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January 22, 2015

via RESS – signed original to follow by courier

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
PO Box 2319
2300 Yonge Street, 27th floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Toronto Hydro-Electric System Limited (“Toronto Hydro”)
Custom Incentive Rate-setting Application for 2015-2019 Electricity Distribution Rates
and Charges (the “Application”) – Undertaking Update re: Energy Probe Request**

Toronto Hydro writes to the Ontario Energy Board (“OEB”) in respect of the above-noted matter.

Pursuant to the January 15, 2015 request from Energy Probe, Toronto Hydro is updating its original response to Undertaking TCQJ.1.02-EP-49 with the information provided by Toronto Hydro on January 13, 2015.

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

Yours truly,

[original signed by]

Daliana Coban
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:encl.

:DC\db

cc: Charles Keizer and Crawford Smith
Maureen Helt
Ted Antonopoulos
Martin Davies
Intervenors of Record for EB-2014-0116

TECHNICAL CONFERENCE UNDERTAKING RESPONSE TO ENERGY PROBE RESEARCH FOUNDATION

1 **UNDERTAKING NO. J1.2-EP-49:**

2 **Reference(s): Revenue Requirement Work Form Exhibit 6, Tab 1, Schedule**
3 **2**
4 **Exhibit 2A, Tab 6, Schedule 3, OE8 Appendix 2AB (CAPEX);**
5 **2B, Staff 39, Appendix B (Capex 2012-2014);**
6 **Exhibit 4A, Tab 1, Schedule 2, OEB Appendix 2-JA (OM&A**
7 **2011-2015):**
8 **Exhibit 6, Tab 1, Schedule 1 (RR 2015);**
9 **Exhibits 1B, Tab 2, Schedule 3, Tables 1-5 (CIR PCI and**
10 **Capital Factor)**

11
12
13 **Preamble:**

14 Using the References listed above Energy Probe has prepared a Draft Consolidated
15 Financial Summary 2011-2019.

- 16 a) In the *Draft Energy Probe Consolidated Financial Summary Schedule Spreadsheet*
17 please populate with missing data, check values and formulas and insert References.
18 b) Please update PCI Formula amounts based on new OE8 *I Factor* of 1.6% for 2015.
19 c) Please provide/insert summary categories/taxonomy for 2016-2019 CIR OM&A
20 based on THESL's planned reporting regime.
21 d) Please provide any notes re assumptions and values.
22 e) Please provide your response as a live Excel Spreadsheet.

