

Daliana Coban
Director, Regulatory Applications & Business Support
Toronto Hydro-Electric System Limited
14 Carlton Street | Toronto, Ontario, M5B 1K5
Visit us at: www.torontohydro.com
Email: regulatoryaffairs@torontohydro.com



via Regulatory Electronic Submission System (RESS)

September 16, 2024

Ms. Nancy Marconi, Registrar
Ontario Energy Board
PO Box 2319
2300 Yonge Street, 27th floor
Toronto, ON M4P 1E4

Dear Ms. Marconi:

Re: OEB File No. EB-2023-0195, Toronto Hydro-Electric System Limited (“Toronto Hydro”) 2025-2029 Custom Rate Application for Electricity Distribution Rates and Charges – Response to Letters of Comment

Pursuant to Rule 23 of the OEB’s Rules of Practice and Procedure, please find attached as Appendix “A”, Toronto Hydro’s response to the Letters of Comment dated April 4, 2024 and September 3, 2024.

Please do not hesitate to contact us if you have any questions.

Sincerely,

Daliana Coban
Director, Regulatory Applications & Business Support
Toronto Hydro-Electric System Limited

Cc: Charles Keizer and Arlen Sternberg, Torys LLP; all intervenors



Appendix A:

Dear Mr. George M.:

Re: OEB File No. EB-2023-0195, Toronto Hydro-Electric System Limited ("Toronto Hydro") 2025-2029 Custom Rate Application for Electricity Distribution Rates and Charges – Response to Letters of Comment

Thank you for your continued interest in Toronto Hydro's 2025-2029 Custom Rate Application and Settlement Proposal. Having reviewed your comments in detail, we believe that the areas of interest noted in your letters and emails have been addressed through the extensive evidentiary record in this proceeding. This record includes 5,682 pages of detailed pre-filed written evidence, detailed written responses to nearly 3,000 interrogatories and undertakings, a five-day transcribed Technical Conference featuring 15 Toronto Hydro witnesses with relevant experience and expertise in key facets of our business.

In this extensive public process, there were 11 intervenors representing the interests of consumers' and other parties that were deemed by the OEB to have a substantial interest in the application. After the extensive discovery process that took place over the first five months of this year, the parties worked diligently over the summer months to reach a substantive settlement. The settlement aims to achieve a balanced outcome that addresses the interests of all affected parties, ensuring that Toronto Hydro's operations remain financially sustainable while continuing to provide safe, reliable, and efficient service to customers. OEB Staff support this settlement as being in the public interest and recommended its acceptance by the OEB.¹

In an effort to be helpful and responsive to your comment, below we have identified the areas of the evidentiary record which address the issues that you raised and which formed part of the basis of the settlement discussions among the parties:

1. Capital Planning and Investment

Toronto Hydro's capital planning approach is centered around (i) industry-leading customer engagement, (ii) an iterative and integrated capital planning process that produces verifiable trade-offs within top-down financial constraints, (iii) system performance indicators including asset condition demographics, and historical and forecast reliability performance and (iii) parametric five-year program estimates built upon a combination of historical unit and project costs. For more information, please see:

- Exhibit 2B, Section D3: Asset Lifecycle Optimization
- Exhibit 2B, Section E2: Capital Expenditure Planning Process Overview
- Exhibit 2B, Sections E6-E8: Capital Program Evidence
- Exhibit 4, Tab 2, Schedule 2: Preventative and Predictive Underground Line Maintenance Program – Cable Diagnostic Testing segment
- Interrogatories (IRs): 2B-Staff-138 (c, d), 2B-PP-27, 2B-SEC-44, 2B-Staff-227, 2B-SEC-36
- Technical Conference Transcript Day 2 (April 9, 2024) at pages 149-150

¹ Settlement Proposal (August 16, 2024) at page 12.

- For more information about reliability performance:
 - Exhibit 2B, Section C2: Historical Reliability Performance
 - Exhibit 2B, Section D3 (pages 39-40): Reliability Projections
 - Exhibit 2B, Section E2: Capital Expenditure Planning Process Overview (in particular, subsections E2.2.1.3 and E2.3.1.2)
 - IRs: 2B-SEC-42, 2B-Staff-124, 2B-Staff-169 (a), 2B-Staff-175, 2B-Staff-179
 - Undertaking: JT5.39

2. Productivity

Toronto Hydro strives to provide value for money to its customers through continuous improvements in productivity and performance. In the 2020-2024 rate period, Toronto Hydro delivered over 30 distinct productivity initiatives which yielded material benefits for customers, including over \$23 million in costs the utility expects to avoid or reduce by the end of 2024. For further information, please see:

- Exhibit 1B, Tab 3, Schedule 3: Productivity
- IRs: 1B-CCC-24, 1B-CCC-42

3. Impact of Net Zero Policy on Investment Planning

National, provincial, and municipal governments are pursuing decarbonization policies to mitigate the existential risks of climate change. Along with societal and economic factors, these policies are expected to expand the role of clean electricity as source of clean energy for transportation and heating in the next decade plus. In order to be able to continue to serve the needs of the customers in a decarbonized and electrified future, Toronto Hydro is oriented around taking responsible, least-regret and paced actions in the 2025-2029 rate period to prepare the local grid and its operations for a fundamental shift in how customers rely on electricity in the decades to come. For more information, please see:

- Exhibit 2B, Section D4: Capacity Planning, Growth & Electrification
- IRs: 1B-DRC-3, 1B-PP-5, 1B-PP-8

4. Compensation

Toronto Hydro's workforce is essential for delivering service and value to its customers, meeting objectives, and adhering to mandatory obligations. The utility strives to maintain a skilled, innovative, and engaged team in a cost-effective manner through competitive wages and benefits, and a pay-for-performance model. This approach aligns employee performance with the utility's goals, boosts productivity, and rewards contributions. In a large urban market, a strong and competitive compensation program is crucial for attracting and retaining talent. Benchmarking confirms that Toronto Hydro's compensation strategy continues to yield good value for the utility and its customers. For more information, please see:

- Exhibit 4, Tab 4, Schedule 4: Compensation Strategy and Workforce Governance
- Exhibit 4, Tab 4, Schedule 5: Non-Executive Compensation and Benefits Review
- IRs: 1B-SEC-5, Appendix C: Toronto Hydro – Executive Compensation Review Summary Results

5. Expert Evidence and Confidentiality

The OEB Rules of Practice and Procedure permit a party to engage experts to give evidence in a proceeding on issues that are relevant to the expert's area of expertise. An expert has a duty to assist the OEB impartially by giving evidence that is fair and objective. For more information, please see Rule 13A of the OEB Rules of Practice and Procedure: Expert Evidence.

The OEB Rules of Practice and Procedure **also** permit a party to request that all or any part of a document be held in confidence by the OEB in order. The OEB does not provide access through its website to protect sensitive or proprietary information, including commercially sensitive information, information protected by legal privilege and personal information about individuals, such as customers or employees. Parties participating in the proceeding can sign a Declaration and Undertaking to access redacted information over which confidentiality is granted. For more information, please see the OEB's Practice Direction on Confidential Filing and Rules 9 and 10 of the OEB Rules of Practice and Procedure.