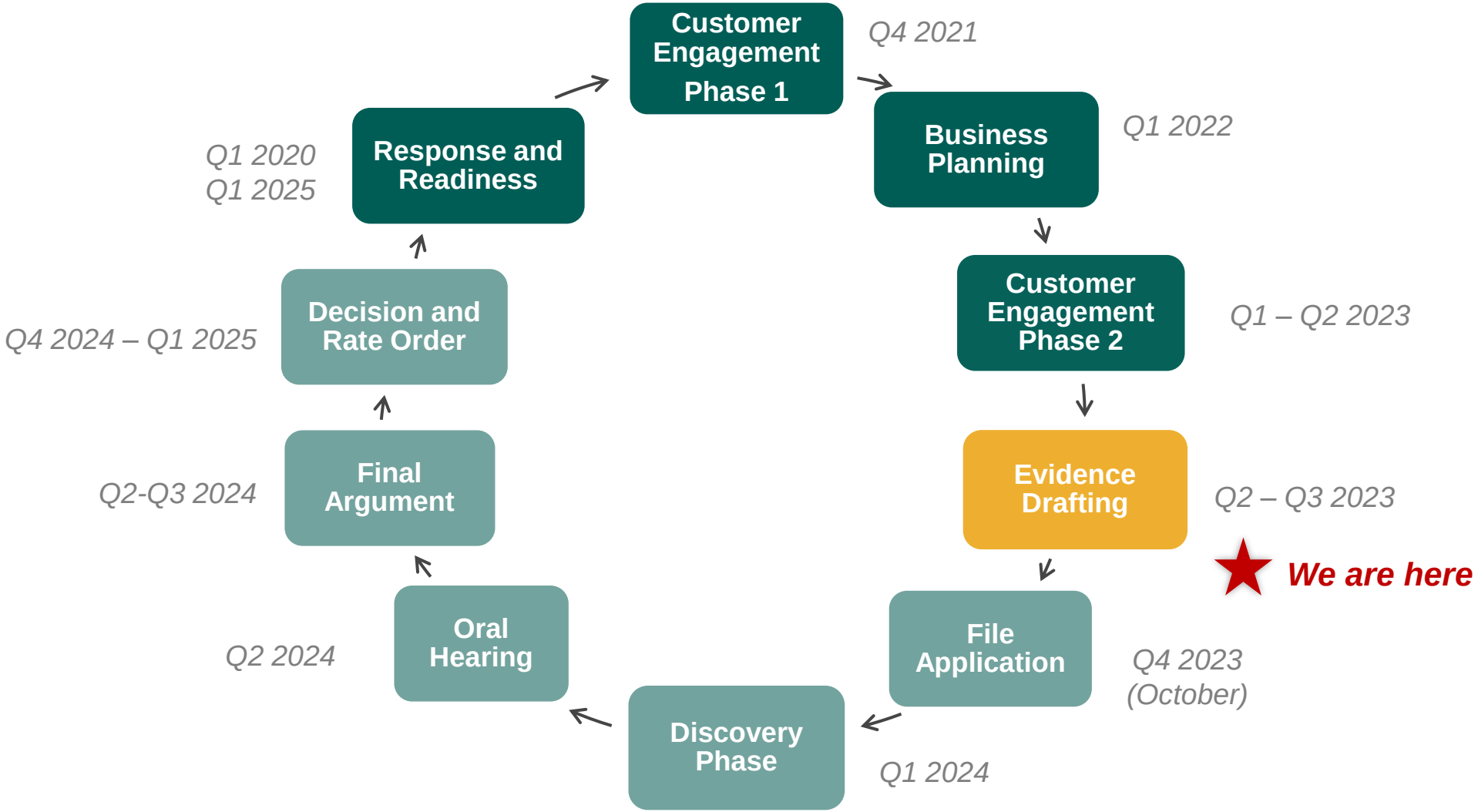
REGULATORY STRATEGY

CUSTOM RATE FRAMEWORK

Element	2025-2029 Custom IR Application
Custom Revenue Cap Index (CRCI)	Prior Year Revenue escalated by *Inflation (I-factor) - Incentive (X-factor) + Revenue Growth Factor*
Revenue Growth Factor	Escalates revenue annually to increase Toronto Hydro's financial capacity to invest in capital and operations programs over the outer years of the rate period (i.e. 2026-29)
Inflation (I-Factor)	OEB methodology with a custom index for labour (*Conference Board of Canada Toronto Salary and Wages Index*)
Incentive (X-Factor)	Provides upfront benefits to customers (rate reduction) and the utility an opportunity to earn an incentive by achieving outcomes tied to metrics and targets on the 2025-2029 custom scorecard.
New Deferral and Variance Accounts	Growth Variance Account (*reconciles cost and revenue variances related to changes in demand*); Locates Variance Account (*reconciles cost variances related to Bill 93*)

RATE APPLICATION

PROJECT LIFECYCLE



APPENDIX

STRATEGIC PARAMETER: CAPITAL PROGRAM (CAPEX)

Note: the slides that follow are taken from the draft plan that underpinned the Customer Engagement survey.

SUSTAINMENT OBJECTIVES

PLAN OBJECTIVES & HIGHLIGHTS

- Maintain **overall health demographics** of the asset population in 2025-2029
- Ensure investment pacing contributes to **stable long-term investment profiles** (2030+) for all assets
- Adhere to previous commitments for **safety and environmental compliance activities** (e.g. PCBs by 2025; Box Conversion by 2026)
- Maintain recent historical **system reliability.**
- **Optimize the pace of renewal investment** from year-to-year (cost control) using improved **risk-based** decision-making tools.

Outcome.	Goal	2025-2029 Status Quo Option	2025-2029 Draft Plan	2025-2029 Enhanced Option
Total Expenditures*		$1,269.2	**$1,577.9**	$1,976.1
SAIFI	▶	🟡	🟢	🔵
SAIDI	▶	🟡	🟢	🔵
Assets Past Useful Life	▶	🔴	🟢	🔵
Asset Health	▶	🔴	🟢	🔵
Oil Spills cont. PCBs	▲	🟢	🟢	🟢
System Safety Risk	▲	🔴	🟢	🟢

**Total expenditures exclude allocations such as EAR & AFUDC*

- 🔵 *Exceed (improved)*
- 🟢 *Achieve (stable)*
- 🟡 *At Risk (caution)*
- 🔴 *Risk Realized*

GROWTH OBJECTIVES

PLAN OBJECTIVES & HIGHLIGHTS

- **Connect customers** efficiently and with consideration for a likely increase in connections volumes due to electrification
- **Expand stations capacity** to alleviate future load constraints, with consideration for increased EV uptake, decarbonization drivers, and other growth factors (digitization and redevelopment).
- **Optimize near-term system capacity** through load transfers, bus balancing, cable upgrades and the targeted use of non-wires alternatives such as demand response and energy efficiency.
- Alleviate constraints on restricted feeders to accommodate **increasing DER connections.**
- Install **control and monitoring capabilities** for all generators > 50kW
- Accommodate relocations for committed **third-party developments**, including priority transit projects

Outcome	Goal	2025-2029 Status Quo Option	2025-2029 Draft Plan	2025-2029 Enhanced Option
Total Expenditures*		$861.3	**$940.5**	$1,109.5
Load Capacity	▲	🔴	🟢	🟢
Hosting Capacity	▲	🟡	🟢	🟢
Obligation to Serve	▶	🟢	🟢	🔵
Operational Flexibility	▲	🟡	🟢	🟢

**Total expenditures exclude allocations such as EAR & AFUDC*

- 🔵 *Exceed (improved)*
- 🟢 *Achieve (stable)*
- 🟡 *At Risk (caution)*
- 🔴 *Risk Realized*

MODERNIZATION
OBJECTIVES

PLAN OBJECTIVES & HIGHLIGHTS

- Prioritize investments that will deliver demonstrable benefits to customers, especially enhancements that will **enhance value-for-money** in the long-term (i.e. efficiency)
- **Improve system reliability** through enhanced fault management, leveraging automation and advanced metering (AMI2.0)
- Enhance **system observability** across the system, enabling better asset management and operational decision making
- Leverage technology to **improve customer experience** (e.q. reliability, power quality, customer tools, DER integration)
- Enhance **resiliency** and **security** of the system through advanced grids, targeted undergrounding of critical overhead assets, and enhancements to distribution schemes for critical loads downtown.