TECHNICAL CONFERENCE UNDERTAKING RESPONSE TO ENERGY PROBE RESEARCH FOUNDATION

Toronto Hydro-Electric System Ltd												
Consolidated Financial Summary 2011-2015 (in \$ million)												
	Approved 2011	Actual 2011	Actual 2012	Estimate 2013	Forecast 2014	Proposed 2015	Proposed 2016	Proposed 2017	Proposed 2018	Proposed 2019	References	
Operating Revenues						662.2	692.5	748.1	801.1	854.8		001-01
Other Revenues						48.2	51.7	55.4	57	57.8		001-01
Total Revenue						710.4	744.2	803.5	858.1	912.6		
Total O&M Expenses						269.5	271.8	272.1	281	294.8		
Rate Base						2011.0						
Capital Expend												
Interest Expenses						81.88	88.80	98.89	108.79	118.88		00
Depreciation & Amortization						108.28	122.00	138.81	148.78	158.20		Table 3
Return on Capital (ROE)						123.88	137.00	148.89	158.88	168.88		Schedule 3
Pro/Consume Taxes						24.88	1.820	22.80	20.58	20.20		
Subtotal Capital-Related RR						437.78	484.60	517.39	527.78	557.28		
GR						-	4.11	2.11	8.08	8.88		
Sur						-	8.87	0.88	8.72	8.72		
RC						-	8.87	7.88	2.88	1.88		001-01 (see page 2)
Total Gross Revenue Requirement						787.2	788.2	798.3	808.2	811.1		
Other Revenues						48.2	51.7	55.4	57	57.8		
NET REVENUE REQUIREMENT						835.0	836.5	842.9	851.2	858.3		
Total Debt	3,178.2					1,289.2					00-000	4.174 Exhibit 6
Common Equity	118.8					1,071.2					00-000	4.100 Table 1
Total Rate Base	3,297.0					2,360.4					200-000	4.126 Schedule 1
CAPEX and In Service Asset Additions												
Capital Expenditures												
Total System Access Capital	58.1	11.2	85.2	75.0		88.0	91.2	112.0	98.4	87.1		34 Table 4
Total System Renewal Capital	118.4	217.2	212.1	209.4		251.7	271.8	288.1	298.1	285.5		Schedule 4
Total System Service Capital	76.4	88.4	81.7	124.1		88.8	88.5	82.8	88.5	71.8		App 2.8
Total General Plant Capital	452.7	29.8	81.8	109.3		134.4	99.4	108.8	112.1	111.8		
Other	29.4	8.8	18.8	13.8		20.8	28.8	38.8	37.8	38.8		
Total Distribution Capital	482.1	386.0	486.7	489.5		589.4	584.2	617.1	618.0	601.2		
In Service Asset Additions												
Total System Access Capital												
Total System Renewal Capital												
Total System Service Capital												
Total General Plant Capital												
Other												
TOTAL CAPEX		37.88	295.24	489.33								26 Staff 14
		-8.74	-41.87	-138.35								App 4
O&M												
Description	Est 2011	Actual 2011	Actual 2012	Estimate 2013	Forecast 2014	2015	2016	2017	2018	2019	Category/Transaction	
Operations	81.1	84.8	84.8	84.8		70.0						00
Maintenance	58.1	54.8	58.8	75.8		81.2						Table 1
Billing and Collecting	48.8	58.0	55.2	57.0		41.2						Schedule 1
Community Relations	8.8	8.8	8.8	8.7		8.7						App 2.8A
Administrative and General	12.8	12.8	12.8	12.2		12.2						
Taxes Other Than Income Taxes	8.7	-2.1	8.7	8.7		8.7						
Donations	8.7	8.7	8.7	8.7		8.7						
TOTAL	188.1	213.1	208.8	288.1		288.7	271.8	277.1	281	281.8		
Variances												

TECHNICAL CONFERENCE UNDERTAKING RESPONSE TO ENERGY PROBE RESEARCH FOUNDATION

1 **RESPONSE:**

2 a) to e)

3 At the request of Energy Probe from January 15, 2015 Toronto Hydro has updated its
4 original Undertaking response with information attached in Appendix A, originally
5 filed by Toronto Hydro on January 13, 2015 in response to Energy Probe's Notice of
6 Motion filed on December 22, 2014, seeking an order requiring Toronto Hydro to
7 provide full and adequate responses to Technical Conference Undertaking No. J1.2-
8 EP-49.

EB-2014-0116

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15, Schedule. B;

AND IN THE MATTER OF an application by Toronto Hydro-Electric System Limited for an order approving just and reasonable rates and other charges for electricity distribution to be effective May 1, 2015 and for each following year effective January 1 through to December 31, 2019.

**RESPONDING SUBMISSION OF TORONTO HYDRO
(on motion by Energy Probe returnable January 19)**

1. On December 22, 2014, Energy Probe filed a Notice of Motion seeking an order requiring Toronto Hydro-Electric System Limited (“Toronto Hydro”) to provide full and adequate responses to Technical Conference Undertaking No. J1.2-EP-49. This question asked Toronto Hydro to populate and validate a Draft Consolidated Financial Summary for the years 2011 to 2019.
2. Toronto Hydro remains of the view that J1.2 Energy Probe-49 seeks information that is not relevant to this proceeding. As set out in Toronto Hydro’s initial response, the premise underlying Energy Probe’s request is that Toronto Hydro is that has filed a five-year cost of service application, and accordingly possesses detailed forecasts of all the elements comprising the utility’s revenue requirement beyond the 2015 rebasing year. This is not Toronto Hydro’s proposal.
3. As discussed in Exhibit 1B, Tab 2, Schedule 3, Toronto Hydro proposes to set rates for 2016-2019 on the basis of a custom Price Cap Index that incorporates the Ontario Energy Board’s (“OEB”) inflation and productivity values, utilizes a custom stretch factor, and

includes a capital factor to fund Toronto Hydro's necessary investments. Toronto Hydro has not forecasted its Operations, Maintenance and Administration ("OM&A") and revenue offsets for 2016 to 2019.

