



BY EMAIL and RESS

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2300 Yonge Street
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April 25, 2024
Our File: EB20230195

Attn: Nancy Marconi, Registrar

Dear Ms. Marconi:

Re: EB-2023-0195 – Toronto Hydro 2025-2029 – Motions Hearing

We are counsel to the School Energy Coalition (“SEC”). Pursuant to Procedural Order No. 4, below is a list of interrogatories which SEC will address at the Motions Hearing, and the rationale for why the requested information is relevant and should be produced¹ by Toronto Hydro-Electric System Limited (“Toronto Hydro”).

1. Interrogatory 2B-SEC-57 (Capital Expenditure Internal Budgets)

SEC requested in Interrogatory 2B-SEC-57 a revised version of Appendix 2-AA that would show Toronto Hydro’s annual internal budgeted (as opposed to actuals) capital expenditures for each year between 2020 and 2024. Toronto Hydro refused to provide the information on the basis that, in their view, it was not relevant, as all that is relevant is a comparison to the OEB-approved amounts.² SEC submits that the information is relevant to understanding how Toronto Hydro planned to execute its capital program in any given year. Insofar as its annual internal budget (as opposed to simply its actuals) differs from the OEB-approved budget, either at the category or program level, the internal budget information is important to understanding how it revised its plan each year as circumstances changed.³ It also provides insight into how Toronto Hydro managed within that budget. This is relevant to assessing the prudence of the additional \$130M it spent (or plans to spend) between 2020-2024 over and above what the OEB-approved.⁴

¹ [Rules of Practice and Procedure](#), Rule 27.01

² 2B-SEC-57 (Appendix A). SEC followed up at the Technical Conference where the refusal was maintained (Technical Conference Transcript Day 1, p.39-43).

³ See for example, Exhibit 2B-E4, Table 2, where there was a significant shift in spending as compared to OEB approved to the system access category.

⁴ Exhibit 2B-E4, Appendix 2-AB.

2. Interrogatory 4-SEC-90 (OM&A Internal Budgets)

In Interrogatory 4-SEC-90, SEC requested a revised version of Appendix 2-JA that would show Toronto Hydro's annual internal OM&A budget (as opposed to actuals) for each year between 2020 and 2024. Toronto Hydro refused on the basis that it has provided sufficient information for the OEB to decide the issues in the proceeding.⁵ Compared to its two previous Custom IR applications, where a base year OM&A was determined and then escalated as part of the Custom Price Cap Index, Toronto Hydro is seeking specific approval for five years of OM&A expenses.⁶ There is no multi-year history of approved OEB amounts to assess how Toronto Hydro's OM&A performs against a budget either at the total, category, or program level. The 2020-2024 OM&A internal budget is relevant to allowing parties to assess whether its proposed 2025-2029 budget can be relied upon and its ability to execute its spending within budget. The OEB has previously found that internal budget information is relevant in assessing spending going forward and ordered such information to be provided when resisted by a utility.⁷

3. Interrogatory 1B-SEC-5 (2021 Utility Grid Modernization Benchmark Study)

In Interrogatory 1B-SEC-5⁸, SEC requested copies of benchmarking information not already included in the Application that directly, or indirectly, relates to material aspects of Toronto Hydro's business. One of the responsive benchmarking studies, a 2021 Utility Grid Modernization Benchmark Study prepared by Accenture, Toronto Hydro has refused to produce. In a letter dated March 21st, Toronto Hydro explained that Accenture has not provided consent to disclose the document, as it itself requires consent from the third-party utility that commissioned the study, which it has not received.⁹ Toronto Hydro does not challenge the relevance of the document, only that it cannot provide it because of the terms of an agreement it has with Accenture as a condition of participation.¹⁰ The OEB has repeatedly and consistently found that confidentiality and non-disclosure agreements with third parties are not a valid basis for non-production of relevant documents.¹¹ The existence of a confidentiality agreement may be relevant to the issue of confidentiality pursuant to the *Practice Direction on Confidential Filings*, but it is not relevant to the requirement to disclose relevant information to the OEB and intervenors.

4. Interrogatory 1B-SEC-6 (Budget Guidance Documents)

In interrogatory 1B-SEC-6, SEC requested "cop[ies] of all budget guidance documents that were issued regarding the budget that underlie the application."¹² The response points readers to 1A-CCC-3, where a somewhat similar request was made, to which Toronto Hydro refused.¹³ In that response,

⁵ 4-SEC-90 (Appendix B). SEC followed up at the Technical Conference where the refusal was maintained (Technical Conference Transcript Day 3, p.162-163).