Outcome	Goal	2025-2029 Status Quo Option	2025-2029 Draft Plan	2025-2029 Enhanced Option
Total Expenditures*		$427.3	**$518.6**	$715.5
SAIFI	▲	🟡	🟢	🔵
SAIDI	▲	🟢	🔵	🔵
Customer Experience	▲	🟡	🟢	🔵
System Observability	▲	🟡	🟢	🔵
Operational Flexibility	▲	🟡	🟢	🔵
System Resiliency	▲	🟡	🟢	🔵
Operational Efficiency	▲	🟢	🔵	🔵

**Total expenditures exclude allocations such as EAR & AFUDC*

- 🔵 *Exceed (improved)*
- 🟢 *Achieve (stable)*
- 🟡 *At Risk (caution)*
- 🔴 *Risk Realized*

GENERAL PLANT OBJECTIVES

PLAN OBJECTIVES & HIGHLIGHTS

Fleet & Facilities:

- Implement **Toronto Hydro's NZ40** strategy:
  - Achieve 80% buildings emissions reductions by 2040
  - Expand fleet electric vehicle charging infrastructure and electrify 40% of fleet by 2029
- Improve **stations site conditions and physical security** to meet legislative requirements (OBC, OHSA, CSF, etc.)
- Replace **critical** facilities assets in **poor** condition

IT/OT:

- Support Utility of the Future objectives re Grid Modernization, Process Automation & Customer Experience objectives
- **Minimize reliability and cybersecurity risks**
- Ensure IT **infrastructure is available and reliable** with minimal service disruption

Outcome	Goal	2025-2029 Status Quo Option	2025-2029 Draft Plan	2025-2029 Enhanced Option
Total Expenditures*		$480.8	**$613.4**	$665.3
Asset Condition & Reliability	▶	🔴	🟢	🔵
Emissions Reductions	▲	🟡	🟢	🔵
Security & Resiliency	▲	🔴	🟢	🟢
Grid Modernization	▲	🟡	🟢	🔵
Process Automation	▲	🟡	🟢	🔵
Customer Experience	▲	🟡	🟢	🔵

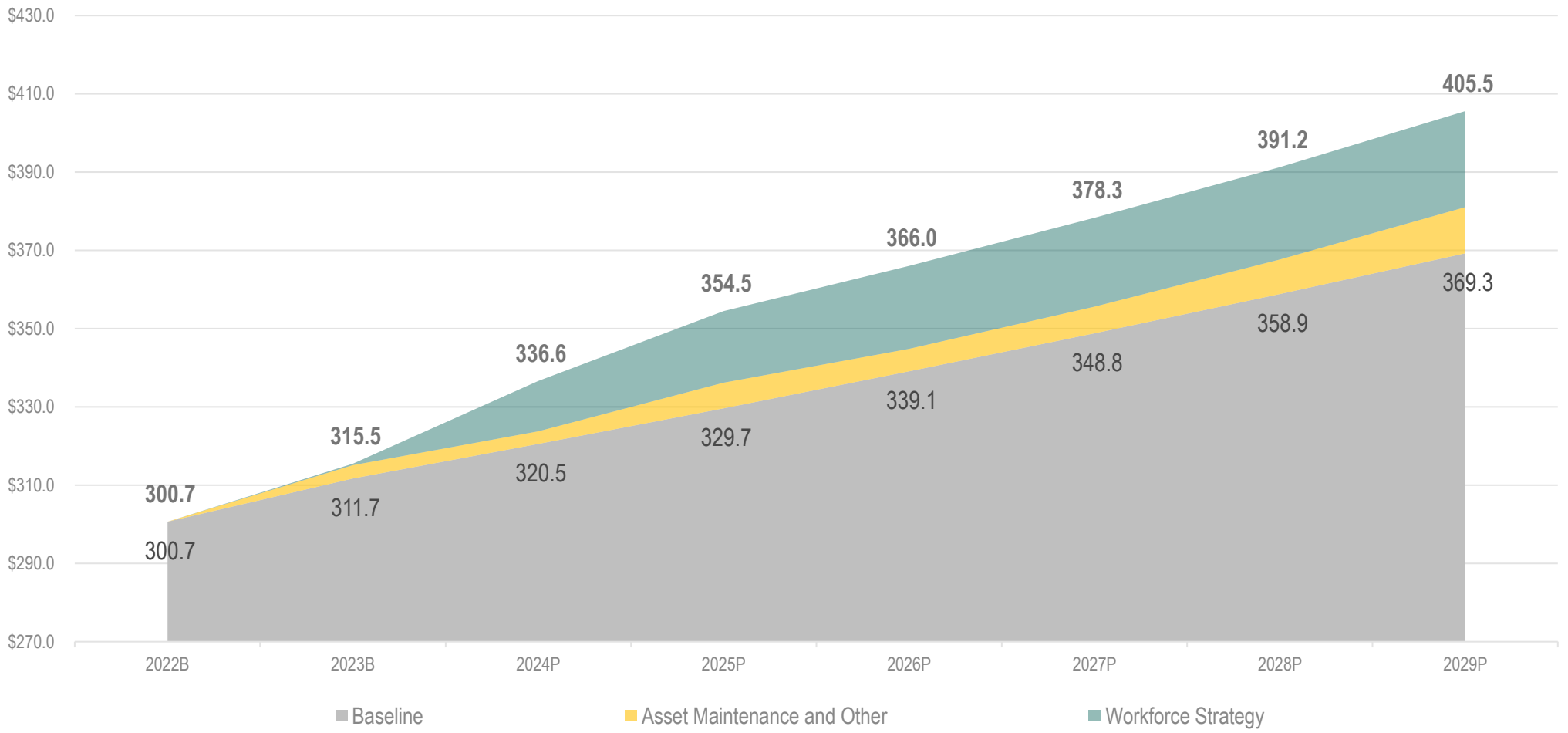
**Total expenditures exclude allocations such as EAR & AFUDC*

- 🔵 *Exceed (improved)*
- 🟢 *Achieve (stable)*
- 🟡 *At Risk (caution)*
- 🔴 *Risk Realized*

STRATEGIC PARAMETER:
OPERATIONS PROGRAM (OM&A)

Note: the slide that follow are taken from the draft plan that underpinned the Customer Engagement survey.

STRATEGIC PARAMETERS
OPERATIONAL PLAN



CUSTOMER ENGAGEMENT:

QUALITATIVE FEEDBACK (PHASE 1: NEEDS AND PRIORITIES)

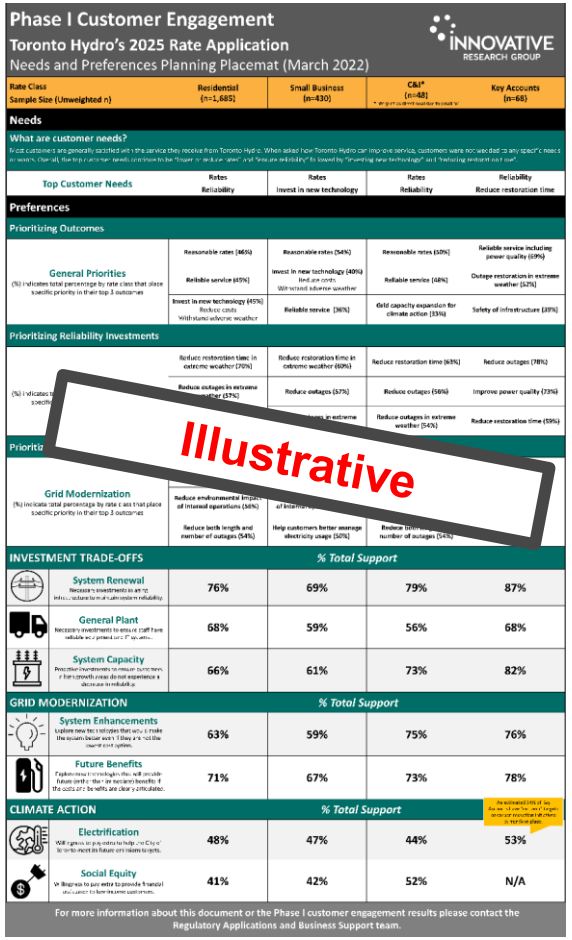
Note: the slides that follows is the feedback that customer provided Toronto Hydro before it developed its draft plan (Toronto Hydro later went back to customer with the draft plan to solicit customer feedback on it – see slide 14)

2025-2029 INVESTMENT PLAN

PHASE 1: NEEDS & PRIORITIES

Outcome		Customer Feedback
	Price & Reliability	Price and reliability are top priorities. Despite a continued emphasis on price, reliability is becoming more important to low-volume customers.
	New Technology	Support for investments in new technology even if the benefits aren't immediate, as long as the benefits and costs are clear.
	System Capacity	Support for proactive investments in system capacity infrastructure to ensure customers in high growth areas do not experience a decrease in reliability.

Customer Placemat


Phase I Customer Engagement
Toronto Hydro's 2025 Rate Application
Needs and Preferences Planning Placemat (March 2022)
INNOVATIVE RESEARCH GROUP
Illustrative
INVESTMENT TRADE-OFFS
% Total Support
System Renewal 76% 69% 79% 87%
General Plant 68% 59% 56% 68%
System Capacity 66% 61% 73% 82%
GRID MODERNIZATION
% Total Support
System Enhancements 63% 59% 75% 76%
Future Benefits 71% 67% 73% 78%
CLIMATE ACTION
% Total Support
Electrification 48% 47% 44% 53%
Social Equity 41% 42% 52% N/A
For more information about this document or the Phase I customer engagement results please contact the Regulatory Applications and Business Support team.

Toronto Hydro-Electric System Limited
EB-2023-0195
Interrogatory Responses
1A-CCC-01
Appendix C
UPDATED: March 21, 2024
(32 Pages)

CUSTOMER ENGAGEMENT & RATE APPLICATION UPDATE

August 16, 2023

Amanda Klein
EVP, External Affairs, Corporate Development & Chief Legal Officer

[redacted]

[redacted]

2025-2029 INVESTMENT PLAN

ENGAGEMENT PROCESS

1. Identify Customer Needs and Priorities

In 2021 and 2022, Toronto Hydro asked many types of customers from across the city about their priorities for electricity distribution service.

2. Use Customer Feedback to Guide Development of Plan

Toronto Hydro planners were given summaries of key findings from the initial customer engagement to consider as they began building their plans.

3. Collect Customer Feedback on the Draft Plan

Toronto Hydro is returning to customers to get feedback on aspects of their preliminary forecasted plan and ask customers how it's plan could better meet their needs and preferences.

4. Re-Examine Plan

Make appropriate changes to the Plan based on customer feedback.