4. Nevertheless, without admitting the relevance of Energy Probe's request, in the attached document, Toronto Hydro has verified the data provided by Energy Probe, corrected for errors (noted by entries in green), and populated those other aspects of the table where the requested information was available. Where a cell has been left blank, Toronto Hydro does not possess the requested information. These areas include the forecasted breakdown of the utility's OM&A expenditures by category beyond the 2015 Test Year, and categorization of the utility's past and future In-Service Additions by major Distribution System Plan ("DSP") investment type. In any event, in both instances the requested information is not required by the OEB's *Filing Requirements for Electricity Distribution Rate Applications*, nor would it provide probative value, incremental to the evidence already adduced by Toronto Hydro or provided through the discovery process.
5. Toronto Hydro is further unable to populate the column entitled "2014 Forecast," as distinct from the "2014 Estimate" column, which contains the information provided to the OEB in the course of Toronto Hydro's September 2014 application update. Since the utility does not currently possess the audited year-end financial information for 2014, the data contained in the "2014 Estimate" column continues to represent the utility's latest estimate for its 2014 financial performance.
6. Toronto Hydro also submits the following specific comments with respect to the information included into the table by Energy Probe.

2016-2019 OM&A Projections

7. The 2016-2019 OM&A projections (rows 8 and 57) reflect the application of Toronto Hydro's proposed incentive framework (Exhibit 1B, Tab 2, Schedule 3). Toronto Hydro

has not forecast its OM&A expenditures beyond the application of this framework. The OM&A projections provided are consistent with the information in the utility Business Plan filed with the OEB as an Appendix A to interrogatory 1A-CCC-01.

Revenues and Rates Revenue Requirement: 2016-2019

8. Toronto Hydro's proposal does not entail five separate revenue requirements over the 2015-2019 timeframe, as depicted in Energy Probe's Draft Consolidated Financial Summary (rows 19 – 21). Toronto Hydro's understand that this information reflects the sum of the OM&A forecast described above in paragraph 8 and the capital cost components of the Custom Capital Factor outlined in Exhibit 1B, Tab 2, Schedule 3. Toronto Hydro maintains the position that calculating the revenue requirements for the outer years of the plan is not consistent with the utility's proposal to set rates for 2016-2019 based on a Custom Price Index mechanism.

Rates Revenue Requirement: 2012 -2014

9. Toronto Hydro also notes that the utility's 2012-2014 rates were not set on the basis of a revenue requirement for those years, as suggested by Energy Probe in row 21 of Draft Consolidated Financial Summary. Over this timeframe, rates were determined by applying the OEB's 3rd Generation IRM Price Cap Index to the utility's 2011 base rates, and the incremental OEB-approved rate riders.

Operating Revenues: 2012-2014

10. Toronto Hydro's operating revenues for years 2012 and 2013 and the 2014 estimate (row 4 of the Draft Consolidated Financial Summary) are based on the methodology prescribed in the OEB's Reporting and Record Keeping Requirements.

Past ISA Variation

11. Toronto Hydro removed the Past ISA variances provided by Energy Probe in row 45 of the Draft Consolidated Financial Summary, as these values no longer correspond with the

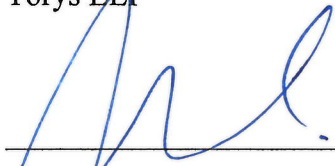
updated In-Service Addition values in row 44. In addition, Toronto Hydro submits that these values are inconsistent with the utility proposal to defer to the true-up the 2012-2014 Incremental Capital Module to a separate phase of this proceeding (Exhibit 2A, Tab 9, Schedule 1).

All of which is respectfully submitted this 13th day of January, 2015.

