RESPONSES TO OEB STAFF INTERROGATORIES

INTERROGATORY 108:

Reference(s): Exhibit 4A, Tab 1, Schedule 1, pp. 2-3
Chapter 2 Appendices, Appendix 2-D

a) Please provide 2015 OEB-approved OM&A amounts in the same format as Table 1 (Exhibit 4A / Tab 1 / Schedule 1 / pp. 2-3).

b) At the segment level for each OM&A program (e.g. overhead line patrols, vegetation management, etc.), provide the total OM&A separated by capitalized and non-capitalized. Please reconcile the amount provided to Appendix 2-D and explain any variances.

RESPONSE:

a) Please refer to Toronto Hydro’s response to interrogatory 4A-AMPCO-73.

b) Please see Appendix A to this response, which reconciles to OEB Appendix 2-D filed in Exhibit 2A, Tab 5, Schedule 2. Toronto Hydro notes that the information in Appendix A to this response includes the following:

- Table 1 reflects the total costs before allocation to capital initiatives.
- Tables 2, 3 and 4 reflect the labour, vehicles and material handling on-cost capitalization as shown in OEB Appendix 2-D.
- Positive charges (debits) representing a net allocation of costs to the program from other programs. This includes, for example, charges related to labour, vehicle, and material handling on-cost.
- Negative charges (credits) representing a net cost recovery for the program as a result of capitalization and/or supply of resources to other programs. This includes for example charges relating to capital and operational costs.

- Table 5 reconciles OM&A to Appendix 2-D.
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### Table 4: Material Handling On-Cost

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### Table 5: Total OM&A after Capitalization

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RESPONSES TO OEB STAFF INTERROGATORIES

INTERROGATORY 109:

Reference(s): Exhibit 4A, Tab 1, Schedule 1, p. 33, p. 37

a) Please provide the vegetation management costs from 2010-2014 (Exhibit 4A / Tab 2 / Schedule 1 / p. 33).

b) Please explain whether Toronto Hydro believes that increased spending on vegetation management (Exhibit 4A / Tab 2 / Schedule 1 / p. 33) would result in lower capital spending requirements. Please explain in detail the relationship between Toronto Hydro’s proposed capital spending and its vegetation management program.

c) Please advise whether the 8-year seal extension for smart meters (after the meters pass testing) is a mandated extension period or a Toronto Hydro determined extension period (Exhibit 4A / Tab 2 / Schedule 1 / p. 37).

RESPONSE:

a) Please see Table 1 below.

Table 1: 2010-2014 Vegetation Management Costs ($ Millions)

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<tr>
<th>Year</th>
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<th>2012</th>
<th>2013</th>
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b) Increased vegetation management spending will not have a material impact on capital spending requirements.

As described in Exhibit 2B, Sections E5, E6, E7, and E8, each of Toronto Hydro’s planned programs meets particular needs. Generally, those needs cannot also be met by additional investment in vegetation management. Even in cases where the needs relate to the overhead system and its reliability, specific needs rarely overlap. More specifically:

- Vegetation management’s primary objective is to mitigate the risk of tree contacts to system reliability. As shown in Exhibit 1B, Tab 2, Schedule 4, Table 2 at page 11, tree contacts contribute approximately 10 percent to both SAIFI and SAIDI. Defective equipment is the single greatest contributor to system unreliability at approximately 40 percent. Vegetation management does not mitigate defective equipment risk, whereas a number of capital programs are designed to do so.

- Of Toronto Hydro’s capital programs, the one that relates most to vegetation management, simply because of its focus on overhead assets, is Overhead System Renewal, detailed in Exhibit 2B, Section E6.5. As noted on page 4 of that section (E6.5.3), the trigger driver for capital expenditures in that program is “Failure Risk” and the secondary driver is “Environmental Risk” (related to PCBs and oil leaks). More broadly, the Overhead System Renewal program is focused on managing the overall condition of assets such as poles, transformers, and switches, mitigating failures of those assets, and managing PCB and oil leak risks. Increased spending on vegetation management will not meet these needs and will not enable the reduction of capital expenditures in the program.
In 2020, Toronto Hydro is proposing vegetation management spending of $2.8 million, which maintains the same level from the 2015-2019 period.

c) This is mandated by the *Electricity and Gas Inspection Act*\(^1\) administered by Measurement Canada (E-26 – Reverification periods for electricity meters and metering installations).

\(^1\) R.S.C., 1985, c. E-4.
RESPONSES TO OEB STAFF INTERROGATORIES

INTERROGATORY 110:

Reference(s): Exhibit 4A, Tab 1, Schedule 2, p. 33

a) Please further explain the change in treatment of the contact voltage segment from a capital program to an OM&A program (Exhibit 4A / Tab 2 / Schedule 2 / p. 33).

RESPONSE:

a) Toronto Hydro entered into an initial equipment and support services agreement for contact voltage scanning in 2009. In 2011, the utility entered into another agreement with a term of seven years. The arrangement under that agreement was treated as a capital lease (i.e. “Leasehold Improvement” in Exhibit 2A, Tab 1, Schedule 2 (Appendix 2-BA)) given that the seven year term represented one hundred percent of the useful life of the equipment, which indicated that Toronto Hydro was expected to receive substantially all of the economic benefits derived from the use of the leased equipment over its life span. This complied with Canadian Generally Accepted Accounting Principles (“CGAAP”), United States Generally Accepted Accounting Principles (“USGAAP”), and International Financial Reporting Standards (“IFRS”) at that time. Furthermore, the substance of the agreement indicated that Toronto Hydro would bear the risks and rewards related to the leased equipment and as such, the arrangement was classified as a capital lease. The costs associated with this agreement have been accounted for in the capital program, and treated as a capital lease under the asset class “Leasehold Improvement” in Exhibit 2A, Tab 1, Schedule 2 (Appendix 2-BA).
The agreement expired on June 2018 and the capital lease was fully amortized as of that same date. Following June 2018, costs associated with the provision of contact voltage scanning services are being treated as OM&A expenses due to current accounting standards, namely IFRS 16: Leases. These expenses are included in the Preventative and Predictive Underground Line Maintenance program, as found in Exhibit 4A, Tab 2, Schedule 2.
RESPONSES TO OEB STAFF INTERROGATORIES

INTERROGATORY 111:
Reference(s): Exhibit 4A, Tab 2, Schedule 5, pp. 15-16

a) The emergency response budget from 2015-2020 is essentially flat (Exhibit 4A / Tab 2 / Schedule 5 / p. 15). Please explain in the context of the activities undertaken within the program.

b) Toronto Hydro notes that when emergency response call volume is low, this creates opportunities for the completion of other work (Exhibit 4A / Tab 2 / Schedule 5 / p. 16). Please advise whether this other work is included in the emergency response budget or in other OM&A program budgets.

RESPONSE:

a) As demonstrated in Exhibit 4A, Tab 2, Schedule 5, Figure 2, Toronto Hydro experiences a volume of events related to distribution system equipment failures and safety concerns, power quality issues, and equipment isolations that remain approximately the same year over year. When deviations from the average do occur, they are mainly driven by the frequency of storms. This is generally reflected in the spending as shown in Exhibit 4A, Tab 2, Schedule 5, Table 3. For example, the table reflects a decrease of $1.2 million from 2015 to 2016, a year with relatively fewer severe weather issues than the previous year. In a diverse, dense urban setting such as Toronto, resources must be scheduled around the clock to be available to receive, assess, prioritize, dispatch, respond and complete the expected event volumes and ensure Toronto Hydro is in compliance with applicable response metrics, rules, and
legislation. For this reason, Toronto Hydro’s emergency budget must remain consistent to ensure we have the resources necessary to address events should they occur.

b) This work is not included in the emergency response budget; it is included in other OM&A or Capital program budgets.
RESPONSES TO OEB STAFF INTERROGATORIES

INTERROGATORY 112:

Reference(s): Exhibit 4A, Tab 2, Schedule 6, p.13

a) Please provide a breakdown of the program costs (2015-2020) between internal and external costs (Exhibit 4A / Tab 2 / Schedule 6 / p. 13).

RESPONSE:

Please see Table 1 below.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Budget</th>
<th>External Costs</th>
<th>Internal Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>2.3</td>
<td>1.9</td>
<td>0.4</td>
</tr>
<tr>
<td>2016</td>
<td>2.4</td>
<td>1.5</td>
<td>0.9</td>
</tr>
<tr>
<td>2017</td>
<td>2.2</td>
<td>1.3</td>
<td>0.9</td>
</tr>
<tr>
<td>2018</td>
<td>2.6</td>
<td>0.7</td>
<td>1.9</td>
</tr>
<tr>
<td>2019</td>
<td>2.8</td>
<td>0.5</td>
<td>2.3</td>
</tr>
<tr>
<td>2020</td>
<td>2.7</td>
<td>0.5</td>
<td>2.2</td>
</tr>
</tbody>
</table>

Table 1: Internal vs External Program Costs ($ Millions)
RESPONSES TO OEB STAFF INTERROGATORIES

INTERROGATORY 113:
Reference(s): Exhibit 4A, Tab 2, Schedule 7, p.11, p.13

a) Please provide the number of power system control apprentices hired in 2015-2017 (Exhibit 4A / Tab 2 / Schedule 7 / p. 11).

b) Please advise whether Toronto Hydro is on track to hire 13 power system control apprentices in 2018 (Exhibit 4A / Tab 2 / Schedule 7 / p. 11).

c) Please provide a breakdown of the cost increase in control centre operations (from 2015 to 2020) by cost driver (i.e. renewal of staff, 24/7 operation, and additional support) (Exhibit 4A / Tab 2 / Schedule 7 / p. 13).

RESPONSE:


b) Toronto Hydro hired 10 Power System Controller apprentices in 2018. Power System Controller apprentices are typically hired in cohorts as part of a recruitment campaign. The number of positions hired as part of a specific campaign depends on the number of positions available, the pool of qualified applicants upon completion of the evaluation process, and the number of job offers that are ultimately accepted.

c) Please refer to Toronto Hydro’s response to interrogatory 4A-CCC-37.
RESPONSES TO OEB STAFF INTERROGATORIES

INTERROGATORY 114:

Reference(s): Exhibit 4A, Tab 2, Schedule 8, p. 5, p. 7
Exhibit 8, Tab 2, Schedule 1, p. 2

a) Toronto Hydro notes that the decrease in customer-owned equipment service costs between 2015 and 2018 is driven by customer-specific payment for isolations (Exhibit 4A / Tab 2 / Schedule 8 / p. 5). Please further explain. Specifically, please advise whether prior to 2018 customers did not pay for this service directly. Please also advise whether this issue is related to the proposed change in the “service call – customer-owned equipment” specific service charge (Exhibit 8 / Tab 2 / Schedule 1 / p. 2).

b) Please provide a status update with respect to the customer relationship management system pilot (Exhibit 4A / Tab 2 / Schedule 8 / p. 7).

RESPONSE:

a) Please see Exhibit 4A, Tab 2, Schedule 8, page 21, where it is noted that the decrease in customer-owned equipment services costs is primarily driven by customer-specific payment for isolations. This is attributed to the changes in the Conditions of Service in 2017, whereby Toronto Hydro stopped offering customers free low voltage isolations. Prior to these changes, customers did not pay for these services directly.

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This issue is not related to the “service call – customer-owned equipment” Specific Service Charge. The isolation charges can be found on Table 1 in Exhibit 8, Tab 2, Schedule 1, page 2 under the Disconnect/Reconnect Specific Service Charge.

b) Toronto Hydro has completed the pilot stage and has fully implemented the CRM tool to track project status and lifecycle to ensure the delivery of commercial/industrial and larger residential connection projects in a timely manner. This data centralization improves project visibility for all stakeholders and enables Toronto Hydro to provide customers with specific information on their projects more efficiently. Moving forward, Toronto Hydro plans to expand the tool to assist with smaller residential projects.
RESPONSES TO OEB STAFF INTERROGATORIES

INTERROGATORY 115:

Reference(s): Exhibit 4A, Tab 2, Schedule 9, p.10, p.20
Exhibit 4A, Tab 2, Schedule 18, p.6

a) Please advise whether the DSP-related costs are included in the one-time costs for the application (Exhibit 4A / Tab 2 / Schedule 18 / p. 6) or in the asset and program management costs (Exhibit 4A / Tab 2 / Schedule 9).

b) Please further explain the changes to the incentive payments for demand response programs (Exhibit 4A / Tab 2 / Schedule 9 / p. 10).

c) Please advise whether the asset and program management budget includes any CWIP write-offs for the 2020 forecast (Exhibit 4A / Tab 2 / Schedule 9 / p. 20). If so, please provide the amount and explain why it is included in the forecasted budget for this program.

RESPONSE:

a) DSP-related costs are part of Toronto Hydro’s normal planning operations and as such, are not considered to be one-time costs. The development of the DSP included contributions from across the organization (e.g. Engineering, Finance, and Regulatory Affairs) and, as a result, costs are contained in a variety of programs including Asset and Program Management and Legal and Regulatory.
b) As stated on p. 10, reductions in incentive payments, particularly for residential Demand Response ("DR") in the Cecil TS program, have driven cost savings. The 2015-2019 Local DR program included a residential demand response pilot program using smart thermostats. Eligible participants who registered a smart thermostat with Toronto Hydro for the purpose of DR were able to receive points on Toronto Hydro’s Powerlens platform, valued at $150. This was a one-time incentive payment. There are no plans to acquire additional customers for this program over the 2020-2024 period, and as a result, there are no additional incentive-based costs (or marketing costs) related to this residential DR capacity.

Additionally, the contractual DR payment rate to existing commercial/institutional DR customers already contracted in the Cecil TS service area is projected to decrease in the 2020-2024 period. This is attributed to: (i) reduced risk to the participant on a longer contract period; and (ii) recovered costs for current participants due to DR participation within the 2015-2019 period.

c) The 2020 forecast includes $1.2 million of CWIP write-offs (i.e. 0.2 percent of the proposed capital expenditure in 2020). Toronto Hydro has budgeted for CWIP write-offs as there is a high probability that at least some work will no longer be required (after having costs charged) as a result of various factors including changes to system conditions, customer needs, or technology changes.
RESPONSES TO OEB STAFF INTERROGATORIES

INTERROGATORY 116:

Reference(s): Exhibit 4A, Tab 2, Schedule 10, p.8

a) Please provide the apprentice labour costs for the 2015-2020 period (Exhibit 4A / Tab 2 / Schedule 10 / p. 10).

RESPONSE:

a) Please see Table 1 below.

Table 1: Apprentice Labour Costs ($ Millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>2015 Actual</th>
<th>2016 Actual</th>
<th>2017 Actual</th>
<th>2018 Bridge</th>
<th>2019 Bridge</th>
<th>2020 Test</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labour Costs¹</td>
<td>0.8</td>
<td>1.4</td>
<td>0.9</td>
<td>2.2</td>
<td>2.5</td>
<td>3.2</td>
</tr>
</tbody>
</table>

Note 1: This does not include other apprentice costs such as tools and equipment.
RESPONSES TO OEB STAFF INTERROGATORIES

INTERROGATORY 117:
Reference(s): Exhibit 4A, Tab 2, Schedule 13, pp. 6-8

Preamble:
Toronto Hydro notes that it is in the process of gradually transitioning the majority of operational procurement responsibilities to a third-party procurement provider. Toronto Hydro also notes that a third-party logistics provider has assumed a significant role in Toronto Hydro’s warehousing duties (Exhibit 4A / Tab 2 / Schedule 13 / pp. 6-8).

a) Please provide additional information with respect to the transition to using third parties to provide these services. Specifically, for each year (2015-2020), please provide a breakdown of the costs in this program as between internal and external costs (Exhibit 4A / Tab 2 / Schedule 13 / pp. 6-8).

RESPONSE:
a) Toronto Hydro began to transition commodity purchasing to Third-Party Procurement (“3PP”) in March of 2016. The 3PP provider is now responsible for managing 85 percent of active inventory codes, issuing 32 percent of all purchase orders, and executing 20 percent of solicitations annually. Toronto Hydro expects the 3PP provider to manage the majority of active inventory codes, purchase orders, and solicitations by the end of 2019.
In 2013, in an effort to support the scale of Toronto Hydro’s capital program in a flexible and sustainable manner, the utility engaged a Third-Party Logistics (“3PL”) warehousing services provider. This was discussed in detail in the utility’s 2015-2019 Rate Application. As set out in Exhibit 4A, Tab 2, Schedule 13 at page 8, the 3PL provider owns and operates a warehouse located just north of Toronto. The 3PL provider has assumed a significant portion of warehousing duties through the operation of this warehouse, which is responsible for receiving, staging, and shipping material to Toronto Hydro and contractor worksites.

Tables 1 and 2 below provide the requested cost breakdowns between internal and external resources.

### Table 1: Procurement Resources ($ Millions)

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal</td>
<td>1.7</td>
<td>1.5</td>
<td>1.6</td>
<td>1.5</td>
<td>1.6</td>
<td>1.6</td>
</tr>
<tr>
<td>External</td>
<td>0.0</td>
<td>0.4</td>
<td>1.1</td>
<td>1.3</td>
<td>1.3</td>
<td>1.4</td>
</tr>
</tbody>
</table>

### Table 2: Warehouse Resources ($ Millions)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal</td>
<td>3.5</td>
<td>3.6</td>
<td>3.3</td>
<td>3.1</td>
<td>3.2</td>
<td>3.2</td>
</tr>
<tr>
<td>External</td>
<td>3.9</td>
<td>4.1</td>
<td>4.4</td>
<td>4.8</td>
<td>5.1</td>
<td>5.5</td>
</tr>
</tbody>
</table>
RESPONSES TO OEB STAFF INTERROGATORIES

INTERROGATORY 118:

Reference(s): Exhibit 4A, Tab 2, Schedule 14, p. 1, p. 13, p.35
Exhibit 9, Tab 1, Schedule 1, p. 30

a) Please advise whether the bad debt expense (shown at Exhibit 9 / Tab 1 / Schedule 1 / p. 30 for 2015-2019) is included in this program (Exhibit 4A / Tab 2 / Schedule 13 / p. 1). If so, please provide the bad debt expense for 2020. If not, please advise in which program the bad debt expense is included and provide the 2020 amount.

b) Toronto Hydro notes that the net incremental cost of monthly billing is $4.6 million per year (Exhibit 4A / Tab 2 / Schedule 14 / p. 13) and refers to Exhibit 9 / Tab 1 / Schedule 1 where a detailed calculation can be found. Please advise where the $4.6 million figure can be found in the noted exhibit. Please advise whether this net incremental cost figure includes the offsets expected from Toronto Hydro’s forecast of having more customers switching to e-billing by 2020.

c) Please explain where (in which program or program segment) the coincident cost decrease related to the move of the Customer Operations Communications Office to the communications and public affairs program is found (Exhibit 4A / Tab 2 / Schedule 14 / p. 35).
RESPONSE:

a) The bad debt expense for 2015 to 2019 (shown at Exhibit 9, Tab 1, Schedule 1, page 30) is included in the Collections segment at Exhibit 4A, Tab 2, Schedule 1, pages 16-22. The forecasted bad debt expense for 2020 is $6.8 million.

b) The average net incremental cost for monthly billing for 2017-2019 is $4.8 million.

The $4.6 million referenced in Exhibit 4A, Tab 2, Schedule 14, page 13 refers to the 2019-2020 variance for the Billing, Remittance, and Meter Data Management segment. While other segments were also impacted by the transition to monthly billing, these increases were not significant enough to list out separately. The $4.6 million variance does not appear in Exhibit 9, Tab 1, Schedule 1, since this schedule is not prepared at a segment level.

The $4.8 million average net incremental cost for monthly billing can be found in Table 9 at Exhibit 9, Tab 1, Schedule 1, page 24. The incremental costs presented include forecast eBill adoption rates and the associated savings.

c) Please see Toronto Hydro’s response to interrogatory 4A-SEC-84.
RESPONSES TO OEB STAFF INTERROGATORIES

INTERROGATORY 119:

Reference(s): Exhibit 4A, Tab 2, Schedule 15, p. 9, p. 24

a) Please advise in which program (or program segment), the cost decreases associated with lower WSIB claims, lower WSIB NEER costs and WSIB rebates are found (Exhibit 4A / Tab 2 / Schedule 15 / p. 9). Please quantify these savings in terms of the budget reduction included in the 2020 forecast.

b) Please provide the number of FTEs that are being hired to support the recruitment of employees to address planned retirements in all workforce segments (Exhibit 4A / Tab 2 / Schedule 15 / p. 24). Please provide the number of FTEs that were or are planned to be in the Human Resources department for each year 2015-2020.

RESPONSE:

a) The NEER rebates are allocated across all Toronto Hydro divisions based on number of FTEs and are used to support a number of initiatives. Consequently, the utility is unable to isolate these savings and report on individual programs where the cost savings can be directly attributed.

In addition, Toronto Hydro is unable to quantify these savings and include them in the 2020 forecast for the following reasons. The NEER rebate is based on the ratio of WSIB actual costs to the WSIB expected costs. The ratio is updated quarterly and annually based on the WSIB costs incurred in a given quarter or year, which are related to injuries or occupational illness reported over the last four years. Starting in
2020, the WSIB is introducing a new framework for determining premiums, and as part of this framework, the NEER program will be eliminated and the rebates and surcharges will be discontinued. Toronto Hydro cannot quantify the impact of these changes to the 2020 test year forecast until the WSIB releases more specific details about the new approach.

b) There are no additional FTEs being hired in the Human Resources and Safety program to support the recruitment of employees in order to address planned retirements.

Table 1, below, provides the number of FTEs that were or are planned to be in the Human Resources department for each year 2015-2020.

<table>
<thead>
<tr>
<th>Table 1: HR &amp; Safety FTE Count 2015-2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>-----------</td>
</tr>
<tr>
<td>Total FTE</td>
</tr>
</tbody>
</table>
RESPONSES TO OEB STAFF INTERROGATORIES

INTERROGATORY 120:
Reference(s): Exhibit 4A, Tab 2, Schedule 16, p. 9

Preamble:
Toronto Hydro notes that the finance group provides regular reports and analysis of the capital work plan and this function enables Toronto Hydro to track and monitor its performance relating to the execution of its capital plan.

a) Please advise whether the noted reports could be filed annually with the OEB.

RESPONSE:
a) Toronto Hydro proposes to report on the execution of its capital plan via the measures outlined in Exhibit 2B, Section C, which are aligned with the OEB’s performance framework. These measures are incremental to the Distributor Scorecard and the Electricity Service Quality Requirements. Toronto Hydro believes that the measures it has proposed, in addition to the ones that the OEB requires distributors to report on, provide a comprehensive assessment of the utility progress over the course of the plan. As such, the utility is not proposing to file any additional reports.
RESPONSES TO OEB STAFF INTERROGATORIES

INTERROGATORY 121:
Reference(s): Exhibit 4A, Tab 2, Schedule 17, p. 7, p. 14

a) Please provide a detailed breakdown of the IT operations costs including separate lines for subscription fees / licensing fees and maintenance contracts (Exhibit 4A / Tab 2 / Schedule 17 / pp. 7, 14).

RESPONSE:
Table 1: 2015-2019 IT Operations Segment Cost Breakdown

<table>
<thead>
<tr>
<th></th>
<th>$ Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labour &amp; Materials</td>
<td>15.1</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>2.9</td>
</tr>
<tr>
<td>Purchased Services</td>
<td>0.4</td>
</tr>
<tr>
<td>Maintenance Contracts</td>
<td>9.5</td>
</tr>
<tr>
<td>Total</td>
<td>27.9</td>
</tr>
</tbody>
</table>

Note 1: Labour includes both internal and external.

Toronto Hydro does not differentiate between license fees, subscription fees and maintenance contracts. It would take a couple of months of manual work, or longer, to review all vendor agreements over the 2015-2019 period, and to determine which costs belong to each of the maintenance, licence or subscription fee categories. As such, Toronto Hydro is not able to produce the requested information within a reasonable time frame.
RESPONSES TO OEB STAFF INTERROGATORIES

INTERROGATORY 122:

Reference(s): Exhibit 4A, Tab 2, Schedule 18, Appendix A

a) Please explain why Toronto Hydro forecasts that the costs associated with the current application will be approximately $2.6 million higher than the 2015-2019 Custom IR application. As part of the response, please discuss why forecast 2020 intervenor costs are $0.35 million higher than 2015 actual costs.

b) Please explain the methodology Toronto Hydro used to forecast 2020 OEB annual assessment costs and OEB Section 30 costs.

c) Please explain the $0.8 million other regulatory agency fee.

RESPONSE:

Please note that in preparing the response to this interrogatory, Toronto Hydro noticed two errors in Appendix 2-M. The row 4 legal costs and the row 5 consulting costs were inverted with each other in column E, “Last Rebasing Year (2015 Actual)” and column I, “2020 Test Year”. Specifically, for “Last Rebasing Year”, Legal read $2,773,742 and Consulting read $1,842,785, but in fact Legal was meant to read $1,842,785 and Consulting meant to read $2,773,742. Similarly, “2020 Test Year”, Legal read $3,522,100 and Consulting read $3,055,015, but in fact Legal was meant to read $3,055,015 and Consulting meant to read $3,522,100. Toronto Hydro will file a corrected Appendix 2-M together with its interrogatory responses.
a) Toronto Hydro has prepared this application in a way that it believes provides the evidence necessary to evaluate its proposed plans and requests. It has also prepared it in accordance with the OEB’s guidance for rate applications, which has evolved since Toronto Hydro’s 2015-2019 CIR application. This guidance is set out in the 2015-2019 CIR Decision,¹ the OEB Handbook,² and the successive updates to the Filing Requirements.³ That guidance touches on all aspects of Toronto Hydro’s application, including enhanced customer engagement, incremental benchmarking, and additional expert analysis.

For example, in planning for the 2015-2019 CIR, Toronto Hydro forecast $0.65 million for intervenor costs, but those costs ended up being approximately $0.9 million. Toronto Hydro adjusted its forecasts in this area for this Application, including anticipating that as a result of additional OEB public outreach and engagement (e.g., community meetings) as well as evolved application evidentiary expectations, that there would be more eligible organizations granted intervenor status and additional areas of examination of Toronto Hydro’s evidence. To date, additional intervenors have been approved for participation in this proceeding, and Toronto Hydro has received approximately 70% more interrogatories than during its last rate application.

b) Toronto Hydro’s experience is that the OEB invoices it receives generally change in lock-step with the changes to the OEB Total Expenses in the OEB’s own budget. See Table 1 below. In order to prepare a forecast, Toronto Hydro considered the OEB’s annual reports and most recent business plan (issued early 2017) available at that time. Please see Appendix A to this response for excerpts of the OEB Business Plans

¹ EB-2014-0116, Decision and Rate Order, December 29, 2015
² Handbook for Utility Rate Applications, October 13, 2016
³ Filing Requirements For Electricity Distribution Rate Applications, July 12, 2018

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and Annual Reports that identify the actual and forecasted total expenses from 2014-2020. For 2020, Toronto Hydro used the average of the previous three years to forecast a 5% increase over the prior year.

Table 1: OEB Costs (in thousands of dollars)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>OEB Total Expenses</td>
<td></td>
<td>34,573</td>
<td>34,902</td>
<td>39,443</td>
<td>41,980</td>
<td>44,100</td>
<td>45,243</td>
</tr>
<tr>
<td>% Increase</td>
<td>-</td>
<td>1%</td>
<td>13%</td>
<td>6%</td>
<td>5%</td>
<td>3%</td>
<td>-</td>
</tr>
<tr>
<td>Toronto Hydro Apportionment</td>
<td>3,140</td>
<td>3,169</td>
<td>3,579</td>
<td>3,809</td>
<td>4,002</td>
<td>4,105</td>
<td>4,297</td>
</tr>
<tr>
<td>% Increase</td>
<td>-</td>
<td>1%</td>
<td>13%</td>
<td>6%</td>
<td>5%</td>
<td>3%</td>
<td>5%</td>
</tr>
</tbody>
</table>

c) The $800 annual cost in line 8 of Appendix 2-M “Other regulatory agency fees or assessments”, is for the OEB annual licence fee.
## Budget Comparison
### Between the 2014-15 Actuals and Budget spending

<table>
<thead>
<tr>
<th>Units in thousand dollars</th>
<th>Actual</th>
<th>Budget</th>
<th>Variance to Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General cost recovery (expenses less revenue)</td>
<td>31,066</td>
<td>33,166</td>
<td>$(2,100) (6%)</td>
</tr>
<tr>
<td>Licence fees (S.12.1)</td>
<td>362</td>
<td>344</td>
<td>18 5%</td>
</tr>
<tr>
<td>Investment income</td>
<td>127</td>
<td>162</td>
<td>(35) (22%)</td>
</tr>
<tr>
<td>Miscellaneous income</td>
<td>9</td>
<td>10</td>
<td>(1) (10%)</td>
</tr>
<tr>
<td>Amortization of def. revenue related to cap. assets</td>
<td>931</td>
<td>891</td>
<td>40 4%</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>32,495</td>
<td>34,573</td>
<td>$(2,078) (6%)</td>
</tr>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries &amp; benefits</td>
<td>25,073</td>
<td>26,985</td>
<td>$(1,912) (7%)</td>
</tr>
<tr>
<td>Consulting &amp; professional</td>
<td>1,947</td>
<td>1,861</td>
<td>86 5%</td>
</tr>
<tr>
<td>Meetings, training &amp; travel</td>
<td>334</td>
<td>547</td>
<td>(213) (39%)</td>
</tr>
<tr>
<td>Publications, media &amp; publishing</td>
<td>370</td>
<td>538</td>
<td>(168) (31%)</td>
</tr>
<tr>
<td>Premises</td>
<td>2,606</td>
<td>2,692</td>
<td>(86) (3%)</td>
</tr>
<tr>
<td>Information technology</td>
<td>791</td>
<td>584</td>
<td>207 35%</td>
</tr>
<tr>
<td>Office, administration &amp; other</td>
<td>443</td>
<td>475</td>
<td>(32) (7%)</td>
</tr>
<tr>
<td>Amortization</td>
<td>931</td>
<td>891</td>
<td>40 4%</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>32,495</td>
<td>34,573</td>
<td>$(2,078) (6%)</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>28</td>
<td>13</td>
<td>15 115%</td>
</tr>
<tr>
<td>Office furniture and equipment</td>
<td>0</td>
<td>12</td>
<td>(12) (100%)</td>
</tr>
<tr>
<td>Computer equipment and software</td>
<td>673</td>
<td>275</td>
<td>398 145%</td>
</tr>
<tr>
<td><strong>Total Capital Expenditures</strong></td>
<td>701</td>
<td>300</td>
<td>401 134%</td>
</tr>
<tr>
<td><strong>Total Expenses &amp; Capital Expenditures</strong></td>
<td>33,196</td>
<td>34,873</td>
<td>$(1,677) (5%)</td>
</tr>
<tr>
<td><strong>Operating Reserve Adjustment</strong></td>
<td>1,673</td>
<td>1</td>
<td>1,672 &gt;100%</td>
</tr>
<tr>
<td><strong>Total Assessment</strong></td>
<td>33,440</td>
<td>33,466</td>
<td>$(26) (0%)</td>
</tr>
</tbody>
</table>

The OEB’s total assessment in 2014-15 was underspent by $26 thousand. This was due to efficiency savings being found across all expense areas. In accordance with the OEB’s cost assessment model, the surplus was returned to the payor classes in the manner and proportion that those organizations were assessed costs.
2015-2016 Financial Summary

The 2015-16 financial results balance to budget as a result of the allocation of $1.9M of underspending to the operating reserve. Most of that underspending reflected the deferral of renovation costs and consumer-related expenditures until pending the establishment of the new Public Affairs Division.