5. Submit the Plan to the Ontario Energy Board

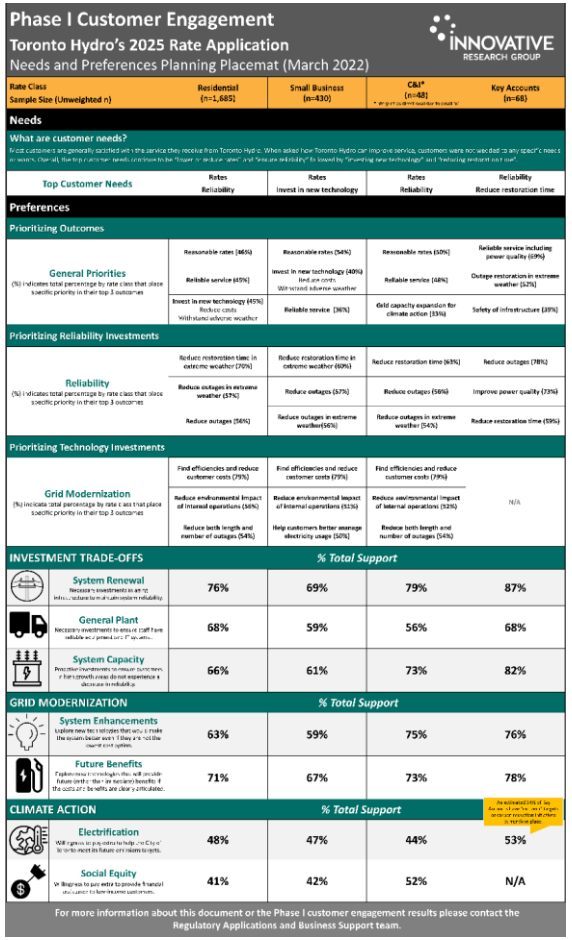
File the Plan, this workbook, and a summary report with the OEB where it will be examined by the OEB, consumer advocates, and other independent parties in a public hearing.

2025-2029 INVESTMENT PLAN

PHASE 1 ENGAGEMENT: NEEDS & PRIORITIES

Outcome	Customer Feedback
Price & Reliability	Price and reliability are top priorities. Despite a continued emphasis on price, reliability is becoming more important to low-volume customers.
Modernization & Automation	Support for investments in new technology even if the benefits aren't immediate, as long as the benefits and costs are clear.
Growth & Electrification	Support for proactive investments in system capacity infrastructure to ensure customers in high growth areas do not experience a decrease in reliability.

Customer Placemat



Phase I Customer Engagement
Toronto Hydro's 2025 Rate Application
Needs and Preferences Planning Placemat (March 2022)
INNOVATIVE RESEARCH GROUP

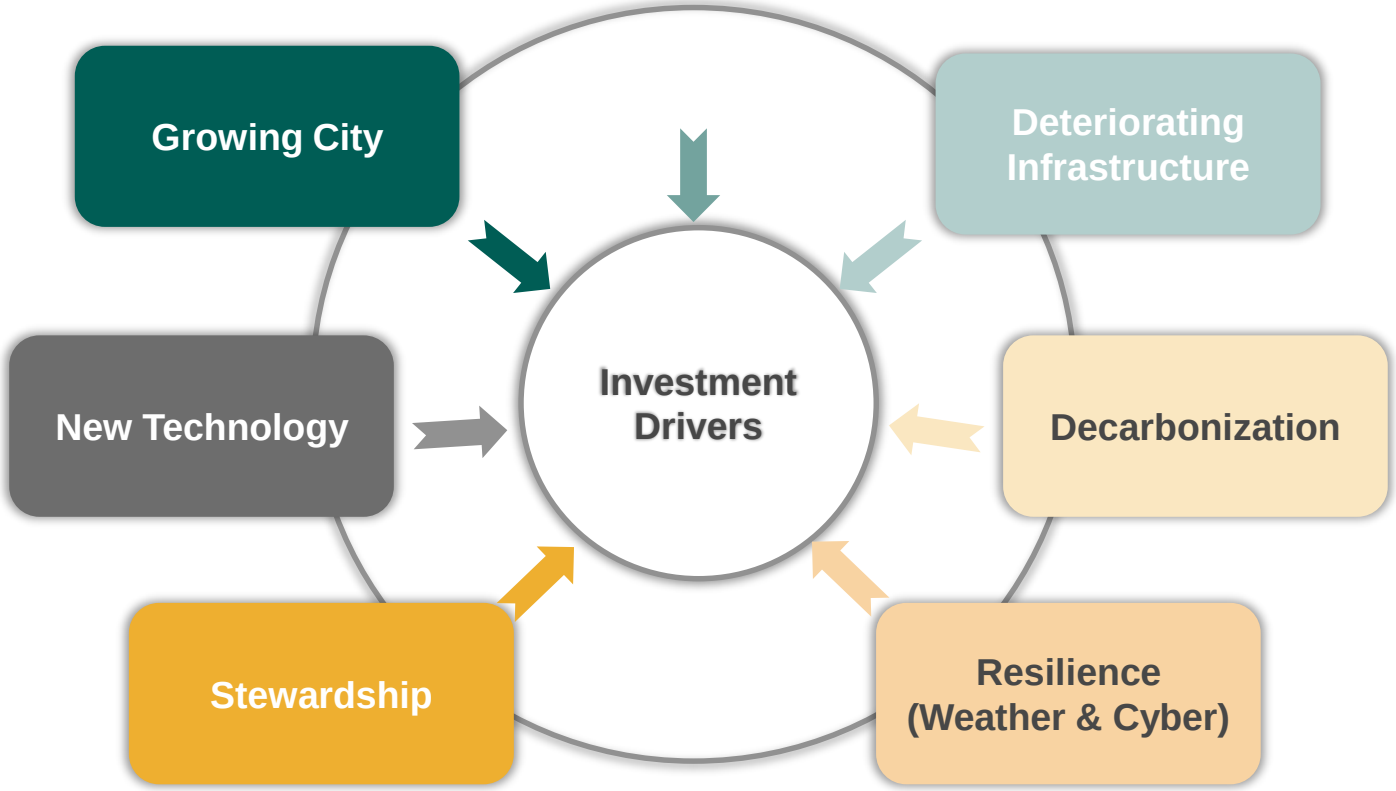
Rate Class / Sample Size (Unweighted n)	Residential (n=1,685)	Small Business (n=430)	C&I* (n=48)	Key Accounts (n=68)
Needs				
What are customer needs?				
Top Customer Needs	Rates Reliability	Rates Invest in new technology	Rates Reliability	Reliability Reduce restoration time
Preferences				
Prioritizing Outcomes				
General Priorities	Reasonable rates (86%) Reliable service (65%) Invest in new technology (45%) Reduce costs Withstand adverse weather	Reasonable rates (54%) Invest in new technology (40%) Reduce costs Withstand adverse weather Reliable service (36%)	Reasonable rates (50%) Reliable service (48%) Grid capacity expansion for climate action (33%)	Reliable service including power quality (69%) Outage restoration in extreme weather (52%) Safety of infrastructure (39%)
Prioritizing Reliability Investments				
Reliability	Reduce restoration time in extreme weather (70%) Reduce outages in extreme weather (57%) Reduce outages (56%)	Reduce restoration time in extreme weather (60%) Reduce outages (57%) Reduce outages in extreme weather (56%)	Reduce restoration time (63%) Reduce outages (56%) Reduce outages in extreme weather (54%)	Reduce outages (78%) Improve power quality (73%) Reduce restoration time (59%)
Prioritizing Technology Investments				
Grid Modernization	Find efficiencies and reduce customer costs (79%) Reduce environmental impact of internal operations (66%) Reduce both length and number of outages (54%)	Find efficiencies and reduce customer costs (79%) Reduce environmental impact of internal operations (61%) Help customers better manage electricity usage (50%)	Find efficiencies and reduce customer costs (79%) Reduce environmental impact of internal operations (52%) Reduce both length and number of outages (54%)	N/A
INVESTMENT TRADE-OFFS		*% Total Support*		
System Renewal	76%	69%	79%	87%
General Plant	68%	59%	56%	68%
System Capacity	66%	61%	73%	82%
GRID MODERNIZATION		*% Total Support*		
System Enhancements	63%	59%	75%	76%
Future Benefits	71%	67%	73%	78%
CLIMATE ACTION		*% Total Support*		
Electrification	48%	47%	44%	53%
Social Equity	41%	42%	52%	N/A

For more information about this document or the Phase I customer engagement results please contact the Regulatory Applications and Business Support team.

2025-2029 INVESTMENT PLAN

PHASE 2 ENGAGEMENT: WORKBOOK

- Introduction and Purpose of the Survey
- Overview of Ontario's Electricity System
- Bill Breakdown and 2025-2029 Rate Impacts
- 2025-2029 Investment Plan Overview
- Investment Needs, Options, Outcomes



2025-2029 INVESTMENT PLAN

PHASE 2 ENGAGEMNT: INVESTMENT OPTIONS

Draft Modernization Plan (16%)

- Build a Smarter, more Efficient and Resilient Grid

Draft Growth Plan (27%)

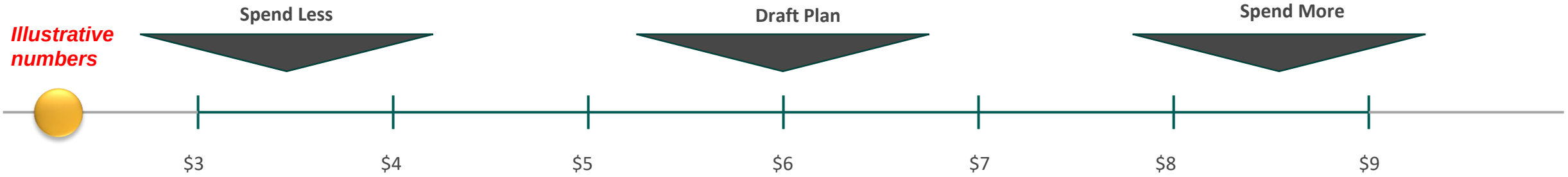
- Increase Capacity to Serve Customers

Draft Sustainment Plan (44%)

- Manage Reliability due to Equipment Failure
- Paced the Upkeep of Equipment at or near EOL
- Standardize Outdated Equipment