TORONTO HYDRO-ELECTRIC SYSTEM LIMITED

By its Counsel

Torys LLP



for. Crawford Smith

1 **Energy Probe TCQ 49**

2 Toronto Hydro Submission

3

4 Operating Revenues

5 Other Revenues

6 Total Revenue

7

8 Total OM&A Expense

9 Rate Base

10 **Capital Factor**

11 Interest Expense

12 Depreciation & Amortization

13 Return on Capital (ROE)

14 PILs/Income Taxes

15 Subtotal Capital-Related RR

16 *Cn*

17 *Scap*

18 *PCI*

19 **Total Gross Revenue Requirement**

20 **Other Revenues**

21 **RATES REVENUE REQUIREMENT**

22

23

24 Total Debt

25 Common Equity

26 Total Rate Base

27

28

29

30 **Capital Expenditures**

31 Total System Access Capital

32 Total System Renewal Capital

33 Total System Service Capital

34 Total General Plant Capital

35 Other

36 **Total Distribution Capital**

37

38 **In-Service Asset Additions**

39 Total System Access Capital

40 Total System Renewal Capital

41 Total System Service Capital

42 Total General Plant Capital

43 Other

44 **TOTAL ISAs**

45

46

47

48 **Description**

49

50 Operations

51 Maintenance

52 Billing and Collecting

53 Community Relations

54 Administrative and General

55 Taxes Other Than Income Taxes

56 Donations

57 **TOTAL**

58

Consolidated Financial Summary 2013 (Sic) - 2019									
Approved	Actual	Actual	Estimate	Proposed	Proposed	Proposed	Proposed	Proposed	Proposed
2011	2012	2013	2014	2015	2016	2017	2018	2019	
522	524.2	546.05	546.5	661.2	691.5	747.0	800.1	843.5	
26	19.4	25.4	25.7	46.1	46.8	47.4	48	48.7	
548	543.6	571.45	572.2	707.3	738.3	794.4	848.1	892.2	
238.6	215.8*	246.4	246.6	269.5	273.3	277.1	281	284.9	
2298.2	2534.3	2658.4	2774.9	3313.5	3683.9	3977.9	4199.8	4415.2	
				81.80	90.90	98.20	103.70	109.00	
				208.20	222.00	248.20	266.70	287.20	
				123.30	137.10	148.00	156.30	164.30	
				24.4	14.90	22.80	40.50	46.70	
				437.80	465.0	517.30	567.20	607.30	
				-	4.11	7.57	6.68	5.01	
				-	0.67	0.69	0.71	0.72	
				-	4.57	8.00	7.09	5.41	
548	543.6	571.45	572.2	707.3	738.3	794.4	848.1	892.1	
-26	-19.4	-25.4	-25.7	-46.1	-46.8	-47.4	-48	-48.7	
522	524.2	546.05	546.5	661.2	691.5	747	800.1	843.5	
1378.9	1520.58	1595.04	1664.94	1988.1	2210.34	2386.74	2519.88	2649.12	60.00% 4.11%
919.3	1013.72	1063.36	1109.96	1325.4	1473.56	1591.16	1679.92	1766.08	40.00% 9.30%
2298.2	2534.3	2658.4	2774.9	3313.5	3683.9	3977.9	4199.8	4415.2	100.00% 6.19%
CAPEX and In Service Asset Additions									
58.3	53.2	86.6	76	86.1	93.5	100.9	90.4	85.5	
219.3	157.2	231.1	286.4	251.7	235	246.3	260.1	265.5	
75.6	38.4	83.7	104.1	86.8	56.5	62.5	49.5	73.9	
67.7	29.3	33.8	109.5	104.6	99.4	28.9	32.1	27.9	
24.6	9.9	10.5	13.3	10.3	19.8	28.6	37.9	49.4	
445.5	288.0	445.7	589.2	539.6	504.2	467.4	470.0	502.2	
439.1*	209.4	381.3	480.3	653.6	543.1	505.7	441	529.9	
OM&A									
Bd Approv	Actual	Actual	Estimate	Test Base	Proposed	Proposed	Proposed	Proposed	Categories/Taxonomy
2011	2012	2013	2014	2015	2016	2017	2018	2019	
59.7	55.9	59.5	58.5	70.3					
56.1	54.8	66.8	59.3	61.2					
40.6	36.0	35.2	37.9	41.5					
2.9	2.9	2.9	2.7	2.7					
72.6	67.8	75.0	81.2	86.5					
5.9	-2.3	6.4	6.5	6.5					
0.7	0.7	0.7	0.7	0.8					
238.6	215.8	246.4	246.6	269.5	273.3	277.1	281	284.9	

Comments

References

See Cover Letter Para 11

See Cover Letter Para 8

PCI=I-X+Cn-Scap*(I-X)

See Cover Letter Para 9, 10

60.00% 4.11%

40.00% 9.30%

100.00% 6.19%

2015-2019: E1B_T02_S03
2012-2014: Toronto Hydro RRR
Filings and Supporting Materials

Past/Test Year data: E4A_T01_S01; *2012 amount is net of 27.7 restructuring costs
Information underlying E1B_T02_S03

E1B_T02_S03

Information underlying E1B_T02_S03

E3A-T06_S02, App 2-AA

Interrogatory 2B-SEC-25. *2011 ISA reflects the actual amount.

See Cover Letter Para 12

See Cover Letter Para 8

Past/Test Year data: E4A_T01_S01;

Variation: Restructuring Costs

Variation