⁶ Exhibit 1B-2-1, p.5

⁷ [Decision and Order on Confidentiality and Motion \(EB-2013-0416\), August 25, 2014](#), p.6

⁸ 1B-SEC-5 (Appendix C)

⁹ [Toronto Hydro Letter Re: Updates and Table of Concordance for Confidential Treatment of Interrogatory Responses March 21, 2024](#), p.2

¹⁰ Technical Conference Transcript Day 3, p.154-156

¹¹ See [Procedural Order No.3, \(EB-2020-0007\), February 19, 2021](#), p.2; [Motion Hearing Transcript \(EB-2022-0200\), April 13, 2024](#), p.50-51 ; [Decision and Order on Confidentiality and Motion \(EB-2013-0416\), August 25, 2014](#), p.5; [Procedural Order No.4 \(EB-2013-0115\), March 19, 2014](#), p.3; [Decision on Phase 1 Partial Decision and Order: Production of Documents \(EB-2011-0140\), June 14, 2012](#), p.3; [Motion Hearing Transcript \(EB-2012-0031\), October 23, 2012](#), p.28 [Decision on Confidentiality \(EB-2011-0123\), August 19, 2011](#), p.3; [Decision and Order on Motion of Motion \(EB-2014-0116\), February 11, 2015](#)

¹² 1B-SEC-6 (Appendix D)

¹³ 1A-CCC-03 (Appendix E). SEC followed up at the Technical Conference where the refusal was maintained (Technical Conference Transcript Day 3, p.156).

Toronto Hydro notes that the information is irrelevant and not probative. It also points to specific references in the evidence where it provides a summary of parts of the planning process. SEC requests that the specific guidance provided to the company regarding the underlying budgets is both relevant and probative, there is almost certainly no prejudice in providing the information. A summary of its budget process, while useful, is not a substitute for understanding the specifics of what it directed its various business units, and often the specific assumptions contained within. SEC notes that this information is readily provided by other utilities in major complex rate applications. In both the recent Enbridge Gas¹⁴ and Hydro One applications¹⁵, the utilities provided full responses when asked a similar interrogatory. In the most recent Ontario Power Generation Custom IR application, recognizing the importance of the information, it provided a copy of their lengthy budget guidance document in its pre-filed evidence.¹⁶

5. Interrogatory 1B-SEC-20a (PIM Measures Considered)

Toronto Hydro has proposed a Performance Incentive Mechanism (“PIM”) as part of its rate framework. A core aspect of the PIM is a scorecard with 12 specific measures with targets.¹⁷ In interrogatory 1B-SEC-20a, SEC requested details of “all Performance Incentive Measures that Toronto Hydro considered, but ultimately rejected.” Toronto Hydro refused on the basis that measures considered and not put forward as part of its proposed score are not relevant in assessing the merits of the actual measures proposed.¹⁸ The PIM is a novel component regulatory framework. SEC seeks to better understand and explore with Toronto Hydro in this proceeding why it chose the specific measures it did, and to be meaningful, it is important to understand the ones it did not include, and why. The assessment of alternative is an important and common way for the OEB to adjudicate the reasonableness of a specific proposal. Toronto Hydro’s application is filed with evidence of alternative options it considered and rejected.¹⁹ SEC seeks no reason why this information is any different.

Yours very truly,
Shepherd Rubenstein P.C.

Mark Rubenstein

cc: Brian McKay, SEC (by email)
Toronto Hydro and intervenors (by email)

¹⁴ EB-2022-0200, I.1.2-SEC-78

¹⁵ EB-2021-0110, I-22 A-SEC-7

¹⁶ EB-2020-0290, A2-2-1, Attachment 2

¹⁷ Exhibit 1B-3-1, p.7

¹⁸ 1B-SEC-20a (Appendix F). SEC followed up at the Technical Conference where the refusal was maintained (Technical Conference Transcript Day 3, p.162-163).

¹⁹ For example, each capital program included in Exhibit 2B, Section E includes an “Options Analysis”.