Draft General Plant Plan (13%

- Keep the Business Running
- Reduce Toronto Hydro's Building & Vehicle Emissions



2025-2029 INVESTMENT PLAN

PHASE 2 ENGAGEMENT RESULTS

Rate Class	2018 Participation Numbers	2018 Social Permission	2023 Participation Numbers	2023 Social Permission	2018 vs. 2023 Participation Numbers	2018 vs. 2023 Social Permission
Residential	10,765	71%	32,187	80%	199%	+9%
Small Business	396	55%	695	77%	76%	+22%
C&I	202	73%	264	82%	31%	+9%
Key Accounts	37	78%	52	96%	41%	+18%
Total	11,400	69%	33,198	84%	191%	+15%

RATE APPLICATION UPDATE

2025 RATE APPLICATION
JOURNEY TO FILING

Utility of the Future
Strategic plan for the organization

Climate Action Plan
Enabling electrification as the expanded distributor

Customer Engagement Phase 1 (Needs & Priorities)
Customer needs and priorities for the 2025-2029 planning period

Integrated Business & Investment Planning
2023-2029 Investment Plans (Workforce, OM&A, Capital)

Regulatory Strategy
Funding and flexibility to execute the 2025-2029 investment plan

Regulatory Landscape
Emerging OEB expectations and requirements for LDC performance (Activity & Program Based Benchmarking, Framework for Energy Innovation, Reliability & Power Quality Benchmarking, Distribution Sector Resilience, Responsiveness & Cost Efficiency)

Customer Engagement Phase 2 (Draft Plan)
Customer feedback on key trade-offs and social permission for the draft plan

2025-2029 Custom Incentive Rate Application
Performance incentives provide upfront benefits to customers (rate mitigation) and place the risk/reward emphasis on the delivery of performance outcomes.

We are here

GRID & OPERATIONS PLANS

2025-2029 INVESTMENT DRIVERS

Customer Engagement – Phase 1 Needs and Priorities

Price & Reliability	New Technology	System Capacity
Top priorities. Despite a continued emphasis on price, reliability is becoming more important to low-volume customers.	*Support for investments in new technology that will make the system better and reduce costs even if the benefits aren't immediate*	*Support for investments in system capacity infrastructure to ensure customers in high growth areas do not experience a decrease in reliability.*

System Stewardship: Grid & Operational Performance	Modernization	City Growth & Electrification
Continue to deliver safe and reliable/resilient service	Adopt technology to modernize our grid and operations	Connect and serve growing demand

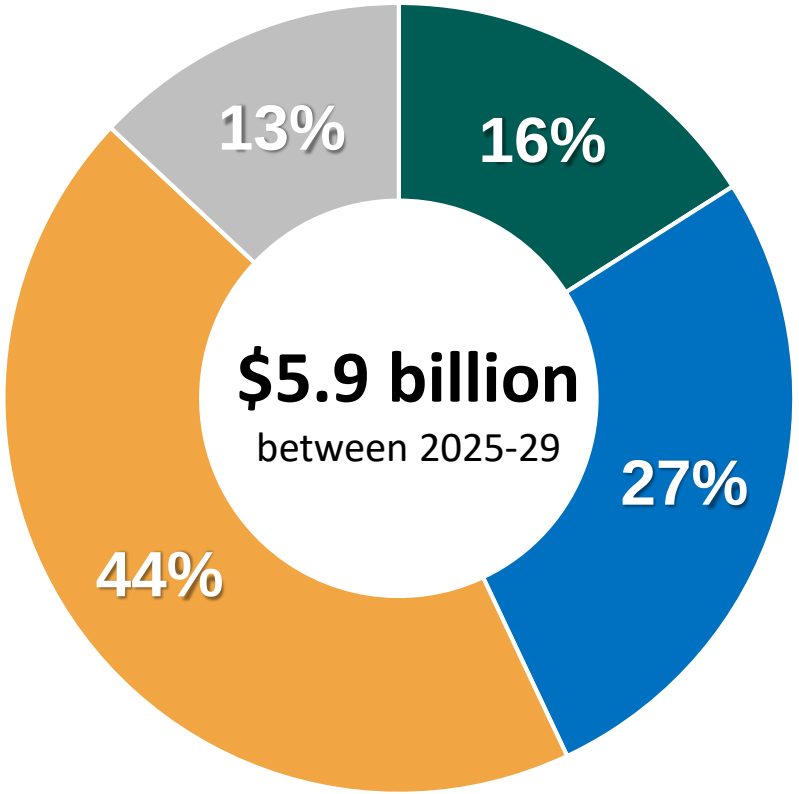
GRID & OPERATIONS PLANS
KEY INVESTMENT CATEGORIES

General Plant

Investments in vehicles, work centers and IT to keep the business running and reduce Toronto Hydro's emissions.

Modernization

Investments in technology to get more use out of existing equipment, and build a smarter, more efficient and reliable grid.



Sustainment & System Stewardship

Investments to upkeep old equipment that is in poor condition and replace outdated equipment.

City Growth & Electrification

Investments in capacity to power the growing city and serve customers' growing and changing needs for electricity.

BUSINESS PLAN & RATE APPLICATION
STRATEGIC PARAMETERS (APPROVED)

Capital Program

2025-2029 Capital Expenditures

$4.0B

Operational Plan

2025-2029 Operational Expenditures

$1.9B

Distribution Rates

2024-2029 Average Annual Residential Rate Increase (without rate smoothing)

7% CAGR

BUSINESS PLAN & RATE APPLICATION
STRATEGIC PARAMETERS (APPROVED)

Capital Program

2025-2029 Capital Expenditures

$3.9B

Operational Plan

2025-2029 Operational Expenditures

$1.9B

Distribution Rates

2024-2029 Average Annual Residential Rate Increase
(without rate smoothing)
~7.2% smoothed

~7% CAGR

RATE FUNDING FORMULA
HOW IT WORKS

Regulated Rate of Return

Value of Assets

Interest Expenses

Cost of Capital

Depreciation & Taxes (PILS)