### 2015-16 Financial Results (Sections 26 and 12.1 only)

<table>
<thead>
<tr>
<th>Units in thousand dollars</th>
<th>Actual</th>
<th>Budget</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General cost recovery</td>
<td>33,578</td>
<td>34,472</td>
<td>(894)</td>
</tr>
<tr>
<td>Licence fees</td>
<td>390</td>
<td>367</td>
<td>23</td>
</tr>
<tr>
<td>Interest income</td>
<td>137</td>
<td>130</td>
<td>7</td>
</tr>
<tr>
<td>Miscellaneous income</td>
<td>2</td>
<td>10</td>
<td>(8)</td>
</tr>
<tr>
<td>Amortization of deferred revenue related to capital assets</td>
<td>795</td>
<td>864</td>
<td>(69)</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>34,902</td>
<td>35,843</td>
<td>(941)</td>
</tr>
</tbody>
</table>

| **Expenses:**                             |        |        |          |
| Salaries and benefits                     | 26,344 | 26,791 | (447)    |
| Consulting and professional               | 2,646  | 2,518  | 128      | 5%       |
| Meetings, training and travel             | 591    | 621    | (30)     | (5%)     |
| Publications, media and advertising       | 415    | 884    | (469)    | (53%)    |
| Premises                                  | 2,743  | 2,935  | (192)    | (7%)     |
| Information technology                    | 968    | 837    | 131      | 16%      |
| Office, administration and other          | 400    | 393    | 7        | 2%       |
| Amortization                              | 795    | 864    | (69)     | (8%)     |
| **Total Expenses**                        | 34,902 | 35,843 | (941)    | (3%)     |

| **Capital Expenditures:**                 |        |        |          |
| Leasehold improvements                     | 0      | 262    | (262)    | (100%)   |
| Office furniture and equipment             | 0      | 213    | (213)    | (100%)   |
| Computer equipment and related software    | 691    | 827    | (136)    | (16%)    |
| **Total Capital Expenditures**            | 691    | 1,302  | (611)    | (47%)    |

| **Total Assessment before Adjustments**    | 34,269 | 35,774 | (1,505)  | (4%)     |

| Operating Reserve Adjustment               | 1,851  | 346    | 1,505    | 435%     |

| **Total Assessment**                       | 36,120 | 36,120 | 0        | 0%       |
2016-2017 Financial Summary

The 2016-2017 financial results were underspent by $1.1 million (approximately 3%). This underspend reflects a number of factors, including: delays in filling vacant staff positions, lower meeting and travel costs, underspending in respect of consulting and professional services as a result of the deferral of certain projects, lower additional rent costs, and savings with respect to administrative expenses.

2016-2017 Financial Results (sections 26 and 12.1 only)

<table>
<thead>
<tr>
<th>Units in thousand dollars</th>
<th>Actual</th>
<th>Budget</th>
<th>Variance</th>
<th>Variance %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General cost recovery</td>
<td>35,995</td>
<td>38,013</td>
<td>(2,018)</td>
<td>(5%)</td>
</tr>
<tr>
<td>Licence fees</td>
<td>396</td>
<td>373</td>
<td>23</td>
<td>6%</td>
</tr>
<tr>
<td>Interest income</td>
<td>134</td>
<td>111</td>
<td>23</td>
<td>21%</td>
</tr>
<tr>
<td>Miscellaneous income</td>
<td>5</td>
<td>5</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Amortization of deferred revenue related to capital assets</td>
<td>781</td>
<td>941</td>
<td>(160)</td>
<td>(17%)</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>37,311</td>
<td>39,443</td>
<td>(2,132)</td>
<td>(5%)</td>
</tr>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and benefits</td>
<td>28,043</td>
<td>29,445</td>
<td>(1,402)</td>
<td>(5%)</td>
</tr>
<tr>
<td>Consulting and professional</td>
<td>2,835</td>
<td>3,274</td>
<td>(439)</td>
<td>(13%)</td>
</tr>
<tr>
<td>Meetings, training and travel</td>
<td>457</td>
<td>971</td>
<td>(514)</td>
<td>(53%)</td>
</tr>
<tr>
<td>Publications, media and advertising</td>
<td>839</td>
<td>453</td>
<td>386</td>
<td>85%</td>
</tr>
<tr>
<td>Premises</td>
<td>2,829</td>
<td>3,047</td>
<td>(218)</td>
<td>(7%)</td>
</tr>
<tr>
<td>Information technology</td>
<td>1,089</td>
<td>856</td>
<td>233</td>
<td>27%</td>
</tr>
<tr>
<td>Office and administration</td>
<td>438</td>
<td>456</td>
<td>(18)</td>
<td>(4%)</td>
</tr>
<tr>
<td>Amortization of capital assets paid by OEB</td>
<td>781</td>
<td>941</td>
<td>(160)</td>
<td>(17%)</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>37,311</td>
<td>39,443</td>
<td>(2,132)</td>
<td>(5%)</td>
</tr>
<tr>
<td><strong>Capital Expenditures:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>126</td>
<td>150</td>
<td>(24)</td>
<td>(16%)</td>
</tr>
<tr>
<td>Office furniture and equipment</td>
<td>67</td>
<td>200</td>
<td>(133)</td>
<td>(67%)</td>
</tr>
<tr>
<td>Computer equipment and related software</td>
<td>1,557</td>
<td>1,637</td>
<td>(80)</td>
<td>(5%)</td>
</tr>
<tr>
<td>Audio visual equipment</td>
<td>32</td>
<td>0</td>
<td>32</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Total Capital Expenditures</strong></td>
<td>1,782</td>
<td>1,987</td>
<td>(205)</td>
<td>(10%)</td>
</tr>
<tr>
<td><strong>Total Assessment before Adjustments</strong></td>
<td>37,777</td>
<td>40,000</td>
<td>(2,223)</td>
<td>(6%)</td>
</tr>
<tr>
<td><strong>Operating Reserve Adjustment</strong></td>
<td>1,129</td>
<td>0</td>
<td>1,129</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Total Assessment</strong></td>
<td>38,906</td>
<td>40,000</td>
<td>(1,094)</td>
<td>(3%)</td>
</tr>
</tbody>
</table>
## 2017-20 OEB Budget
(Sections 26 and 12.1 only)

### Units in thousand dollars

<table>
<thead>
<tr>
<th></th>
<th>2017-18</th>
<th>2018-19</th>
<th>2019-20</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General cost recovery</td>
<td>40,385</td>
<td>41,050</td>
<td>41,950</td>
</tr>
<tr>
<td>Licence fees</td>
<td>373</td>
<td>373</td>
<td>373</td>
</tr>
<tr>
<td>Interest income</td>
<td>111</td>
<td>111</td>
<td>111</td>
</tr>
<tr>
<td>Miscellaneous income</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Amortization of deferred revenue related to capital assets</td>
<td>1,106</td>
<td>2,571</td>
<td>2,804</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>41,980</td>
<td>44,110</td>
<td>45,243</td>
</tr>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and benefits</td>
<td>30,017</td>
<td>30,869</td>
<td>31,695</td>
</tr>
<tr>
<td>Consulting and professional</td>
<td>3,744</td>
<td>3,241</td>
<td>3,156</td>
</tr>
<tr>
<td>Meetings, training and travel</td>
<td>1,169</td>
<td>1,168</td>
<td>1,159</td>
</tr>
<tr>
<td>Consumer outreach</td>
<td>1,421</td>
<td>1,676</td>
<td>1,676</td>
</tr>
<tr>
<td>Premises</td>
<td>3,094</td>
<td>3,122</td>
<td>3,256</td>
</tr>
<tr>
<td>Information technology</td>
<td>990</td>
<td>1,020</td>
<td>1,049</td>
</tr>
<tr>
<td>Office and administration</td>
<td>439</td>
<td>443</td>
<td>448</td>
</tr>
<tr>
<td>Amortization of capital assets paid by OEB</td>
<td>1,106</td>
<td>2,571</td>
<td>2,804</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>41,980</td>
<td>44,110</td>
<td>45,243</td>
</tr>
<tr>
<td><strong>Capital Expenditures:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>1,860</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>Office furniture and equipment</td>
<td>300</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>Computer equipment and related software</td>
<td>1,550</td>
<td>1,150</td>
<td>1,050</td>
</tr>
<tr>
<td>Audio visual equipment</td>
<td>150</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td><strong>Total Capital Expenditures</strong></td>
<td>3,860</td>
<td>1,350</td>
<td>1,250</td>
</tr>
<tr>
<td><strong>Total Assessment before Adjustments</strong></td>
<td>44,245</td>
<td>42,400</td>
<td>43,200</td>
</tr>
</tbody>
</table>

### Operating Reserve Adjustment

<table>
<thead>
<tr>
<th></th>
<th>2017-18</th>
<th>2018-19</th>
<th>2019-20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Reserve Adjustment</td>
<td>(2,245)</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total Assessment</strong></td>
<td>42,000</td>
<td>42,400</td>
<td>43,200</td>
</tr>
</tbody>
</table>
RESPONSE TO OEB STAFF INTERROGATORIES

INTERROGATORY 123:

Reference(s): Exhibit 4A, Tab 2, Schedule 19, p. 3

a) Please provide the calculation supporting the annual LEAP contribution amount (Exhibit 4A / Tab 2 / Schedule 19 / p. 3).

RESPONSE:

Please see Table 1 below.

Table 1: 2015-2020 LEAP Contributions ($000s)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Approved Service</td>
<td>674,401,750</td>
<td>674,401,750</td>
<td>674,401,750</td>
<td>674,401,750</td>
<td>674,401,750</td>
<td>844,511,695</td>
</tr>
<tr>
<td>Revenue Rqmnt</td>
<td>674,401,750</td>
<td>674,401,750</td>
<td>674,401,750</td>
<td>674,401,750</td>
<td>674,401,750</td>
<td>844,511,695</td>
</tr>
<tr>
<td>Multiplied by</td>
<td>0.12%</td>
<td>0.12%</td>
<td>0.12%</td>
<td>0.12%</td>
<td>0.12%</td>
<td>0.12%</td>
</tr>
<tr>
<td>Expected Disbursement</td>
<td>809,282</td>
<td>809,282</td>
<td>809,282</td>
<td>809,282</td>
<td>809,282</td>
<td>1,013,414</td>
</tr>
<tr>
<td>Expected</td>
<td>810,000</td>
<td>810,000</td>
<td>810,000</td>
<td>810,000</td>
<td>810,000</td>
<td>1,010,000</td>
</tr>
<tr>
<td>Disbursement</td>
<td></td>
<td></td>
<td>810,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Rounded)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actual Disbursement</td>
<td>710,000</td>
<td>910,000</td>
<td>810,000</td>
<td>TBD</td>
<td>TBD</td>
<td>TBD</td>
</tr>
<tr>
<td>Variance</td>
<td>100,000 a</td>
<td>(100,000) a</td>
<td>-</td>
<td>TBD</td>
<td>TBD</td>
<td>TBD</td>
</tr>
</tbody>
</table>

a Due to the late implementation of Toronto Hydro’s 2015-2020 CIR decision, Toronto Hydro estimated the 2015 LEAP disbursement and adjusted its 2016 LEAP disbursement for the resulting difference in estimate.

Toronto Hydro notes that the 2020 LEAP contribution amount included in Exhibit 4A, Tab 2, Schedule 19, page 3, Table 2 ($0.9 million) should be $1.0 million, as calculated above.

1 EB-2014-0116, Draft Rate Order Update, Schedule 1-1 (February 29, 2016) at page 10.
2 Please refer to Exhibit 6, Tab 1, Schedule 2, at page 9.
3 EB-2014-0116, Decision and Order (December 29, 2015).
RESPONSES TO OEB STAFF INTERROGATORIES

INTERROGATORY 124:

Reference(s): Exhibit 4A, Tab 2, Schedule 20, p. 2

EB-2015-0040, Report of the Ontario Energy Board on Regulatory Treatment of Pension and Other Post-employment Benefit (OPEBs) Costs

EB-2014-0116, Decision and Order, p. 13

Preamble:
The OEB established the use of accrual accounting as the default method on which to set rates for pension and OPEB amounts in cost based applications, unless the method does not result in just and reasonable rates (EB-2015-0040 / Report of the Ontario Energy Board on Regulatory Treatment of Pension and OPEB Costs).

As part of the current application, Toronto Hydro has proposed to account for its OPEB costs on an accrual basis for ratemaking purposes. For the 2015-2019 period, Toronto Hydro was ordered by the OEB to recover its OPEB costs on a cash basis pending the result of the OEB’s generic consultation on the regulatory treatment of pension and OPEB costs. It further ordered Toronto Hydro to track the differential between cash and accrual for its OPEBs in a variance account (EB-2014-0116 / Decision and Order / p. 13).

a) Using Toronto Hydro’s most recent actuarial valuation and other relevant data, please prepare a table that compares the expected total OPEB costs on a cash basis versus on an accrual accounting basis over the next 10-years (i.e. from 2018 inclusive). If Toronto Hydro is unable to produce a forecast over the requested
period, please explain why such an analysis is not possible and then prepare a forecast over a period of time that the current available information permits.

b) With respect to the use of the accrual method as the default method to recover pension and OPEB costs, the OEB states:

“In summary, this Report establishes the use of the accrual accounting method as the default method on which to set rates for pension and OPEB amounts in cost-based applications. A panel of the OEB can use another method if accrual accounting does not result in just and reasonable rates” (EB-2015-0040 / Report of the OEB on the Regulatory Treatment of Pension and OPEB Costs / p. 2).

i) Using the forecast of the OPEB costs that is provided in response to part (a), along with other relevant data and information, please explain why Toronto Hydro believes that the use of the accrual method to recover its OPEB costs will result in just and reasonable rates.

RESPONSE:

a) Please see Table 1 below for the requested information up to 2027. OPEBs costs and payments are actuarially determined. Toronto Hydro used the extrapolation provided by its actuary for the 2018 and 2019 OPEB expenses, and projected the 2020 through 2027 OPEB expenses based on percentage increase noted between the expenses for 2019 over 2018. The table uses the payments projected by its actuary for 2018 through 2022, and projected the 2023 through 2027 period based on average percentage increase noted for the 5 years as forecasted by its actuary.
As noted in the OEB consultation, for utilities that capitalize a significant portion of their OPEB costs, they may propose an enhanced methodology for determining the cash versus accrual account balance.\(^1\) Toronto Hydro respectfully submits the requested information using the current methodology as shown in Exhibit 9, Tab 1, Schedule 1, page 34, Table 15\(^2\) that is being used to derive the Cash versus Accrual deferral variance account for 2015-2019 (Table 1). An alternative method is proposed in 9-Staff-159 and the information as calculated using this method is also provided below (Table 2).

### Table 1: Cash versus accrual variance based on most recent actuarial extrapolation

($\text{Millions}$)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
<th>2027</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forecasted OPEB costs (OM&amp;A programs)</td>
<td>8.4</td>
<td>8.7</td>
<td>8.8</td>
<td>9.1</td>
<td>9.3</td>
<td>9.5</td>
<td>9.8</td>
<td>10.0</td>
<td>10.3</td>
<td>10.6</td>
</tr>
<tr>
<td>Estimated capital depreciation(^1) collected for OPEB</td>
<td>2.8</td>
<td>3.0</td>
<td>3.2</td>
<td>3.4</td>
<td>3.6</td>
<td>3.8</td>
<td>4.0</td>
<td>4.2</td>
<td>4.4</td>
<td>4.6</td>
</tr>
<tr>
<td>Subtotal: Amount collected through rates (A)</td>
<td>11.2</td>
<td>11.7</td>
<td>12.0</td>
<td>12.5</td>
<td>12.9</td>
<td>13.3</td>
<td>13.8</td>
<td>14.2</td>
<td>14.7</td>
<td>15.2</td>
</tr>
<tr>
<td>Less: Cash payments (B)</td>
<td>9.3</td>
<td>9.9</td>
<td>10.0</td>
<td>10.5</td>
<td>11.2</td>
<td>11.6</td>
<td>12.1</td>
<td>12.5</td>
<td>13.0</td>
<td>13.5</td>
</tr>
<tr>
<td>Difference (C) = (A) – (B)</td>
<td>1.9</td>
<td>1.8</td>
<td>2.0</td>
<td>2.0</td>
<td>1.7</td>
<td>1.7</td>
<td>1.7</td>
<td>1.7</td>
<td>1.7</td>
<td>1.7</td>
</tr>
<tr>
<td>Opex/Capex split (D)</td>
<td>55.1%</td>
<td>55.2%</td>
<td>55.2%</td>
<td>55.2%</td>
<td>55.2%</td>
<td>55.2%</td>
<td>55.2%</td>
<td>55.2%</td>
<td>55.2%</td>
<td>55.2%</td>
</tr>
<tr>
<td>Cash versus accrual variance (E = C * D)</td>
<td>1.1</td>
<td>1.0</td>
<td>1.1</td>
<td>1.1</td>
<td>0.9</td>
<td>0.9</td>
<td>0.9</td>
<td>0.9</td>
<td>0.9</td>
<td>0.9</td>
</tr>
</tbody>
</table>

Note 1: Assume capitalization at the end of the year.

---


\(^2\) EB-2018-0165, Toronto Hydro-Electric System Limited Custom Incentive Rate-setting Application for 2020-2024 Electricity Distribution Rates and Charges, Exhibit 9, Tab 1, Schedule 1 (August 15, 2018) at page 34.
Table 2: Cash versus accrual variance based on most recent actuarial extrapolation - alternative methodology ($ Millions)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
<th>2027</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forecasted OPEB costs (OM&amp;A programs) (A)</td>
<td>8.4</td>
<td>8.7</td>
<td>8.8</td>
<td>9.1</td>
<td>9.3</td>
<td>9.5</td>
<td>9.8</td>
<td>10.0</td>
<td>10.3</td>
<td>10.6</td>
</tr>
<tr>
<td>Less: Cash payments (B)</td>
<td>9.3</td>
<td>9.9</td>
<td>10.0</td>
<td>10.5</td>
<td>11.2</td>
<td>11.6</td>
<td>12.1</td>
<td>12.5</td>
<td>13.0</td>
<td>13.5</td>
</tr>
<tr>
<td>Cash versus accrual variance (C) = (A) – (B)</td>
<td>(0.9)</td>
<td>(1.2)</td>
<td>(1.2)</td>
<td>(1.4)</td>
<td>(1.9)</td>
<td>(2.1)</td>
<td>(2.3)</td>
<td>(2.5)</td>
<td>(2.7)</td>
<td>(2.9)</td>
</tr>
</tbody>
</table>

b) Based on both methodologies, as shown in Tables 1 and 2, Toronto Hydro does not expect the cash versus accrual variance to be significant over the current application timeframe. Toronto Hydro emphasizes that the above tables are based on an extrapolation using actuarial assumptions as at December 31, 2017 and should only be used for illustrative purposes of this interrogatory response. Changes in discount rate and other actuarial assumptions will change the forecast given the long timeframe requested. Toronto Hydro believes that the use of the accrual method to recover its OPEB costs will result in just and reasonable rates.

Toronto Hydro supports the accrual method as explained in EB-2015-0050, Toronto Hydro’s Submission on Consultation on the Regulatory Treatment of Pensions and Other Post-Employment Benefit Costs filed on July 31, 2015. Using the accrual basis of accounting is consistent with the principle of intergenerational equity because it results in the recovery of OPEB costs in the same period in which employees provide the service. Ratepayers who receive electricity service today pay their fair share of the associated OPEB entitlements earned by the employee providing them with the service.
RESPONSES TO OEB STAFF INTERROGATORIES

INTERROGATORY 125:

Reference(s): Exhibit 4A, Tab 2, Schedule 21, p. 1, p. 3

Chapter 2 Appendices, Appendix 2-D

a) For 2020, please breakout the amount of the on-cost recovery and fleet recovery offset that is capitalized and assigned to the capital budget (Exhibit 4A / Tab 2 / Schedule 21 / p. 1). Please show how the capitalized amount reconciles to Appendix 2-D.

b) For the 2020 on-cost recovery and fleet recovery offset, please advise to which:
   i) OM&A programs the reductions are assigned.
   ii) OM&A and capital programs the related increases are assigned.

c) With respect to the programs provided in response to part (b), please explain whether the proposed budget amounts presented in the evidence for those programs are already net of the on-cost recovery and fleet recovery adjustments.

d) Please provide a breakdown of the IT and occupancy charges as between the two categories (Exhibit 4A / Tab 2 / Schedule 21 / p. 3).

e) Please advise whether the entire 2020 forecast of $1.0 million for IT and occupancy is allocated to the non-rate regulated business. Please provide detailed calculations supporting the allocation (Exhibit 4A / Tab 2 / Schedule 21 / p. 3).
RESPONSE:

a) For 2020, of the $11.8M on-cost recovery, the amount capitalized and assigned to the capital budget is $11.5M (material handling on-cost in Appendix 2-D). Of the $11.6M fleet recovery offset, $4.1M (vehicle capitalization in Appendix 2-D) is capitalized and assigned to the capital budget. Please see Exhibit 2A, Tab 5, Schedule 2, Appendix A (OEB Appendix 2-D) for more information.

b) i) The fleet recovery is an offset to the Fleet and Equipment Services program. The recovery allocates costs to all the departments using vehicles based on number and type of vehicle. These costs are then allocated to OM&A and capital programs based on usage. The on-cost recovery is an offset to the Supply Chain Services program (Exhibit 4A, Tab 2, Schedule 13). The recovery allocates costs to the OM&A and capital programs for which materials are being issued from the warehouse.

ii) Table 1a: Allocation of On-Cost and Fleet Recovery to Capital Programs

<table>
<thead>
<tr>
<th>Capital Programs ($M)</th>
<th>On-cost</th>
<th>Fleet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Connections</td>
<td>-</td>
<td>1.0</td>
</tr>
<tr>
<td>Facilities Management and Security</td>
<td>0.4</td>
<td>-</td>
</tr>
<tr>
<td>Fleet &amp; Equipment</td>
<td>1.7</td>
<td>-</td>
</tr>
<tr>
<td>Load Demand</td>
<td>0.3</td>
<td>0.2</td>
</tr>
<tr>
<td>Metering</td>
<td>1.5</td>
<td>0.1</td>
</tr>
<tr>
<td>Network Systems Renewal</td>
<td>2.6</td>
<td>0.1</td>
</tr>
<tr>
<td>Other</td>
<td>0.6</td>
<td>0.3</td>
</tr>
<tr>
<td>Overhead System Renewal</td>
<td>-</td>
<td>0.5</td>
</tr>
<tr>
<td>Program Support</td>
<td>0.1</td>
<td>-</td>
</tr>
<tr>
<td>Reactive and Corrective Capital</td>
<td>4.0</td>
<td>1.0</td>
</tr>
<tr>
<td>Stations Renewal</td>
<td>0.2</td>
<td>0.3</td>
</tr>
<tr>
<td>System Enhancements</td>
<td>-</td>
<td>0.1</td>
</tr>
<tr>
<td>Underground Legacy Infrastructure</td>
<td>-</td>
<td>0.1</td>
</tr>
<tr>
<td>Underground System Renewal – Horseshoe</td>
<td>-</td>
<td>0.1</td>
</tr>
<tr>
<td>Total</td>
<td>11.5</td>
<td>4.1</td>
</tr>
</tbody>
</table>
Table 1b: Allocation of On-Cost and Fleet Recovery to OM&A Programs

<table>
<thead>
<tr>
<th>OM&amp;A Programs ($M)</th>
<th>On-cost</th>
<th>Fleet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Predictive and Preventative Maintenance Overhead</td>
<td>0.3</td>
<td></td>
</tr>
<tr>
<td>Predictive and Preventative Maintenance Stations</td>
<td>0.3</td>
<td></td>
</tr>
<tr>
<td>Predictive and Preventative Maintenance Underground</td>
<td>0.1</td>
<td></td>
</tr>
<tr>
<td>Corrective Maintenance</td>
<td>0.8</td>
<td></td>
</tr>
<tr>
<td>Emergency Response</td>
<td>0.5</td>
<td></td>
</tr>
<tr>
<td>Customer Driven Work</td>
<td>0.3</td>
<td></td>
</tr>
<tr>
<td>Work Program Execution</td>
<td>0.9</td>
<td></td>
</tr>
<tr>
<td>Fleet and Equipment</td>
<td>2.1</td>
<td></td>
</tr>
<tr>
<td>Facilities Management</td>
<td>0.5</td>
<td></td>
</tr>
<tr>
<td>Supply Chain</td>
<td>0.3</td>
<td></td>
</tr>
<tr>
<td>Customer Care</td>
<td>0.3</td>
<td></td>
</tr>
<tr>
<td>Information Technology</td>
<td>0.1</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>0.3</strong></td>
<td><strong>6.5</strong></td>
</tr>
</tbody>
</table>

Note 1: This amount is allocated to various OM&A Programs.

c) The Fleet and Equipment Services and the Supply Chain Services programs do not include the fleet recovery and on-cost recovery; these are presented in the Allocation and Recoveries program at Exhibit 4A, Tab 2, Schedule 21.

d) **Table 2: Breakdown of IT and Occupancy Charges**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Occupancy Charge</td>
<td>(0.6)</td>
<td>(0.7)</td>
<td>(0.7)</td>
<td>(0.6)</td>
<td>(0.6)</td>
<td>(0.6)</td>
</tr>
<tr>
<td>IT Charge</td>
<td>(0.1)</td>
<td>(0.4)</td>
<td>(0.3)</td>
<td>(0.4)</td>
<td>(0.4)</td>
<td>(0.4)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>(0.7)</strong></td>
<td><strong>(1.1)</strong></td>
<td><strong>(1.0)</strong></td>
<td><strong>(1.0)</strong></td>
<td><strong>(1.0)</strong></td>
<td><strong>(1.0)</strong></td>
</tr>
</tbody>
</table>

The entire 2020 forecast of $1.0 million for IT and occupancy is allocated to the non-rate regulated business. The IT charge allocation is based on the number of FTEs.
residing in each of the non-rate regulated business and the occupancy charge allocation is based on square-footage and type of space. Please see Tables 3a and 3b below for the calculations.

### Table 3a: Allocation of Occupancy Charges to Non-Rate Regulated Business

<table>
<thead>
<tr>
<th>THCC</th>
<th>Total Sq Ft</th>
<th>$/Sq.Ft</th>
<th>Occupancy Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>14 Carlton</td>
<td>17,533</td>
<td>18.57</td>
<td>$325,681</td>
</tr>
<tr>
<td>Non-rate Regulated Business</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14 Carlton</td>
<td>612</td>
<td>18.57</td>
<td>$11,367</td>
</tr>
<tr>
<td>500 Commissioners</td>
<td>2,528</td>
<td>6.14</td>
<td>$15,510</td>
</tr>
<tr>
<td>777 Bay</td>
<td>13,000</td>
<td>21.00</td>
<td>$272,990</td>
</tr>
<tr>
<td><strong>Total Occupancy Charges</strong></td>
<td></td>
<td></td>
<td><strong>$625,548</strong></td>
</tr>
</tbody>
</table>

### Table 3b: Allocation of IT Charges to Non-Rate Regulated Business

<table>
<thead>
<tr>
<th>THCC</th>
<th>FTE</th>
<th>$ / FTE</th>
<th>Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>THC</td>
<td>4</td>
<td>4,490.5</td>
<td>$17,965</td>
</tr>
<tr>
<td>Non-rate Regulated Business</td>
<td>89</td>
<td>4,490.5</td>
<td>$399,728</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>$ 417,694</strong></td>
</tr>
</tbody>
</table>
RESPONSES TO OEB STAFF INTERROGATORIES

INTERROGATORY 126:

Reference(s): Exhibit 4A, Tab 3, Schedule 1, Appendix B

a) For each sole sourced purchase listed, please provide rationale supporting the
need to sole source the material or service.

RESPONSE:

a) See Table 1 below:

Table 1: Sole Source Justification

<table>
<thead>
<tr>
<th>Vendor</th>
<th>Nature of the Transaction</th>
<th>Year</th>
<th>Cost</th>
<th>Justification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Schneider Electric</td>
<td>Upgrade of SCADA equipment</td>
<td>2015</td>
<td>$3,000,000.00</td>
<td>The vendor previously installed the current system and customizations. Engaging the original vendor shortened the project duration and minimized the cost of re-working system.</td>
</tr>
<tr>
<td>Itron</td>
<td>Upgrade of the legacy system components of the Advanced Metering Infrastructure</td>
<td>2016</td>
<td>$4,300,000.00</td>
<td>Itron was uniquely qualified to upgrade this legacy system, which is proprietary software that has become obsolete. The alternative of installing an entirely new Advanced Metering Infrastructure was not feasible.</td>
</tr>
<tr>
<td>Vendor</td>
<td>Nature of the Transaction</td>
<td>Year</td>
<td>Cost</td>
<td>Justification</td>
</tr>
<tr>
<td>---------------------------------------------</td>
<td>---------------------------------------------------</td>
<td>------</td>
<td>------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Itron</td>
<td>Purchase of 4G LTE meters</td>
<td>2016</td>
<td>$4,750,000</td>
<td>At procurement, this was the only North American company that had a 4G LTE meter approved by Measurement Canada.</td>
</tr>
<tr>
<td>SAP Canada</td>
<td>Purchase of SAP software</td>
<td>2016</td>
<td>$6,070,000</td>
<td>SAP was selected as Toronto Hydro’s ERP system of choice based on a thorough review of SAP’s capability, research provided by Gartner Analytics, and the vendor’s widespread use and reputation within the North American utility industry. Implementation of SAP also aligns with the ERP strategy adopted by the City of Toronto, which provided Toronto Hydro with additional negotiating leverage.</td>
</tr>
<tr>
<td>SAP Canada</td>
<td>Maintenance, licensing, and support services for SAP software applications</td>
<td>2016</td>
<td>$3,560,000</td>
<td>The required maintenance, licensing and support services for SAP are only available from SAP.</td>
</tr>
<tr>
<td>Toronto Waterfront Revitalization Corporation</td>
<td>Completing infrastructure upgrades as part of the Waterfront Toronto Queens Quay project</td>
<td>2016</td>
<td>$1,525,496</td>
<td>Toronto Waterfront Revitalization Corporation was the constructor of this project, who used a Toronto Hydro-approved contractor to complete the electrical portion of their work.</td>
</tr>
<tr>
<td>Honeywell Elster Solutions</td>
<td>Purchase of replacement meters</td>
<td>2016</td>
<td>$6,750,000</td>
<td>Approved meter replacement models must work on existing meter infrastructure and Elster was the only manufacturer that had meters operating at the required frequency.</td>
</tr>
<tr>
<td>Vendor</td>
<td>Nature of the Transaction</td>
<td>Year</td>
<td>Cost</td>
<td>Justification</td>
</tr>
<tr>
<td>------------------------</td>
<td>-------------------------------------------------------------------------------------------</td>
<td>------</td>
<td>-----------</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>S&amp;C Electric</td>
<td>Purchase of electric power equipment directly from the manufacturer</td>
<td>2016</td>
<td>$2,275,955</td>
<td>The vendor offered to supply materials directly to Toronto Hydro, eliminating the need for a distributor, and resulting in efficiencies.</td>
</tr>
<tr>
<td>K-Line Insulators</td>
<td>Purchase of insulators directly from the manufacturer</td>
<td>2017</td>
<td>$7,658,729</td>
<td>The vendor offered to supply materials directly to Toronto Hydro eliminating the need for a distributor, and resulting in efficiencies.</td>
</tr>
<tr>
<td>Albarrie Geocomposites</td>
<td>Purchase of oil containment system</td>
<td>2017</td>
<td>$2,500,000</td>
<td>Albarrie is the only local oil containment company that can provide a soil based containment system which meets Toronto Hydro Construction Standard 57-8120.</td>
</tr>
<tr>
<td>Hubbell Power Systems</td>
<td>Purchase of various types of small materials for overhead infrastructure (e.g. fuses, brackets, bolts) directly from the manufacturer</td>
<td>2017</td>
<td>$13,653,874</td>
<td>The vendor offered to supply materials directly to Toronto Hydro eliminating the need for a distributor, and resulting in efficiencies.</td>
</tr>
</tbody>
</table>
RESPONSES TO OEB STAFF INTERROGATORIES

INTERROGATORY 127:
Reference(s): Exhibit 4A, Tab 4, Schedule 1, p. 5, p. 7

a) Please provide a breakdown for the increase in compensation costs from $211.1 million in 2015 to $244.2 million in 2020 as between costs for incremental employees and increased costs for existing positions (Exhibit 4A / Tab 4 / Schedule 1 / p. 5).

b) Please confirm that the cost of employee benefits of $64.8 million include both benefits and any pension / OPEBs costs for which Toronto Hydro is responsible. If not, please provide the costs including all pension and OPEBs costs (Exhibit 4A / Tab 4 / Schedule 1 / p. 7).