APPENDIX

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RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES

INTERROGATORY 2B-SEC-57

Reference: Exhibit 2B, Section E4, Page 7

Please provide a revised version of Appendix 2-AA, that shows Toronto Hydro’s annual internal budget (as opposed to the OEB approved budget) for each year between 2020 and 2024.

RESPONSE:

Toronto Hydro declines to provide the requested information on the basis that it is not relevant and does not have probative value in deciding how the utility performed relative to the plan in the last application. The relevant information is provided in the table referenced by the question, which includes a comparison of the 2020-2024 plan, which was approved by the OEB on an envelope basis, as well as the actuals and forecasts for the same period by investment category. Toronto Hydro believes that this information is comprehensive, consistent with Filing Requirements, and appropriate for the OEB to evaluate the utility’s execution of the 2020-2024 plan.

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RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES

INTERROGATORY 4-SEC-90

Reference: Exhibit 4, Tab 1, Schedule 1, Appendix J-C

Please provide a revised version of Appendix 2-JC, that shows Toronto Hydro’s annual internal budget for each year between 2020 and 2024.

RESPONSE:

Toronto Hydro declines to provide the requested information on the basis that it is irrelevant and provides no probative value to the application. The relevant financial information has been provided throughout the pre-filed evidence, in accordance with the OEB’s filing requirements. Toronto Hydro believes that the evidence (including the IR responses) provides comprehensive and sufficient financial information about the historical years (2020-2022) and bridge years (2023-2024) for the OEB to decide the issues in this proceeding.

1 **RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES**

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3 **INTERROGATORY 1B-SEC-5**

4 **Reference: Exhibit 1B**

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6 **QUESTION:**

7 Please provide a copy of all third-party benchmarking analyses, studies, reports, and/or similar
8 documents, undertaken for, by, or that include Toronto Hydro, since 2020, that are not already
9 included in this application, regarding any aspect that directly or indirectly relates to a material
10 aspect of Toronto Hydro’s budget or aspect of its business.

11
12 **RESPONSE:**

13 Please see the table below for a list and description of the requested information. Toronto Hydro is
14 filing the following reports as appendices to this response.

15

Third-Party Benchmarking	Description	Appendix
THESL Fleet Benchmarking Findings and Recommendations	METSCO performed an industry research scan to help THESL determine how its indicators compared to other electric utilities across North America as well as determine if there are any additional metrics it should be tracking.	A
THESL Fleet EV Benchmark Addendum	June 2023 Addendum completed by METSCO of THESL’s fleet benchmarking.	B
Toronto Hydro - Executive Compensation Review Summary Results	Mercer (Canada) Limited assessed the competitiveness of Toronto Hydro’s executive compensation.	C

Third-Party Benchmarking	Description	Appendix
SGIN-Utility-Scorecard-Results_2023-12-19	Smart Grid Innovation Network (SGIN) smart energy bookmarking initiative benchmarked 12 electric utilities' current state (baseline year 2021) in the clean energy transition.	D

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Toronto Hydro is in the process of obtaining disclosure consent from the third parties that authored the reports referenced below, and will file the reports as appendices to this response as soon as reasonably possible.

Third-Party Benchmarking	Description
2021 Utility Grid Modernization Benchmark Study	Accenture developed a benchmarking study for another utility to understand the current grid modernization maturity landscape. As a participant in the benchmarking study, Toronto Hydro received a copy of the report.
Grid Modernization Benchmarking Results	Accenture developed a benchmarking study for another utility to understand the current grid modernization maturity landscape. As a participant in the benchmarking study, Toronto Hydro received a copy of the report and Toronto Hydro's responses to the survey.
Final Report May 2022 Toronto Hydro Fleet Vehicle Key Metric Benchmarking Study	Fleet Challenge Canada Inc. completed a fleet vehicle key metric benchmarking study to explore new and additional key metrics to accelerate, expand and build on Toronto Hydro's capacity to measure the performance of its fleet.
THESL Auto FLISR Assessment – Presentation	TRC Companies, Inc. completed an assessment to identify key aspects, risks and mitigations for fault location, isolation, and service restoration (FLISR), with a final report and presentation.
THELS Auto FLISR High-Level Assessment	TRC Companies, Inc. completed an assessment to identify key aspects, risks and mitigations

Third-Party Benchmarking	Description
	for fault location, isolation, and service restoration (FLISR), with a final report and presentation.
Toronto Hydro ESG Disclosure Maturity Assessment	PwC Canada conducted a review to help Toronto Hydro understand its overall ESG disclosure maturity, including a current state assessment and comparative analysis of disclosed leading practices.