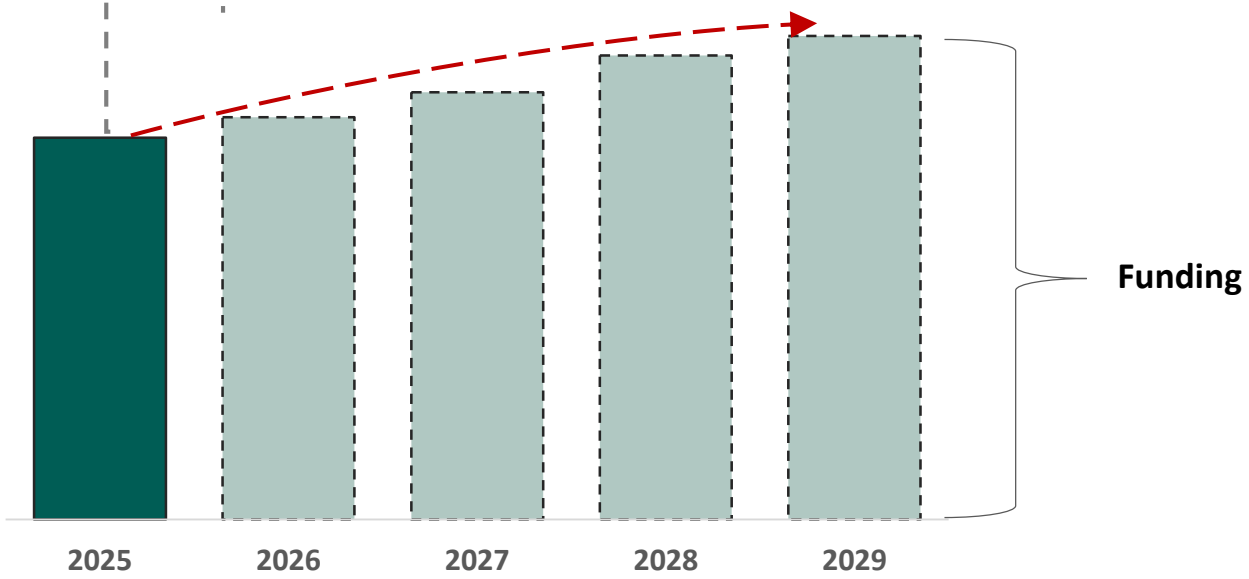
Operating Expenses

Revenue Offsets

Recoverable Revenues

Customer Rates

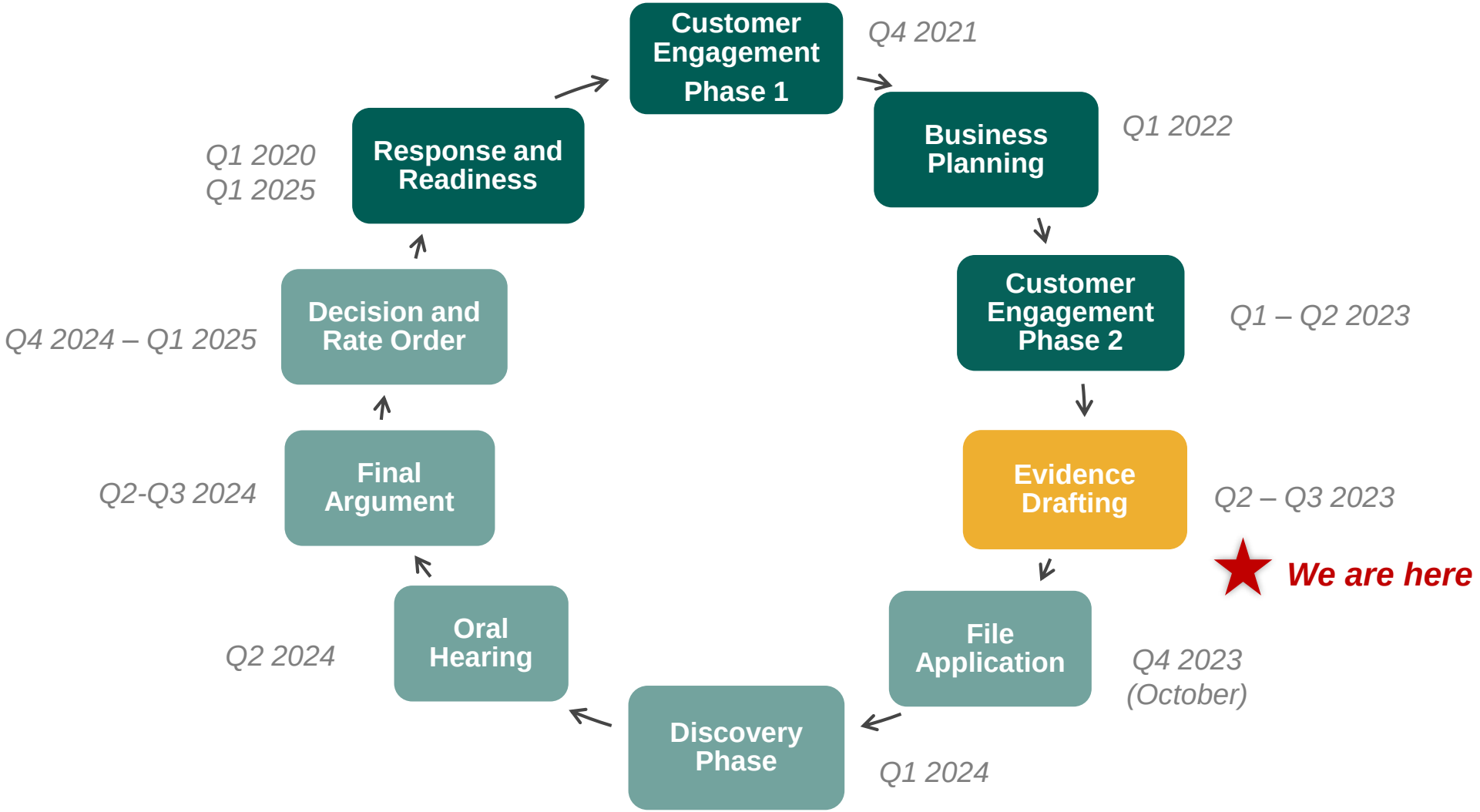
Prior Year Revenue × (Inflation Factor − X-Factor (Incentive) + Revenue Growth Factor)



2025-2029 RATE APPLICATION
CUSTOM RATE FRAMEWORK

Element	2025-2029 Custom IR Application
Custom Revenue Cap Index (CRCI)	Prior Year Revenue escalated by *Inflation (I-factor) - Incentive (X-factor) + Revenue Growth Factor (RGF)*
Revenue Growth Factor (RGF)	Escalates revenue annually to enable Toronto Hydro to deliver its capital and operations programs over the outer years of the rate period (i.e. 2026-29)
Inflation (I-Factor)	Based on standard OEB methodology with a custom Toronto-specific index for labour to reflect the cost pressures of attracting and retaining talent in a competitive urban environment.
Incentive (X-Factor)	Provides upfront benefits to customers (rate reduction) and the utility an opportunity to earn an incentive by achieving outcomes tied to metrics and targets on the 2025-2029 custom scorecard.
New Deferral and Variance Accounts	Demand Related Variance Account (*reconciles cost and revenue variances related to changes in customer demand*); Locates Variance Account (*reconciles cost variances related to Bill 93*)

RATE APPLICATION
PROJECT LIFECYCLE



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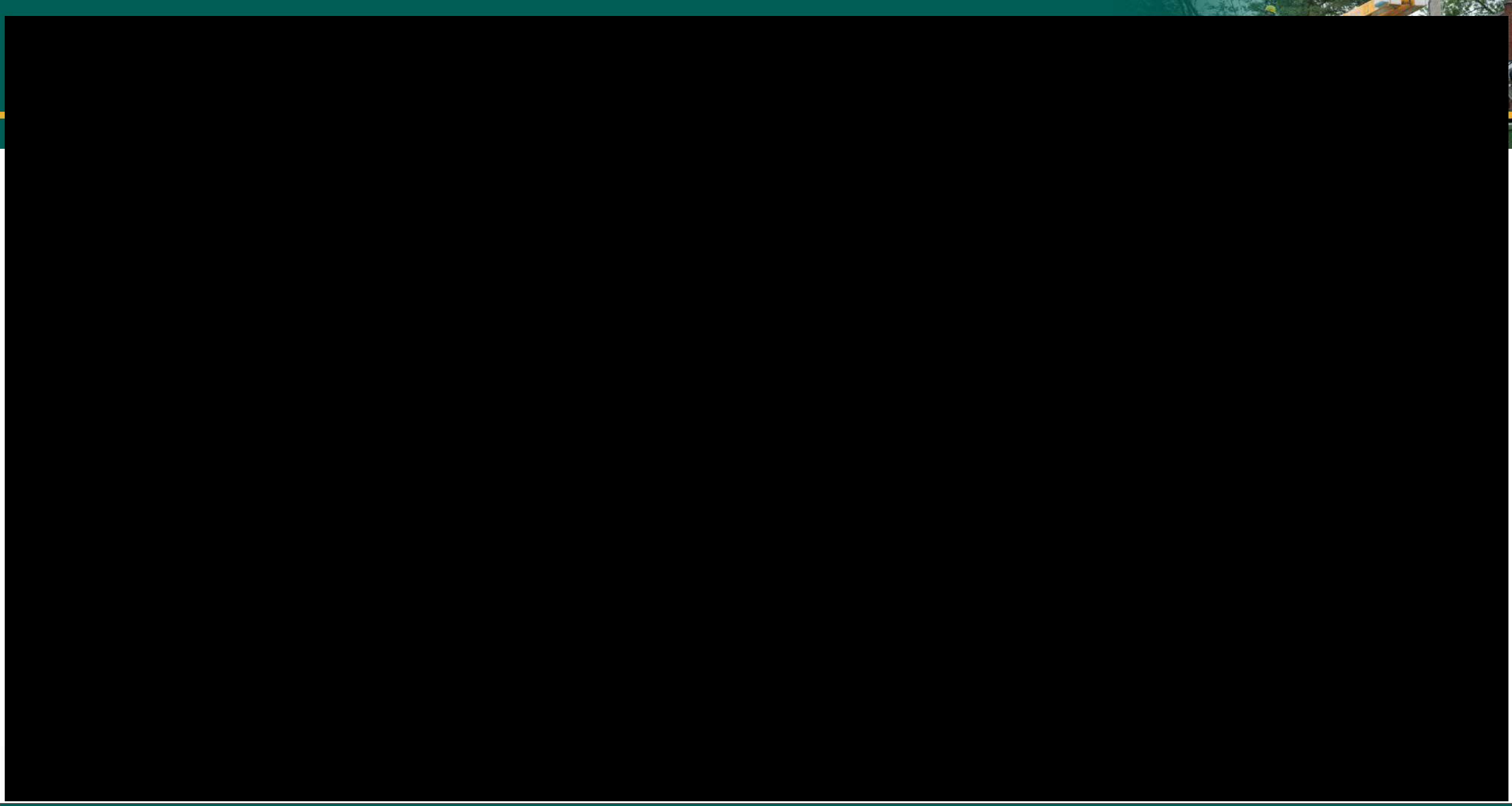