RESPONSE:

a) FTEs increased by 34 from 2015 to 2020. However, Toronto Hydro is unable to provide a breakdown attributing the increase in compensation costs between incremental FTEs and increased costs for existing positions as Toronto Hydro’s data is not tracked in this manner.

b) Confirmed. All forms of remuneration are captured under the Total Compensation line.
RESPONSES TO OEB STAFF INTERROGATORIES

INTERROGATORY 128:

Reference(s):  
Exhibit 4A, Tab 4, Schedule 2, p. 1
Exhibit 4A, Tab 4, Schedule 3, p. 11
Chapter 2 Appendices, Appendix 2-D

a) Please separate senior management (as described in Exhibit 4A / Tab 4 / Schedule 3 / p. 11) from the management (including executive) lines in the chart (Exhibit 4A / Tab 4 / Schedule 2 / p. 1).

b) For salary and wages, please provide a breakdown of the total costs as between base salary, overtime and incentive pay (Exhibit 4A / Tab 4 / Schedule 2 / p. 1).

c) Please advise whether are any forms of employee remuneration that are not captured under the total compensation line of the chart. If yes, please provide a description and dollar value to this remuneration (Exhibit 4A / Tab 4 / Schedule 2 / p. 1).

d) Under the non-management category, please break out the costs for PWU members and SEP members (Exhibit 4A / Tab 4 / Schedule 2 / p. 1).

e) Please provide a breakdown of employee total compensation costs as between capital and OM&A in each year and confirm that it reconciles to Appendix 2-D.
RESPONSE:

a) Please refer to Toronto Hydro’s response to interrogatory 4A-AMPCO-100 (b).

b) Please see Table 1.

c) All forms of remuneration are captured in the total compensation line.

d) Please see Toronto Hydro’s response to interrogatory 4A-AMPCO-100 (b).

e) Toronto Hydro believes the question meant to reference Appendix 2-K. Please refer to Toronto Hydro’s response to interrogatory 4A-SEC-87 (c).

Table 1: 2015-2020 Breakdown of Salary and Wages ($ Millions)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Salary</td>
<td>$138.1</td>
<td>$139.2</td>
<td>$140.9</td>
<td>$148.1</td>
<td>$153.3</td>
<td>$156.4</td>
</tr>
<tr>
<td>Overtime</td>
<td>$12.6</td>
<td>$12.7</td>
<td>$13.1</td>
<td>$12.0</td>
<td>$12.2</td>
<td>$12.4</td>
</tr>
<tr>
<td>Incentive Pay</td>
<td>$7.5</td>
<td>$8.4</td>
<td>$9.1</td>
<td>$10.1</td>
<td>$10.5</td>
<td>$10.7</td>
</tr>
<tr>
<td>Total</td>
<td>$158.3</td>
<td>$160.3</td>
<td>$163.1</td>
<td>$170.2</td>
<td>$176.0</td>
<td>$179.4</td>
</tr>
</tbody>
</table>
RESPONSES TO OEB STAFF INTERROGATORIES

INTERROGATORY 129:
Reference(s): Exhibit 4A, Tab 4, Schedule 3, p. 12

Preamble:

Toronto Hydro notes that from 2011 to 2013 it experienced a notable reduction in the size of its workforce, moving from approximately 1,737 FTEs to 1,527 FTEs in 2013. Toronto Hydro states that this reduction was the result of rebalancing of critical positions and organizational and job design (Exhibit 4A / Tab 4 / Schedule 3 / p. 12).

a) Please advise whether Toronto Hydro received any external consulting help in assessing its FTE needs or if the assessment was completed internally. Specifically, please provide additional details on how it was determined that Toronto Hydro could operate effectively with approximately 200 fewer FTEs (Exhibit 4A / Tab 4 / Schedule 1 / p. 12).

b) What, if any, similar analysis has been conducted with respect to Toronto Hydro’s FTE needs for 2020?

RESPONSE:

a) The assessment was completed internally with regard to various considerations such as the nature of the work that must be performed, the availability of internal and external resources to execute that work, the impact of technology advancements and automation, and the effect of advancing apprenticeship training and entry level qualifications. Toronto Hydro has extensive knowledge and expertise in this area, and
an in-depth understanding of its requirements to assess short and long-term workforce capabilities. As outlined in Exhibit 4A, Tab 4, Schedule 3, Section 5, Toronto Hydro uses a multi-faceted approach to workforce staffing that allows the utility to execute its work program in a cost-effective and efficient manner.

b) This analysis is undertaken annually as part of the planning process. With respect to the requirements for 2020, the analysis was done as part of the planning process in 2017, when the capital and operational plans and budgets presented in this application were developed. Please refer to Toronto Hydro’s response to interrogatory 1B-CCC-9 for more information about the business planning process.
RESPONSES TO OEB STAFF INTERROGATORIES

INTERROGATORY 130:

Reference(s): Exhibit 4A, Tab 3, Schedule 3, p. 13, p. 20-21
Exhibit 4A, Tab 4, Schedule 2, p. 1
EB-2014-0116, Exhibit 1A, Tab 2, Schedule 1, p. 7-8

Preamble:

Toronto Hydro provided a discussion of the challenges it is facing on account of its aging workforce and notes that 23% of its current workforce will be eligible for retirement during the 2020-2024 period (Exhibit 4A / Tab 4 / Schedule 3 / p. 20).

In Toronto Hydro’s 2015-2019 Custom IR application it notes that 25% of its workforce would be eligible for retirement during the 2015-2019 period (EB-2014-0116 / Exhibit 1A / Tab 2 / Schedule 1 / pp. 7-8).

Table 5 (Exhibit 4A / Tab 4 / Schedule 3 / p. 21) shows that Toronto Hydro significantly underestimated the number of retirements for the period 2015-2017

a) Please explain what impact Toronto Hydro’s aging workforce, and in particular its expected large number of retirements, have on its O&MA budget and compensation costs. To the extent that Toronto Hydro is expected to experience increased OM&A costs relative to the 2015-2019 rates application due to retirements, please discuss why this would happen in the context that the previous application described similar aging workforce and retirement challenges (EB-2014-0116 / Exhibit 1A / Tab 2 / Schedule 1 / pp. 7-8).

Panel: General Plant, Operations, and Administration
b) Although Toronto Hydro expected up to 25% of its workforce to retire from 2015-2019 (EB-2014-0116 / Exhibit 1A / Tab 2 / Schedule 1 / pp. 7-8), and retirements exceeded expectations from 2015-2017 (Exhibit 4A / Tab 4 / Schedule 3 / p. 21), Toronto Hydro’s FTEs increased by 35 between 2015 and 2020. The average salary per employee also increased by about $12,000 per year over this period (Exhibit 4A / Tab 4 / Schedule 2 / p. 1). Please explain why increased retirements resulted in more employees and higher average costs per employee.

c) Please advise, using the latest available figures, what percentage of the then existing workforce actually retired. Please advise whether it is still expected that 25% of the workforce that was in place in 2015 will retire by the end of 2019.

d) Please explain what changes, if any, Toronto Hydro has made to its methodology for predicting retirements in light of the accuracy of the forecasts made in the 2015-2019 Custom IR application (Exhibit 4A / Tab 4 / Schedule 3 / p. 21).

e) Toronto Hydro experienced significantly more retirements than it was anticipating from 2015-2017 (Exhibit 4A / Tab 4 / Schedule 3 / p. 21). Please explain what impact this had on Toronto Hydro’s forecast versus actual compensation costs over the 2015-2017 period.

RESPONSE:

a) While retirements continue to be a workforce challenge that Toronto Hydro is contending with in the context of OM&A, for the most part, Toronto Hydro is managing this challenge without requesting additional funding. The exceptions are
the Control Centre Operations and Work Execution programs. In these programs, Toronto Hydro increases the hiring of Certified and Skilled Trades resources to ensure that there is sufficient time to transfer knowledge from tenured employees to new entrants, and to give apprentices sufficient time to develop the necessary skills to execute the work safely and efficiently. For more information, please refer to Exhibit 4A, Tab 4, Schedule 3 at pages 5-6.

b) In accordance with the workforce staffing strategy, outlined in Exhibit 4A, Tab 4, Schedule 3 at page 22, the increase of 35 FTE from 2015 to 2019 is driven by the implementation of resource strategies across the workforce segments to address considerations such as: knowledge transfer and succession planning (as noted above in part a); having the right mix of resources to execute the work safely and efficiently and to deliver on customer outcomes; and addressing incremental legal and regulatory requirements.

With respect to the increase in the average salary of an employee over the 2015 to 2019 period, the compound average growth rate (CAGR) per employee is 2.08 percent. For unionized employees, which represent approximately 60 percent of the utility’s workforce, this increase is driven by Toronto Hydro’s collective agreements with PWU and the Society, as outlined in Exhibit 4A, Tab 4, Schedule 4, page 10, Tables 3 and 4. For non-unionized employees, the increase is aligned with Toronto Hydro’s compensation strategy, which is to provide wages and benefits that are competitive in the markets where Toronto Hydro competes for talent. For more information about market competitive pay, please see Exhibit 4A, Tab 4, Schedule 4 at pages 3-5, as well as Toronto Hydro’s response to interrogatory 1B-BOMA-46 part (a).

c) Based on 2015-2018 actual retirements and 2019 projections, 24 percent of the workforce that was in place in 2015 will have retired at the end of 2019.
d) Previously, Toronto Hydro projected retirements using combination of age and years of service totalling 90, which followed the OMERS pension eligibility criteria for an unreduced pension. Using that approach led to more retirements than the utility projected in 2016-2017, as outlined in Table 5 at Exhibit 4A, Tab 4 at page 21. As a result, Toronto Hydro reviewed its historical data on retirements and adopted the revised approach described in its response to interrogatory 1B-CCC-13.

e) Toronto Hydro is not able to reconcile the 2015 to 2017 actuals in Appendix 2K to any directly comparable forecasts for this period because the utility’s last rebasing application (EB-2014-0116) did not include detailed forecasts beyond the 2015 test year. In the 2015 test year, the OEB approved amounts were materially different than the forecasts in the application, such that Toronto Hydro is not able to reconcile the compensation actuals to what the OEB approved in that application.

However, based on a more general analysis of compensation, Toronto Hydro notes that actual compensation costs were lower than expected over this period, and that was in part due to higher than anticipated retirements. Toronto Hydro managed the challenge by marginally increasing its reliance on external resources, in accordance with the utility’s multi-pronged workforce strategy.
RESPONSES TO OEB STAFF INTERROGATORIES

INTERROGATORY 131:
Reference(s): Exhibit 4A, Tab 4, Schedule 3, p. 25

Preamble:
Toronto Hydro notes that one of its mitigation strategy for its aging workforce is to rely on third-party service providers.

a) Please explain what restrictions, if any, are contained in Toronto Hydro’s collective agreements with the PWU and/or the SEP with respect to contracting work out to third-party service providers.

b) Please provide the 2015 forecast and 2015-2019 actual and forecast costs for third-party service providers.

c) Please advise whether Toronto Hydro has increased its reliance on third-party service providers since 2015. If yes, please provide any business cases that were completed to support the increased reliance on third-party service providers.

d) Please provide the forecast costs for third-party service providers in 2020.

RESPONSE:

a) There are no restrictions in collective agreements between Toronto Hydro and both the Power Workers Union (PWU) and the Society of United Professionals (SUP) to contract work out to third-party service providers.

Table 1: Third-Party Service Provider Costs ($M)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>385.6</td>
<td>398.5</td>
<td>398.3</td>
<td>370.9</td>
<td>365.0</td>
<td>417.7</td>
</tr>
</tbody>
</table>

c) Toronto Hydro has not increased reliance on third-party providers since 2015. As show in Toronto Hydro’s response to interrogatory 4A-AMPCOO-101 part (c), the use of external service resource is relatively consistent over the 2015 to 2019 period.

d) Please see the table in part (b) above.
RESPONSES TO OEB STAFF INTERROGATORIES

INTERROGATORY 132:

Reference(s): Exhibit 4A, Tab 4, Schedule 4, p. 14-15

Preamble:

In Table 7, Toronto Hydro provides its historical and forecast Pension costs for the 2015-2020 period (Exhibit 4A / Tab 4 / Schedule 4 / p. 15). Toronto Hydro is part of the OMERS pension plan.

Since Toronto Hydro is part of the OMERS pension plan, its level of contributions to the plan in a given year would represent its accrual pension cost for the year and what is seeks to recover in rates for regulatory purposes.

a) Using the contribution formula presented for 2020 in Table 6 (Exhibit 4A / Tab 4 / Schedule 4 / p.15), please provide a detailed calculation of the test period 2020 pension costs. Where possible, please ensure that all inputs used in the calculation are referenced to the appropriate compensation sections of the current application.

RESPONSE:

a) Please see Table 1, below.
Table 1: Detailed Calculation for 2020 Pension Costs

<table>
<thead>
<tr>
<th></th>
<th>Detailed Pension Calculation for 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>A</td>
</tr>
<tr>
<td>Full Time Employees</td>
<td>1,485.4</td>
</tr>
</tbody>
</table>

Note 1: The FTE number includes only those employees eligible to participate in the pension plan.

Note 2: Ties to Pension Contributions of 19.6M in Exhibit 4A, Tab 4, Schedule 4, Page 15, Table 7.
RESPONSES TO OEB STAFF INTERROGATORIES

INTERROGATORY 133:

Reference(s):   Exhibit 4A, Tab 4, Schedule 4, p. 16

Reference(s):   Exhibit 4A, Tab 4, Schedule 6

Preamble:
In Table 8, Toronto Hydro provides its historical and forecast OPEB costs for the 2015-2020 period (Exhibit 4A / Tab 4 / Schedule 4 / p. 16).

a) Please confirm whether the amounts presented in Table 8 (Exhibit 4A / Tab 4 / Schedule 4 / p. 16) have been prepared on an accrual basis, cash basis, or a combination of the two depending on which method Toronto Hydro was approved to use for each year.

b) Please explain what is underpinning the OPEB costs presented for 2020 in light of the fact that the OPEB valuation that Toronto Hydro submitted (Exhibit 4A / Tab4 / Schedule 6) is to value its fiscal year 2017 OPEB costs. Please explain how the amount presented in 2020 was quantified, provide the necessary supporting evidence, and explain why the amount being sought for the test year is reasonable.

c) Given that interest rates have been on the rise since 2017, OEB staff would expect to see declining OPEB expense amounts from 2017 and onward. However, Table 8 (Exhibit 4A / Tab 4 / Schedule 4 / p. 16) projects stable OPEB costs amount of
between $15 million and $16 million. Please explain why this would be a reasonable assumption in the context of rising interest rates.

RESPONSE:

a) The amounts presented in Table 8 (Exhibit 4A, Tab 4, Schedule 4, page 16) have all been prepared on an accrual basis.

b) Toronto Hydro used the forecast information provided by its third party actuarial, Willis Towers Watson, for 2018 and 2019 (please see Exhibit 4A, Tab 4, Schedule 6, pages 8-9). To determine the amount for 2020, Toronto Hydro applied a reasonable assumption that 2020 OPEB costs will increase by the same percentage as 2018 and 2019.

c) The balances in Table 8 reflect the actuarial assumptions as of December 31, 2017. The OPEB liability is discounted using discount rates based on long-term high-quality Canadian corporate bond yields that result in a similar cash flow pattern to Toronto Hydro OPEB plans. The increases in the Bank of Canada rate since 2017 have resulted in an increase in short-term borrowing rates; however, this has not necessarily translated into a corresponding increase in the long-term bond rate that Toronto Hydro uses to determine the discount rate for OPEBs. Toronto Hydro will reflect any increases in long-term high-quality Canadian corporate bond yields at its next measurement date, December 31, 2018. The assumptions in the projection are still reasonable in the context of rising interest rates as these short-term yields do not necessarily correlate to the long-term discount rate that Toronto Hydro uses.
Toronto Hydro expects to provide updated 2018 actuarial assumptions as part of the planned update to the evidence, which is discussed in Exhibit 1A, Tab 3, Schedule 1, Appendix B.
RESPONSES TO OEB STAFF INTERROGATORIES

INTERROGATORY 134:
Reference(s): Exhibit 4A, Tab 4, Schedule 5, p. 1-2

a) The study only examines non-executive employees (Exhibit 4A / Tab 4 / Schedule 5 / p. 1). Please advise what positions are categorized by Toronto Hydro (and Mercer) as executive level and therefore not covered by the report.

b) Please explain why Mercer did not review executive compensation and benefits.

c) Please advise what analysis Toronto Hydro has conducted to assess the reasonableness of its executive compensation and benefits costs. Please file any relevant documents.

d) The report does not include any analysis regarding Toronto Hydro’s overall compliment of employees (i.e. analysis on whether the number of employees is comparable to other similar organizations). Please advise whether Toronto Hydro conducted any analysis on its overall number of employees. If so, please provide any relevant documents.

e) Please advise whether the 9 page report (including appendices) filed by Toronto Hydro is all of the material and analysis Toronto Hydro received from Mercer. If not, please file any additional materials.

f) The analysis includes 265 of the 582 management and professional employees and 531 of the 850 bargaining unit positions (which comprises 56% of the total
population considered in-scope for the review) (Exhibit 4A / Tab 4 / Schedule 5 / p. 2). Please explain how the job positions included in the review were selected.

**RESPONSE (PREPARED BY TORONTO HYDRO):**

a) Toronto Hydro classifies the executive level as the direct reports to the President and Chief Executive Officer. Please refer to Toronto Hydro’s response to interrogatory 1A-SEC-1 for a copy of the utility’s organizational chart, which identifies the executive positions.

Mercer reviewed base salary and total cash compensation for the executive positions. Please refer to Toronto Hydro’s response to interrogatory 1B-SEC-3 at Appendix A for a copy of this review.

b) Please refer to Toronto Hydro’s response to interrogatory 4A-SEC-90.

**RESPONSE (PREPARED BY MERCER):**

c) Full-time employee (FTE) equivalents (as opposed to employee headcount) was used along with several other criteria in determining the energy peer group organizations in the study. Please see page 2 of the Mercer Report (Exhibit 4A, Schedule 4, Tab 5) for a description of the criteria considered. Energy sector market surveys collected full-time employee equivalent information, which facilitated the comparisons between organizations.

General industry peer group comparators were primarily considered on the basis of geographic and revenue similarities as these are more frequently populated statistics within general industry surveys.
RESPONSE (PREPARED BY TORONTO HYDRO):

d) The only materials and analysis that Toronto Hydro received from Mercer are the report filed at Exhibit 4A, Tab 4, Schedule 5, and the review referenced in part (b).

RESPONSE (PREPARED BY MERCER):

e) The positions were selected by Mercer and Toronto Hydro based on consideration of the following criteria:

- size of employee population in position (positions with higher employee populations were favored);
- whether good matches on the basis of responsibilities and qualifications were available within available market surveys; and
- for non-union and PWU benchmarks, whether there was sufficient representation across salary grades (to ensure that the various levels of work could be considered).
RESPONSES TO OEB STAFF INTERROGATORIES

INTERROGATORY 135:
Reference(s): Exhibit 4A, Tab 4, Schedule 5, p. 3-41

Preamble:

The report includes a table that compares Toronto Hydro employee compensation levels with comparator groups (Exhibit 4A / Tab 4 / Schedule 5 / p. 4).

a) Please advise whether, in assessing the base salary, target total cash compensation, and total remuneration for the matched Toronto Hydro positions (grades), Mercer used the mid-point of the relevant salary band as the point of comparison. If not, please explain.

b) Please advise whether any Toronto Hydro employees earn base salaries, target total cash compensation, or total remuneration higher than would ordinarily be permitted under their salary band.

c) The table shows 17 positions (grades) that were compared (Exhibit 4A / Tab 4 / Schedule 5 / p. 4). The PWU and SEP are each assigned only one grade. Please advise whether all SEP and PWU members have the same position and salary band. If there is a more detailed break out of SEP and PWU positions available, please provide and explain how those positions compare to the comparator groups.
d) Please add a column to the chart showing the number of Toronto Hydro employees under each grade for 2017 (the year reflected in the study) (Exhibit 4A / Tab 4 / Schedule 5 / p. 3). If more SEP and PWU positions are added pursuant to question (c) please provide the number of employees for each of these positions as well.

e) Please advise whether Mercer conducted any company-wide weighted analysis of the Toronto Hydro’s total remuneration as compared to the two peer groups. If so, please provide.

RESPONSE:

a) **Response provided by Mercer:** Job rates reflect the target pay for a fully competent employee. This reflects the mid-point of the salary range for non-union positions, and the end-rate of the salary range for Society and PWU represented positions.

b) There are no employees who are paid outside of their salary band range.

c) **Response provided by Mercer:** There are several positions and salary bands within the Society and PWU. Within the Society, only one highly populated position (engineer) was benchmarked relative to the market. As such, more detailed breakdowns by grade are not possible for the Society. The study findings did not include a position-by-position analysis for the PWU as individual position competitiveness is immaterial to understanding aggregate Toronto Hydro market positioning. Please see Appendix B of the Mercer Report (Exhibit 4A, Tab 4, Schedule 5) for a list of the positions that the aggregate PWU findings represent.
1. **Table 1: Number of Incumbents in Benchmarked Positions**

<table>
<thead>
<tr>
<th>Grade</th>
<th>Number of Incumbents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Z</td>
<td>2</td>
</tr>
<tr>
<td>Y3</td>
<td>5</td>
</tr>
<tr>
<td>Y2</td>
<td>9</td>
</tr>
<tr>
<td>Y1</td>
<td>2</td>
</tr>
<tr>
<td>W4</td>
<td>31</td>
</tr>
<tr>
<td>W3</td>
<td>44</td>
</tr>
<tr>
<td>W2</td>
<td>4</td>
</tr>
<tr>
<td>V4</td>
<td>3</td>
</tr>
<tr>
<td>V3</td>
<td>104</td>
</tr>
<tr>
<td>V2</td>
<td>20</td>
</tr>
<tr>
<td>V1</td>
<td>19</td>
</tr>
<tr>
<td>U3</td>
<td>4</td>
</tr>
<tr>
<td>U2</td>
<td>9</td>
</tr>
<tr>
<td>U1</td>
<td>6</td>
</tr>
<tr>
<td>T1</td>
<td>4</td>
</tr>
<tr>
<td>SOCIETY</td>
<td>64</td>
</tr>
<tr>
<td>PWU</td>
<td>467</td>
</tr>
</tbody>
</table>

2. **Response provided by Mercer:** The study completed by Mercer references overall total remuneration findings on the basis of the non-executive employee population. The bottom of the table on page 4 of the study provides overall Toronto Hydro positioning relative to the 50th percentile of the market (e.g., 100% of market) relative to the energy peer group and general industry peer group on a total remuneration basis. In the case of the energy peer group, this is reflective of the non-executive benchmark positions identified in Appendix B. In the case of the general industry peer group, this is reflective of the non-bargaining, non-executive benchmark positions identified in Appendix B.
RESPONSES TO OEB STAFF INTERROGATORIES

INTERROGATORY 136:
Reference(s): Exhibit 4A, Tab 4, Schedule 5, p. 5

The report states, “W2 grade total cash compensation continues to exceed the market median due to upward pay pressures between management and directly supervised union positions. Society represented positions roles are paid above the competitive range relative to the energy peer group” (Exhibit 4A / Tab 4 / Schedule 5 / p. 5).

a) Please list the SEP position(s) that work under the W2 position. Please provide the data showing how much above P50 these positions are for total remuneration.

Please explain whether this is an issue for other positions as well.

RESPONSE (PREPARED BY MERCER):

a) There are no SEP positions that report directly to a W2 non-union position. Unionized positions supervised by W2 positions are represented by the PWU. Please refer to the table at Exhibit 4A, Tab 4, Schedule 5, page 4 to understand market competitiveness of non-union supervisory positions in grades W2, W3, and W4.
RESPONSES TO OEB STAFF INTERROGATORIES

INTERROGATORY 137:

Reference(s): Exhibit 4A, Tab 4, Schedule 5, p. 4-6

Preamble:
Tables 1 and 2 (Exhibit 4A / Tab 4 / Schedule 5 / pp. 5-6) show the value of Toronto Hydro’s active benefits and pensions for each employee group considering employer provided value compared to the market 50th percentile across two peer groups.

a) Please advise whether the positions captured under the management category are the same positions (other than PWU and SEP) that are listed on the compensation comparison table (Exhibit 4A / Tab 4 / Schedule 5 / p. 4).

b) Please explain whether all management positions enjoy the same active benefits and pension.

c) For the management active benefits and pensions analysis, please advise whether all positions are weighted equally or are they instead weighted based on the number of employees in each position.

d) Please advise whether all PWU and SEP employees enjoy the same active benefits and pensions.

e) For the PWU and SEP active benefits and pensions analysis, please advise whether all positions are weighted equally or are they instead weighted based on the number of employees in each position.
RESPONSE (PREPARED BY MERCER):

a) Yes, the positions captured under the management category are the same positions (other than PWU and SEP) that are listed on the compensation comparison table (Exhibit 4A, Tab 4, Schedule 5, page 4).

RESPONSE (PREPARED BY TORONTO HYDRO):

b) Yes, all management positions are eligible for the same active benefits and participate in the OMERS pension plan.

c) The active benefits and pensions analysis is not a weighted outcome as plans are not position or employee specific. Rather, active benefits and pension plans are common to employees within an employee group. To establish a comparable value between organizations, Mercer establishes an employee profile reflective of the employee group and applies that same profile across plans to establish the employer provided values in Exhibit 4A.

d) All PWU employees have the same active employee benefits and participate in the OMERS pension plan, and all SEP employees have the same active benefits and participate in the OMERS pension plan, as per the respective collective agreements.

e) Please see the response to part (c).
RESPONSES TO OEB STAFF INTERROGATORIES

INTERROGATORY 138:

Reference(s): Exhibit 4A, Tab 5, Schedule 1, p. 4-6

a) Please explain why all of Toronto Hydro Energy employees were transferred to Toronto Hydro and provide the year in which this transfer occurred (Exhibit 4A / Tab 5 / Schedule 1 / p. 5).

b) Please confirm that, in 2015, the net revenue related to the shared services with Toronto Hydro Energy was a $0.1 million revenue offset for Toronto Hydro (Exhibit 4A / Tab 5 / Schedule 1 / p. 4).

c) Please confirm that, for 2020, the net revenue of the shared services with Toronto Hydro Energy is forecast to be a $1.6 million revenue offset for Toronto Hydro (Exhibit 4A / Tab 5 / Schedule 1 / p. 4). For 2020, please provide the costs that are included in Toronto Hydro’s OM&A budget related to employees previously employed by Toronto Hydro Energy (Exhibit 4A / Tab 5 / Schedule 1 / pp. 4-5).

d) Please explain how the costs of the services provided to Toronto Hydro’s non-rate regulated business are reflected in the revenue requirement (Exhibit 4A / Tab 5 / Schedule 1 / p. 6).

e) Please confirm that the $3.9 million of revenues associated with services provided by Toronto Hydro to Toronto Hydro Corporation forecast for 2020 are treated as a revenue offset (Exhibit 4A / Tab 5 / Schedule 1 / p. 6).
f) Please confirm that the $4.6 million of costs paid to Toronto Hydro Corporation for services received by Toronto Hydro forecast for 2020 are included as an adjustment to the proposed OM&A budget (Exhibit 4A / Tab 5 / Schedule 1 / p. 6).

RESPONSE:

a) The transfer of employees from Toronto Hydro Energy Services Inc. ("THESI") to Toronto Hydro Electric Systems Ltd. ("THESL") was effective as of 2017 and was undertaken to eliminate the need for processing of large volumes of intercompany transfers and associated administrative costs. A significant portion of the work being performed by THESI employees was for THESL, thus it was determined that all THESI employees should be moved over to THESL to eliminate multiple intercompany transfers. Any work completed by THESL on behalf of THESI is charged back to the affiliate through shared services at fully allocated costs on a monthly basis to ensure those costs remain in the unregulated portfolio and to avoid subsidization.

b) The net revenues cannot be inferred from Exhibit 4A, Tab 5, Schedule 1, Table 2, since the table does not include the costs associated with the services provided to THESI. These costs are part of revenue offsets. Table 1, below, provides the net revenues related to shared services with THESI.
Table 1: Net Revenue of Shared Services Provided by and Received by Toronto Hydro to/from THESI ($M)

<table>
<thead>
<tr>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Services provided by Toronto Hydro</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>2.0</td>
<td>2.1</td>
<td>1.1</td>
<td>1.6</td>
<td>1.6</td>
<td>1.6</td>
</tr>
<tr>
<td>Costs</td>
<td>1.9</td>
<td>2.0</td>
<td>1.1</td>
<td>1.5</td>
<td>1.5</td>
<td>1.5</td>
</tr>
<tr>
<td>(Net) [a]</td>
<td>0.1</td>
<td>0.1</td>
<td>0.0</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Services received by Toronto Hydro [b]</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1.9</td>
<td>2.6</td>
<td>0.3</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net Revenue/(Costs) of the Shared Services with THESI [a]-[b]</td>
<td>(1.8)</td>
<td>(2.5)</td>
<td>(0.3)</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
</tr>
</tbody>
</table>

For 2020, the net revenue for shared services with THESI is forecast to be $0.1 million, as presented in the table above. The $1.6 million revenue is included as revenue offsets, while the $1.5 million cost is presented as part of THESL’s OM&A.

