

1                                   **TECHNICAL CONFERENCE UNDERTAKING RESPONSES TO**  
2                                   **ONTARIO ENERGY BOARD STAFF**

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4   **UNDERTAKING NO. JT5.6:**

5   **Reference(s):**           **Exhibit 9, Tab 2, Schedule 1**

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7   Regarding the DVA Continuity Schedule updated April 2, Row 55, to provide the nature of  
8   the costs recorded or to be recorded in the accounts, with a breakdown of the costs by  
9   cloud solution; for each solution, to provide details of type of costs, such as configuration,  
10   testing, data conversion; nature of the costs, capital or OM&A, using the IFRS standard;  
11   and the dates the costs were incurred, or when they are expected to be incurred.

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13   **RESPONSE:**

14   Table 1 provides the breakdown of the costs recorded in the Cloud Computing  
15   Implementation Costs Deferral Account for 2023-2024 by project. <sup>1</sup>

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<sup>1</sup> Exhibit 9, Tab 2, Schedule 1, DVA Continuity Schedule (updated April 2, 2024). 2023 costs only cover the month of December in accordance with Ontario Energy Board, Accounting Order (003-2023) for the Establishment of a Deferral Account to Record Incremental Cloud Computing Arrangement Implementation Costs, November 2, 2023.

1 **Table 2: 2023-2024 Cloud Computing Deferral Account Expenditures by Project (\$ Millions)**

| Project Names                                    | Project Overview  | Detailed Sub-Project                                | 2023 Actual* | 2024 Bridge | Total Cost  |
|--|---|---|--------------|-------------|-------------|
| <b>Customer Cloud Portal Enhancements</b>        | This project focuses on enhancing the cloud portal to improve customer experience and service levels. It includes implementing new and improving existing self-service capabilities and enabling customers to receive accurate and timely information.            | Customer Service Request Management Solution        | 0.24         | 1.05        | <b>1.29</b> |
|  |   | Outage Map Replacement                              |              |             |             |
| <b>Mobile Workforce Managements Enhancements</b> | This project focuses on enhancing the digital experience for Toronto Hydro’s field crews to improve the productivity, mobility and safety of the field crews and field activities. This includes enhancing various cloud solutions and advanced AI technologies.  | Smart Routing in Oracle Field Services Cloud (OFSC) | 0.07         | 1.00        | <b>1.07</b> |
|  |   | Enhancements to Electronic Tailboard                |              |             |             |
|  |   | Onboarding 2.0 Upgrade                              |              |             |             |
|  |   | Virtual Reality Training                            |              |             |             |
| <b>Employee Digital Transformation</b>           | This project focuses on transforming Toronto Hydro’s employees’ experience through cloud-based solutions to enhance efficiency and automation, including digitizing manual processes and implementing new capabilities to improve the collaboration of employees. | HR Document Management Solution                     | 0.01         | 1.45        | <b>1.46</b> |
|  |   | Service Management Modernization Solution           |              |             |             |
|  |   | MS Exchange Migration to Cloud                      |              |             |             |
| <b>External Reporting Solution</b>               | This project focuses on implementing a solution to manage the external financial statement reporting process. The solution will automate business workflows and enhance document version control.   | External Reporting Solution                         | 0.17         | -           | <b>0.17</b> |
| <b>Total</b>                                     |   |   | <b>0.49</b>  | <b>3.50</b> | <b>3.99</b> |

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\*Timing of 2023 Costs is from December 1, 2023 to December 31, 2023

1 Table 2 provides the requested breakdown of the costs recorded in the Cloud Computing  
 2 Implementation Costs deferral account for 2023-2024 by major categories.<sup>1</sup>

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4 **Table 2: 2023-2024 Cloud Computing Deferral Account Expenditures (\$ Millions)**

| Cloud Computing Major Categories | Nature of Cost | 2023 Actuals* | 2024 Bridge | 2023-2024 Total |
|----------------------------------|----------------|---------------|-------------|-----------------|
| Configuration                    | OM&A           | 0.37          | 2.31        | <b>2.67</b>     |
| Testing                          |                | 0.12          | 0.96        | <b>1.08</b>     |
| Training                         |                | -             | 0.03        | <b>0.03</b>     |
| Data Conversion/Migration        |                | -             | 0.15        | <b>0.15</b>     |
| Business Process Reengineering   |                | -             | 0.05        | <b>0.05</b>     |
| <b>Total</b>                     |                | <b>0.49</b>   | <b>3.50</b> | <b>3.99</b>     |

\*Note: 2023 Actuals are from December 1-31, 2023 only.

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6 Toronto Hydro confirms that the 2023 and 2024 balances recorded in the deferral account  
 7 reflect incremental costs that are directly related to the implementation of the cloud  
 8 solution. More specifically:

- 9 • *Configuration*: Toronto Hydro must tailor the cloud solution to address the  
 10 necessary business requirements and processes.
- 11 • *Testing*: Toronto Hydro must execute a list of test cases and perform quality control  
 12 activities to ensure that the configured cloud solution meets the necessary business  
 13 requirements.
- 14 • *Data Conversion/Migration*: Due to the limited customizations available relative to  
 15 the on-premise solution, data conversion is needed for cloud solutions to meet the  
 16 specific data mapping and transformation requirements of the cloud provider.
- 17 • *Business Process Reengineering*: Toronto Hydro's processes must adapt to align  
 18 with the pre-defined workflows and processes of the cloud solution.
- 19 • *Training*: Changes in processes and data mapping noted above result in the need to  
 20 train Toronto Hydro staff to utilize the cloud solution.

**TECHNICAL CONFERENCE UNDERTAKING RESPONSES TO  
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**UNDERTAKING NO. JT5.8:**

**Reference(s):** Exhibit 9, Tab 2, Schedule 1 (DVA Continuity Schedule)

To identify savings that might be part of OM&A related to the \$4.1 million cloud computing costs.

**RESPONSE:**

Toronto Hydro confirms that there are no incremental savings associated with avoided capital expenditures as a result of implementing cloud solutions that are eligible for recovery under the Cloud Implementation deferral account. Rather, as shown in Table 1 below, the capital-related revenue requirement avoided is negative because of the 100% Capital Cost Allowance deduction for tax purposes for IT Software investments in the first year they are placed in-service resulting in negative PILs.

**Table 1: Revenue Requirement due to Avoided Capital Expenditures (\$M)**

|                                     | 2020 | 2021 | 2022 | 2023          | 2024          | 2020-2024     |
|-------------------------------------|------|------|------|---------------|---------------|---------------|
| Return on Equity                    | -    | -    | -    | 0.00          | 0.06          | <b>0.06</b>   |
| Deemed Interest                     | -    | -    | -    | 0.00          | 0.04          | <b>0.04</b>   |
| Depreciation                        | -    | -    | -    | 0.00          | 0.44          | <b>0.45</b>   |
| PILS                                | -    | -    | -    | (0.10)        | (1.08)        | <b>(1.18)</b> |
| <b>Capital-Related RR (payable)</b> | -    | -    | -    | <b>(0.10)</b> | <b>(0.53)</b> | <b>(0.63)</b> |

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Including the variances noted above in the Cloud Implementation deferral account would increase the receivable balance. For clarity, this analysis is presented to demonstrate the impact of the avoided capital expenditures due to the cloud; Toronto Hydro is not proposing to amend the deferral account balance to collect these incremental amounts.