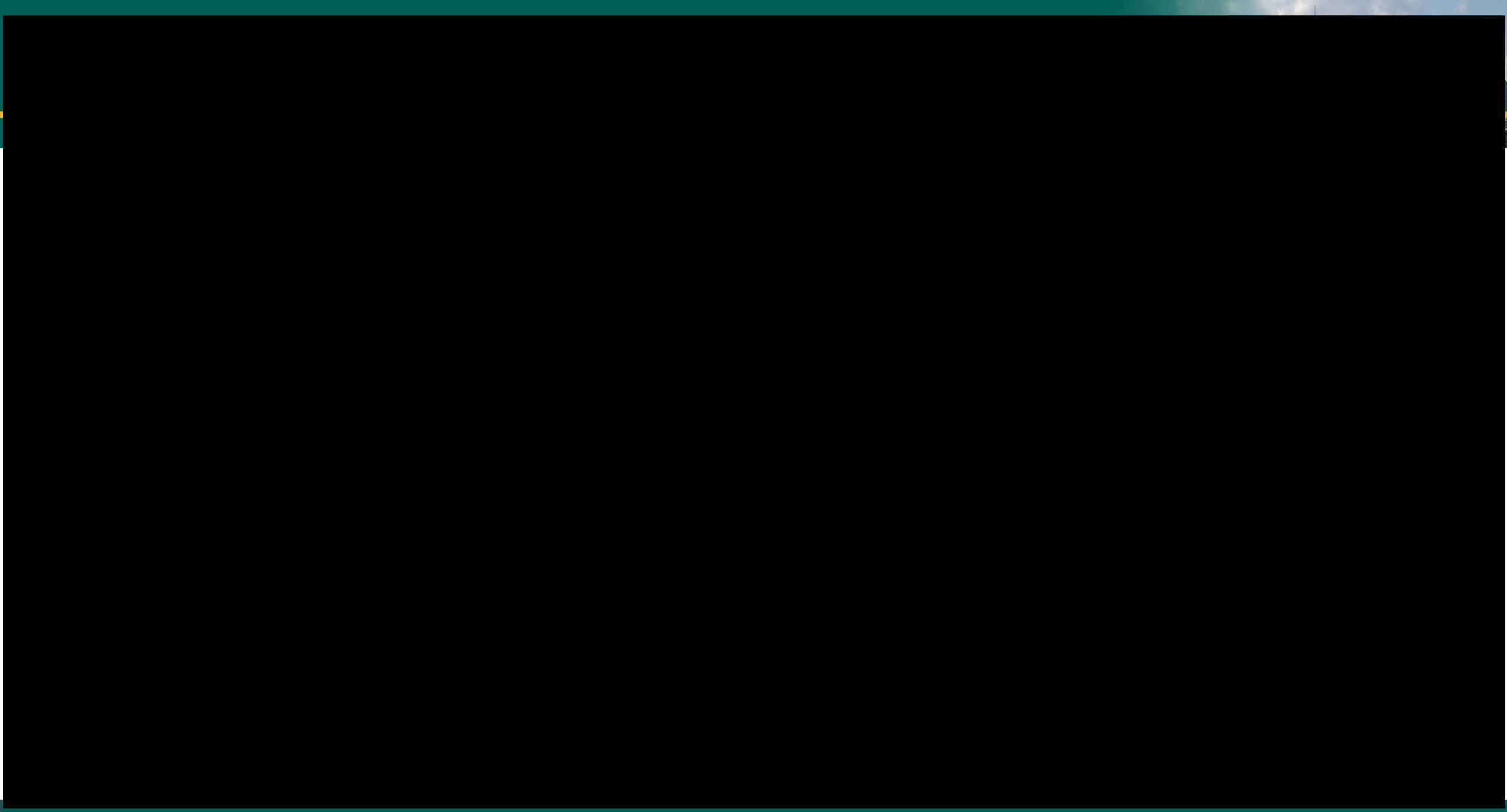

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 1A-CCC-2

Reference: Exhibit 1A

QUESTION (A) - (C) :

a) Please provide a complete list of all external consultants/lawyers Toronto engaged to assist it in the development of the Application and pre-filed evidence;

b) For each engagement please provide the nature of the work and the retainer and terms of reference;

c) Please provide the budgeted cost for the work for each engagement and the costs incurred to date. Please indicate how the costs are to be recovered;

RESPONSE (A) - (C):

The table below includes a list of all the consultants Toronto Hydro engaged to prepare expert evidence for this rate application, the costs incurred to date (as of year-end 2023), and notes whether the expert was engaged pursuant to an RFP. The total expected costs of the consultants depends on the work required by these third parties to answer interrogatories, and the extent to which the OEB and intervenors seek to have these third parties attend the hearing and be involved with other procedural steps in this application. With the exception of certain studies undertaken in the normal course of business, the cost of this work is managed through the consulting budget in Appendix 2-M and is to be recovered through the Regulatory Affairs segment of the Public, Legal and Regulatory Affairs program at Exhibit 4, Tab 1, Schedule 18. The budgeted costs for legal expenses are also set out in Appendix 2-M. Please refer to 1B-SEC-11 for retainers for external service providers engaged to prepare expert evidence.

Expert	Nature of Work /Evidence Reference	Evidence Reference	RFP	Actual Costs Incurred to Date (2023)
Innovative Research Group	Customer Engagement Study	Exhibit 1B, Tab 5, Schedule 1, App A	Yes	$760,661
Clearspring Energy Advisors	Total Cost and Reliability Benchmarking	Exhibit 1B, Tab 3, Schedule 3, App A	Yes	$588,536
	Load Forecast EV & DER Integration	Exhibit 3, Tab 1, Schedule 1, Appendix J	Yes	
UMS Group Inc.	Unit Cost Benchmarking	Exhibit 1B, Tab 3, Schedule 3, App C	No	$276,300
Scott Madden Associates	Rate Framework Review	Exhibit 1B, Tab 2, Schedule 1, Appendix A	Yes	$97,780 (USD)
Guidehouse	Lead/Lag Study	Exhibit 2A, Tab 3, Schedule 2	No	$92,000
Concentric Advisors	Financial Useful Lives	Exhibit 2A, Tab 2, Schedule 1, Appendix D	Yes	$225,857
EA Technology	Asset Condition Assessment (ACA) Review	Exhibit 2B, Section D4, Appendix C	No	$53,500 (USD)
Element Energy	Future Energy Scenarios	Exhibit 2B, Section D4, App B	Yes	$125,000[1]
Gartner Consulting	IT Cost & Maturity Benchmarking	Exhibit 2B, Section D8, App A	No	$137,500
Stantec	Climate Change Vulnerability	Exhibit 2B, Section D2, App A	Yes	$29,374
Mercer Canada	Compensation Benchmarking	Exhibit 4, Tab 4, Schedule 5	Yes	$79,999.75

QUESTION (D) :

Please explain, in detail, how Toronto Hydro determined which areas of the Application should be reviewed and validated by external experts;

[1] Toronto Hydro notes that the cost noted here is only for the preparation of the report. For details on the model development and implementation costs, please see Exhibit 2B-Staff-156.

RESPONSE (D):

Toronto Hydro used experience and professional judgment to determine which areas of the application would benefit from review and/or validation from external consultants. Factors included: guidance provided by the OEB in the RRF, the Handbook for Utility Rate Applications and the Filing Requirements; what may be helpful to the OEB in understanding and assessing Toronto Hydro's application; and precedent from prior proceedings. In addition, some studies were undertaken in the normal course of business and not for rate application business such as the Climate Change Vulnerability Assessment.

QUESTION (E) :

Did Toronto Hydro develop an overall budget for this external work. If so, please indicate what that budget was and how it was developed. If not, why not?

RESPONSE (E):

The current budget for this work is included in the updated Appendix 2-M (found at Appendix A to the response to Interrogatory 4-SEC-110). Please note that not all of the third-party studies and reports noted above formed part of this budget; some studies (e.g. Mercer Non-Executive Compensation and Benefits Review and Stantec Climate Change Vulnerability) were done within the normal course of business and are not reflected in the budget.

QUESTION (F) :

Please indicate whether each piece of work was subject to an RFP process. In those cases where there was no RFP please explain why.

RESPONSE (F):

Please refer to the table in the response to Part (a) – (c) above for a summary of which consultants were retained through an RFP Process. In respect of the consultants that were not:

- UMS Group Inc. was engaged due to its depth of experience and understanding of Ontario's regulated electricity sector, and its previous experience working with Toronto Hydro and other large Ontario distributors on unit cost benchmarking.
- Gartner Canada Inc. was engaged due to its previous experience working with Toronto Hydro on IT benchmarking and because the firm offers access to the world's largest data set for organizational IT spending and staffing.
- Guidehouse was engaged due to its depth of experience and understanding of Ontario's regulated electricity sector, and its previous experience performing lead-lag studies for Toronto Hydro in the 2015 and 2020 custom rate applications.
- EA Tech is the industry leader in Asset Condition Assessment (ACA) and has been supporting Distribution Network Operators in UK develop and implement a Common Network Asset Indices Methodology (CNAIM), which Toronto Hydro adopted and continues to implement. EA Tech was engaged due to its previous experience with Toronto Hydro's adoption of CNAIM, and due to their knowledge and expertise in this field.

QUESTION (G):

Did Toronto Hydro retain any external consultants and lawyers to undertake work related to the Application that has not been included with the Application and pre-filed evidence?

RESPONSE (G):

Anything not included in the Application and pre-filed evidence before the OEB does not form the basis of Toronto Hydro's proposal, is irrelevant and provides no probative value.

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 1A-CCC-3

Reference: Exhibit 1A

QUESTION:

Please provide all documents provided to employees related to the development of the Business Plan and budgets that form part of this Application.

RESPONSE:

Toronto Hydro respectfully declines to provide disclosure of the requested information on the basis that this information is irrelevant and provides no probative value to the OEB in deciding the issues in this proceeding. The information sought is contained throughout the evidence. The strategic direction adopted and provided in preparing the 2025-2029 capital and operational investment plans presented in this application is contained within the integrated business planning sections of Exhibit 2B, Section E2 at page 5 and Exhibit 4, Tab 1, Schedule 1 at page 24. Please also see Toronto Hydro's responses to: (i) 2B-SEC-32 for a chronology of the integrated planning process, (ii) 2B-SEC-33 for a description of the budget and price limits that the utility adopted to guide the planning process; and (iii) 4-CCC-58 for a description of the workforce planning aspects of the process.

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 1A-CCC-4

Reference: Exhibit 1A

QUESTION:

Please provide Toronto Hydro's most recent Business Plan. Please provide all Business Plans produced during the period 2020-2023.

RESPONSE:

The business plan that underpins this application is filed in the response to 1A-CCC-1. Toronto Hydro declines to provide the historical business plans (i.e. 2020-2022) as they are irrelevant and provide limited to no probative value in deciding the issues in this proceeding.

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 1A-CCC-5

References: Exhibit 1A, Tab 3, Schedule 1, Pages 4-7

Preamble:

"Toronto Hydro indicated that intervenors are asking the OEB panel to either make changes to generic policy through a particular utility's rate application or to fetter the discretion of a future panel. Toronto Hydro also submitted that its proposed ratemaking formula is structurally the same as the one approved in its 2015-2019 Custom IR proceeding. The OEB notes that the Custom IR approach taken has required extensive evidence and time to consider the details provided. Toronto Hydro is encouraged to consider an alternative approach in the future that might be more efficient in establishing the revenue requirement for the base year and following years as well as meeting OEB RRF objectives, and improving the balance of risk between customers and the utility. Toronto Hydro should not assume that future panels will continue to accept Toronto Hydro's current proposed Custom IR Framework."

QUESTION (A) AND (B):

a) Toronto Hydro sets out OEB directions specified in the 2020-2024 Decision. Does Toronto Hydro not consider the above a Direction from the OEB in the 20202-2024 Decision? If not, why not?

b) Please explain how its proposed plan is more efficient in establishing the revenue requirement for the base year and following years as well as meeting OEB RRF objectives and improving the balance of risk between customers and the utility.

RESPONSE (A) AND (B):

Please see Toronto Hydro's response to interrogatory 1B-SEC-10.