For 2020, the employees previously employed by THESI account for $0.4 million in Toronto Hydro’s OM&A budget. These costs were previously presented as services provided to THESL by THESI.

d) These revenues from services provided to Toronto Hydro’s non-rate regulated business are included in the revenue requirement as revenue offsets. The associated costs related to the services provided to the non-rate regulated business are included as part of OM&A costs.

e) Out of the $3.9 million in revenues associated with services provided by Toronto Hydro to Toronto Hydro Corporation forecast for 2020, $3.6 million is treated as a revenue offset and $0.3 million is treated as a reduction to OM&A and is included in
the Allocations and Recoveries program. Please see Exhibit 3, Tab 2, Schedule 2, Appendix 2H, note 1 for further details.

f) Confirmed. The $4.6 million of costs paid to Toronto Hydro Corporation for services received by THESL for 2020 are included as an adjustment to OM&A in Allocations and Recoveries (Exhibit 4A, Tab 2, Schedule 21, Table 1).
RESPONSES TO ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO INTERROGATORIES

INTERROGATORY 69:
Reference(s): Exhibit 4A, Tab 1, Schedule 1, p. 1

a) THESL indicates the compound growth rate in OM&A costs per customers when normalized for customer count is 1.6% over the rate period. Please provide this calculation.

b) When normalized for full time equivalent, the compound growth rate is 2.5%. Please provide this calculation.

RESPONSE:

a) Exhibit 4A, Tab 1, Schedule 5, page 1 provides total OM&A per customer for the years 2015-2020. The compound annual growth rate per customer has been calculated by using the following formula:

\[(\frac{2020 \text{ OM&A per customer}}{2015 \text{ OM&A per customer}})^{\frac{1}{5}} - 1\]

\[(353.8/326.3)^{\frac{1}{5}} - 1 = 1.6\%\]

b) Exhibit 4A, Tab 1, Schedule 5, page 1 provides total OM&A per FTE for the years 2015-2020. The compound annual growth rate per FTE has been calculated by using the following formula:

\[(\frac{2020 \text{ OM&A per FTE}}{2015 \text{ OM&A per FTE}})^{\frac{1}{5}} - 1\]

\[(169,300.6/149,716.7)^{\frac{1}{5}} - 1 = 2.5\%\]
RESPONSES TO ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO INTERROGATORIES

INTERROGATORY 70:
Reference(s): Exhibit 4A, Tab 1, Schedule 1, p. 2, Table 1

Please add 2013 and 2014 Actuals to Table 1.

RESPONSE:
Toronto Hydro notes that the 2013 and 2014 actuals are not within the scope of this application, and respectfully declines to respond on the basis that this information is not relevant to determining the issues in this proceeding.
RESPONSES TO ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

INTERROGATORIES

INTERROGATORY 71:
Reference(s): Exhibit 4A, Tab 1, Schedule 1, p. 4

THESL has applied a general inflation factor of 2% in its forecast of 2020 costs. The OEB has calculated the value of the inflation factor for incentive rate setting for rate changes effective in 2019, to be 1.5%.

Please provide the impact on OM&A costs if a general inflation factor of 1.5% is used to forecast 2020 costs.

RESPONSE:

Toronto Hydro’s 2020 cost forecasts are based on a mix of 2015-2017 actuals, bridge (2018-2019) and forecast costs (2020) for its operational programs. Toronto Hydro has applied a 2 percent inflation factor only where specific cost increases were not available, which is actually lower than inflation in the city of Toronto over the last five years (which was 2.2 percent). Please also refer to Toronto Hydro’s response to interrogatory 1B-BOMA-46.

1 Statistic Canada, Consumer Price Index, annual average, not seasonally adjusted, available at: <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1810000501>.

Panel: General Plant, Operations, and Administration
RESPONSES TO ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

INTERROGATORIES

INTERROGATORY 72:
Reference(s): Exhibit 4A, Tab 1, Schedule 1, p. 6

Please provide the total capitalized OM&A for each of the years 2015 to 2020.

RESPONSE:
Please refer to Exhibit 2A, Tab 5, Schedule 2, Appendix A (OEB Appendix 2-D).
RESPONSES TO ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO INTERROGATORIES

INTERROGATORY 73:
Reference(s): Exhibit 4A, Tab 1, Schedule 2, p. Appendix 2-JA

a) Please add 2015 Board Approved amounts to Appendix 2-JA.

RESPONSE:

a) The OM&A-related revenue requirement approved by the OEB in 2015 was $243.9 million. The OEB approved this amount on an envelope basis, and therefore Toronto Hydro cannot provide a further breakdown as requested.
RESPONSES TO ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO
INTERROGATORIES

INTERROGATORY 74:
Reference(s): Exhibit 4A, Tab 1, Schedule 3, p. Appendix 2-JB

a) Please add 2015 Actuals to Appendix 2-JB

RESPONSE:
Please refer to Toronto Hydro’s response to interrogatory 4A-AMPCO-73 for an explanation of why this information cannot be provided.
RESPONSES TO ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

INTERROGATORIES

INTERROGATORY 75:

Reference(s): Exhibit 4A, Tab 1, Schedule 4, p. Appendix 2-JC

a) Please add 2015 Board Approved to Appendix 2-JC.

RESPONSE:

The OM&A-related revenue requirement approved by the OEB in 2015 was $243.9 million. The OEB approved this amount on an envelope basis, and therefore Toronto Hydro cannot provide a further breakdown as requested.
RESPONSES TO ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

INTERROGATORIES

INTERROGATORY 76:
Reference(s): Exhibit 4A, Tab 2, Schedule 1

Please complete the excel spreadsheet titled 4A-AMPCO-76.

RESPONSE:
See the Excel spreadsheet entitled, “4A-AMPCO-76.xlsx”.
RESPONSES TO ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

INTERROGATORIES

INTERROGATORY 77:

Reference(s): Exhibit 4A, Tab 2, Schedule 1

a) Please provide the number of deficiencies addressed on the spot for each of the years 2015 to 2018 and forecast for 2019 and 2024.

b) Does THESL have unit cost inspection and maintenance targets for overhead work? If yes, please provide.

RESPONSE:

a) Please see Table 1 below for the number of deficiencies that were addressed through “find it and fix it” practices over the 2015-2018 period from Toronto Hydro’s Overhead Preventative & Predictive Maintenance program.

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td># of “Find it &amp; Fix it” Deficiencies</td>
<td>697</td>
<td>345</td>
<td>306</td>
<td>348</td>
</tr>
</tbody>
</table>

Toronto Hydro does not forecast deficiencies that are addressed on the spot.

b) Toronto Hydro does not have unit cost targets for overhead inspection and maintenance work.
RESPONSES TO ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO
INTERROGATORIES

INTERROGATORY 78:
Reference(s): Exhibit 4A, Tab 2, Schedule 2

Please complete the excel spreadsheet titled 4A-AMPCO-78.

RESPONSE:
Please see the Excel spreadsheet entitled, “4A-AMPCO-78.xlsx”
4A-AMPCO-78
Ref: 4A-T2-S2

1 **Underground Inspections & Maintenance**

<table>
<thead>
<tr>
<th>Equipment Type</th>
<th>Population</th>
<th>Inspection Cycle</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2013</td>
</tr>
<tr>
<td>Network Vaults</td>
<td>1,000</td>
<td>2,405</td>
</tr>
<tr>
<td>Network Units</td>
<td>1,800</td>
<td>1,488</td>
</tr>
<tr>
<td>Submersible Vaults</td>
<td>8,600</td>
<td>3,574</td>
</tr>
<tr>
<td>CRD &amp; URD Vaults</td>
<td>700</td>
<td>1,325</td>
</tr>
<tr>
<td>Cable Chambers</td>
<td>11,100</td>
<td>569</td>
</tr>
<tr>
<td>Padmounted Transformers</td>
<td>6,600</td>
<td>2,897</td>
</tr>
<tr>
<td>Padmounted Switches</td>
<td>900</td>
<td>658</td>
</tr>
<tr>
<td>PILC Cable</td>
<td>1,200 circuit km</td>
<td>See Table 1 in 2B-AMPCO-32</td>
</tr>
<tr>
<td>XLPE Cable</td>
<td>4,000 circuit km</td>
<td>See all vault inspections and Cable Chamber inspections above. Cable condition is observed during those inspections.</td>
</tr>
<tr>
<td>Network Protectors</td>
<td>1,700</td>
<td>1,915</td>
</tr>
</tbody>
</table>

2 **Underground Deficiencies**

<table>
<thead>
<tr>
<th>Equipment Type</th>
<th># Deficiencies from Prev. &amp; Pred. Maintenance Programs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
</tr>
<tr>
<td>Network Vaults</td>
<td>2,814</td>
</tr>
<tr>
<td>Network Units</td>
<td>221</td>
</tr>
<tr>
<td>Submersible Vaults</td>
<td>1,315</td>
</tr>
<tr>
<td>CRD Vaults</td>
<td>54</td>
</tr>
<tr>
<td>URD Vaults</td>
<td>1,334</td>
</tr>
<tr>
<td>Cable Chambers</td>
<td>2,261</td>
</tr>
<tr>
<td>Padmounted Transformers</td>
<td>5,121</td>
</tr>
<tr>
<td>Padmounted Switches</td>
<td>1,930</td>
</tr>
<tr>
<td>PILC Cable (3)</td>
<td>78</td>
</tr>
<tr>
<td>XLPE Cable (3)</td>
<td>144</td>
</tr>
<tr>
<td>Network Protectors</td>
<td>144</td>
</tr>
</tbody>
</table>

Note 1: Deficiencies identified through inspections and maintenance activities captured in Table 1.
Note 2: Partial subset of deficiencies. Deficiencies from Q4 of 2018 not fully processed.
Note 3: Captured from vault and cable chamber inspections.
3 Underground Asset Failures

<table>
<thead>
<tr>
<th>Equipment Type</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Network Vaults</td>
<td>18</td>
<td>77</td>
<td>84</td>
<td>108</td>
<td>213</td>
<td>192</td>
</tr>
<tr>
<td>Network Units</td>
<td>28</td>
<td>43</td>
<td>58</td>
<td>45</td>
<td>62</td>
<td>40</td>
</tr>
<tr>
<td>Submersible Vaults</td>
<td>25</td>
<td>86</td>
<td>58</td>
<td>67</td>
<td>40</td>
<td>42</td>
</tr>
<tr>
<td>CRD Vaults</td>
<td>1</td>
<td>3</td>
<td>2</td>
<td>6</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>URD Vaults</td>
<td>10</td>
<td>43</td>
<td>36</td>
<td>78</td>
<td>175</td>
<td>146</td>
</tr>
<tr>
<td>Cable Chambers</td>
<td>15</td>
<td>26</td>
<td>28</td>
<td>21</td>
<td>28</td>
<td>27</td>
</tr>
<tr>
<td>Padmounted Transformers</td>
<td>42</td>
<td>49</td>
<td>62</td>
<td>39</td>
<td>80</td>
<td>36</td>
</tr>
<tr>
<td>Padmounted Switches</td>
<td>36</td>
<td>23</td>
<td>54</td>
<td>41</td>
<td>70</td>
<td>37</td>
</tr>
<tr>
<td>PILC Cable</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>XLPE Cable</td>
<td>177</td>
<td>144</td>
<td>134</td>
<td>163</td>
<td>102</td>
<td>118</td>
</tr>
<tr>
<td>Network Protectors</td>
<td>16</td>
<td>77</td>
<td>93</td>
<td>100</td>
<td>123</td>
<td>165</td>
</tr>
</tbody>
</table>

*Note 1: Captured from Toronto Hydro’s Reactive Capital Work Requests and Defective Equipment Tracking System*

4 Underground Maintenance

<table>
<thead>
<tr>
<th>Equipment Type</th>
<th>Population</th>
<th>Maintenance</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Network Vaults</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Network Units</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Submersible Vaults</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CRD Vaults</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>URD Vaults</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cable Chambers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Padmounted Transformers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Padmounted Switches</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PILC Cable</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>XLPE Cable</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Network Protectors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Note 2: Please see figures in Table 1 above.*
RESPONSES TO ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

INTERROGATORIES

INTERROGATORY 79:

Reference(s): Exhibit 4A, Tab 2, Schedule 2

a) Please provide the number of deficiencies addressed on the spot for each of the years 2015 to 2018 and forecast for 2020.

b) Does THESL have unit cost inspection and maintenance targets for underground work? If yes, please provide.

RESPONSE:

a) Please see Table 1 below for the number of deficiencies that were addressed through “find it and fix it” practices over the 2015-2018 period from Toronto Hydro’s Underground Preventative & Predictive Maintenance program.

Table 1: Number of Find it and Fix it Deficiencies

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td># of “Find it &amp; Fix it” Deficiencies</td>
<td>3,645</td>
<td>583</td>
<td>1,448</td>
<td>2,170</td>
</tr>
</tbody>
</table>

Toronto Hydro does not forecast deficiencies that are addressed on the spot.

b) Toronto Hydro does not have unit cost targets for underground inspection and maintenance work.
RESPONSES TO ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO
INTERROGATORIES

INTERROGATORY 80:
Reference(s): Exhibit 4A, Tab 2, Schedule 2

Please complete the excel spreadsheet titled 4A-AMPCO-80.

RESPONSE:
The Excel spreadsheet entitled “4A-AMPCO-80.xlsx” is identical to that provided in 4A AMPCO-78. Please refer to Toronto Hydro’s response to interrogatory 4A-AMPCO-78.
RESPONSES TO ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO
INTERROGATORIES

INTERROGATORY 81:
Reference(s): Exhibit 4A, Tab 2, Schedule 4, p. 3, Figure 1

a) Please complete the following table to show the source of deficiencies directed to Corrective Maintenance.

<table>
<thead>
<tr>
<th># of Deficiencies to Corrective Maintenance</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preventative &amp; Predictive Maintenance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Field Operations &amp; Customer Communications</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emergency Response</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

RESPONSE:
Toronto Hydro issues work requests to address deficiencies as part of the Corrective Maintenance program. Table 1 below shows the number of Corrective Maintenance work requests created by source to address deficiencies.

Table 1: Corrective Maintenance Work Requests by source for 2015-2018.

<table>
<thead>
<tr>
<th># of Work Requests (Corrective Maintenance)</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preventative &amp; Predictive Maintenance</td>
<td>2167</td>
<td>3177</td>
<td>4369</td>
<td>3059</td>
</tr>
<tr>
<td>Field Operations &amp; Customer Communications</td>
<td>1339</td>
<td>1406</td>
<td>1316</td>
<td>1675</td>
</tr>
<tr>
<td>Emergency Response</td>
<td>1146</td>
<td>929</td>
<td>914</td>
<td>801</td>
</tr>
<tr>
<td>TOTAL</td>
<td>4652</td>
<td>5512</td>
<td>6599</td>
<td>5535</td>
</tr>
</tbody>
</table>

Panel: Distribution System Capital and Maintenance
RESPONSES TO ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

INTERROGATORIES

INTERROGATORY 82:

Reference(s): Exhibit 4A, Tab 2, Schedule 4, p. 6, Figure 2

a) Please provide the numerical values of the Corrective Maintenance Work Requests for the years 2015 to 2018 for Overhead, Station and Underground.

b) Please add 2018 data to the table.

RESPONSE:

a) Please see Table 1 below.

<table>
<thead>
<tr>
<th></th>
<th>Underground</th>
<th>Overhead</th>
<th>Station</th>
<th>Grand Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>3454</td>
<td>497</td>
<td>701</td>
<td>4652</td>
</tr>
<tr>
<td>2016</td>
<td>4191</td>
<td>583</td>
<td>738</td>
<td>5512</td>
</tr>
<tr>
<td>2017</td>
<td>5522</td>
<td>466</td>
<td>611</td>
<td>6599</td>
</tr>
</tbody>
</table>

b) Toronto Hydro does not currently have this data finalized for 2018.
RESPONSES TO ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

INTERROGATORIES

INTERROGATORY 83:
Reference(s): Exhibit 4A, Tab 2, Schedule 4, p. 10, Table 3

a) Please provide a breakdown of Corrective Maintenance costs to overhead, underground and station maintenance.

b) Please explain the cause of the backlog of issues across the system in 2017.

RESPONSE:

a) Please refer to Table 1 below for the breakdown of Corrective Maintenance costs by system type.

Table 1: Corrective Maintenance Cost breakdown ($ Millions)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Overhead</td>
<td>5.2</td>
<td>4.5</td>
<td>4.3</td>
<td>3.6</td>
<td>3.6</td>
<td>4.2</td>
</tr>
<tr>
<td>Station</td>
<td>2.8</td>
<td>3.8</td>
<td>5.3</td>
<td>5.1</td>
<td>5.2</td>
<td>4.8</td>
</tr>
<tr>
<td>Underground</td>
<td>8.1</td>
<td>8.5</td>
<td>10.7</td>
<td>8.3</td>
<td>8.3</td>
<td>8.2</td>
</tr>
<tr>
<td>Total</td>
<td>16.1</td>
<td>16.8</td>
<td>20.3</td>
<td>17.0</td>
<td>17.0</td>
<td>17.2</td>
</tr>
</tbody>
</table>

b) The backlog referenced relates to the general increase in the number of work requests generated between 2015 and 2017, as illustrated on Figure 2 of Exhibit 4A, Tab 2, Schedule 4 at page 6, and the natural progression of those work requests from the time they are raised, to the time that they are closed. The increasing numbers of
work requests, particularly for the underground system, resulted in higher
expenditures in 2017. With respect to Stations, resource constraints prior to 2017
resulted in some corrective work being deferred into 2017.
RESPONSES TO ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

INTERROGATORIES

INTERROGATORY 84:

Reference(s): Exhibit 4A, Tab 2, Schedule 5

Please provide the number of deficiencies generated from Emergency Response for each of the years 2015 to 2018.

RESPONSE:

Please refer to Toronto Hydro’s response to interrogatory 4A-SEC-81 for the most up-to-date data for Figure 2.
RESPONSES TO ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

INTERROGATORIES

INTERROGATORY 85:
Reference(s): Exhibit 4A, Tab 2, Schedule 5, p. 3

a) Please provide the Storm and Major Event Restoration costs for each of the years 2015 to 2020.

RESPONSE:
a) Please see Table 1 below.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Storm &amp;</td>
<td>2.5</td>
<td>0.3</td>
<td>1.5</td>
<td>1.6</td>
<td>1.6</td>
<td>1.6</td>
</tr>
<tr>
<td>Major</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Event</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Panel: General Plant, Operations, and Administration
RESPONSES TO ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

INTERROGATORIES

INTERROGATORY 86:

Reference(s): Exhibit 4A, Tab 2, Schedule 5, p. 3

a) Please provide the number of responses to power quality issues for each of the years 2015 to 2018.

RESPONSE:

a) The number of responses to power quality issues broken down by year are:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3,742</td>
<td>3,847</td>
<td>3,807</td>
<td>3,296</td>
</tr>
</tbody>
</table>

Table 1: Responses to Power Quality Issues\(^1\)

\(^1\) “Power quality issues” cover issues such as flickering lights, partial power, and voltage fluctuations.
RESPONSES TO ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

INTERROGATORIES

INTERROGATORY 87:

Reference(s): Exhibit 4A, Tab 2, Schedule 5, p. 15, Table 3

   a) Please provide a breakdown of Emergency Response costs.

RESPONSE:

   a) Please see Table 1 below for a breakdown of 2015-2020 Emergency Response costs.

Table 1: Emergency Response Costs Breakdown ($ Millions)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Dispatch Logistics</td>
<td>1.3</td>
<td>0.5</td>
<td>2.4</td>
<td>2.6</td>
<td>2.7</td>
<td>2.7</td>
</tr>
<tr>
<td>Grid Response</td>
<td>12.6</td>
<td>14.4</td>
<td>12.0</td>
<td>12.2</td>
<td>12.2</td>
<td>12.3</td>
</tr>
<tr>
<td>Storms &amp; Major Event Restoration</td>
<td>2.5</td>
<td>0.3</td>
<td>1.5</td>
<td>1.6</td>
<td>1.6</td>
<td>1.6</td>
</tr>
<tr>
<td>Total</td>
<td>16.4</td>
<td>15.2</td>
<td>15.9</td>
<td>16.4</td>
<td>16.5</td>
<td>16.6</td>
</tr>
</tbody>
</table>

Panel: General Plant, Operations, and Administration
RESPONSES TO ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

INTERROGATORIES

INTERROGATORY 88:

Reference(s): Exhibit 4A, Tab 2, Schedule 7

a) Page 3: Please provide the number of trouble calls for each of the years 2013 to 2018.

b) Page 6: Please discuss any data integrity issues with respect to Grid Analytics over the past 5 years.

RESPONSE:

a) Please see Table 1.

<table>
<thead>
<tr>
<th>Year</th>
<th>Trouble Calls</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>28,679</td>
</tr>
<tr>
<td>2014</td>
<td>26,856</td>
</tr>
<tr>
<td>2015</td>
<td>26,598</td>
</tr>
<tr>
<td>2016</td>
<td>22,398</td>
</tr>
<tr>
<td>2017</td>
<td>23,585</td>
</tr>
<tr>
<td>2018</td>
<td>26,007</td>
</tr>
</tbody>
</table>

b) The data quality with respect to Grid Analytics is sufficiently reliable to perform the necessary tasks using the tools and processes that are available to the operational team. As part of its continuous improvement mandate, Toronto Hydro plans to
automate outage reporting through the implementation of automated reporting tools, and to continue its efforts to harmonize the operating system (e.g. secondary mesh network, dual radial, etc.) into a unified operating environment. These changes are expected to further enhance the quality and availability of Grid Analytics data.
RESPONSES TO ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

INTERROGATORIES

INTERROGATORY 89:
Reference(s): Exhibit 4A, Tab 2, Schedule 8

a) Please provide the number of deficiencies generated from Customer Emergency Response for each of the years 2015 to 2018.

RESPONSE:
Please refer to Toronto Hydro’s response to interrogatory 4A-SEC-81.
RESPONSES TO ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

INTERROGATORIES

INTERROGATORY 90:

Reference(s): Exhibit 4A, Tab 2, Schedule 9

1) Please provide the organization chart for Asset and Program Management.

2) Please discuss if there are any new activities being performed under the Asset and Program Management segments.

3) Page 7 Table 3: Please provide the percentage of budget that is capitalized for each of the years 2015 to 2020.

4) Page 8: Please provide the number of Standards Change Requests for each of the years 2015 to 2018.

5) Page 9: Please explain the new analytics tool and data warehouse and how it will reduce the amount of time it takes to prepare and analyze data for reliability, condition and other risk analyses.

6) Page 15 Figure 1: Scoped work is declining from 2015 to 2018. Please explain the increase in scoped work for the years 2019 to 2024.


Panel: Distribution System Capital and Maintenance
h) Page 20: Please provide the CWIP write-offs for each of the years 2015 to 2020.

i) Page 22 Figure 4: Please provide a breakdown of the types of standards change requests processed.

j) Page 23 Figure 5: Please explain if failed equipment returned contributes to reliability data or if it is removed.

k) Page 32: Please provide the number of jobs completed in 2018 and forecast to be completed for each of the years 2019 to 2024.

l) Page 36: Please provide the write-offs for internal work execution for each of the years 2015 to 2018 and forecast for 2019 and 2020.

RESPONSE:

a) Please find the organization chart for Engineering, which encompasses all functions that carry out Asset and Program Management, as Appendix A to this response.

b) Relative to Toronto Hydro’s previous CIR rate filing, there are no new activities being performed under the Asset Management and Program segments.

c) Please refer to Toronto Hydro’s response to interrogatory 4A-Staff-108.

d) Please refer to Figure 4 of Exhibit 4A, Tab 2, Schedule 9 for the number of standards change requests processed in 2015-2017. For 2018, the number provided in Figure 4 was a forecast at the time. The number of standard change requests processed in
2018 is 433.

e) The new analytics initiative seeks to implement data blending and visualization tools to better enable a centralized analytics platform, which would allow for more holistic engineering analyses and subsequent decision-making processes.

During the 2015-2018 period, Toronto Hydro implemented Alteryx for data blending and Tableau for data visualization purposes within the engineering department. Such tools, along with a consolidated data warehouse, would allow Toronto Hydro personnel to effectively and efficiently conduct and complete analyses, while avoiding non-value added manual tasks. These tools further allow Toronto Hydro to process larger data sets more efficiently when performing reliability, condition, and other analyses in comparison to traditional tools.

The scope of this initiative includes the development, testing, and production of the data environments that support the aforementioned analytics, as well as establishing an appropriate governance model. The analytics initiative is expected to achieve significant time savings of approximately 576 employee days per year.

f) The increase in scoped work from 2019 to 2024 is mainly driven by System Access and System Renewal needs. For System Access, the increase is primarily driven by continued growth in customer connections demand, major externally initiated relocation projects, and the need to renew the utility’s end-of-life Residential and Small Commercial and Industrial (C&I) meters. For System Renewal, the increase is necessary to manage significant safety, reliability, and environmental asset risks and to ensure stable performance for customers. Please refer to Exhibit 2B, Section E4.2 for more details.
g) Reliability Centered Maintenance updates focused on analysing assets at the component level rather than analysing the asset and its function as a whole. This allowed Toronto Hydro to identify failure modes on a more granular level. Additionally, updates included the analysis of suggested corrective actions, which assist personnel in assigning corrective actions for non-conformances identified through inspection activities.

h) Please see Table 1 below.

Table 1: CWIP write offs ($ Millions)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>CWIP write offs</td>
<td>3.0</td>
<td>5.5</td>
<td>5.3</td>
<td>1.2</td>
<td>1.2</td>
<td>1.2</td>
</tr>
</tbody>
</table>

i) The standards change requests are categorized into the following:
   - Request for creation of a new construction standard;
   - Request for revision to an existing construction standard;
   - Request for creation of new or re-use of existing construction sketch (Please note that construction sketches are developed for specific, non-standard scenarios and temporary installations.); and
   - Request for deviation to an existing construction standard.

Please see Table 2 below for the breakdown of standards change requests by types from 2015 to 2018.
Panel: Distribution System Capital and Maintenance

Table 2: Standards Change Requests by Type

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Construction Standard</td>
<td>10%</td>
<td>4%</td>
<td>11%</td>
<td>10%</td>
</tr>
<tr>
<td>Revision to Construction Standard</td>
<td>46%</td>
<td>44%</td>
<td>26%</td>
<td>17%</td>
</tr>
<tr>
<td>New / Re-use of Construction Sketch</td>
<td>33%</td>
<td>32%</td>
<td>30%</td>
<td>26%</td>
</tr>
<tr>
<td>Deviation to Construction Standard</td>
<td>11%</td>
<td>20%</td>
<td>33%</td>
<td>47%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

j) Distribution equipment returned from the field for investigation does not impact present reliability data. By investigating the failed equipment, determining the root cause, and putting measures into place to mitigate reoccurrences, this is expected to yield further insights on the extent of any correlations that exist between failed equipment and system reliability.

k) In 2018, 1260 jobs were successfully completed to support capital, maintenance, reactive and customer driven work in the downtown core.

The volume of jobs completed is dependent on the number of outage requests received and approved by the control room. With the continued focus on identifying feeder synergies, the volume of outages in the downtown core is expected to remain in line with 2016-2018 volumes, i.e. approximately 1300 jobs with incremental increases to support a growing volume of capital programs and customer connections.

l) Internal work execution segment includes $5.3 million of CWIP write offs in 2017 only.
GM, ENGINEERING & DIRECT REPORTS
ORG CHART
Prepared by: Human Resources & Safety
RESPONSES TO ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

INTERROGATORIES

INTERROGATORY 91:

Reference(s): Exhibit 4A, Tab 2, Schedule 9, p. 5-6

a) With respect to system planning risks, please discuss if THESL has been directly exposed to any of these risks since 2015 and provide THESL’s response.

RESPONSE:

a) Toronto Hydro is continuously exposed to these risks. Through Toronto Hydro’s risk management processes, efforts are taken to mitigate the probability and/or consequence of these risks at either an enterprise level, or through the process shown in Figure 2: Asset Management Process Overview. Please refer to Exhibit 2B, Section D1 for further information regarding each component of the Asset Management Process Overview.
RESPONSES TO ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO
INTERROGATORIES

INTERROGATORY 92:
Reference(s): Exhibit 4A, Tab 2, Schedule 9, p. 35

THESL indicates its work execution support function provides oversight and governance over project and program management practices.

a) Please provide the project management tools used by THESL.

b) Please discuss the internal controls THESL uses to track project estimating and execution performance.

c) Please provide the project management metrics used by THESL and recent project performance results.

d) Please discuss any recent issues with respect to project performance.

e) Please discuss how THESL tracks project cost and schedule overruns and what thresholds exist for variance reports.

RESPONSE:

a) The Work Program Management function is primarily focused on program management. Multiple tools, templates, reports, processes, and meetings are used to manage projects and programs at Toronto Hydro through full project/program life
cycles from initiation through to close-out. The process is designed in such a way to ensure successful delivery of programs and to provide governance, oversight, and support continuous improvement (refer to Exhibit 4A, Tab 2, Schedule 9, Section 8.1.2 for more information). Examples of tools and processes used include the following:

- Forecasting tools and templates to support resource allocation and work assignment, and budgeting by project, program, and portfolio.
- Project interdependency and third party coordination and conflict management tools and processes.
- Project, program, and portfolio tracking, including costs, schedules (with key milestones being design and construction completion dates) and other details.
- Monthly reports to leaders and monthly operations meetings with status updates on all in-flight work and details around causes of variance.
- Risk management including risk log or register to identify project, program, and portfolio risks. This includes quantitative and qualitative analysis of risks and mitigation plans to address them.
- Change Request (CR) Tool to ensure governance for project, program, and portfolio changes including scope, cost, schedule, and project additions, or removals.
- Project Variance Analysis (PVA) templates for the review of specific types of cost variance (e.g. labour, material, vehicle, other) on planned capital work and reasons for the variance.
- Monthly or quarterly Project/Program Status Reports (PSRs) for significant projects and initiatives.

b) Toronto Hydro uses internal controls and measures to ensure costs control and execution monitoring/reporting throughout the project life cycle.
With respect to cost controls, cost changes after the work has been estimated and budgeted must be approved through the change request process. The utility conducts cost variance analysis (lessons learned reviews) for planned work early in the process (for the variance between budgetary estimates and detail design estimates) and later in the process (for actual project completion costs compared to the detailed design estimate).

With respect to execution performance, the utility uses performance measures and tracking tools to assess operational performance measures including design and construction schedule performance; completion of maintenance, corrective and reactive work to plan; and customer connection performance.

c) As mentioned in part (a), the utility tracks project and program variance metrics, evaluating variances by type (e.g. labour, vehicle, material, and contractor) and undertaking root cause analysis. In addition, further examples of project metrics include resource allocation, future year design readiness, design completion, planned capital project completion, maintenance unit completion, permit submission status, etc.

For the 2020-2024 period, Toronto Hydro will be tracking and reporting 44 unique measures to be tracked and reported to the OEB annually (Exhibit 1B, Tab 1, Schedule 1, Section 5.1) to facilitate continuous improvement and provide assurance that value for money is achieved through the utility’s capital and operations plans.

Toronto Hydro also uses external benchmarking to ensure costs for typical distribution projects are in line with industry norms. As described in Exhibit 1B, Tab 1, Schedule 1,
Section 2.3.2, Toronto Hydro fared strongly when comparing capital and maintenance unit costs with peer utilities of comparable size and complexity. These results provide an indication that the utility has delivered its large capital program cost-effectively through rigorous project development, program management, and execution practices.

For more information on the Unit Cost Benchmarking report, as well as OEB Appendix 5-A (Unit Cost Metrics), please refer to Exhibit 1B, Tab 2, Schedule 1, Appendix B and Appendix C, respectively.

d) Despite macro challenges such as those discussed in Exhibit 1B, Tab 1, Schedule 1, Section 4, and specific project challenges, Toronto Hydro has demonstrated its capacity to deliver significant capital plans aligned with the preferences and needs of customers. As discussed at the program level in Exhibit 2B, Section E6, Toronto Hydro has taken the experience of the 2015-2019 period into consideration in development of 2020-2024 forecasts.

e) As outlined in (a) and (b) respectively, tools used to track cost and schedule variance and changes include:
   - change requests to manage project, program, and portfolio changes;
   - project variance analysis; and
   - regular reporting and control/performance meetings including monthly variance reporting, operational status reporting, and monthly or quarterly status reporting for significant projects and initiatives.