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RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES

INTERROGATORY 1B-SEC-6

Reference: Exhibit 1B

Please provide a copy of all budget guidance documents that were issued regarding the budgets that underlie the application.

RESPONSE:

Please refer to Toronto Hydro’s response to 1A-CCC-3.

1 **RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES**

2

3 **INTERROGATORY 1A-CCC-3**

4 **Reference: Exhibit 1A**

5

6 **QUESTION:**

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

9

10 **RESPONSE:**

11 Toronto Hydro respectfully declines to provide disclosure of the requested information on the basis
12 that this information is irrelevant and provides no probative value to the OEB in deciding the issues
13 in this proceeding. The information sought is contained throughout the evidence. The strategic
14 direction adopted and provided in preparing the 2025-2029 capital and operational investment plans
15 presented in this application is contained within the integrated business planning sections of Exhibit
16 2B, Section E2 at page 5 and Exhibit 4, Tab 1, Schedule 1 at page 24. Please also see Toronto Hydro's
17 responses to: (i) 2B-SEC-32 for a chronology of the integrated planning process, (ii) 2B-SEC-33 for a
18 description of the budget and price limits that the utility adopted to guide the planning process; and
19 (iii) 4-CCC-58 for a description of the workforce planning aspects of the process.

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RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES

INTERROGATORY 1B-SEC-20

Reference: Exhibit 1B, Tab 3, Schedule 1, Pages 6-68

With respect to the proposed 2025-2029 Performance Incentives Scorecard Measures:

QUESTION (A):

- a) Please detail all Performance Incentive Measures that Toronto Hydro considered, but ultimately rejected.

RESPONSE (A):

The consideration of measures not put forward as part of the proposed scorecard is not relevant to the assessment and approval of the measures forming part of the proposed scorecard. It reflects considerations that are draft in nature, and which provide no probative value to assessing the merits of the actual measures proposed in this application.

QUESTION (B)

- b) Please explain the basis for the relative weights for each measure.

RESPONSE (B):

Toronto Hydro applied a balanced scorecard approach to determine the relative weight for each measure on the Custom Scorecard. This approach entailed two steps: (1) an assessment of the weight to be attributed to each area of performance, and (2) a determination of the weight for each measure within that area of performance based on a consideration of value to customers.

In the first step, the utility was guided by the customer needs and priorities ascertained through the Phase 1 engagement study:

- 1 • **Price and reliability are the top customer priorities:** Relative to price, reliability has become
2 increasingly important to residential customers. When it comes to reliability, customers
3 prioritize reducing the length of outages.
- 4 • **New Technology:** Almost as equally important to price and reliability, customers expect the
5 utility to invest in new technologies that will reduce costs and make the system better, even
6 if the benefits aren't immediate, as long as the costs and benefits are clear.
- 7 • **System Capacity:** Customers expect Toronto Hydro to invest proactively in system capacity
8 to ensure that high growth areas do not experience a decrease in service levels.

9

10 With these key considerations in mind, Toronto Hydro attributed:

- 11 • 30% weight to Reliability and Resilience;
- 12 • 30% weight to Efficiency and Financial Performance,
- 13 • 20% weight to Customer Service & Experience,
- 14 • 20% weight to Environment Safety and Governance.

15

16 In step 2, once the performance measures were finalized, Toronto Hydro's subject matter experts
17 worked cross-functionally to allocate weight to each measure, applying their judgement and
18 expertise to determine a leading measure for each category and to place the greatest weights on the
19 measures that (i) best align customer and utility priorities, and (ii) provide high value to customers
20 as quantified by the Benefits Analysis in section 3 of the evidence (Exhibit 1B, Tab 3, Schedule 1
21 starting on page 56) and summarized at Table 21. For example, within the Reliability and Resilience
22 category Toronto Hydro placed greater weight on Outage Duration (SAIDI) over Outage Frequency
23 (SAIFI) because when it comes to reliability, customers prioritize reducing the length of outages over
24 the total number of outages. In the Efficiency and Financial Performance category, Toronto Hydro
25 prioritized Efficiency Achievements to recognize the importance of cost-effectiveness in (i) providing
26 value for money to customers, and (ii) achieving the utility's financial performance objectives with
27 respect to being able to earn the allowed rate of return.