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 1A-CCC-6

References: Exhibit 1A, Tab 3, Schedule 1, Page 8

Exhibit 2B, Section E5.1

QUESTION:

Toronto Hydro proposes to increase its basic connection allowance for certain customer classes from $1396 to $3059. Please explain to what extent Toronto Hydro undertook customer engagement with respect to this change.

RESPONSE:

The basic connection allowance was not specifically identified in the customer engagement process. The proposal to increase the basic allowance, however, is consistent with customer priorities described in the Customer Engagement Report (Exhibit 1B, Tab 5, Schedule 1, Appendix A), including: ensuring reliable electrical service (e.g. updating the basic connection to current standards), and enabling customers to access electricity services (e.g. making new service connection more affordable). lease see Exhibit 2B, Section E5.1, page 20 for further details.

As per OEB's Distribution System Code ("DSC"), Section 2.4.8, Toronto Hydro will provide public notice of any approved change to the basic connection allowance as part of the implementation of the revision to Toronto Hydro's Conditions of Service.

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 1A-CCC-7

References: Exhibit 1A, Tab 3, Schedule 1, Appendix A

Toronto Hydro has set out in Appendix A summaries of the revisions to its Conditions of Service since its last rebasing.

QUESTION (A):

a) Please identify which of those changes apply to residential customers;

RESPONSE (A):

Table 1 below highlights changes that apply to residential customers:

Table 1 – Summary of Changes to Conditions of Service Applicable to Residential Customers

Rev.#	Effective Date	Section #	Section Title	Summary of Change/Rationale
Rev. 19	Jan 1, 2020	1.8	Disputes	Revised the website address that refers to the Dispute Resolution process, which is on Toronto Hydro's website.
		2.2	Disconnection	Added a statement that a customer must pay any outstanding arrears prior to the removal of Toronto Hydro equipment.

Rev.#	Effective Date	Section #	Section Title	Summary of Change/Rationale
		2.2.1	Disconnection and Reconnection – Process and Charges	Revised statements: - from "… a disconnect notice has been delivered to the Customer" to "… a disconnect notice has been received by the Customer", - from "… on the third business day after mailing." to "… on the third business day after the date on which the notice was printed.", and - customer must remedy the condition within "seven calendar days" to "a reasonable period". Added a statement not to disconnect an occupied residential property for non-payment during a Disconnection Ban Period.
		2.4.3	Deposits	Added a statement that a security deposit for a residential account may be waived where the customer enrolls in an equal monthly payment, provided that a deposit may otherwise be required as per the Distribution System Code.
		2.4.5	Payments and Overdue Account Interest Charges	Revised statements: - the interest rate used to determine any late payment charges, and - from "Pre-Authorized Payments" to "Pre-Authorized Debits". Added a statement that bills are to be paid in full within 20 days of the statement date.

Rev.#	Effective Date	Section #	Section Title	Summary of Change/Rationale
Rev. 19.1	Mar 1, 2020	2.2.1	Disconnection and Reconnection – Process and Charges	Revised statements: - the minimum payment period was amended as 14 calendar days from the date on which the disconnection notice is received before a customer can be disconnected for non-payment, and - where a disconnection notice was sent by mail, the period is to be revised to the fifth calendar day after the date on which the notice was printed. Added statements: - before issuing a disconnection notice for non-payment, an account overdue notice shall be delivered to the customer, and - the customer responsible for a disconnection may be charged for reconnection costs and reasonable costs for repairs of the distributor's physical assets attached to the property in reconnecting the property.
		2.4.3	Deposits	Revised statements: - the calculation method in determining the amount of an account security deposit, and - the minimum time period from "5 years" to "3 years" for good payment history for non-residential customers that have a demand less than 50 kW.

Rev.#	Effective Date	Section #	Section Title	Summary of Change/Rationale
		2.4.5	Payments and Overdue Account Interest Charges	Revised statements: - payment plans are available to customers, such that equal monthly payment plans are to be offered to residential customers and to general service less than 50 kW customers, and the equal monthly payment plans may not be offered under specified conditions, and - bills are to be paid in full within 24 days of the statement date.
Rev. 20	Jan 1, 2021	2.1.5	Relocation of Plant	Revised to reflect the OEB's new relocation cost recovery standard.
		2.2.1	Disconnection & reconnection	Revised to better align with the new Distribution System Code (DSC) disconnection and reconnection amendment.
		2.3.4.2	Supply Voltage	Revised to reflect the equivalent service sizes of the demand loads offered to Customers when supplied from secondary street circuits on road allowance.
		2.3.7.1	Metering - General	Added conditions in the section to give Toronto Hydro the right to operate on Customer-Owned switches when conducting meter work, and Toronto Hydro is not be liable for any damages or losses sustained resulting from inadequate maintenance of Customer-Owned equipment and infrastructure.
		2.4.3	Deposits	Revised the wording in the Conditions of Service to better align with the Distribution System Code (DSC) and clarify the time period over which a good payment history must be on file for waiving of new or increased deposit amounts.

Rev.#	Effective Date	Section #	Section Title	Summary of Change/Rationale
Rev. 21	Jan 1, 2022	2.2.1	Disconnection & Reconnection	Expanded the wording in the Disconnection & Reconnection – Process and Charges section to describe in greater detail the disconnection process that Toronto Hydro follows in accordance with the applicable regulatory requirements.
		2.3.4.2	Supply Voltage	Modified section 2.3.4.2 Supply Voltage to provide more detail with respect to available supply voltages.
		2.3.4.3	Supply Offerings	Introduced a new section entitled “Supply Offerings” to provide more detail regarding Toronto Hydro’s supply offering in the public road allowance and transformer offerings on private property.
		2.3.4.4	Number of Connections to Toronto Hydro Distribution System	Renumbered and renamed former section 2.3.4.3 to 2.3.4.4 “Number of Connections to Toronto Hydro’s Distribution System” and modified the revision to clarify Toronto Hydro’s policy with customer requests for diversity of supply.
		2.4.3	Deposits	For the purpose of satisfactory credit checks, revised the acceptable Equifax Credit commercial scores for Business customers to align with Equifax scoring for commercial customers. • Revised the wording to further clarify the requirements for a security deposit to be returned to the Customer or Consumer within six weeks of closure of Customer or Consumer’s account and when a Consumer or Customer moves from Standard Supply Service (“SSS”) to a competitive retailer where the retailer is performing the billing function (retailer consolidated billing), for all account types.

Rev.#	Effective Date	Section #	Section Title	Summary of Change/Rationale
		Tables 1 &2	Civil Ownership Demarcation Point	Merged Tables 1.1, 1.2, 1.3, 1.4 and 1.5 as Table 1 for ease of reference. • Specified the ownership demarcation point for civil infrastructure between the Customer and Toronto Hydro based on the customer class and supply method.
Rev. 22	Jan 1, 2023	1.7.3	Tree and Vegetation Management	Clarified Toronto Hydro and Customer's responsibilities with respect to tree trimming and vegetation management on both public road allowance and private property.
		2.2.1	Disconnection and Reconnection	Expanded the wording in the Disconnection & Reconnection – Process and Charges section to reflect Toronto Hydro's new policy of providing eligible low-income customers (ELIC) one free disconnection and reconnection in a rolling 12-month period.
		2.4.4.1	Rate Reclassification	Added a new section outlining Toronto Hydro's rate reclassification policy
		2.4.5	Payments and Overdue Account Interest Changes	Revised the provision to clarify the application of non-sufficient fund fees.
		Ref 6	Metering Requirements 750 Volts of Less – Toronto Hydro meter locations	Clarified Toronto Hydro's meter locations requirements.
Rev.23	Jan 1, 2024	1.4	Amendments and Changes	Updated the method of notifying Customers about Conditions of Service and Rates changes from notice by newspaper to notice by Toronto Hydro's website and social media platforms, as needed.

Rev.#	Effective Date	Section #	Section Title	Summary of Change/Rationale
		1.6	Customer Rights	Expanded wording to clarify Customer's rights when making use of Green Button's "Connect My Data" and "Download My Data" to access and download their usage data.
		1.7.3	Tree and Vegetation Management	Expanded wording to clarify the need for Customers to hire authorized persons, such as utility arborists, to perform the tree trimming on private property for their own safety, the safety of the public, and the safety of the distribution system.
		2.1.5	Relocation of Toronto Hydro-Owned Assets	Expanded wording to clarify the requirements for Toronto Hydro's relocation of Toronto Hydro-owned assets.
		2.3.6	Emergency Backup Generation Facilities	Clarified Toronto Hydro's emergency backup generation facilities requirements.

QUESTION (B):

b) For those that have changed please explain the rationale for the changes;

RESPONSE (B):

Please see response to part (a) of this interrogatory.

QUESTION (C):

c) Please explain the extent to which Toronto Hydro engaged its customers regarding those changes;

RESPONSE (C):

Per Distribution System Code 2.4.8, Toronto Hydro provided advanced public notice for a minimum period of 30 calendar days (typically from the end of October to mid-December, dependent on

customer billing dates) for any changes to its Conditions of Service. Public notice was communicated through bill inserts, the Toronto Hydro website, and social media. During this period, customers are provided the opportunity to ask questions and provide feedback, which is addressed prior to the Conditions of Service being published.

QUESTION (D):

d) Please explain the extent to which Toronto Hydro has communicated those changes to its customers.

RESPONSE (D):

Please see response to part (c) of this interrogatory.

QUESTION (E):

e) What relief in Toronto Hydro seeking with respect to its Conditions of Service through this Application?

RESPONSE (E):

Toronto Hydro does not seek relief with updates to the Conditions of Service. The Conditions of Service are updated to improve accuracy, clarity and to ensure alignment with applicable laws, codes, and regulations.