Several thresholds are used depending on the nature of the change being considered or type of variance reported.
RESPONSES TO ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

INTERROGATORIES

INTERROGATORY 93:

Reference(s): Exhibit 4A, Tab 2, Schedule 10

a) Please provide the organizational chart for Work Program Execution program.

b) Page 1: Please provide the percentage of capital and maintenance programs undertaken by external contractors for each for each of the years 2013 to 2018 and forecast for 2019 to 2024.

RESPONSE:

a) Please refer to Toronto Hydro’s response to interrogatory 1A-SEC-1 for a copy of the organizational structure and a mapping of the OM&A programs to the organizational structure.

b) Please see Table 1 below. Toronto Hydro notes that the 2013 and 2014 actuals are not within the scope of this application, and respectfully declines to provide this information on the basis that it is not relevant to determining the issues in this proceeding. Over the forecast period, the external contractor costs for capital will depend on the mix of work executed each year. For OM&A, the information is not available beyond 2020 because the utility did not produce forecasts beyond the test year. Note that 2018 actuals are not available at this time.
Table 1: Percentage of Expenditures Undertaken by External Contractors

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</tr>
</thead>
<tbody>
<tr>
<td>Capital</td>
<td>61.2%</td>
<td>59.5%</td>
<td>58.9%</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Maintenance</td>
<td>48.8%</td>
<td>54.8%</td>
<td>59.4%</td>
<td>47.4%</td>
<td>45.6%</td>
<td>46.4%</td>
</tr>
</tbody>
</table>
RESPONSES TO ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO INTERROGATORIES

INTERROGATORY 94:
Reference(s): Exhibit 4A, Tab 2, Schedule 11

a) Page 4 Table 3: Please provide a breakdown of Fleet and Equipment Services costs.

b) Page 7: Please provide THESL’s vehicle utilization rate for each of the years 2015 to 2020.

c) Page 7: Please provide THESL’s fleet size for each of the years 2015 to 2020.

RESPONSE:

a) Please see Table 1.

Table 1: Fleet & Equipment Services Costs ($ Millions)

<table>
<thead>
<tr>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll Costs</td>
<td>3.9</td>
<td>4.0</td>
<td>4.1</td>
<td>4.1</td>
<td>4.0</td>
<td>3.9</td>
</tr>
<tr>
<td>Labour Costs</td>
<td>0.0</td>
<td>0.0</td>
<td>(0.1)</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Vehicle Charges and Recoveries</td>
<td>(0.5)</td>
<td>(0.6)</td>
<td>(0.5)</td>
<td>(0.6)</td>
<td>(0.6)</td>
<td>(0.6)</td>
</tr>
<tr>
<td>Vehicle Costs and Fleet Charges</td>
<td>3.3</td>
<td>3.1</td>
<td>4.1</td>
<td>3.3</td>
<td>3.4</td>
<td>3.5</td>
</tr>
<tr>
<td>Inventory and Direct Purchases</td>
<td>1.5</td>
<td>1.4</td>
<td>1.2</td>
<td>1.5</td>
<td>1.5</td>
<td>1.5</td>
</tr>
<tr>
<td>External Contract Services</td>
<td>1.9</td>
<td>1.9</td>
<td>2.3</td>
<td>2.5</td>
<td>2.6</td>
<td>2.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>10.1</strong></td>
<td><strong>9.8</strong></td>
<td><strong>11.0</strong></td>
<td><strong>10.9</strong></td>
<td><strong>11.0</strong></td>
<td><strong>11.0</strong></td>
</tr>
</tbody>
</table>
b) Fleet Vehicle Utilization is tracked in terms of “standard working hours”, defined as:
the total hours the vehicle is outside its home zone during standard hours, divided by
the total number of standard hours per work day. “Standard Hours” are between
7:30am – 3:30 pm during weekdays (excluding Statutory Holidays). Standard Work
Hour Utilization is:1

- 2015 Actual: 52%
- 2016 Actual: 49%
- 2017 Actual: 45%
- 2018 Bridge: 44%
- 2019 Bridge: 47%
- 2020 Forecast: 50%

c) Fleet Size includes all heavy duty, light duty, and equipment assets:

- 2015 Actual: 644
- 2016 Actual: 596
- 2017 Actual: 588
- 2018 Bridge: 559
- 2019 Bridge: 549
- 2020 Forecast: 534

1 Exclusions: Vehicle usage outside of the “STD hours” (overtime, 24/7 System Response teams, Crews operating around road restrictions, shift employees, reactive emergencies, etc.); Time spent working in the home location (prepping equipment, safety meetings, loading material, training, inspections, returning material removed from the field, etc.).
RESPONSES TO ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO
INTERROGATORIES

INTERROGATORY 95:
Reference(s): Exhibit 4A, Tab 2, Schedule 14

a) Page 6: Please define standby costs.
b) Page 22: Please provide the organizational chart for Customer Relationship Management.
c) Please discuss THESL’s strategy to address power quality issues for Large Customers.
d) Please provide the OM&A spending related to power quality issues in the test period.
e) Please discuss if THESL has any metrics related to power quality.
f) Please identify the program where the Engineering and Construction division is located.

RESPONSE:

a) In the reference provided, ‘standby costs’ refer to the premiums paid to employees who are on-call after hours to handle urgent customer and public-related inquiries in the event of power outages. Toronto Hydro has optimized the skills of these staff to
enhance schedule efficiency and reduce the standby costs and consequent overtime costs.

b) Please refer to Toronto Hydro’s response to interrogatory 1A-SEC-1.

c) Toronto Hydro monitors reliability for all customers, including its largest customers, by identifying feeders at risk of sustained interruptions that exceed an established threshold and addresses these through a combination of short-term intervention and complementary planned renewal work.

During the 2020-2024 period, Toronto Hydro will continue to invest in strategies that monitor and manage power quality and reliability issues for large customers through a combination of targeted activities, including:

- the installation of new ION meters with added functionality that will allow for the diagnosis of customer power quality issues (Exhibit 2B, Section E5.4);
- targeted energy storage investments to address grid issues, including power quality on poor performing feeders (Exhibit 2B, Section E7.2); and
- corrective maintenance and capital investments on worst performing feeders.

d) Toronto Hydro manages power quality through a variety of OM&A programs. Work orders generated for work performed within these programs are not tracked by issue and therefore, the utility is unable to isolate the specific OM&A spend associated with power quality issues within each of those OM&A programs.

However, the following provides some examples of the OM&A programs that contribute to the management of power quality issues:
1. **Emergency Response**: The Emergency Response program funds the 24 hour, 7 days a week, 365 days a year, response to unplanned and urgent events involving Toronto Hydro’s distribution system, including power quality issues. Please see Toronto Hydro’s response to interrogatory 4A-AMPCO-86, which provides the number of responses to power quality issues over the 2015-2018 period through the Emergency Response program. Please also refer to Exhibit 4A, Tab 2, Schedule 5 for more details on this program.

2. **Control Centre Operations**: The Control Centre receives and responds to trouble calls from customers and external stakeholders, including for issues related to power quality. Please refer to Exhibit 4A, Tab 2, Schedule 7 for more details.

3. **Customer Care**: Customer Care conducts or initiates power quality investigations for customers, provides a single point of contact for customers, and liaises both proactively and reactively regarding power quality issues. Please refer to Exhibit 4A, Tab 2, Schedule 14 for more details.

4. **Preventative and Predictive Overhead Line Maintenance**: Deficiencies that may result in power quality issues are identified through this program. Examples include Overhead Line Patrols and Inspections, Overhead Switch Maintenance, Insulator Washing, and Vegetation Management. Please refer to Exhibit 4A, Tab 2, Schedule 1 for more details.

5. **Over the 2020-2024 period**, Toronto Hydro plans to track power quality through two unique measures: (i) FESI-7, which identifies feeders at risk of experiencing seven or more sustained interruptions; and (ii) FESI-6, which identifies feeders supplying
Toronto Hydro’s large customers at risk of experiencing six or more sustained interruptions. Please refer to Exhibit 2B, Section E6.7.3.3, page 11 and Exhibit 2B, E6.7.4.2, page 17 for more information about these measures.

f) Toronto Hydro interprets this question to be inquiring into the programs the Engineering and Construction division administers. Please refer to Toronto Hydro’s response to interrogatory 1A-SEC-1.
RESPONSES TO ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO
INTERROGATORIES

INTERROGATORY 96:
Reference(s): Exhibit 4A, Tab 2, Schedule 15

a) THESL indicates the corporate attendance number has improved by 32% from 2013 to 2017. Please define the corporate attendance number and provide the calculation. Please provide the data for 2018.

b) Please provide the Human Resource metrics utilized by Hydro One to manage its workforce and include the data for each metric for the years 2013 to 2018.

c) Please identify any new Human Resource metrics proposed over the test period.

RESPONSE:

a) Corporate attendance is defined as total days of absenteeism divided by total number of full-time employees. In 2013, the average days of absenteeism were 5.23, and in 2017, the average was 3.54. That is a difference of 1.69 days or 32 percent improvement. The 2018 corporate performance results are not available as Toronto Hydro has not completed the process of closing out of the year. Toronto Hydro intends to provide the 2018 corporate performance results as part of the planned evidence update, which is discussed in Exhibit 1A, Tab 3, Schedule 1, Appendix B.
b) Toronto Hydro manages its workforce through the People metrics on the corporate scorecard. The results from 2013 to 2017 are detailed below. For the reasons mentioned in part (a), above, 2018 data is not available.

<table>
<thead>
<tr>
<th>People Metric</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Engagement</td>
<td>11.1</td>
</tr>
<tr>
<td>Total Recordable Injury Frequency</td>
<td>2.26</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>People Metric</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attendance</td>
<td>4.94</td>
</tr>
<tr>
<td>Total Recordable Injury Frequency</td>
<td>1.18</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>People Metric</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attendance</td>
<td>3.78</td>
</tr>
<tr>
<td>Total Recordable Injury Frequency</td>
<td>1.16</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>People Metric</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safety Index</td>
<td>14.8%</td>
</tr>
<tr>
<td>Sustainability Index</td>
<td>7.3%</td>
</tr>
<tr>
<td>Talent Index</td>
<td>7.5%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>People Metric</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Recordable Injury Frequency</td>
<td>1.06</td>
</tr>
</tbody>
</table>

c) For 2019, the People metrics are Employee Engagement and Safety. Toronto Hydro has not determined its corporate metrics beyond 2019. However, as part of this application, Toronto Hydro has proposed an Outcomes Framework that includes 44 measures to track the utility’s performance over the 2020-2024 period. Total Recordable Injury Frequency is one of the measures in the Safety outcome, which will be reported annually to the OEB.
RESPONSES TO ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

INTERROGATORIES

INTERROGATORY 97:

Reference(s): Exhibit 4A, Tab 2, Schedule 16

a) Please provide the most recent internal audit plan.

b) Please provide a listing of all internal audits undertaken since 2015 that relate to this application.

RESPONSE:

a) Please see Table 1.

b) Please refer to Toronto Hydro’s response to interrogatory 1B-SEC-9.

Table 1: Internal Audit Plan 2018

<table>
<thead>
<tr>
<th>Project</th>
<th>Effort Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintenance &amp; Station Capital</td>
<td>Medium</td>
</tr>
<tr>
<td>SAP Implementation Review</td>
<td>High</td>
</tr>
<tr>
<td>Internal Controls over Financial Reporting</td>
<td>High</td>
</tr>
<tr>
<td>Special Consulting / KPMG Support</td>
<td>Low</td>
</tr>
</tbody>
</table>
RESPONSES TO ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

INTERROGATORIES

INTERROGATORY 98:

Reference(s): Exhibit 4A, Tab 2, Schedule 18

a) Please provide intervenor costs, forecast versus actual, for each of the years 2015 to 2018.

RESPONSE:

a) Over the 2015-2017 period, Toronto Hydro was involved in two proceedings: the 2015-2019 CIR Application (EB-2014-0116) and the ICM True-Up Application (EB-2015-0173), the latter of which related to an ICM period that preceded 2015. The intervenor costs associated with both proceedings were incurred in 2016.

As set out in the Decision and Order on Cost Awards in EB-2014-0116, the total intervenor costs were $837,076.27.

As set out in the Decision and Order on Cost Awards in EB-2015-0173, the total intervenor costs were $54,251.75.

As shown in Appendix 2-M (Exhibit 4A, Tab 2, Schedule 18), the forecasted intervenor costs associated with the utility last rebasing application was $650,000.
RESPONSES TO ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

INTERROGATORIES

INTERROGATORY 99:

Reference(s): Exhibit 4A, Tab 4, Schedule 1

a) Page 3 Figure 1: Please provide Figure 1 for 2020.

b) Please provide further details on THESL’s third-party service providers.

c) Based on the Mercer Benchmarking Report, please provide the compensation amounts in 2020 that are above P50.

d) Based on the Mercer Benchmarking Report, please provide the benefit amounts in 2020 that are above P50.

e) Page 7: Please provide the percentage of employees that are PWU.

f) Page 7: Please provide the percentage of employees that are SUP.

g) Page 7: Please provide the percentage of compensation allocated to benefits and pensions for the years 2015 to 2020.

RESPONSE:

a) The figure below represents the breakdown by employee segments for 2020.
b) Please see Toronto Hydro’s response to interrogatory 3-AMPCO-67 for details on third-party service providers.

c) The study considers compensation or benefits amounts presented as effective for 2017. Please refer to page 4 of the Mercer Report filed at Exhibit 4A, Tab 4, Schedule 5 for a summary of the results. The information shown in green indicates which grades are above 50th percentile in the applicable peer group category. Appendix B on page 8 indicates which positions were included in the review by grade.

d) Please see the response to (c) above.

e) As of December 31, 2018, 51.0% of THESL employees are represented by the Power Workers Union.

f) As of December 31, 2018, 10.1% of THESL employees are represented by the Society of United Professionals.

g) Please see Table 1.
Table 1: Benefits and Pension Costs Relative to Total Compensation

<table>
<thead>
<tr>
<th>% of Total Compensation</th>
<th>2015 Actual</th>
<th>2016 Actual</th>
<th>2017 Actual</th>
<th>2018 Bridge</th>
<th>2019 Bridge</th>
<th>2020 Test</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>25.0%</td>
<td>24.5%</td>
<td>24.6%</td>
<td>24.7%</td>
<td>25.3%</td>
<td>26.5%</td>
</tr>
</tbody>
</table>
RESPONSES TO ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO
INTERROGATORIES

INTERROGATORY 100:

Reference(s): Exhibit 4A, Tab 4, Schedule 2, Appendix 2-K

1) Please update Appendix 2-K to reflect 2018 actuals.

2) Please recast Appendix 2-K to reflect the following breakdown: Executive Management, Non-Executive Management, Non-Union Professional, PWU and SUP.

3) Please provide the number of temporary FTES in each of the above FTE categories for each of the years 2015 to 2020.

4) Please provide the % of compensation capitalized for each of the years 2015 to 2020.

5) Please provide the forecast versus actual overtime amounts for the years 2015 to 2020.

6) Please provide the number of overtime hours, forecast versus actual for each of the years 2015 to 2020.

7) Please explain how overtime is used.
h) Please provide the number of hours worked (excluding overtime), forecast versus actual for each of the years 2015 to 2020.

i) Please provide standby costs for the years 2015 to 2020.

RESPONSE:

a) Toronto Hydro intends to provide the 2018 actuals as part of the planned update to the evidence, which is discussed in Exhibit 1A, Tab 3, Schedule 1, Appendix B.

b) Please see Appendix A to this response.

c) Temporary FTEs are not included in Appendix 2-K.

d) Please see Table 1 below.

e) Please see Table 2 below. Toronto Hydro notes that it does not have 2015 to 2017 overtime forecasts to compare to the actuals.

Table 1: Percentage of Compensation Cost Capitalized

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>44.9%</td>
<td>43.4%</td>
<td>45.4%</td>
<td>45.1%</td>
<td>45.1%</td>
<td>45.0%</td>
</tr>
</tbody>
</table>

Table 2: 2015-2019 Overtime Costs ($ Millions)

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>12.6</td>
<td>12.7</td>
<td>13.1</td>
<td>12.0</td>
<td>12.2</td>
<td>12.4</td>
</tr>
</tbody>
</table>
f) Please see Table 3 below. Toronto Hydro cannot provide the requested information for 2018-2019 because it forecasts overtime by historical cost, rather than by hours.

Table 3: 2015-2017 Overtime Hours

<table>
<thead>
<tr>
<th></th>
<th>2015 Actual</th>
<th>2016 Actual</th>
<th>2017 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hours</td>
<td>122,087</td>
<td>120,196</td>
<td>120,800</td>
</tr>
</tbody>
</table>


g) Overtime is used when it is necessary to draw on resources outside of their normal work hours for various reasons, including:

- Restoring power in emergency situations (i.e. storms);
- Responding to urgent public or employee safety issues (i.e. wires down calls);
- Executing planned capital and maintenance work in accordance with municipal road restrictions, third party co-ordination, or customer requests.

h) Please see Table 4 below. Toronto Hydro does not forecast the number of hours worked, and therefore cannot provide the requested information for 2018-2019.

i) Please see Table 5 below. Note that only non-management employees receive premiums for being on standby.
### Table 5: 2017-2020 Standby Labour Costs ($ Millions)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>1.7</td>
<td>1.7</td>
<td>1.9</td>
<td>2.1</td>
<td>2.0</td>
<td>2.0</td>
</tr>
</tbody>
</table>
EMPLOYEE COSTS/ COMPENSATION TABLE

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number of Employees (FTEs including Part-Time)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EXECUTIVE</td>
<td>6</td>
<td>6</td>
<td>7</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>MANAGERIAL</td>
<td>55</td>
<td>63</td>
<td>63</td>
<td>63</td>
<td>63</td>
<td>62</td>
</tr>
<tr>
<td>NON-MANAGEMENT, NON-UNION</td>
<td>495</td>
<td>521</td>
<td>549</td>
<td>595</td>
<td>607</td>
<td>603</td>
</tr>
<tr>
<td>SOCIETY</td>
<td>53</td>
<td>56</td>
<td>60</td>
<td>67</td>
<td>68</td>
<td>69</td>
</tr>
<tr>
<td>PWU</td>
<td>874</td>
<td>837</td>
<td>794</td>
<td>769</td>
<td>779</td>
<td>778</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>1483</td>
<td>1484</td>
<td>1473</td>
<td>1499</td>
<td>1523</td>
<td>1517</td>
</tr>
<tr>
<td><strong>Total Salary and Wages (including overtime and incentive pay)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EXECUTIVE</td>
<td>$2,486,891</td>
<td>$2,397,404</td>
<td>$2,704,552</td>
<td>$2,302,886</td>
<td>$2,369,718</td>
<td>$2,447,034</td>
</tr>
<tr>
<td>MANAGERIAL</td>
<td>$9,805,887</td>
<td>$11,755,405</td>
<td>$12,267,327</td>
<td>$12,713,083</td>
<td>$13,109,022</td>
<td>$13,272,778</td>
</tr>
<tr>
<td>NON-MANAGEMENT, NON-UNION</td>
<td>$52,575,387</td>
<td>$55,121,586</td>
<td>$58,799,211</td>
<td>$65,583,986</td>
<td>$69,086,145</td>
<td>$70,786,074</td>
</tr>
<tr>
<td>SOCIETY</td>
<td>$6,273,163</td>
<td>$6,387,993</td>
<td>$7,345,852</td>
<td>$8,581,559</td>
<td>$8,730,321</td>
<td>$9,026,473</td>
</tr>
<tr>
<td>PWU</td>
<td>$87,126,813</td>
<td>$84,638,474</td>
<td>$81,994,788</td>
<td>$80,993,153</td>
<td>$82,701,776</td>
<td>$83,908,086</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$158,268,141</td>
<td>$160,300,862</td>
<td>$163,111,731</td>
<td>$170,174,668</td>
<td>$175,996,982</td>
<td>$179,440,444</td>
</tr>
<tr>
<td><strong>Total Benefits (Current + Accrued)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EXECUTIVE</td>
<td>$598,384</td>
<td>$566,562</td>
<td>$632,406</td>
<td>$629,508</td>
<td>$665,170</td>
<td>$734,128</td>
</tr>
<tr>
<td>MANAGERIAL</td>
<td>$2,974,938</td>
<td>$3,352,572</td>
<td>$3,570,450</td>
<td>$3,946,868</td>
<td>$4,179,752</td>
<td>$4,525,916</td>
</tr>
<tr>
<td>NON-MANAGEMENT, NON-UNION</td>
<td>$16,711,133</td>
<td>$17,268,194</td>
<td>$18,482,452</td>
<td>$21,757,738</td>
<td>$23,713,147</td>
<td>$25,944,261</td>
</tr>
<tr>
<td>SOCIETY</td>
<td>$2,186,586</td>
<td>$2,147,661</td>
<td>$2,485,728</td>
<td>$2,700,414</td>
<td>$2,828,604</td>
<td>$3,115,494</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$52,827,432</td>
<td>$52,057,622</td>
<td>$53,314,387</td>
<td>$55,738,811</td>
<td>$59,500,771</td>
<td>$64,769,286</td>
</tr>
<tr>
<td><strong>Total Compensation (Salary, Wages, &amp; Benefits)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EXECUTIVE</td>
<td>$3,085,275</td>
<td>$2,963,967</td>
<td>$3,336,959</td>
<td>$2,932,394</td>
<td>$3,034,888</td>
<td>$3,181,162</td>
</tr>
<tr>
<td>MANAGERIAL</td>
<td>$12,780,825</td>
<td>$15,107,977</td>
<td>$15,837,777</td>
<td>$16,659,950</td>
<td>$17,288,774</td>
<td>$17,798,694</td>
</tr>
<tr>
<td>NON-MANAGEMENT, NON-UNION</td>
<td>$69,286,521</td>
<td>$72,389,780</td>
<td>$77,281,663</td>
<td>$87,341,724</td>
<td>$92,799,292</td>
<td>$96,730,335</td>
</tr>
<tr>
<td>SOCIETY</td>
<td>$8,459,748</td>
<td>$8,535,654</td>
<td>$9,831,580</td>
<td>$11,281,974</td>
<td>$11,558,925</td>
<td>$12,141,967</td>
</tr>
<tr>
<td>PWU</td>
<td>$117,483,204</td>
<td>$113,361,107</td>
<td>$110,138,140</td>
<td>$107,697,438</td>
<td>$110,815,873</td>
<td>$114,357,572</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$211,095,573</td>
<td>$212,358,484</td>
<td>$216,426,119</td>
<td>$225,913,479</td>
<td>$235,497,752</td>
<td>$244,209,730</td>
</tr>
</tbody>
</table>
RESPONSES TO ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO
INTERROGATORIES

INTERROGATORY 101:

Reference(s): Exhibit 4A, Tab 4, Schedule 3

a) Page 10: Please define restricted work days.

b) Page 21 Table 5: Please provide the Retirement Projection calculation and provide the data for 2018.

c) Page 21: Please provide a chart that shows THESL’s resource mix for each of the years 2015 to 2024.

d) Page 23: Please provide the total number of vacancies for each of the years 2015 to 2018.

e) Please provide the average number of days to fill a vacancy in 2018.

f) Does THESL account for vacancies in its budget forecast for 2020?

g) Please provide THESL’s turnover rate for each of the years 2015 to 2018 and provide the calculation.

h) Please provide THESL’s resource utilization data for the years 2015 to 2018 and discuss any trends.
RESPONSE:

a) An employee is working in a “restricted “capacity when, due to a work-related injury or illness, the employee is unable to perform one or more routine functions, or unable to work the normal time period of their pre-injury or illness work day. Toronto Hydro uses the CEA standard A-2-2012 for recording and measuring occupational workplace injury/illness experience and transportation incidents, and tracks how much time an employee is working in this capacity using the restricted work days measure.

b) Please refer to Toronto Hydro’s response to interrogatory 1B-CCC-13.

c) Please see Table 1.

Table 1: Internal versus External Resource Mix

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Internal Costs</strong></td>
<td>35%</td>
<td>35%</td>
<td>35%</td>
<td>38%</td>
<td>39%</td>
<td>37%</td>
</tr>
<tr>
<td><strong>External Costs</strong></td>
<td>65%</td>
<td>65%</td>
<td>65%</td>
<td>62%</td>
<td>61%</td>
<td>63%</td>
</tr>
</tbody>
</table>

Note: Internal costs do not include students.

In accordance with the rate framework discussed in Exhibit 1B, Tab 4, Schedule 1, the OEB’s decision in the utility’s last rebasing application (EB 2014-0116), the OEB Handbook for Utility Rate Applications, and the OEB Filing Requirements, Toronto Hydro has not produced the requested forecasts for the 2021 to 2024 period.¹


Panel: General Plant, Operations, and Administration
d) Table 2 below provides the average number of vacancies per year from 2015 to 2018.

Given that headcount fluctuates month over month, the year-end vacancies represent the average number of full time equivalent budgeted positions vacant at the end of each year.

<table>
<thead>
<tr>
<th></th>
<th>2015 Actual</th>
<th>2016 Actual</th>
<th>2017 Actual</th>
<th>2018 Bridge</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>24</td>
<td>90</td>
<td>143</td>
<td>24</td>
</tr>
</tbody>
</table>

The average number of vacancies spiked in 2016 and 2017 because Toronto Hydro delayed hiring Certified Power Line Persons (CPLP) resources in anticipation of negotiating a harmonized Power Line Technician role with PWU as part of the labour bargaining process. The harmonized PLT role offers broadened employee skillsets and provides increased resource flexibility as PLT employees can work on both underground and overhead distribution assets. Toronto Hydro was pursuing this role in an effort to continue drive increased efficiency in the execution of its capital and operational work programs. However, for numerous reasons and despite Toronto Hydro’s best efforts, this role could not be negotiated with the PWU. Toronto Hydro expects average annual FTE vacancies to revert back to 2015 historical levels.

e) In 2018, the average days to fill a vacancy was 48.06 business days.

f) Yes.

g) The turnover rate is calculated by dividing the number of full time employees who leave the organization by the total headcount as of the first day of the year. Table 3 below provides the annual turnover rate for 2015-2018.
Table 3: 2015-2018 Employee Turnover Rate (%)

<table>
<thead>
<tr>
<th></th>
<th>2015 Actual</th>
<th>2016 Actual</th>
<th>2017 Actual</th>
<th>2018 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015 Actual</td>
<td>8.28</td>
<td>10.21</td>
<td>11.21</td>
<td>11.22</td>
</tr>
</tbody>
</table>

Note: Turnover does not include employees on a fixed term contract.

h) The resource utilization rate is tracked for operational staff only. These are internal resources which directly support the execution of capital and operational work programs. As shown in Table 4 below, the resource utilization rate is relatively flat over the 2015-2018 period. Slight changes over the period are due to factors such as operational resources working on the ERP Project and fluctuations in emergency response efforts.

Table 4: 2015-2018 Resource Utilization Rate

<table>
<thead>
<tr>
<th></th>
<th>2015 Actual</th>
<th>2016 Actual</th>
<th>2017 Actual</th>
<th>2018 Bridge</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015 Actual</td>
<td>82.9%</td>
<td>82.4%</td>
<td>84.1%</td>
<td>83.4%</td>
</tr>
</tbody>
</table>
RESPONSES TO ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

INTERROGATORIES

INTERROGATORY 102:

Reference(s): Exhibit 4A, Tab 4, Schedule 4, p. 3

Page 3: Please THESL indicates it considered other factors such as increasing scope and complexity of the utility’s work plan over the next five years.

a) Please summarize the key areas of the work plan with increased scope.

b) Please discuss any other key factors THESL considered in setting 2018 to 2020 forecasts.

RESPONSE:

a) Below is a list of four key areas of the Distribution System Plan that are increasing in scope over the 2020-2024 period. Please refer to the cited evidence for more information about these programs.

- Underground System Renewal Downtown Program (Exhibit 2B, Section E6.3)
- Network Condition Monitoring and Control Program (Exhibit 2B, Section E7.3)
- Stations Renewal Program (Exhibit 2B, Section E6.6)
- Area Conversions Program (Exhibit 2B, Section E6.1)

The execution of the programs highlighted above is supported by Toronto Hydro’s Certified and Skilled Trades workforce segment, particularly the roles of Power System Controller, Distribution System Technologist, and Certified Power Line/Cable Persons.
For more information about this workforce segment, please refer to the evidence in Exhibit 4A, Schedule 3 at pages 5-7. For details about Toronto Hydro’s apprentice hiring plan over the 2020-2024 period in these positions, please refer to the response to interrogatory 4A-PWU-14 (b).

b) In preparing the plans and forecasts that underlie this application, Toronto Hydro considered a variety of factors, including the outcomes prioritized by customers (i.e. safety, reliability, and price) as well as its legal and regulatory obligations. For more information about the planning process, please see Toronto Hydro’s response to interrogatory 1B-CCC-9.
RESPONSES TO ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

INTERROGATORIES

INTERROGATORY 103:

Reference(s): Exhibit 4A, Tab 4, Schedule 4, p. 13

a) Please provide the employer/employee split for pension contributions for the years 2015 to 2020.

RESPONSE:

Pension contributions are split equally (50/50) between Toronto Hydro and the employee for the years 2015 to 2020.
RESPONSES TO ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO INTERROGATORIES

INTERROGATORY 104:
Reference(s): Exhibit 4A, Tab 4, Schedule 4, p. 15, Table 7

a) Please explain the forecast increase in 2018 pension costs.
b) Please provide 2018 actuals.

RESPONSE:
a) The forecast increase in 2018 pension cost relative to 2017 reflects changes in headcount (from 1,473 employees in 2017 to 1,499 employee in 2018), and base salary increases for existing employees.
b) Toronto Hydro expects to provide 2018 actuals as part of the planned update to the evidence, which is discussed in Exhibit 1A, Tab 3, Schedule 1, Appendix B. Please refer to Toronto Hydro’s response to interrogatory 1A-Staff-1 for a listing of the financial figures that Toronto Hydro plans to update.
RESPONSES TO ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

INTERROGATORIES

INTERROGATORY 105:

Reference(s): Exhibit 4A, Tab 4, Schedule 5, p. 15, Table 8

a) Please provide 2018 actuals.

RESPONSE:

a) Toronto Hydro notes that the reference provided above points to the Mercer Compensation Benchmarking Report, which doesn’t include a Table 8. For the purpose of this response, Toronto Hydro assumes that correct reference is Exhibit 4A, Tab 4, Schedule 4, page 16, Table 8 regarding Post-employment Benefit Costs. As noted in the response to interrogatory 4A-AMPCO-104 (b), Toronto Hydro expects to provide 2018 actuals as part of the planned update to the evidence, which is discussed in Exhibit 1A, Tab 3, Schedule 1, Appendix B. Please refer to interrogatory 1A-Staff-1 for a listing of the financial figures that Toronto Hydro plans to update.
RESPONSES TO ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

INTERROGATORIES

INTERROGATORY 106:
Reference(s): Exhibit 4A, Tab 4, Schedule 5

a) Please provide the Terms of Reference for the Mercer Report.

b) Please provide the elements included in total cash compensation.

c) Please discuss if overtime cost are included in total cash compensation. If not, please explain.

d) Page 4 Table: Please provide the results for THESL compared to the market 50th percentile.

e) Please list the Compensation and Benefits Reviews previously conducted by Mercer for THESL and provide a copy of the Review prior to the January 2018 Review.

f) Please discuss THESL’s change/progress over time with respect to compensation and benefits relative to the energy peer group and general industry peer group.