1 **QUESTION (C):**

2 c) If the application is approved as filed, does Toronto Hydro expect to achieve each
3 Performance Incentive Measure?
4

5 **RESPONSE (C):**

6 Yes.
7

8 **QUESTION (D) :**

9 d) [p.16] Please explain why a 2 standard deviation range is an appropriate target for SAIFI
10 defective requirements measure.
11

12 **RESPONSE (D):**

13 Standard deviation measures the amount of variation or dispersion in SAIFI Defective Equipment
14 historical values and quantifies how much the metric's performance varies from the average. Two
15 standard deviations encompass approximately 95% of the data points. This means that setting SAIFI
16 Defective Equipment PIM within this range can account for the variability of outcomes expected
17 based on the past performance, making the target realistic and achievable in the face of typical
18 volatility. The target range set too close to the average might be unachievable/demotivating due to
19 inherent volatility leading to the performance being outside of the range despite the utility's efforts.
20 A target of two standard deviations strikes a balance, challenging the organization to be proactive in
21 managing SAIFI Defective Equipment while still being within a statistically reasonable range of
22 outcomes.
23

24 See response to 2B-SEC-42 for a detailed explanation of Toronto Hydro reliability projection
25 methodology.
26

27 **QUESTION (E):**

28 e) [p.37] Please explain in detail Toronto Hydro's methodology for calculating its scope 1
29 emissions.

1 **RESPONSE (E):**

2 Scope 1 emissions are calculated by multiplying the activity data for Toronto Hydro’s sources of direct
3 emissions by the appropriate emissions factor. The activity data includes cubic meters of natural gas,
4 litres of fuel, and kilograms of sulfur hexafluoride (SF₆) emissions. Toronto Hydro uses the emission
5 factors published in the National Inventory Report (“NIR”), which is prepared by Environment and
6 Climate Change Canada and submitted annually to the United Nations.

7
8 **QUESTION (F):**

9 f) [p.41-42] Toronto Hydro proposes an Efficiency Achievement measure which “tracks this
10 commitment over the next rate period by holding the utility accountable for delivering
11 sustained (and quantifiable) efficiency benefits to customers in the next rebasing
12 application.”

- 13 i. Please explain the methodology for calculating efficiency achievements.
14 ii. Please provide how the methodology ensures that the savings or cost avoidance
15 are sustainable.

16
17 **RESPONSE (F):**

18 The proposed custom measure tracks efficiency benefits realized through cost reduction and cost
19 avoidance strategies that Toronto Hydro would deploy in the next rate term in order to manage the
20 revenue deficiency and meet the efficiency expectation imposed by the 0.15% efficiency factor
21 proposed as part of the custom revenue cap index.

22 Toronto Hydro would ensure that benefits are sustained into future rate periods by excluding any
23 savings related to expenditures that are simply deferred into future periods. For example, the
24 deferral of the S4 Hana upgrade in the current 2020-2024 rate period would not have met the criteria
25 for this measure, because the costs associated with this project were deferred into the 2025-2029
26 rate period.

27 Efficiency achievements would be tracked and measured in accordance with the following
28 methodologies:

- 1 • **Cost Reduction:** Projects with cost reduction efficiency benefits yield an absolute reduction
2 in an overall expenditures. Cost reduction benefits are measured by comparing actual costs
3 in a defined area of scope (e.g. an expense category) against an annual (or justified pro-rated
4 amount) baseline cost based on previously funded expenses in rates. For example, if the
5 utility introduces process automation to reduce OM&A expenses associated with completing
6 a manual work process, the OM&A savings would be tracked as a cost reduction benefit.
- 7 • **Cost Avoidance:** Projects with cost avoidance efficiency benefits yield an avoidance of
8 future cost increases which were not included in the forecasts used to set base rates for
9 2025-2029. Cost avoidance benefits are measured by determining a forecast annual (or
10 justified pro-rated amount) incremental cost that the utility must manage. For example, if
11 the utility faces an incremental business requirement that was not included in the 2025-2029
12 Investment Plan, such as the need to lease additional office space to house its growing
13 workforce, and is able to reconfigure its existing workspaces to avoid the incremental costs
14 associated with obtaining additional office space, the annual savings would be tracked as a
15 cost avoidance benefit.