RESPONSES TO POLLUTION PROBE INTERROGATORIES

INTERROGATORY 1A-PP-1

References: Exhibit 1A, Tab 3, Schedule 1, Page 3

Preamble: THESL indicates that relative to the previous plan, this rate plan "Enhanced the capacity planning process consider electrification drivers and municipal energy plans in producing the system peak load forecast that underpins the 2025-2029 Investment Plan."

QUESTION (A):

a) Please describe what THESL has already completed (if anything) to enhance the capacity planning process to consider electrification drivers and municipal energy plans in producing the system peak load forecast that underpins the 2025-2029 Investment Plan.

RESPONSE (A):

Please refer to Exhibit 2B, Section D4 for a detailed description of the enhancements made to Toronto Hydro's capacity planning process to consider electrification drivers and the Municipal Energy Plans.

QUESTION (B):

b) Please explain why efforts over the current (2020-2024) rate term (and in preparation for this application) were not a sufficient foundation to prepare the Investment Plan, requiring incremental focus in the new rate period (2025-2029).

RESPONSE (B):

The statement that Toronto Hydro has not laid a sufficient foundation to prepare for the investment plan is incorrect. In preparation for the 2025-2029 rate application, it became necessary to focus on specific aspects of electrification. For additional details on electrification drivers, please see Exhibit 2B Section D4 "Capacity Planning, Growth & Electrification" pp. 1-2, and

Section D4.1.1 "System Peak Demand Forecast" pp.2-6. For additional details on system needs, please see Exhibit 2B, Section E7.4, Stations Expansion, which discusses needs beyond the 2025-2029 period requiring early action, consideration of short circuit capacity constraints, and alignment with recommendations from Regional Planning.

QUESTION (C):

c) The Investment Plan (and Distribution System Plan) underpin the THESL application for the 2025-2029 term. Please explain how the OEB can approve the application and related budgets at this time if there is incremental information that is not available at this point supporting investments that will be made over the 2025-2029 period?

RESPONSE (C):

Please refer to the evidence in Exhibit 1B, Tab 2, Schedule 1 starting on page 36 for an explanation of (i) the uncertainty factors that Toronto Hydro faces with respect to demand-related expenditures and revenues and (ii) the regulatory mechanism – known as the Demand Relative Variance Account, that Toronto Hydro proposes to manage these uncertainties in the next rate period and protect customers and the utility's ability to deliver the 2025-2029 Investment Plan objectives.

QUESTION (D):

d) Has THESL included opportunities to share (or leverage) investments from other stakeholders (including building owners, City of Toronto, industrial sites, etc.) on Distributed Energy Resources over the 2025-2029 Rate term. If no, please explain why not. If yes, please provide a summary, the process used and what results (cost avoidance and kW/kWh) are forecasted to be achieved.

RESPONSE (D):

Toronto Hydro has not entered into new DER ownership arrangements with third-parties in this rate-period and has not proposed such arrangements for 2025-2029. Toronto Hydro is focused on procuring DER services if and when such services can provide system benefit that is quantifiable

and credible as part of its Local Demand Response investments (Exhibit 2B, Section E7.2). Should an opportunity be identified in the future where such an arrangement would be cost-effective as compared to a conventional distribution system solution, Toronto Hydro will investigate the opportunity.

RESPONSES TO POLLUTION PROBE INTERROGATORIES

INTERROGATORY 1A-PP-2

Reference: Exhibit 1A, Tab 3, Schedule 1, Page 4

Preamble:

THESL indicates that it has "Enhanced the load forecast to consider electrification drivers and changes to the availability of conservation and demand management ("CDM") savings in producing the revenue forecast that underpins to 2025-2029 rates"

QUESTION (A):

a) Please provide what CDM results THESL will have achieved by end of the 2024 rate term against the total achievable CDM results and what potential remains, by sector if possible

RESPONSE (A):

Please refer to Exhibit 9, Tab 2, Schedule 3 and 9-Staff-354 which indicates CDM results THESL has achieved as part of LRAMVA by 2024.

QUESTION (B):

b) Please indicate what CDM results (total and incremental to those forecasted to the end of the current rate plan) are forecasted to be achieved by year of the 2025-2029 rate plan. Please indicate what portion of the total potential achievable CDM results that will represent.

RESPONSE (B):

The Province's CDM Framework for 2025-2029 is not yet finalized. Since 2019, the role for LDCs in CDM has reduced significantly relative to prior periods. Accordingly, in this Application, Toronto Hydro is not forecasting LDC-led savings as part of CDM Framework during the 2025-2029 period.

QUESTION (C):

c) Please explain why only CDM is included in the above noted item and not the broader scope of DER.

RESPONSE (C):

The reference to "electrification drivers" includes DERs. Toronto Hydro includes DER impacts in its load forecast. Please refer to Exhibit 3, Tab 1, Schedule 1, Appendix J for a description of the integration of DER impacts into the load forecast.

RESPONSES TO POLLUTION PROBE INTERROGATORIES

INTERROGATORY 1A-PP-3

Reference: DER definition from National Standard Practice Manual – NESP (nationalenergyscreeningproject.org)

Distributed Energy Resources (DERs) are resources located on the distribution system that are generally sited close to or at customers' facilities. DERs include EE, DR, DG, DS, EVs, and increased electrification of buildings. DERs can either be on the host customer side of the utility interconnection point (i.e., behind the meter) or on the utility side (i.e., in front of the meter). DERs are mostly associated with the electricity system and can provide all or some of host and/or support the utility system by reducing demand and/or providing supply to meet energy, capacity, or ancillary services (time and locational) needs of the electric grid.

QUESTION (A) :

Please provide the definition of DER that THESL is using.

RESPONSE (A):

Toronto Hydro defines Distributed Energy Resource Requirements under Section 1.1 of the Toronto Hydro Conditions of Service Reference 3, revision #7 January 1, 2024. A distributed energy resource (DER) "is any source of electric power that is connected to the distribution grid of a Local Distribution Company (LDC) that distributes electrical power to Customers and Consumers. A DER operator shall be a Customer, Consumer or Supplier within the Toronto Hydro service area which is generating electricity for exporting power to the Toronto Hydro distribution grid or to displace their own load"[1].

[1] https://www.torontohydro.com/documents/d/guest/reference-3-distributed-energy-resource-requirements

QUESTION (B) :

Regulatory initiatives including the Future for Energy Innovation have leveraged the NSPM for DER best practice information and approach. Please indicate what variance (if any) there is between the NSPM definition for DERs, what THESL is using and the potential impact (e.g. are some categories of DER excluded).

RESPONSE (B):

Toronto Hydro's definition of DERs defined in a) above is consistent with the concept of distributed generation by NESP. Concepts like EV's are currently considered as a load and are excluded from the DER definition (although this can change as applications like vehicle-to-grid mature).

RESPONSES TO POLLUTION PROBE INTERROGATORIES

INTERROGATORY 1A-PP-4

Reference: Exhibit 1A, Tab 3, Schedule 1, Appendix A

"Customers having a non-coincident peak demand equal to or greater than 5 MW shall be charged their share of the capital contribution for a new or modified transmitter-owned connection facility."

QUESTION (A):

a) Please explain how the Capital Contribution Policy change would impacts customers (in whole or part) planning to install DERs that could benefit the system.

RESPONSE (A):

The changes to section 2.1.2.2 of Toronto Hydro's Conditions of Service identified in Revision #19 effective January 1, 2020 reflected the enactment of Distribution System Code ("DSC") sections 3.2.4A and 3.6.1 as the result of the EB-2016-0003 consultation. In Toronto Hydro's assessment, the relevant changes do not have any specific impact upon customers planning to install distributed energy resources ("DERs").

QUESTION (B):

b) Please explain if this Capital Contribution Policy change is applied broadly regardless of the whether a customer (in whole or part) is planning to include or add a DER that could benefit the system.

RESPONSE (B):

Toronto Hydro applies the DSC requirements which triggered the Revision #19 updates to the utility's Conditions of Service and capital contribution policy in accordance with the scope set out in those requirements. Toronto Hydro also notes that the DSC prescribes the application of Chapter 3

cost responsibility requirements to all generation facilities, including storage facilities, connecting to a distributor's distribution system.[1]

QUESTION (C):

c) Please explain how this Capital Contribution Policy change aligns with the approach being developed for the OEB BCA Framework.

RESPONSE (C):

As noted in subpart (a), the historical changes to Toronto Hydro's capital contribution policy and associated Conditions of Service provisions in Revision #19 shown in Exhibit 1A, Tab 3, Schedule 1, Appendix A were triggered by DSC amendments resulting from EB-2016-0003 in 2018 and 2019, which precede the OEB's Benefit-Cost Analysis ("BCA") Framework consultation launched on September 20, 2023 by several years. Toronto Hydro is monitoring the BCA Framework consultation for any outcome that may require the utility to make future changes to its policies.

QUESTION (D):

d) Please explain how (if at all) THESL policies and charges encourage customers to include DERs that could provide benefits to the system and how those will be managed during the 20205-2029 rate term to unlock those system benefits.

RESPONSE (D):

Please see the Exhibit 2B, Section E7.2.1 for a description of Toronto Hydro's Flexibility Services segment, including a proposal to procure up to 30 MW of demand response capacity and Toronto Hydro's Benefit Stacking Transmission and Distribution Pilot ("Benefit Stacking Pilot") at pages 12-13. The Benefit Stacking Pilot project explores how customer-owned DERs can provide services to

[1] Distribution System Code (August 2, 2023), s. 6.2.31.

both the distribution grid and transmission/bulk system using an efficient single pathway that works with existing market mechanisms.[2]

[2] The Benefit Stacking Pilot is supported by the IESO's Grid Innovation Fund and the OEB's Innovation Sandbox. Toronto Hydro has partnered with Power Advisory LLC and Toronto Metropolitan University's CUE for the project.