RESPONSE (PREPARED BY TORONTO HYDRO):

a) The Terms of Reference for the Mercer report can be found in Toronto Hydro’s response to interrogatory 1B-CCC-8.
RESPONSE (PREPARED BY MERCER):

b) For Toronto Hydro positions, total cash compensation reflects the value of Toronto Hydro job rates plus the target value of any incentives, if a position is eligible for incentives. Job rates reflect the target pay for a fully competent employee and reflect the mid-point of the salary range for non-union positions, and the end-rate of the salary range for Society and PWU represented positions.

c) Overtime costs are not included in total cash compensation. For further clarity, overtime costs are not considered in the study as part of determining the market positioning of Toronto Hydro’s non-executive compensation. Overtime costs are not consistently available market statistics.

d) The table on page 4 is reflective of findings relative to the market 50th percentile.

RESPONSE (PREPARED BY TORONTO HYDRO):

e) Mercer completed a discussion draft review dated October 31, 2017 and entitled “Senior Executive Compensation Study Policies & Practices” which is attached as Appendix F to Toronto Hydro’s response to interrogatory 1B-SEC-3. Previous work done by Mercer dealt with time periods that are not relevant to this application.

f) As noted in Exhibit 4A, Tab 4, Schedule 4 at page 4, Toronto Hydro’s compensation strategy aims to strike a balance between controlling costs and providing market-competitive compensation. In doing so, the utility periodically reviews its compensation program against energy industry peers and general industry comparators. The two most recent reviews were conducted by Mercer in 2017 (Exhibit 4A, Tab 4, Schedule 5), and Towers Watson in 2014 filed in Toronto Hydro’s EB-2014-0116 application (at Exhibit 4A, Tab 4, Schedule 6). The table below provides
a comparison of the two studies from a compensation perspective, using Mercer’s more narrow definition of competitive market positioning (+/- 10% of target market positioning):

Table 1: Number of Toronto Hydro Grades that are more than 10% above market median (P50)

<table>
<thead>
<tr>
<th>Energy Peer Group</th>
<th>General Industry Peer Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>2017</td>
</tr>
<tr>
<td>8</td>
<td>3</td>
</tr>
<tr>
<td>13</td>
<td>1</td>
</tr>
</tbody>
</table>

Over time, there has been a reduction in the number of grades that fall outside of the competitive range, thus demonstrating Toronto Hydro’s progress in moving towards the market median.

Both studies also demonstrate that from a benefits perspective, Toronto Hydro has maintained the positioning with market median of the energy peer group. In 2014, the Towers survey found that “Toronto Hydro’s benefits plans in aggregate was equivalent to 31.8% of base pay compared to the market median at 34.7%. This suggests that Toronto Hydro program was behind market by approximately 2.9%”. In 2017, Mercer concluded that “When compared to the energy peer group, Toronto Hydro is generally within 2% of the market 50th percentile considering the overall value of active benefits across all employee groups.” Please note that the 2014 Towers survey did not include a General Industry Peergroup with respect to Benefits and Pension.
RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 35:

Reference(s): Exhibit 4A, Tab 1, Schedule 1, p. 2 – Table 1

Please recast Table 1 – Historical, Bridge and Test Year OM&A – Expenditures by Program. Are certain Directors/Managers responsible for each program or does the Company operate according to another structure? If so, please provide the structure and indicate how the “programs” are managed within that structure.

RESPONSE:

Please refer to Exhibit 4A, Tab 1, Schedule 4, Appendix 2-JC for OM&A by program, and to Toronto Hydro’s response to interrogatory 1A-SEC-1 at Appendix A to view the organizational structure. As shown in the organizational chart, there is not a one-to-one relationship between the OM&A programs and the senior management team. Various OM&A programs, particularly in the operations and maintenance area, span across organizational portfolios.
RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 36:

Reference(s): Exhibit 4A, Tab 1, Schedule 1, p. 5

The evidence states, “As discussed in detail in each OM&A program, the efficiencies expected to be achieved through Toronto Hydro’s actions are partially offsetting program costs.” Please provide a complete list of all of these “efficiencies”.

RESPONSE:

Please see Toronto Hydro’s response to 1B-CCC-14.
RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 37:

Reference(s): Exhibit 4A, Tab 2, Schedule 7, p. 13

Control Centre Costs are increasing from $5.4 million in 2015 to $8.7 million in 2020. Has THESL benchmarked the Control Centre Costs against other utilities? If not, why not?

Please set out a schedule listing all of the elements of the $3.3 million variance. Has THESL achieved any efficiencies in its Control Center since 2015? If so, please describe those efficiencies. If not, why not?

RESPONSE:

As set out in Exhibit 4A, Tab 2, Schedule 7 at page 14, the cost drivers for the Control Centre Operations program include the renewal of Toronto Hydro’s Power System Controller workforce, a shift to 24/7 supervision, and additional support staff costs. The year-over-year variances are explained in the program evidence at pages 18-19. Table 1 below breaks down the $3.3 million variance between 2015 and 2020 costs.

Table 1: Control Centre Costs Variance (2015-2020) ($ Millions)

<table>
<thead>
<tr>
<th>Costs</th>
<th>Table 1: Control Centre Costs Variance (2015-2020) ($ Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power System Controller and Power System Controller Apprentice headcount</td>
<td>0.9</td>
</tr>
<tr>
<td>Supervisor headcount (to support 24/7 supervision model, apprentice development, productivity and efficiencies)</td>
<td>1.4</td>
</tr>
<tr>
<td>External services (apprenticeship program trainers, testing, productivity studies, etc.)</td>
<td>1.0</td>
</tr>
</tbody>
</table>
1. Since 2015, Toronto Hydro has achieved a number of efficiencies in the Control Centre
2. Operations program. These are detailed in Table 5 at page 17 of the program evidence.

3. The utility has not benchmarked Control Centre costs against other utilities. However,
4. through its participation in industry forums, Toronto Hydro has found that its approach to
5. staffing the Control Centre (i.e. shift coverage, operating structure, minimum staff
6. complements, and operator qualifications) is aligned with that of its peers.
RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 38:

Reference(s): Exhibit 4A, Tab 2, Schedule 13, p. 6

With respect to Supply Chain Services the intent is to transition the majority of the operational responsibilities to the Third-Party procurement provider. When is this expected to happen? Will it result in significant cost reductions? What are the expected savings?

RESPONSE:

Toronto Hydro expects that by the end of 2019, the third-party procurement provider ("3PP") will manage the majority of the operational responsibilities in the Demand and Acquisition Services area within the Supply Chain department. This transition is expected to result in the following benefits, as described in Exhibit 4A, Tab 2, Schedule 13, page 6:

- Reduce the overhead cost per purchase order;
- Provide better operational cost certainty; and
- Provide more operational flexibility to meet Toronto Hydro’s varying operational requirements consisting of managing 10,340 active inventory codes linked to individual assets, issuing 14,700 purchase orders, and executing 133 solicitations annually.

At this time, Toronto Hydro is unable to comment on the specific amount or timing of when the expected savings can be realized.
RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 39:

Reference(s): Exhibit 4A, Tab 2, Schedule 14, p. 12

The evidence states that the incremental costs associated with monthly billing is approximately $4.6 million per year. Please identify any cost savings associated with monthly billing. How have THESL’s customers reacted to being billed on a monthly basis? Has there been any surveys undertaken regarding the introduction of monthly billing? If so, please provide the results of those surveys. Does THESL take the position that the move to monthly billing has been a benefit to THESL and its customers. Please explain THESL’s perspective. What would be the cost savings associated with moving back to billing on a bi-monthly basis?

RESPONSE:

As explained in the response to interrogatory 4A-Staff-118 part (b), the average net incremental cost for monthly billing over the 2017-2019 period is $4.8 million. The cost savings associated with monthly billing are detailed in Exhibit 9, Tab 1, Schedule 1 at pages 29-30.

Toronto Hydro is unable to comment on the cost savings associated with reverting back to billing on a bi-monthly basis because it has not performed this analysis. In any case, the information is not relevant because Toronto Hydro is required to bill on a monthly basis in order to comply with OEB requirements.
1. Toronto Hydro has received little feedback from its customers regarding monthly billing, and has not undertaken any surveys in respect of this regulatory requirement.
RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 40:

Reference(s): Exhibit 4A, Tab 2, Schedule 14, pp. 32-35

THESL’s budget for Communications and Public Affairs is $4.9 million, which is a $1.8 million increase over 2015 costs:

a) What was the Board Approved amount for 2015?

b) Please provide a detailed budget for this “segment”;

c) Please explain how a reduced budget would reduce the uptake in key corporate and CDM programs due to a lack of awareness and marketing, given CDM costs are to be excluded from the revenue requirement;

d) Please explain why these costs should not be allocated, in part, to the shareholder, given these activities support corporate strategy, business development and building brand trust.

RESPONSE:

a) In the utility’s last rebasing application (EB-2014-0116), OM&A expenditures were approved on an envelope basis, and not a program basis. Accordingly, Toronto Hydro is unable to provide the OEB approved amount for any particular segment or program.
b) Please see Table 1 below.

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Internal Labour</strong></td>
<td>2.1</td>
<td>2.0</td>
<td>2.2</td>
<td>2.7</td>
<td>2.9</td>
<td>3.0</td>
</tr>
<tr>
<td><strong>External Services</strong></td>
<td>0.9</td>
<td>0.7</td>
<td>1.1</td>
<td>1.6</td>
<td>1.6</td>
<td>1.6</td>
</tr>
<tr>
<td><strong>Materials</strong></td>
<td>0.1</td>
<td>0.0</td>
<td>(0.1)</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>0.1</td>
<td>0.1</td>
<td>0.2</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3.1</strong></td>
<td><strong>2.9</strong></td>
<td><strong>3.3</strong></td>
<td><strong>4.6</strong></td>
<td><strong>4.7</strong></td>
<td><strong>4.9</strong></td>
</tr>
</tbody>
</table>

Note 1: Totals may differ from the sum of all rows due to rounding
Note 2: The ‘Other’ category includes vehicle, office and communication, and employee expenses

c) Communication and marketing efforts to promote Conservation and Demand Management (“CDM”) programs are excluded from the revenue requirement as they are funded through the Independent Electricity System Operator’s conservation program. However, through an integrated approach of combining efforts to promote CDM and THESL programs and services, more communication vehicles can be leveraged for both CDM and THESL objectives and more customer interactions are facilitated, thus improving brand and reputation for Toronto Hydro as a whole. For example, an effective vehicle for engaging customers is the award-winning Spring and Fall booklets, which feature content from both CDM and THESL and are funded proportionally. With limited resources available, both booklets and the resulting uptake in programs and services may not be possible without coordinating and sharing costs.

In addition, Toronto Hydro’s CDM programming drives and increases corporate trust, brand awareness, and reputation. Promoting energy efficiency and practices that lower bills are effective brand moments, while leveraging community events for both
CDM and THESL sponsored activities provide a valuable customer interaction that often improves brand and reputation. A reduction in funding could, therefore, affect brand awareness and public trust.

Awareness of, and trust in, the Toronto Hydro brand enables CDM staff to better engage customers, convert prospects into actual customers, and maintain an ongoing relationship with customers as new programs are developed. Despite CDM being funded separately, the success of conservation efforts is impacted by these regulated activities, and therefore the funding of this program.

d) Communications and Public Affairs segment costs have historically been included in Toronto Hydro’s and other utilities’ revenue requirement, as the work performed in this segment supports regulated activities, advances the Customer Service outcome, and provides value to ratepayers. This work notably includes:

- keeping customers informed and engaged (directly and through mass media) on important matters such as the scope of planned work performed by the utility, changes to their bills stemming from regulatory requirements, programs offered by the utility (i.e. LEAP), and real-time information pertaining to service outages and restoration efforts;
- addressing the emerging and ongoing concerns of customer groups and other stakeholders who are affected by Toronto Hydro’s operating activities;
- maintaining a productive working relationship with the City of Toronto as municipal stakeholder on operational matters (i.e. permitting and other work execution related issues);
- coordinating with the City of Toronto on common projects to streamline construction and maximize execution synergies; and
- providing assistance to Toronto Hydro’s low-income customers.
RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 41:
Reference(s): Exhibit 4A, Tab 2, Schedule 17, p. 7

The evidence states that the majority of the expected increase in Information Technology is related to maintenance costs and subscription fees. How much of the $5.6 million is related to these items. What is driving the balance of the cost increases?

RESPONSE:
The 2020 test year forecast represents an increase of $5.6 million from the most recent historical actual year (2017). Of this increase, maintenance costs and subscription fees account for $3.7 million. The remaining $1.9 million is made up of managed services and labour costs.

Managed service costs account for $1.5 million and are related to required support for the ERP system. For more details, please refer to Exhibit 4A, Tab 2, Schedule 17 at page 16.

Labour costs account for $0.4 million over the period and are attributable to an increase in FTE costs, including inflation, mainly in the Security, Project Execution, and Governance areas. For more details, please refer to Exhibit 4A, Tab 2, Schedule 17, pages 12, 19, and 22-23.
RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 42:
Reference(s): Exhibit 4A, Tab 2, Schedule 18, Appendix A

For each year 2015 to 2020 please provide a detailed breakout of the Regulatory Affairs “Segment” - Ongoing Costs. Please include all assumptions. The evidence is that the cost of this Application is $8.7 million. Please provide a detailed breakout of the items included in the 2015 one-time costs and the costs associated with this Application. For the Consulting Costs please break those out by each consulting engagement. Has THESL benchmarked these costs to other proceedings? If not, why not?

RESPONSE:
Please see the correction to Appendix 2-M, noted in Toronto Hydro’s response to interrogatory 4A-Staff-122, for a detailed breakout of 2015-2020 Regulatory Affairs segment ongoing costs. Toronto Hydro’s assumptions that underpin the changes in costs over time are set out in the variance analysis in Exhibit 4A, Tab 2, Schedule 18, pages 18-19.

Table 1 provides a detailed breakout of 2015 one-time costs and costs associated with this Application, which correspond to the corrected Appendix 2-M referred to above.
Table 1: Detailed Costs Breakout of 2015-2019 CIR and 2020-2024 CIR ($)

<table>
<thead>
<tr>
<th></th>
<th>2015-2019 CIR</th>
<th></th>
<th>2020-2024 CIR</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal</td>
<td>190,378</td>
<td>741,231</td>
<td>714,804</td>
<td>196,371</td>
</tr>
<tr>
<td>Consulting</td>
<td>499,631</td>
<td>1,599,178</td>
<td>616,437</td>
<td>58,496</td>
</tr>
<tr>
<td>Intervenors</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>837,076</td>
</tr>
<tr>
<td>OEB</td>
<td></td>
<td></td>
<td></td>
<td>438,714</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>170,989</td>
<td>4,452</td>
<td></td>
<td>164,250</td>
</tr>
<tr>
<td>Total</td>
<td>690,009</td>
<td>2,511,398</td>
<td>1,335,693</td>
<td>1,530,657</td>
</tr>
</tbody>
</table>

Toronto Hydro objects to providing the breakout of the consulting costs by each consulting engagement on the basis of materiality, as articulated by the OEB in Procedural Order No. 2:¹

Parties should not engage in detailed exploration of items that do not appear to be material. Parties should use the materiality thresholds documented in Chapter 2 of the Filing Requirements as a guide. In making its decision on cost awards, the OEB will consider whether intervenors made reasonable efforts to ensure that their participation in the hearing was focused on material issues.

Toronto Hydro’s view is that every rate application is unique and that the costs cannot be effectively compared on a benchmark basis. Please refer to Toronto Hydro’s response to interrogatory 4A-Staff-122 (a) for more information related to benchmarking application costs.

¹ EB-2018-0165, Procedural Order No. 2 (November 21, 2018), at page 3.
RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 43:
Reference(s): Exhibit 4A, Tab 4, Schedule 1, p. 7

Please provide a document setting out all of the parameters of the two current collective bargaining agreements with the Power Workers’ Union and the Society of United Professionals.

RESPONSE:
Copies of Toronto Hydro’s most recent collective agreements with the Power Workers’ Union (CUPE Local 1000) and the Society of United Professionals (formerly referred to as the Society of Energy Professionals) are available publicly on the Ministry of Labour’s website at the links below:


RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 44:
Reference(s): Exhibit 4A, Tab 4, Schedule 2

Please explain the significant jump in Total Compensation – Management (including executive) from 2015-2016. If the FTE numbers are decreasing from 2019-2020, what is driving the increase in Total Compensation of $11 million?

RESPONSE:
The increase in Total Compensation for the Management group from 2015-2016 is due to the addition of employees to support major projects, such as the ERP, and for succession planning purposes.

The expected increase of $8.7 million in Total Compensation from 2019 to 2020 is driven by general salary increases, FTE differences, and accounting changes with respect to the treatment of OPEBs in accordance with OEB policy.
RESPONSES TO DISTRIBUTED RESOURCE COALITION INTERROGATORIES

INTERROGATORY 12:

Reference(s): Exhibit 4A, Tab 2, Schedule 14, p. 26

Preamble:

THESL notes that an increasingly popular method of customer engagement continues to be its customized self-service portal (known as "MyTorontoHydro"). THESL states that additional offerings will be incorporated into MyTorontoHydro based on customer research and feedback, including expanding capabilities on PowerLens for EV usage.

a) Please provide any written documentation of research and feedback on MyTorontoHydro or otherwise pertaining to EVs, batteries, EV charging, energy storage, and DERs generally. Please redact customer names or personal information (e.g., address, account numbers) accordingly, if any information is subject to privacy concerns.

b) Please explain how and when THESL will expand the capabilities of PowerLens for EV usage and how it intends to facilitate awareness and outreach concerning PowerLens to the EV community.

RESPONSE:

a) Toronto Hydro has not conducted research on, or gathered feedback from, MyTorontoHydro as it pertains to EVs, batteries, EV charging, energy storage, and DERs.
b) The residential PowerLens portal was modified late 2018 to enable residential customers to better understand electricity consumption associated with electric vehicle charging. This modification, funded by the Independent Electricity System Operator’s conservation program, is solely focused on electricity conservation. The functionality will allow users to flag that they charge an electric vehicle during the home assessment process and PowerLens will then consider this in the usage breakdown and disaggregation charts provided. This provides better categorization of consumption to users to enable customers to make better usage decisions. The Conservation and Demand Management program will continue to raise awareness of PowerLens across all customers to support the achievement of conservation objectives.
RESPONSES TO ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES

INTERROGATORY 50:

Reference(s): Exhibit 4A, Tab 1, Schedule 1, p. 2, Table 1

Preamble:

Energy Probe seeks more information and explanations for O&M changes over historic period and potential loading for 2020 base year.

a) Fleet and Equipment Services staying at $11 million, despite a large increase in fleet replacement capital investments,

b) Customer care increase of $8.4 million growing at rate greater than customer additions despite increase in E-billing

c) Information Technology $10 million increase over historic period.

d) Legal and Regulatory Increase $3.8 million ($12-$15 million) over last 4 years with further increase in 2020.

RESPONSE:

a) The benefits of reducing vehicle-related operating costs as a result of investing in a renewed fleet will not be realized immediately because, as noted in Exhibit 2B, Section E8.3.4.1, Toronto Hydro’s investments in the Fleet program are paced over the plan period. In addition, manufacturing delays could affect the pace of forecasted
replacements. This was the case in 2017 when only 8 of 14 General Motors cars were able to be procured per the schedule due to labour strikes. Very specialized vehicles may also require longer lead times to procure depending on vendor production capacity. Multi-year contracts tend to be executed within the rate filing period for which funding is secured and guaranteed, therefore heavy duty production capacity at the beginning of the rate period may be already reserved for other customers.

Further, some of the costs in this program are not affected by capital investment. For example, fuel costs are subject to crude oil pricing fluctuations. Similarly, replacement parts for vehicles are often procured from the United States, and as a result, the maintenance costs are sensitive to fluctuating currency exchange rates.

b) Toronto Hydro notes that after adjusting for the costs associated with monthly billing, which are $5 million in 2020 (Exhibit 9, Tab 1, Schedule 1 at pages 20-31), the balance of the Customer Care program has increased by only 8.3 percent over the 2015-2020 period, or an average of 1.66 percent each year, which is in line with the cost of inflation. This trend line is a result of Toronto Hydro’s efforts to maintain costs despite pressures such as additions to the customer base. Additionally, some of cost drivers documented in Exhibit 4A, Tab 2, Schedule 14 at page 4 are not related to customer additions:

- The variance in the Communications and Public Affairs segment ($1.8 million) is a result of transfer of staff and responsibilities, inflationary pressures and additional headcount to meet evolving customer preferences. For more information, please refer to Toronto Hydro’s response to interrogatory 4A-SEC-84.
- The ongoing implementation of other new public policy initiatives, including increases in the Ontario minimum wage, place upward pressure ($0.8 million),
on Toronto Hydro’s costs. For a list of the public policy initiatives that impact
this program please refer to Exhibit 4A, Tab 2, Schedule 14 at page 5.

- Inflationary pressures and vendor price changes drive up costs independently
  of customer additions. Bank charges, postage, and printing costs are leading
  examples of this over the 2015 to 2020 period ($0.5 million).

As described in Exhibit 2B, Section C2 at pages 6-7, Toronto Hydro plans to continue to
increase eBill adoption rates, and expects to save approximately $15.3 million over
the 2015-2024 period through this initiative. The cost savings associated with eBill
adoption over the 2015-2019 period have been applied to offset the cost pressures
described above. The cost savings that Toronto Hydro projects over the plan period
will help Toronto Hydro to realize the savings required by the incentive-based rate
framework, which encourages the utility to continuously seek efficiencies by including
the OEB’s productivity factor and a custom stretch factor in the custom PCI, and to
deliver on the planned outcomes for customers.

c) As noted in Exhibit 4A, Schedule 17, Tab 2 at page 7, the expected cost increase for
the Information Technology OM&A program from 2015 to 2019 is $9.6M. This
increase is driven by the following considerations:

- $7.1 million for maintenance contract and subscription fees;
- $1.6 million for purchased service contracts;
- $0.5 million for telecommunications charges; and
- $0.5 million for labour cost over the period in question.

d) In the Legal and Regulatory program, the 2020 test year cost forecast represents an
increase of $3.8 million from the utility’s last rebasing year (2015). As noted in the
evidence at Exhibit 4A, Tab 2, Schedule 18, the costs are driven by the following:
i. **Volume and complexity of the capital program**: construction and major developments, which directly impact the volume of offers to connect, operating agreements, easements, etc.;

ii. **Major external transit projects**: a large number of transit projects are scheduled to commence or continue over the next five years, which require negotiation of relocation agreements, preparation of offers to connect, and customer contributions, etc.;

iii. **Nature of claims**: an increasing volume of complex claims and larger claims payouts;

iv. **Legal, regulatory and policy requirements**: changes in the energy sector require new levels of support from the full range of services provided by the Legal and Regulatory program;

v. **OEB invoiced costs**: OEB costs invoiced to Toronto Hydro are a condition of its distribution licence. The OEB’s General Cost Recovery compound annual growth rate is forecast to be 5.8 percent between 2015 actuals and 2020 budget and 6.4 percent from 2017 actuals;

vi. **Distribution rate applications**: the costs of preparing and prosecuting distribution rate rebasing applications have increased. The development of this application began in 2016, nearly 4 years in advance of the proposed effective date for rebased years. This is necessary to ensure the utility has time to incorporate lessons from the OEB’s prior rebasing decision, and to adapt to the emerging evolutions in the regulatory policy framework; and

vii. **Compensation and inflationary increases**: Toronto Hydro expects that overall Program costs will increase slightly due to inflation and market-competitive compensation adjustments.
RESPONSES TO ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES

INTERROGATORY 51:

Reference(s): Exhibit 4A, Tab 2, Schedule 11, p. 6
Exhibit 2B, Section E8.3.4, Table 4, Table 6.7

Preamble:
Toronto Hydro has invested in fuel-saving technologies and opts for electric and hybrid vehicles, where possible, to further save on fuel and engine-related maintenance costs. The overall fleet size has also been decreased from 660 in 2013 to 588 in 2017, which reduces maintenance, repair, and administrative costs. However, given that the average age profile of the fleet continues to escalate, these savings do not fully offset the operating costs required to sustain the current fleet.

a) Please provide the numbers and age profiles of the light and heavy duty vehicles in the fleet in each of 2013, 2020F and 2024F.

b) Please comment on how the change in Fleet Age Profile(s) relates to
   i) The change in Fleet Capital/Leasing cost 2013-2020
   ii) The change in Fleet Maintenance costs 2013-2020
   iii) The change in Fleet Capital/Leasing cost 2020-2024
   iv) The change in Fleet Maintenance costs 2020-2024
RESPONSE:

a) Please see Tables 1, 2 and 3 below for the number of vehicles and age profiles for the managed fleet replacement option for the 2013, 2020 and 2024 years. The 2020 and 2024 values are approximate and will vary depending on the condition assessments performed on each individual vehicle within 0-2 years of its prescribed replacement year, as well as incidental considerations such as accidents and unforeseen fluctuations in asset costs. Changes in business requirements may also impact the number of vehicles per class.

Table 1: 2013

<table>
<thead>
<tr>
<th></th>
<th>Approximate Number of Vehicles</th>
<th>Approximate Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>Light Duty</td>
<td>307</td>
<td>4.3 years</td>
</tr>
<tr>
<td>Heavy Duty</td>
<td>260</td>
<td>6.2 years</td>
</tr>
</tbody>
</table>

Table 2: 2020 (Forecast)

<table>
<thead>
<tr>
<th></th>
<th>Approximate Number of Vehicles</th>
<th>Approximate Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>Light Duty</td>
<td>259</td>
<td>6.0 years</td>
</tr>
<tr>
<td>Heavy Duty</td>
<td>204</td>
<td>7.5 years</td>
</tr>
</tbody>
</table>

Table 3: 2024 (Forecast)

<table>
<thead>
<tr>
<th></th>
<th>Approximate Number of Vehicles</th>
<th>Approximate Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>Light Duty</td>
<td>259</td>
<td>4.8 years</td>
</tr>
<tr>
<td>Heavy Duty</td>
<td>204</td>
<td>5.9 years</td>
</tr>
</tbody>
</table>
b) The following addresses how the average fleet age relates to capital and operating costs.¹

i) **2013-2020**: The average age of light duty vehicles increases by 40 percent (4.3 to 6.0 years) and heavy duty vehicles increases by 21 percent (6.2 to 7.5 years) with capital expenditures averaging approximately $3.3 million a year. Please note that no vehicles have been leased during this period.

ii) **2013-2020**: With increases in average fleet age, vehicle-related operational expenses will increase by approximately 39 percent (from approximately $4.7 million to $6.5 million).

iii) **2020-2024**: The average age of light duty vehicles decreases by 20 percent (from 6.0 to 4.8 years) and heavy duty is anticipated to decrease by approximately 21 percent (from 7.5 to 5.9 years) with capital expenditures averaging approximately $8.5 million a year. Please note that Toronto Hydro does not anticipate leasing any vehicles during this period.

iv) **2020-2024**: With decreases in average fleet age, vehicle-related operational expenses decrease by approximately 17 percent (from approximately $6.5 million to $5.4 million).

¹ Note: all future forecasts of average age are approximate and are based on the current distribution of vehicles by type and class. Changes to these forecasts based on redundancy determinations, condition assessment, and/or need will impact these figures. Projections of vehicle-related operating costs are approximate and based off the historical relationship between fleet age and operating expenses over the 2012-2017 period, as well as the lifecycle analysis performed.
RESPONSES TO ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES

INTERROGATORY 52:
Reference(s): Exhibit 4A, Tab 2, Schedule 11, p. 6
Exhibit 2B, Section E8.3.5

a) For each the 3 options examined please provide the 5-year cost estimates for
   Capital Replacement and Operation costs. Provide appropriate comments.

b) Please provide the equivalent charts to Figure 6 for the Managed Fleet
   Replacement and Life Cycle options. Provide explanatory notes/comments.

RESPONSE:
a) The five-year CAPEX & OPEX\(^1\) estimates for each option examined is as follows:
   i) Run-to-Fail Option: CAPEX of approximately $8 - 28M\(^2\) to account for greater
      redundancy due to significant repair downtime, and complete failure
      situations; OPEX of approximately $51 - 75M\(^3\) given that repairs become
      increasingly costly once critical components are affected. The substantial risks
      associated with this option are explained at Exhibit 2B, Section E8.3, pp. 16-17.

\(^1\) OPEX figures in these responses are exclusive to direct vehicle repair & maintenance costs. Business administration
   costs (such as office staff payroll, meeting expenses, and other administrative costs) are not included.
\(^2\) Though we are running vehicles to failure before replacements, it is assumed that some capital investment would be
   required to increase vehicle redundancy in the pool since repair frequency & duration would increase – estimated at
   10% of the capital cost of Option C. Eventually, some vehicles would need to be replaced which is estimated to be
   approximately 50% of the capital cost of Option C – Full LCA Replacement.
\(^3\) $51M is the minimum which is in-line with current trends, however a high-end estimate of $75M is given to account
   for more costly and lengthy repairs given the Run-to-Fail model. This is roughly double the OPEX expected in Option B –
   Managed Fleet Replacement.

Panel: General Plant, Operations, and Administration
ii) Managed Fleet Replacement Option (Selected Option): CAPEX: $42.5M; vehicle-related OPEX of approximately $27.2M.

iii) Replacement of all Assets According to the Life Cycle Analysis Option: CAPEX: $56.5M; vehicle-related OPEX of approximately $22.3M.

b) Figures 1 and 2 below provide the equivalent charts to Figure 6, Exhibit 2B, Section E8.3, page 16 for the Managed Fleet Replacement and Replacement of all Assets According to the Life Cycle Analysis Options.
Figure 1: Option 2 - Managed Fleet Replacement (Selected Option)

Figure 2: Option 3 - Replacement of all Assets According to the Life Cycle Analysis
RESPONSES TO ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES

INTERROGATORY 53:
Reference(s): Exhibit 4A, Tab 2, Schedule 14, p. 4, p. 5

Preamble:
Toronto Hydro’s “meter-to-cash” process that transforms customer consumption and
other billable activities into customer bills, facilitates accuracy of bills, and processes
customer payments and refunds. During the fourth quarter of 2016, Toronto Hydro
converted all customers to monthly billing, and by the end of 2019 expects to issue over
9.4 million bills annually for a projected 780,000 customers

a) For the period 2013-2020 please provide
   i) Annual number of of customer bills,
   ii) Annual number e-bills,
   iii) Percentage growth in customer bills,
   iv) Percentage of e- bills,
   v) 2020F Unit costs for processing regular bills and e-bills.

b) Please explain the $5 million increase in Billing Remittance and Meter Data
   Management costs to $20.7 million in 2020. Specifically of the listed drivers
   indicate which are primarily responsible for higher unit costs for customer bills.

   c) Please provide a projection of the number of regular and e-bills over the CIR
   period.
RESPONSE:

a) Please see Table 1, below, which provides the information requested in parts i to iv.

Table 1: eBills Historic and Forecast Performance 2013-2020

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Annual number of customer bills issued (millions)</td>
<td>5.2</td>
<td>5.3</td>
<td>5.5</td>
<td>6.6</td>
<td>9.2</td>
<td>9.3</td>
<td>9.3</td>
<td>9.4</td>
</tr>
<tr>
<td>(ii) Annual number of eBills issued (millions)</td>
<td>0.4</td>
<td>0.6</td>
<td>0.9</td>
<td>1.5</td>
<td>2.5</td>
<td>3.0</td>
<td>3.3</td>
<td>3.6</td>
</tr>
<tr>
<td>(iii) Percentage growth in customer bills</td>
<td>-</td>
<td>2.6%</td>
<td>3.2%</td>
<td>21.1%</td>
<td>39.5%</td>
<td>0.1%</td>
<td>0.8%</td>
<td>1.0%</td>
</tr>
<tr>
<td>(iv) Percentage of Customers on eBills at Year End</td>
<td>8.8%</td>
<td>12.3%</td>
<td>17.1%</td>
<td>24.5%</td>
<td>29.3%</td>
<td>32.6%</td>
<td>35.5%</td>
<td>37.8%</td>
</tr>
</tbody>
</table>

(v) In 2020, Toronto Hydro forecasts the eBill unit cost to be $1.65 per bill and the paper bill unit cost to be $2.52 per bill.

b) As explained in Exhibit 4A, Tab 2, Schedule 14 at pages 13-16, the $5 million variance between 2015 actuals and the 2020 test year in the Billing Remittance and Meter Data Management segment costs is predominately driven by the inclusion of monthly billing ($4.6 million). For more information, please refer to the evidence cited above.

c) Toronto Hydro expects to issue approximately 47.9 million bills over the rate period, of which approximately 19.5 million are expected to be eBills.
RESPONSES TO ENERGY PROBE RESEARCH FOUNDATION

INTERROGATORIES

INTERROGATORY 54:

Reference(s): Exhibit 4A, Tab 2, Schedule 1, p. 36, Table 7

a) Please confirm that approximately 217,000 Meters will have seals expired and need to be serviced in 2024.

b) What is the estimated cost and how will this impact operational O&M costs and Capital Costs in 2024?

c) Has TH made provision for these costs in its CIR Plan? Please discuss and provide supporting information?

RESPONSE:

a) Confirmed. 216,600 meters will have seals expiring in 2024 and will need to be addressed by the end of 2024.

b) As discussed in Exhibit 2B, Section E5.4, the bulk of these meters with seals expiring will also be beyond their useful life and therefore will be replaced starting in 2022 (this is a capital expenditure). This is reflected in the spending increase for replacing residential and small commercial and industrial meters (which make up the bulk of the meters with expiring seals), as shown in Table 6 and Figures 7 and 9 of Exhibit 2B, Section E5.4. Therefore, the large number of meters with seals currently due to expire in 2024 is expected to have a minimal impact on the required Metering
Services segment (OM&A) spending due to the fact that these costs are majority capital expenditures.

c) Yes, as discussed in part b), Toronto Hydro has made provisions for these costs in the CIR plan.
RESPONSES TO ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES

INTERROGATORY 55:
Reference(s): Exhibit 4A, Tab 2, Schedule 18, p. 6, Table 3
Exhibit 4A, Tab 2, Schedule 18, Appendix A, OEB Appendix 2-M

a) Please provide an explanation of higher regulatory costs in 2016-2018 compared to the last CIR year.

b) Please explain why the amortization of CIR costs 2020-24 is $1.7 million vs $1.0 million for the last CIR.

c) With reference to OEB Appendix 2M, One Time costs lines 1-3, please provide a cost breakdown (by contract with names omitted) for 2020 for each category and comparison to the last rebasing application of the legal and consulting costs.

d) Please explain why these costs are higher given the similarity of the two applications and TH having a regulatory precedent regarding CIR structure for 2020 Application.

e) Please explain why Intervenor Costs are estimated at $1.2 million compared to the 2015 actual of $0.84 million-a 50% increase.

RESPONSE:

a) Please see the response to 4A-Staff-122.
b) Please see the response to 4A-Staff-122.

c) Please refer to Toronto Hydro’s response to 4A-CCC-42.

d) Please see the response to 4A-Staff-122.

e) Please see the response to 4A-Staff-122.
RESPONSES TO ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES

INTERROGATORY 56:
Reference(s): Exhibit 4A, Schedule 2, Form 2K

a) Please provide a breakout of Executive Compensation from line 1 of Form 2K.

b) For Executives Please provide a Total Compensation ("TC") breakdown between Senior Executives and other Executives and the number of positions in each group.

c) Please provide a comparison of Executive Positions and TC to EB-2013-0116 and/or the last Board-approved Executive TC.

d) Please provide a copy of the latest Executive TC Benchmarking Study for TH.

e) Please provide a detailed explanation for the basis/rationale for the approximately $5 million (~21%) increase in Executive and Management TC over the 5year period 2015-2020.

f) Include information/discussion of industry benchmarks for comparable positions.

RESPONSE:

a) Please see Toronto Hydro’s response to interrogatory 4A-AMPCO-100 part (b).
b) There is no separate classification for different executive levels.

c) **Table 1: Executive Employee Compensation 2011-2020 ($ Thousands)**

<table>
<thead>
<tr>
<th>Year</th>
<th>FTE</th>
<th>TC</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>9.2</td>
<td>3,813.6</td>
</tr>
<tr>
<td>2012</td>
<td>7.4</td>
<td>3,273.2</td>
</tr>
<tr>
<td>2013</td>
<td>8</td>
<td>3,414.4</td>
</tr>
<tr>
<td>2014</td>
<td>7</td>
<td>3,021.4</td>
</tr>
<tr>
<td>2015</td>
<td>6</td>
<td>3,085.3</td>
</tr>
<tr>
<td>2016</td>
<td>6</td>
<td>2,964.0</td>
</tr>
<tr>
<td>2017</td>
<td>7</td>
<td>3,337.0</td>
</tr>
<tr>
<td>2018</td>
<td>5</td>
<td>2,932.4</td>
</tr>
<tr>
<td>2019</td>
<td>5</td>
<td>3,034.9</td>
</tr>
<tr>
<td>2020</td>
<td>5</td>
<td>3,181.2</td>
</tr>
</tbody>
</table>

Note 1: Total Compensation in 2020 reflects the accrual method of accounting for OPEBs.

d) Please see Toronto Hydro’s response to interrogatory 4A-SEC-90.

e) Please see Toronto Hydro’s response to interrogatory 4A-CCC-44.

f) Please see Toronto Hydro’s response to interrogatory 4A-SEC-90.
RESPONSES TO ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES

INTERROGATORY 57:
Reference(s): Exhibit 4A, Tab 4, Schedule 5, Mercer Report, p. 4, p. 5

Preamble:
On base salaries for union and non-unionized positions, Toronto Hydro is generally competitive, except for the Y3, Y1, W2 and U1 AND Z salary grades that are outside of the competitive range relative to both the energy peer group and general industry peer group. The W2 salary grade with the supervisory positions exceeds the market median due to upward pay pressures between management and directly supervised unionized positions. Society represented positions roles are paid above the competitive range relative to the energy peer group.

a) Please provide a list (titles and level) of the six highlighted above TH Management positions in the sample and indicate specifically, which if any, are “Senior Management and/or Executive positions”.

b) Provide the annual total and average TC for the listed positions and indicate the amount of incentive pay as a percentage of Salaries and Wages (“S&W”) and TC and compare to peer group.

c) If the S&W and TC of any positions are above the peer group median please identify the average amounts and range of the premium.

d) Specifically show how much of the premium relates to incentive pay.

Panel: General Plant, Operations, and Administration
e) Comment/discuss if these positions require skills and other characteristics to support the above market compensation premium(s)

RESPONSE (PREPARED BY MERCER):

a) For clarity, compensation can be outside of a competitive range (within 10 percent of the target market positioning) on the basis of being higher or lower than market. In addition to the Society employee group, the only non-union salary grade greater than 10 percent above market, compared to either peer group on a base salary basis, is W2. On a target total cash compensation and total remuneration basis, grade W2 is greater than 10 percent above the General Industry Peer group. On a target total cash compensation and total remuneration basis, grades Z and W2, in addition to the Society employee group, are greater than 10 percent above the Energy Peer Group. Appendix B of the Mercer Non-Executive Compensation and Benefits Review provides the titles and level of these positions. Grade Z is considered senior management. Please refer to the table on page 4 of the Review for further details on grades or employee groups market positioning on a base salary, target total cash compensation, or total remuneration basis.

RESPONSE (PREPARED BY TORONTO HYDRO):

b) Consistent with Mercer’s clarification in part (a), above, the following responses focus on the Z and W2 grades only. Further, the information is presented by grade (rather than by position) in order to facilitate comparisons to peer group data from the Mercer review. Please refer to Toronto Hydro’s response to interrogatory 4A-SEC-89 (e). Toronto Hydro data provided in the responses below reflect the combined salaries and incentive pay of incumbents in the benchmarked positions, whereas the Toronto Hydro data in the Mercer review reflects salary structure job rates, and target short-term incentives.
Annual Total TC: Toronto Hydro has interpreted “Annual Total TC” as being the total of the annualized base salaries and target incentive pay of incumbents in the grade. Based on this interpretation, this metric would not be a good indicator of market. In order to illustrate Toronto Hydro’s market position for Total Target Compensation, please see Table 1, below.

**Table 1: Average Total Target Compensation ($K)**

<table>
<thead>
<tr>
<th>Grade</th>
<th>Toronto Hydro (Average)</th>
<th>Energy Peer Group (Average)</th>
<th>General Industry Peer Group (Average)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Z</td>
<td>235</td>
<td>212</td>
<td>306</td>
</tr>
<tr>
<td>W2</td>
<td>117</td>
<td>94</td>
<td>90</td>
</tr>
</tbody>
</table>

Note: Mercer provided the Average Total Target Compensation for the peer groups in order to answer this question as this metric was not available in the Mercer review.

**Table 2: Target Incentive Pay as a Percentage of Salaries and Wages**

<table>
<thead>
<tr>
<th>Grade</th>
<th>Toronto Hydro</th>
<th>Energy Peer Group (P50)</th>
<th>General Industry Peer Group (P50)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Z</td>
<td>25%</td>
<td>20%</td>
<td>30%</td>
</tr>
<tr>
<td>W2</td>
<td>8%</td>
<td>N/A</td>
<td>8%</td>
</tr>
</tbody>
</table>

Note: Comparison has been conducted on the basis of Target Incentive Pay (in order to align with the market data from the Mercer report)

Incentive Pay as a Percentage of Total Compensation: Toronto Hydro is unable to conduct a comparison on the basis of "Incentive Pay as a Percentage of Total Compensation" as Mercer market data is not available for this metric.
c) Table 3: Salaries & Wages Premium ($K)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Z</td>
<td>188</td>
<td>183</td>
<td>+5</td>
<td>232</td>
<td>-44</td>
</tr>
<tr>
<td>W2</td>
<td>108</td>
<td>86</td>
<td>+22</td>
<td>87</td>
<td>+21</td>
</tr>
</tbody>
</table>

For the Z and W2 grades, Toronto Hydro premiums for Salary and Wages over the defined peer groups ranges from -19 percent to +26 percent. Toronto Hydro premiums for Target Total Compensation over the defined peer groups ranges from -23 percent to +24 percent.

d) Table 5: Incentive Pay Premium ($K)

<table>
<thead>
<tr>
<th>Grade</th>
<th>Premium over Energy Peer Group (P50)</th>
<th>Premium over General Industry Group (P50)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Z</td>
<td>+32</td>
<td>-28</td>
</tr>
<tr>
<td>W2</td>
<td>-1</td>
<td>+2</td>
</tr>
</tbody>
</table>

Note: Incentive Pay premium is calculated as the difference between Total Compensation premium and Wages and Salaries premium.
e) Total cash compensation for the W2 grade continues to exceed the market median due to upward pay pressures between management and directly supervised unionized positions. Z grade level positions are in alignment with Toronto Hydro succession planning which allows Toronto Hydro to recognize and advance those employees that demonstrate exceptional skills, knowledge and leadership qualities. This level is critical to training the new generation of employees and overseeing the key functions of the utility.
RESPONSES TO ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES

INTERROGATORY 58:

Reference(s): Exhibit 4A, Tab 5, Schedule 1, Appendix 2N

Preamble:
EP wishes to understand the evolution of Corporate Cost Allocations, Charges and services between THESL and THC 2015-2018 and the projections for 2019, and 2020-2024.

a) Please provide a Schedule showing for each service, the Inbound and Outbound Corporate Cost allocations and amounts between THC and THESL for years 2015-2019 (forecast).

b) Please provide the service schedules and explanations for services/amounts with any material (>10%) change 2015-2019.

c) Please provide the service schedules and explanations for services/amounts with any material (>10%) change 2020-2024.

RESPONSE:

a) Please see Table 1, below, for the Inbound and Outbound Corporate Cost allocations and amounts between THC and THESL for years 2015-2019 (forecast).
Table 1: Corporate Cost Allocations between THC and THESL for 2015-2019 ($ Millions)

<table>
<thead>
<tr>
<th>Services provided by Toronto Hydro</th>
<th>2015 Actual</th>
<th>2016 Actual</th>
<th>2017 Actual</th>
<th>2018 Bridge</th>
<th>2019 Bridge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance/Treasury/Insurance</td>
<td>1.2</td>
<td>1.3</td>
<td>3.2</td>
<td>3.9</td>
<td>3.9</td>
</tr>
<tr>
<td>Legal</td>
<td>0.7</td>
<td>0.8</td>
<td>0.9</td>
<td>0.9</td>
<td></td>
</tr>
<tr>
<td>HR&amp;OE</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Office of the President</td>
<td>-</td>
<td>-</td>
<td>1.7</td>
<td>1.7</td>
<td>1.7</td>
</tr>
<tr>
<td>Procurement</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>IT&amp;S</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Facilities</td>
<td>0.0</td>
<td>0.1</td>
<td>0.2</td>
<td>0.2</td>
<td>0.2</td>
</tr>
<tr>
<td>Services received by Toronto Hydro</td>
<td>4.8</td>
<td>2.9</td>
<td>4.8</td>
<td>4.3</td>
<td>4.4</td>
</tr>
<tr>
<td>Corporate Stewardship - CEO</td>
<td>2.7</td>
<td>1.9</td>
<td>3.0</td>
<td>2.7</td>
<td>2.8</td>
</tr>
<tr>
<td>Corporate Governance - BOD</td>
<td>0.2</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td>Finance Stewardship - CFO</td>
<td>1.9</td>
<td>0.7</td>
<td>1.5</td>
<td>1.3</td>
<td>1.3</td>
</tr>
</tbody>
</table>

b) Explanations for services/amounts with any material (>10 percent) change 2015-2020.

Shared Services Provided by Toronto Hydro to THC

2015 Actual versus 2016 Actual

- Services Provided by Toronto Hydro
  - Finance/Treasury/Insurance decreased $0.1 million mainly due to lower incremental spend year over year on payroll and external contractor costs in 2015.
  - Legal increased $0.1 million mainly due to higher incremental spend year over year on payroll costs.
  - Facilities increased $0.1 million mainly due to higher facilities maintenance costs in 2016.

- Services Received by Toronto Hydro
  - Corporate Stewardship decreased $0.8 million due to focus on non-rate regulated activities in 2016.
- Corporate Governance increased $0.1 million mainly due to higher directors’ fees in 2016.
- Finance Stewardship decreased $1.2 million mainly due to lower expenses as a result of a vacancy in the CFO role in 2016.

2016 Actual versus 2017 Actual

- Services Provided by Toronto Hydro
  - Office of the President increased $1.7 million due to increased services related to councillor administration and requests in 2017.
  - Facilities increased $0.1 million due to refinement of cost allocation methodology based on occupied square footage.

- Services Received by Toronto Hydro
  - Corporate Stewardship increased $1.1 million mainly due to focus on unregulated business in 2016.
  - Finance Stewardship increased $0.8 million mainly due to lower expenses in 2016 as a result of CFO transition and higher credit rating agency surveillance fees in 2017.

2017 Actual versus 2018 Bridge

- Services Provided by Toronto Hydro
  - Finance/Treasury/Insurance increased $0.7 million mainly due to redesign of corporate risk, disaster planning and compliance function.

- Services Received by Toronto Hydro
  - Corporate Stewardship decreased $0.3 million mainly due to increased focus on non-rate regulated and governance activities.
  - Finance Stewardship decreased $0.2 million mainly due to increased focus on non-rate regulated and governance activities.
2018 Bridge versus 2019 Bridge

- No material variances over 10 percent.

2019 Bridge versus 2020 Test

- No material variances over 10 percent.

c) In accordance with the Rate Framework discussed in Exhibit 1B, Tab 4, Schedule 1, Toronto Hydro did not produce detailed operational plans for the 2021-2024 period, and therefore cannot provide the requested information for these years.
RESPONSES TO GREATER TORONTO APARTMENT ASSOCIATION

INTERROGATORIES

INTERROGATORY 1:
Reference(s): Exhibit 4A, Tab 2, Schedule 8
Toronto Hydro Conditions of Service

Preamble:
For decades, Toronto housing service providers have arranged annual inspections of
apartment-owned vaults housing Toronto Hydro high-voltage electric equipment. These
inspections have been coordinated with Toronto Hydro for the mutual benefit of ensuring
the sustainable protection of the Toronto Hydro equipment, safety of those attending and
to strive for the uninterrupted continuity of electricity service to our tenants. These
inspections, while difficult to coordinate, have been arranged with no compensation
required from either party from the other in respect of the mutual benefit of this
inspection. We have recently become aware that it is Toronto Hydro’s proposal that
housing providers should now pay for this visit.

Please provide Section 1.7.5 from the Conditions of Service from:
a) The version that is currently in place for 2018 (Revision #17).
b) The version that included proposed changes that were open for comment until
Dec. 13/18 (Revision #18)
c) Any subsequent revision that is or was posted for comment since Dec.13/18.
RESPONSE:

a) Please see below Revision #17 that was in effect until December 31, 2018:

1.7.5 Customer-Owned Equipment, Infrastructure, and Property

The Customer is responsible for providing, inspecting, maintaining, repairing and replacing, in a safe condition satisfactory to Toronto Hydro, all equipment and infrastructure that is owned by the Customer on private property or in the public road allowance for non-metered connections. Equipment and infrastructure includes but is not limited to transformers, cable, switches, poles, fences, gates, duct banks, conduits, cable chambers, cable pull rooms, transformer rooms, transformer vaults, transformer pads, tap boxes, handwells, service masts, and junction boxes.

The Customer is also responsible for maintaining its property in a condition that is safe and that does not inhibit the operation or threaten the integrity or reliability of equipment or infrastructure owned by the Customer or Toronto Hydro. The Customer’s responsibility to maintain its property includes, but is not limited to, clearing vegetation, keeping storm drains clear and drainage systems fully functional, removing debris, maintaining operational and electrical clearances, and maintaining proper grading and surfaces.

The Customer shall inspect and maintain its equipment, infrastructure, and property at regular intervals. When access to the equipment, infrastructure, or property is under the control of Toronto Hydro (e.g. a transformer vault, a fenced off transformer), the Customer shall contact Toronto Hydro as per the instructions posted on Toronto Hydro’s website to make appropriate arrangements (e.g. access, temporary disconnection) prior to undertaking any inspections, maintenance, repairs, or replacements.
For Customer-Owned vaults that contain Toronto Hydro equipment, Toronto Hydro will provide a Customer with one vault access every 12 months at no charge. This no charge service would be scheduled during Toronto Hydro’s normal working hours, and appointment times are not necessarily guaranteed. Vault access at times other than during Toronto Hydro’s normal working hours will be charged at cost. If Toronto Hydro staff attend to provide no charge vault access and the Customer is not present, Toronto Hydro will not provide an additional no charge vault access during the 12 month period and may charge the Customer for attending the site.

If the Customer does not inspect, maintain, repair, or replace its equipment, infrastructure, and property as required, Toronto Hydro may disconnect the supply of electricity to the Customer.

Notwithstanding the above, unless otherwise agreed to by the parties, subject to the Customer providing an easement to Toronto Hydro, Toronto Hydro will provide, maintain, repair and replace those civil infrastructure (such as poles, duct banks, conduits, cable chambers, cable pull rooms, transformer vaults, transformer pads, and switching vaults) that are required to house the primary distribution systems built along private streets that supply Customers of Multi-unit Residential developments (part of Class 3B). Effective November 15, 2004, Toronto Hydro will treat such infrastructure in the same way as those located in the public road allowance.

Where Toronto Hydro identifies, through an inspection or other activity, deficiencies relating to the equipment, infrastructure, or property owned by the Customer, such as deficiencies to walls, ceilings, floors, doors, vents, drains, electrical devices or other elements, Toronto Hydro may:
• notify the Customer of the deficiencies;
• provide a reasonable time for the Customer to correct the deficiencies; and
• if circumstances merit, request the Customer to correct the deficiency in a
  manner that brings the equipment, infrastructure, or property up to current
  standards even if the equipment, infrastructure, or property was designed,
  installed, or constructed to an older standard. (Examples of circumstances that
  may merit the application of a current standard include, but are not limited to,
  the existence of health or safety hazards, legal or regulatory requirements, and
  conditions that may impact the integrity, reliability, or operability of the
  distribution system or any equipment that supplies the Customer.)

If notified of deficiencies, or requested to correct deficiencies in a particular
manner, the Customer shall correct the deficiencies and comply with any requests.
If the Customer does not correct the deficiencies within the reasonable time, or if
the corrections are not considered adequate by Toronto Hydro or an inspection
authority, Toronto Hydro may disconnect the supply of electricity to the Customer
or may correct the deficiencies at the Customer’s expense, and Toronto Hydro shall
not be liable to the Customer for any damages arising as a result of or in the course
of disconnecting supply or correcting the deficiencies other than physical damage to
facilities arising directly from entry on the Customer’s property. Toronto Hydro’s
policies and procedures with respect to the disconnection process are further
described in these Conditions of Service.

Notwithstanding the above, the Customer shall be liable for any damages or losses
sustained by Toronto Hydro, including damages to Toronto Hydro equipment and
infrastructure that is installed either within the public road allowance or private
property, resulting from:
• the operation or failure of Customer-Owned equipment,
• the Customer not adequately maintaining, repairing, or replacing their infrastructure,
• the Customer not adequately maintaining or repairing their property.

b) Please see below the version that included proposed changes that were open for comment until December 13, 2018 (Revision #18):

1.7.5 Customer-Owned Equipment, Infrastructure, and Property

The Customer is responsible for providing, inspecting, maintaining, repairing and replacing, in a safe condition satisfactory to Toronto Hydro, all equipment and infrastructure that is owned by the Customer on private property or in the public road allowance for non-metered connections. Equipment and infrastructure includes but is not limited to transformers, cable, switches, poles, fences, gates, duct banks, conduits, cable chambers, cable pull rooms, transformer rooms, transformer vaults, transformer pads, tap boxes, handwells, service masts, and junction boxes.

The Customer is also responsible for maintaining its property in a condition that is safe and that does not inhibit the operation or threaten the integrity or reliability of equipment or infrastructure owned by the Customer or Toronto Hydro. The Customer’s responsibility to maintain its property includes, but is not limited to, clearing vegetation, keeping storm drains clear and drainage systems fully functional, removing debris, maintaining operational and electrical clearances, and maintaining proper grading and surfaces.

The Customer shall inspect and maintain its equipment, infrastructure, and property at regular intervals. When access to the equipment, infrastructure, or
property is under the control of Toronto Hydro (e.g. a transformer vault, a fenced off transformer), the Customer shall contact Toronto Hydro as per the instructions posted on Toronto Hydro’s website to make appropriate arrangements (e.g. access, temporary disconnection) prior to undertaking any inspections, maintenance, repairs, or replacements.

For Customer-Owned vaults that contain Toronto Hydro equipment, Customers requiring vault access shall pay a fair and reasonable charge based on cost recovery principles for a Toronto Hydro Person-in-Attendance. If the Customer is not present at the scheduled time, Toronto Hydro shall charge the Customer for the attendance by the Person-in-Attendance.

If the Customer does not inspect, maintain, repair, or replace its equipment, infrastructure, and property as required, Toronto Hydro may disconnect the supply of electricity to the Customer.

Notwithstanding the above, unless otherwise agreed to by the parties, subject to the Customer providing an easement to Toronto Hydro, Toronto Hydro will provide, maintain, repair and replace those civil infrastructure (such as poles, duct banks, conduits, cable chambers, cable pull rooms, transformer vaults, transformer pads, and switching vaults) that are required to house the primary distribution systems built along private streets that supply Customers of Multi-unit Residential developments (part of Class 3B). Effective November 15, 2004, Toronto Hydro will treat such infrastructure in the same way as those located in the public road allowance.

Where Toronto Hydro identifies, through an inspection or other activity, deficiencies relating to the equipment, infrastructure, or property owned by the
Customer, such as deficiencies to walls, ceilings, floors, doors, vents, drains, electrical devices or other elements, Toronto Hydro may:

- notify the Customer of the deficiencies;
- provide a reasonable time for the Customer to correct the deficiencies; and
- if circumstances merit, request the Customer to correct the deficiency in a manner that brings the equipment, infrastructure, or property up to current standards even if the equipment, infrastructure, or property was designed, installed, or constructed to an older standard. (Examples of circumstances that may merit the application of a current standard include, but are not limited to, the existence of health or safety hazards, legal or regulatory requirements, and conditions that may impact the integrity, reliability, or operability of the distribution system or any equipment that supplies the Customer.)

If notified of deficiencies, or requested to correct deficiencies in a particular manner, the Customer shall correct the deficiencies and comply with any requests. If the Customer does not correct the deficiencies within the reasonable time, or if the corrections are not considered adequate by Toronto Hydro or an inspection authority, Toronto Hydro may disconnect the supply of electricity to the Customer or may correct the deficiencies at the Customer’s expense, and Toronto Hydro shall not be liable to the Customer for any damages arising as a result of or in the course of disconnecting supply or correcting the deficiencies other than physical damage to facilities arising directly from entry on the Customer’s property.

Toronto Hydro's policies and procedures with respect to the disconnection process are further described in these Conditions of Service.

Notwithstanding the above, the Customer shall be liable for any damages or losses sustained by Toronto Hydro, including damages to Toronto Hydro equipment and
infrastructure that is installed either within the public road allowance or private property, resulting from:

- the operation or failure of Customer-Owned equipment,
- the Customer not adequately maintaining, repairing, or replacing their infrastructure,
- the Customer not adequately maintaining or repairing their property.

c) Please see below Revision #18.1 that is currently posted on Toronto Hydro’s website for public comment and will come in effect on February 1, 2019:

1.7.5 Customer-Owned Equipment, Infrastructure, and Property

The Customer is responsible for providing, inspecting, maintaining, repairing and replacing, in a safe condition satisfactory to Toronto Hydro, all equipment and infrastructure that is owned by the Customer on private property or in the public road allowance for non-metered connections. Equipment and infrastructure includes but is not limited to transformers, cable, switches, poles, fences, gates, duct banks, conduits, cable chambers, cable pull rooms, transformer rooms, transformer vaults, transformer pads, tap boxes, handwells, service masts, and junction boxes.

The Customer is also responsible for maintaining its property in a condition that is safe and that does not inhibit the operation or threaten the integrity or reliability of equipment or infrastructure owned by the Customer or Toronto Hydro. The Customer’s responsibility to maintain its property includes, but is not limited to, clearing vegetation, keeping storm drains clear and drainage systems fully functional, removing debris, maintaining operational and electrical clearances, and maintaining proper grading and surfaces.
The Customer shall inspect and maintain its equipment, infrastructure, and property at regular intervals. When access to the equipment, infrastructure, or property is under the control of Toronto Hydro (e.g. a transformer vault, a fenced off transformer), the Customer shall contact Toronto Hydro as per the instructions posted on Toronto Hydro’s website to make appropriate arrangements (e.g. access, temporary disconnection) prior to undertaking any inspections, maintenance, repairs, or replacements.

For Customer-Owned vaults that contain Toronto Hydro equipment, Customers requiring vault access shall pay a fair and reasonable charge based on cost recovery principles for a Toronto Hydro Person-in-Attendance. Where a Customer requires vault access solely for the purpose of completing any fire equipment inspections required by applicable law, Toronto Hydro will provide one Person-in-Attendance for a maximum of two hours once every 12 months at no charge to the Customer. If the Customer is not present at the scheduled time, Toronto Hydro shall charge the Customer for the attendance by the Person-in-Attendance.

If the Customer does not inspect, maintain, repair, or replace its equipment, infrastructure, and property as required, Toronto Hydro may disconnect the supply of electricity to the Customer.

Notwithstanding the above, unless otherwise agreed to by the parties, subject to the Customer providing an easement to Toronto Hydro, Toronto Hydro will provide, maintain, repair and replace those civil infrastructure (such as poles, duct banks, conduits, cable chambers, cable pull rooms, transformer vaults, transformer pads, and switching vaults) that are required to house the primary distribution systems built along private streets that supply Customers of Multi-unit Residential
developments (part of Class 3B). Effective November 15, 2004, Toronto Hydro will treat such infrastructure in the same way as those located in the public road allowance.

Where Toronto Hydro identifies, through an inspection or other activity, deficiencies relating to the equipment, infrastructure, or property owned by the Customer, such as deficiencies to walls, ceilings, floors, doors, vents, drains, electrical devices or other elements, Toronto Hydro may:

- notify the Customer of the deficiencies;
- provide a reasonable time for the Customer to correct the deficiencies; and
- if circumstances merit, request the Customer to correct the deficiency in a manner that brings the equipment, infrastructure, or property up to current standards even if the equipment, infrastructure, or property was designed, installed, or constructed to an older standard. (Examples of circumstances that may merit the application of a current standard include, but are not limited to, the existence of health or safety hazards, legal or regulatory requirements, and conditions that may impact the integrity, reliability, or operability of the distribution system or any equipment that supplies the Customer.)

If notified of deficiencies, or requested to correct deficiencies in a particular manner, the Customer shall correct the deficiencies and comply with any requests. If the Customer does not correct the deficiencies within the reasonable time, or if the corrections are not considered adequate by Toronto Hydro or an inspection authority, Toronto Hydro may disconnect the supply of electricity to the Customer or may correct the deficiencies at the Customer’s expense, and Toronto Hydro shall not be liable to the Customer for any damages arising as a result of or in the course of disconnecting supply or correcting the deficiencies other than physical damage to
facilities arising directly from entry on the Customer’s property. Toronto Hydro's policies and procedures with respect to the disconnection process are further described in these Conditions of Service.

Notwithstanding the above, the Customer shall be liable for any damages or losses sustained by Toronto Hydro, including damages to Toronto Hydro equipment and infrastructure that is installed either within the public road allowance or private property, resulting from:

- the operation or failure of Customer-Owned equipment,
- the Customer not adequately maintaining, repairing, or replacing their infrastructure,
- the Customer not adequately maintaining or repairing their property.
RESPONSES TO GREATER TORONTO APARTMENT ASSOCIATION
INTERROGATORIES

INTERROGATORY 2:
Reference(s): Exhibit 4A, Tab 2, Schedule 8

Preamble: For decades, Toronto housing service providers have arranged annual inspections of apartment-owned vaults housing Toronto Hydro high-voltage electric equipment. These inspections have been coordinated with Toronto Hydro for the mutual benefit of ensuring the sustainable protection of the Toronto Hydro equipment, safety of those attending and to strive for the uninterrupted continuity of electricity service to our tenants. These inspections, while difficult to coordinate, have been arranged with no compensation required from either party from the other in respect of the mutual benefit of this inspection. We have recently become aware that it is Toronto Hydro’s proposal that housing providers should now pay for this visit.

a) What does Toronto Hydro propose as a rate or range of rates for this service?

b) What is the underlying cost for this service using its personnel and vehicles?

c) Does Toronto Hydro intend on contracting out this service?
   i) If so, what is the cost or range of costs to Toronto Hydro if contracted out?

d) Has Toronto Hydro already charged for this service?
RESPONSE:

a) When a customer requests vault access for a purpose other than its annual no charge fire equipment inspection, the current fee for a two hour vault access appointment is $708.00+HST.

b) The cost quoted in part (a) above includes administrative, coordination, travel, and confined space entry permit time as well as contractor unit costs to provide access.

c) As of 2017, Toronto Hydro has been contracting this service out and intends on continuing to do so. The costs are as described in parts (a) and (b) above.

d) Toronto Hydro has historically provided customers with one free vault access per year, with customers being charged the applicable fees for all additional vault access requests. Toronto Hydro will continue to offer a free two hour access for the purpose of completing fire equipment inspections required by applicable law, with customers being charged applicable fees for any vault access requests in excess of this annual allowance.
RESPONSES TO GREATER TORONTO APARTMENT ASSOCIATION INTERROGATORIES

INTERROGATORY 3:

Reference(s): Exhibit 4A, Tab 2, Schedule 8
Toronto Hydro Conditions of Service

Preamble: For decades, Toronto housing service providers have arranged annual inspections of apartment-owned vaults housing Toronto Hydro high-voltage electric equipment. These inspections have been coordinated with Toronto Hydro for the mutual benefit of ensuring the sustainable protection of the Toronto Hydro equipment, safety of those attending and to strive for the uninterrupted continuity of electricity service to our tenants. These inspections, while difficult to coordinate, have been arranged with no compensation required from either party from the other in respect of the mutual benefit of this inspection. We have recently become aware that it is Toronto Hydro’s proposal that housing providers should now pay for this visit.

For this proposed revision to the Conditions of Service:

a) What was the driving force behind this transfer of cost responsibility from Toronto Hydro to the building owner?

b) Please provide the letter that was developed to communicate this change to the customer.

c) Please provide a list of addresses where vaults are housed in apartment buildings

Panel: General Plant, Operations, and Administration
d) Please describe the process undertaken to ensure that all owners of apartment buildings that contain these vaults were informed of this proposed change.

e) Please provide any additional notification that was provided to assist these owners in understanding their right to comment on this proposed change.

f) Please describe the process that Toronto Hydro used to ensure that each building owner was notified prior to implementation.

RESPONSE:

a) Toronto Hydro’s costs associated with vault access have escalated over the last few years due to an increasing number of vault access requests, largely driven by increased customer awareness of vault deficiencies brought to customer attention through Toronto Hydro’s Customer Action Form (CAF) process. Further, and in accordance with section 1.7.5 of Toronto Hydro’s Conditions of Service, it is the customer’s responsibility to inspect, maintain and repair all equipment and infrastructure that is owned by the customer at its own cost. However, customers will still be entitled to two hours of free vault access for fire equipment inspections required by applicable law.

b) Please refer to Appendix A attached to this response.

c) Please refer to Appendix B attached to this response. Please note that this list has been compiled using City of Toronto zoning information, cross-referenced with Toronto Hydro vault location information, and may not identify all apartment...
buildings in the city.

d) In general, Toronto Hydro reviews its Conditions of Service on an annual basis and makes updates as required. Toronto Hydro has an established process whereby customers are informed of the proposed changes via bill inserts, Toronto Hydro website, e-newsletters, etc., and are given an opportunity to comment and provide feedback. Following the review of customer comments and feedback, Toronto Hydro finalizes the changes and amends its Conditions of Service.

As with all changes to its Conditions of Service, Toronto Hydro followed the process outlined above to inform customers of the proposed changes to section 1.7.5 and gave them an opportunity to provide feedback. The current revision of the Conditions of Service document, effective February 1, 2019, have been posted on Toronto Hydro’s website and are available for review and comment until January 23, 2019.

The proposed changes were also included in an electronic newsletter in addition to being posted online. Furthermore, once affected customers were identified, Toronto Hydro sent out a letter to these customers advising of the change. Please refer to Appendix A.

e) Please refer to part (d) above

f) Please refer to part (d) above.
Dear Valued Customer,

Effective January 1, 2019, Toronto Hydro customers will be charged the cost of a Person in Attendance (PIA) when accessing customer-owned vaults. A PIA is a Toronto Hydro-qualified person who is on-site to ensure the protection of Toronto Hydro equipment located within a customer-owned vault. This update to the Conditions of Service ensures that those customers using Toronto Hydro resources pay their share of the cost.

All vault access appointments occurring on or after January 1, 2019 will be charged the cost of a PIA. The cost of the PIA’s attendance will depend on the nature of the work being performed. In order to request a quote and/or schedule your vault access, please email us at scheduler@torontohydro.com.

Customers who own a vault located on their property are responsible for inspecting, maintaining and repairing their vault. Proper vault care includes regular maintenance to help ensure that the condition of the vault is acceptable to house Toronto Hydro’s high voltage equipment. Ensuring that the structural integrity of the vault is sound, accessibility is not restricted, and surface grading is such that it does not pose any hazards to the public, are just a few examples of what’s expected of vault owners to ensure that the vault and its surrounding area are safe while also decreasing the potential for outages and grid interruptions.

Safety is our top priority, which is why we lock all customer-owned vaults that contain high voltage electrical equipment. Coming into contact with any electrical equipment can be extremely hazardous and potentially fatal, which is why only qualified Toronto Hydro personnel are allowed to provide access to these vaults. Customers are not responsible for the repair of Toronto Hydro-owned equipment/assets within the vault, such as transformers and high-voltage primary cables.

We appreciate your cooperation and understanding. For more information or to schedule vault access, please contact us at scheduler@torontohydro.com or 416-542-8000.

Sincerely,

Toronto Hydro

DID YOU KNOW: Toronto Hydro now accepts payment by Electronic Funds Transfer (EFT) and Online payment? With the click of a button, you can pay for services like vault access. Turn over to see how to use our new payment options.
Instructions for Payment by Cheque

Please mail cheques to Toronto Hydro’s office to the attention of Miscellaneous Accounts Receivable, 500 Commissioners St., Toronto, ON, M4M 3N7, or deliver in person from 8:00 a.m. to 4:30 p.m. (excluding weekends and statutory holidays).

Please make cheques payable to Toronto Hydro-Electric System Limited and write the job quotation or project address or project number in the memo field and attach a copy of the signed Job quotation/Short or Long Offer to Connect to help ensure timely posting of the payment.

Instructions for Payment by Wire Transfer/Electronic Funds Transfer (EFT)

Please use the following banking information for making a payment to Toronto Hydro-Electric System Limited via wire transfer:

Payee Name: Toronto Hydro-Electric System Limited
Address: 500 Commissioners Street, Toronto, ON, M4M 3N7
Bank Name: Royal Bank of Canada
Bank Address: 200 Bay Street, Toronto, Ontario, M5J 2L5
Bank Number: 003
Transit Number: 00002
Bank Account Number: 1550573

Instructions for Online Payment

Please use “Toronto Hydro Projects” as the payee and your Customer Account# (found on the invoice or job quotation) as the payee account#.

General Instructions for EFT and Online Payments

Please e-mail the payment details to Toronto Hydro at projectpayments@torontohydro.com within 24 hours of completing wire transfer/EFT or online payment. This will help ensure accurate and timely processing of your payment.

Payment details to be provided via attaching signed Job quotation/Short or Long Offer to Connect or by providing the following itemized details:

Name of the Customer:
Address of the work location (where service is to be performed):
Customer telephone number:
Payment Amount:
Name of contact at Toronto Hydro:
Job quotation or Project#:

DO NOT USE THE ABOVE BANKING INFORMATION TO PAY YOUR TORONTO HYDRO ELECTRICITY BILLS.

Wire transfer or online payments made as instructed above will not be posted to your electricity account. Where a copy of the signed document or the itemized details above are not provided, Toronto Hydro will return the payment. Toronto Hydro is not responsible for any delays that may be caused by payments made in error or by incorrect, incomplete or missing payment information.
RESPONSES TO GREATER TORONTO APARTMENT ASSOCIATION

INTERROGATORIES

INTERROGATORY 4:

Reference(s): Exhibit 4A, Tab 2, Schedule 8

Preamble: For decades, Toronto housing service providers have arranged annual inspections of apartment-owned vaults housing Toronto Hydro high-voltage electric equipment. These inspections have been coordinated with Toronto Hydro for the mutual benefit of ensuring the sustainable protection of the Toronto Hydro equipment, safety of those attending and to strive for the uninterrupted continuity of electricity service to our tenants. These inspections, while difficult to coordinate, have been arranged with no compensation required from either party from the other in respect of the mutual benefit of this inspection. We have recently become aware that it is Toronto Hydro’s proposal that housing providers should now pay for this visit.

a) What is Toronto Hydro’s required inspection frequency for equipment commonly held in apartment-owned vaults?

b) Does Toronto perform an inspection of its equipment during this appointment?

c) If not, why not?

RESPONSE:

a) Toronto Hydro inspects and maintains its electrical equipment located within customer-owned vaults on a three-year cycle.
b) Toronto Hydro equipment is not inspected during customer-requested vault access appointments.

c) The Toronto Hydro representative who provides customer-requested vault access serves as a dedicated observer to ensure clearances are met and the integrity of Toronto Hydro assets is not at risk during the customer inspection. This task is mutually exclusive from tasks required during the inspection of Toronto Hydro equipment and, as such, could not be performed simultaneously.
RESPONSES TO GREATER TORONTO APARTMENT ASSOCIATION

INTERROGATORIES

INTERROGATORY 5:

Reference(s): Exhibit 4A, Tab 2, Schedule 8

Preamble:

For decades, Toronto housing service providers have arranged annual inspections of apartment-owned vaults housing Toronto Hydro high-voltage electric equipment. These inspections have been coordinated with Toronto Hydro for the mutual benefit of ensuring the sustainable protection of the Toronto Hydro equipment, safety of those attending and to strive for the uninterrupted continuity of electricity service to our tenants. These inspections, while difficult to coordinate, have been arranged with no compensation required from either party from the other in respect of the mutual benefit of this inspection. We have recently become aware that it is Toronto Hydro’s proposal that housing providers should now pay for this visit.

a) Please provide Toronto Hydro’s perspective on the purpose of the heat detector in the vault.

b) What is the typical response protocol to a signal from the heat detector (i.e., who receives the signal, are there graduated levels of response)?

c) How many responses have been made each of the last 4 years?
RESPONSE:

a) As part of vault owners’ obligations to ensure their vault complies with all applicable laws, codes and regulations, vault owners must assess whether their vaults comply with applicable fire codes and regulations. Fire/smoke/heat detectors and alarm systems may be required by law in certain customer-owned transformer vaults. Whether a transformer vault is required by law to have a detector and alarm system is to be determined by the vault owner. If the vault owner determines a detector and alarm system is required, or that the vault is legally noncompliant in any other way, they must contact Toronto Hydro to prearrange access to the transformer vault. Further information regarding a customer’s obligations to ensure compliance with applicable laws can be found both in Toronto Hydro’s Conditions of Service and on its website.

b) In the event of a fire inside the transformer vault, a fire/smoke/heat detector and alarm system should operate such that the building’s main fire alarm will activate. In the event that the building’s main fire alarm is activated and indicates a fire in the transformer vault, the vault owner is to call 911 and advise Toronto Fire that a fire has been detected inside the transformer vault. Toronto Fire will respond and follow-up with Toronto Hydro directly. Further information regarding a customer’s obligations to ensure compliance with applicable laws can be found both in Toronto Hydro’s Conditions of Service and on its website.

c) Toronto Hydro only started to track the requested data in 2017. In 2017, Toronto Hydro received 174 calls. In 2018, Toronto Hydro received 111 calls.
RESPONSES TO GREATER TORONTO APARTMENT ASSOCIATION
INTERROGATORIES

INTERROGATORY 6:

Reference(s): Exhibit 4A, Tab 2, Schedule 8

Preamble:
For decades, Toronto housing service providers have arranged annual inspections of apartment-owned vaults housing Toronto Hydro high-voltage electric equipment. These inspections have been coordinated with Toronto Hydro for the mutual benefit of ensuring the sustainable protection of the Toronto Hydro equipment, safety of those attending and to strive for the uninterrupted continuity of electricity service to our tenants. These inspections, while difficult to coordinate, have been arranged with no compensation required from either party from the other in respect of the mutual benefit of this inspection. We have recently become aware that it is Toronto Hydro’s proposal that housing providers should now pay for this visit.

a) How many vaults are housed in apartment buildings?

b) What is the range of the age of Hydro infrastructure in those vaults?

c) What is the average age of Hydro infrastructure?

d) What is the anticipated life span of the infrastructure?

e)

i) With increasing age, what is the failure modality of the equipment?
ii) Would it be Toronto Hydro’s opinion that elevated temperature in the room could be a warning sign of upcoming failure?

iii) Can this type of warning assist in avoid greater damage to plant and the surrounding vault and building? Please describe.

**RESPONSE:**

a) It is estimated that there are 1590 apartments within Toronto Hydro service territory which house customer-owned vaults.

b) Please refer to Exhibit 2B, Section D2, Figure 14.

c) Please refer to Exhibit 2B, Section D2, Figure 14.

d) Please refer to Exhibit 4A, Tab 2, Schedule 2, Page 12, Lines 5 to 10.

e) 

i) Failure modes include the following but not limited to: age, corrosion, internal fault, oil leakage, overload, secondary failure, and external factors.

ii) It is possible that a failing or overloaded transformer could trigger an elevation in room temperature. However, there are many other variables which may also contribute to room temperature elevation, including ambient temperature, location of the room, ventilation, etc.
iii) Heat detectors may assist in proactively identifying an issue so as to prevent greater damage to both the electrical equipment and the surrounding vault and building.
RESPONSES TO GREATER TORONTO APARTMENT ASSOCIATION

INTERROGATORIES

INTERROGATORY 7:

Reference(s): Exhibit 4A, Tab 2, Schedule 8

Preamble: For decades, Toronto housing service providers have arranged annual inspections of apartment-owned vaults housing Toronto Hydro high-voltage electric equipment. These inspections have been coordinated with Toronto Hydro for the mutual benefit of ensuring the sustainable protection of the Toronto Hydro equipment, safety of those attending and to strive for the uninterrupted continuity of electricity service to our tenants. These inspections, while difficult to coordinate, have been arranged with no compensation required from either party from the other in respect of the mutual benefit of this inspection. We have recently become aware that it is Toronto Hydro’s proposal that housing providers should now pay for this visit.

a) What is the average amount of time that inspectors attend individual vaults annually?

b) What is the range of hours inspection?

c) What percentage of the individual locations had service time greater than two hours?
RESPONSE:

a) The median duration that inspectors attend a vault access appointment is two hours. This is also the most often requested duration for vault access appointments.

b) Toronto Hydro usually conducts customer-requested vault access appointments during regular working hours, which are from 8:00AM to 4:00PM. The minimum duration of an appointment is one hour. Customers may also request times outside of regular working hours.

c) Approximately 31 percent of customer-requested vault access time exceed 2 hours.
RESPONSES TO GREATER TORONTO APARTMENT ASSOCIATION
INTERROGATORIES

INTERROGATORY 8:

Reference(s): Exhibit 4A, Tab 2, Schedule 8
Toronto Hydro Conditions of Service

Preamble: For decades, Toronto housing service providers have arranged annual inspections of apartment-owned vaults housing Toronto Hydro high-voltage electric equipment. These inspections have been coordinated with Toronto Hydro for the mutual benefit of ensuring the sustainable protection of the Toronto Hydro equipment, safety of those attending and to strive for the uninterrupted continuity of electricity service to our tenants. These inspections, while difficult to coordinate, have been arranged with no compensation required from either party from the other in respect of the mutual benefit of this inspection. We have recently become aware that it is Toronto Hydro’s proposal that housing providers should now pay for this visit.

For each year during this current period, please provide:

a) A list of changes made to Conditions of Service which resulted in a transfer of cost and/or liability from the utility to the customer

   i) The driving force behind each of the changes (i.e., improved cost causality, improved service, reduced cost, etc.)

   ii) The financial impact to the utility for each of these changes

b) A list of changes that Toronto Hydro initially proposed which were adjusted or retracted as a result of the comment period
i) The forecasted financial impact of the proposed change

ii) The resulting financial impact of those remaining changes after the adjustment to the proposed change

RESPONSE:

a)

i) In accordance with section 1.7.5 of Toronto Hydro’s Conditions of Service, it is each individual customer’s responsibility to inspect, maintain, and repair all equipment and infrastructure that is owned by the customer, and to do so at the customer’s own cost. These revisions were not driven by an intention to transfer cost or liability from the utility to the customer, but rather to ensure that customers are held financially responsible for costs related to their responsibilities as asset owners and to ensure that individually-requested activities are not socialized and subsidized by customers-at-large.

Table 1 – Conditions of Service Changes

<table>
<thead>
<tr>
<th>Rev. #</th>
<th>Section</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>16</td>
<td>1.7.3 Tree and Vegetation Management</td>
<td>Customers are required to pay (changed from no charge) for electricity disconnections associated with tree trimming activities on private property.</td>
</tr>
<tr>
<td>16</td>
<td>3.4.1 Electrical Requirement</td>
<td>Customers are required to pay (changed from no charge) for an electricity disconnection if they want to perform maintenance on their substation equipment.</td>
</tr>
</tbody>
</table>

i) Toronto Hydro anticipates incremental annual revenue will be collected resulting from the proposed revisions, which will be a 100 percent direct offset to the associated costs. Please refer to Exhibit 4A, Tab 2, Schedule 8, Section
7.3, page 21, for further discussion of Customer-Owned Equipment Services Segment costs.

b)  

i) As with the previous revisions, the following revision (in revision #18 below) also protects customers-at-large from subsidizing the socialized costs of customers who own their own vaults. It is the individual customer’s responsibility to inspect, maintain and repair all equipment and infrastructure that is owned by the customer, and do so at the customer’s own cost. As a result of feedback received during the comment period, the revision was updated (in revision #18.1 below) as per the following table.

<table>
<thead>
<tr>
<th>Rev. #</th>
<th>Section</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>18</td>
<td>1.7.5 Customer Owned Equipment, Infrastructure, and Property</td>
<td>Proposed Revision: Customers are required to pay (changed from no charge) to obtain access to a customer-owned vault.</td>
</tr>
<tr>
<td>18.1</td>
<td>1.7.5 Customer Owned Equipment, Infrastructure, and Property</td>
<td>Updated Revision: Customers are required to pay (changed from no charge) to obtain access to a customer-owned vault for any time in excess of an annual allowance of two free hours per 12 month period, which will be provided at no charge to allow customers to complete fire equipment inspections required by applicable law.</td>
</tr>
</tbody>
</table>

ii) Toronto Hydro previously forecast approximately $1M in incremental annual revenues resulting from the proposed change in policy (revision #18). Toronto Hydro now forecasts approximately $0.24M in incremental annual revenues resulting from the updated change in policy (revision #18.1), which will be a 100% direct offset to the associated costs.
RESPONSES TO ND HANN INTERROGATORIES

INTERROGATORY 81:

Reference(s): Exhibit 4A, Tab 2, Schedule 1, p. 2 of 40, line 2-5

By year 2008-2017

a) What are the results of the inspections by major components affecting reliability?
   [sic]

b) What corrective action is undertaken to ensure reliability?

c) What was the time frame for these actions?

RESPONSE:

a) Please refer to “Overhead Deficiencies” in Toronto Hydro’s response to interrogatory 4A-AMPCO-76.

b) Deficiencies requiring immediate attention are addressed through the Emergency Response program (Exhibit 4A, Tab 2, Schedule 5) following a call into the dispatch function by the crew conducting the patrol or inspection.

All other deficiencies are reviewed by the Maintenance Planning function as part of the Asset and Program Management program as described at Exhibit 4A, Tab 2, Schedule 9, page 16, lines 9-10. The deficiencies that the Maintenance Planning function determines require corrective action are addressed by either the Corrective Maintenance program (Exhibit 4A, Tab 2, Schedule 4) or the Reactive
and Corrective Capital program (Exhibit 2B, Section E6.7). Please also refer to Exhibit 2B, Section D3.1.1.2, pages 6 to 9 for a summary of maintenance programs and activities.

c) Emergency response occurs immediately, typically within 4 hours. Corrective actions are prioritized using a P1, P2, P3, classification. As described in Exhibit 2B, Section D3, page 34, lines 3-5, target timelines for P1, P2, P3 work requests are 15, 60, and 180 days respectively.
RESPONSES TO ND HANN INTERROGATORIES

INTERROGATORY 82:

Reference(s): Exhibit 4A, Tab 2, Schedule 1, p. 2 of 40, line 6-10

a) Is insulator washing targeted or on a cycle program?

b) Does THESL wash when needed due to weather conditions?

c) Does THESL wash more in high contaminated areas?

d) What impact does washing have on reducing the number of interruptions?

RESPONSE:

a) Toronto Hydro washes porcelain insulators that are vulnerable to contamination build-up twice a year. Based on weather patterns and road salt usage trends, Toronto Hydro may also wash insulators reactively as required, funded from the Corrective Maintenance program (Exhibit 4A, Tab 2, Schedule 4). Please refer to Exhibit 4A, Tab 2, Schedule 1, pages 17-27, for more information on Toronto Hydro’s insulator washing activities and the impact this work can have on system reliability.

b) Please see response to part a).

c) Please see response to part a).

d) Please see response to part a).
RESPONSES TO ND HANN INTERROGATORIES

INTERROGATORY 83:

Reference(s): Exhibit 4A, Tab 2, Schedule 1, p. 2 of 40, line 11-13

a) Is vegetation management targeted or on a cycle program?

b) Does THESL manage vegetation when needed due to weather conditions, growing seasons, species of trees? [sic]

c) Does THESL do vegetation management more in densely treed areas?

d) What impact does vegetation management have on reducing the number of interruptions?

RESPONSE:

a) Toronto Hydro’s Vegetation Management program targets distribution feeders that are in greatest need of tree pruning on a variable two to five year cycle and also considers the species and growth patterns of trees, tree density, as well as weather conditions during pruning. Please refer to Exhibit 4A, Tab 2, Schedule 1, pages 27-34, for more information in respect to Toronto Hydro’s Vegetation Management program and the impact it has on system reliability.

b) Please refer to response to part a)
c) Please refer to response to part a)

d) Please refer to response to part a)
RESPONSES TO ND HANN INTERROGATORIES

INTERROGATORY 84:

Reference(s): Exhibit 4A Tab 2 Schedule 1, p. 11 line 10-26, 12 line 1-25 of 40 Pg 25, 26 (sic)

There are 0.6 deficiencies/cir km is the high or low compared to other utilities BM by year 2008-2017? [sic]

RESPONSE:

Toronto Hydro has not done benchmarking in respect of this information.
RESPONSES TO ND HANN INTERROGATORIES

INTERROGATORY 85:
Reference(s): Exhibit 4A, Tab 2, Schedule 1, p. 11 line 10-26, 12 line 1-25 of 40 Pg 25, 26 (sic)

How does the inspector know how old the equipment is (especially if it has been replaced during an interruption)?

RESPONSE:
In respect of pole-mounted transformers, switches, conductor wires, and auxiliary equipment on distribution poles, inspectors are not required to know the age of equipment when performing Overhead Line Patrols, and it is not possible to always verify equipment age from the ground. In such circumstances, inspectors visually inspect equipment and perform infrared thermography scans to assess their condition during a patrol. In respect of distribution poles, age information can be ascertained on the pole itself if it is visible.
RESPONSES TO ND HANN INTERROGATORIES

INTERROGATORY 86:

Reference(s): Exhibit 4A, Tab 2, Schedule 1, p. 11 line 10-26, 12 line 1-25 of 40 Pg 25, 26 (sic)

7 a) What does a deficiency in a switch look like as a result of aging?

9 b) Or a conductor?

11 c) Is there corrosion on new and old equipment?

RESPONSE:

15 a) Deficiencies are not always caused by aging equipment and can be caused by external factors such as the environment an asset is installed in and the conditions to which it is subjected to. Please see Exhibit 4A, Tab 2, Schedule 1, pages 20-21 for a list of common failure modes for overhead switches and a picture of an example of a defect for a broken switch insulator.

21 b) As per part a), deficiencies are not always caused by aging. Common deficiencies for conductor wires include sagging wires, broken/frayed wires, and wires in close proximity to vegetation.

25 c) Corrosion may appear on both older and younger assets and is not always dependent on the age of the equipment.
RESPONSES TO ND HANN INTERROGATORIES

INTERROGATORY 87:

Reference(s): Exhibit 4A, Tab 2, Schedule 1, p. 11 line 10-26, 12 line 1-25 of 40 Pg 25, 26 (sic)

How many wood poles have failed (by year 2008-2017) without external forces being applied e.g. motor vehicle, trees etc.? to put another way, just due to wind or ice and no other influences? [sic]

RESPONSE:

Toronto Hydro does not have the granularity of data available to provide distribution poles that have failed “just due to wind or ice and no other influences”. However, please note that Exhibit 4A, Tab 2, Schedule 1, page 13 states that Toronto Hydro, through its pole inspection program, has condemned for replacement on average over 290 wood poles annually.
RESPONSES TO ND HANN INTERROGATORIES

INTERROGATORY 88:

Reference(s): Exhibit 4A, Tab 2, Schedule 1, p. 13 of 40, line 1-3

How many “aged” poles were there between 2015 and 2017 that THESL deemed needed replacement?

RESPONSE:

Approximately 80 percent of all wood poles inspected and deemed in need of replacement between 2015 and 2017 were beyond their useful life of 45 years. Age alone, however, is not the only criteria used when considering a pole for replacement. Please refer to Exhibit 4A, Tab 2, Schedule 1, Page 12, for more information.
RESPONSES TO ND HANN INTERROGATORIES

INTERROGATORY 89:
Reference(s): Exhibit 4A, Tab 2, Schedule 1, p. 15 of 40, line 19-23

What is the Average BM cost by year 2008-2017 of Overhead Line Patrols and Pole Inspections Segment Costs compared to THESL? [sic]

RESPONSE:
Toronto Hydro has not done a benchmarking study for Overhead Line Patrols and Pole Inspections Segment costs for the period specified. See Exhibit 1B, Tab 2, Schedule 1, Appendix B, page 7 for Toronto Hydro’s Unit Cost Benchmarking Study which considers the unit prices for the Overhead Line Patrols and Wood Pole Testing and Treatment activities.
RESPONSES TO ND HANN INTERROGATORIES

INTERROGATORY 90:

Reference(s): Exhibit 4A, Tab 2, Schedule 1, p. 19 of 40, line 2-15

a) Does washing on a cycle basis adequately protect the assets?

b) Do interruptions occur because the insulators are not washed when “The 10 accumulation of dirt and salt, combined with moisture (during misty or foggy days), So that leakage of electricity across the insulator occurs? [sic]

RESPONSE:

a) Current leaking/tracking from an insulator is typically caused by contamination build-up on the insulator (typically from road salt spray build-up) and moisture (light rain/fog), which can create a conductive path across the insulators surface and lead to failures or interruptions in the system. Washing insulators periodically that are located near highways or major arterial roads (susceptible to road salt build-up) reduces the likelihood of tracking on insulators. Please refer to Exhibit 4A, Tab 2, Schedule 1 for more information.

b) Please see response to part a), above.
RESPONSES TO ND HANN INTERROGATORIES

INTERROGATORY 91:

Reference(s): Exhibit 4A, Tab 2, Schedule 1, p. 21 of 40, line 6-12

a) In 2015-2017 on average how long did it take from the identification of a deficiency to the correction of the deficiency?

b) What deficiencies were addressed immediately by the inspector?

RESPONSE:

a) During the 2015-2017 period, deficiencies identified from Overhead Switch Maintenance inspections that were executed under the Corrective Maintenance program (Exhibit 4A, Tab 2, Schedule 4) were addressed on average within 127 days.

b) Deficiencies that are minor in nature are addressed during inspection and include cleaning contamination from the switch unit, lubricating the switch, replacing switch batteries, and performing minor repair work and testing on the switch unit to ensure it is in good working order. Any deficiencies that cannot be addressed during inspection are issued for follow-up corrective action in the Corrective Maintenance program.
RESPONSES TO ND HANN INTERROGATORIES

INTERROGATORY 92:

Reference(s): Exhibit 4A, Tab 2, Schedule 1, p. 21 of 40, line 16

There were 38 power interruptions per year due to switch failure.

a) Does this mean failure to operate when it should have operated?

b) What type of switches were involved?

c) Where were the switches located on the feeder?

RESPONSE:

a) The switch failures described in the evidence cited were failures that led to system reliability impacts caused by defective or failed switches. These failures may not always mean failure to operate and may be attributed to other failure modes as described in Exhibit 4A, Tab 2, Schedule 1, pages 20-21.

b) The switches primarily consisted of disconnect switches and load-break switches.

c) The locations of the switches vary - they are located on the trunk (main distribution line from a station) or lateral (distribution line which branches out from the trunk) portions of a feeder.
RESPONSES TO ND HANN INTERROGATORIES

INTERROGATORY 93:

Reference(s): Exhibit 4A, Tab 2, Schedule 1, p. 21 of 40

Figure 9: Example of Overhead Switch Impact on System Reliability

According to the diagram Figure 9: Example of Overhead Switch Impact on System Reliability, are the fused switches properly coordinated to capture the interruption at the proper location or are the interruptions not captured at the fault location but at a location that affects many more customers?

RESPONSE:

Fused switches are installed on the laterals of distribution feeders and their coordination is designed such that downstream sections of a feeder can be isolated when a fault occurs without causing up-stream protective devices to operate. Please see Toronto Hydro’s response to interrogatory 1B-Hann-16 for more details on fuse co-ordination.
RESPONSES TO ND HANN INTERROGATORIES

INTERROGATORY 94:

Reference(s): Exhibit 4A, Tab 2, Schedule 1, p. 23, 24 of 40, lines 4-11, 8-11

Given the weather conditions in February 2015,

a) Should the insulators have been washed to prevent the contaminant build up?

b) How does cycle washing solve the contaminant issue when there is little rain to wash the insulators naturally?

RESPONSE:

a) Cyclical washing is a proven means of reducing contamination build-up on insulators. Please see Exhibit 4A, Tab 2, Schedule 1, pages 24-25 for Toronto Hydro’s reactive insulator washing program, which was developed in response to the March 2015 freezing rain event, and is executed based on weather patterns and road salt usage trends.

b) Cyclical washing is still undertaken, regardless of natural rain water, as it is a proven means of reducing contamination build-up on insulators. Please refer to Toronto Hydro’s response to interrogatory 4A-HANN-90 for more information.
RESPONSES TO ND HANN INTERROGATORIES

INTERROGATORY 95:
Reference(s): Exhibit 4A, Tab 2, Schedule 2, p. 24 of 34, line 19-24

There are 4000 deficiencies per year 2015 -2017.

a) How many impact on the operation of the devices and system reliability and how many are like “warning signage have been vandalized,”? [sic]

b) How many are addressed immediately e.g. new warning sign, new locks etc.?

RESPONSE:

a) Approximately 30 percent of the deficiencies cited in Exhibit 4A, Tab 2, Schedule 2, Figure 14 can have an impact on the operability of an asset and lead to system reliability, safety, and environmental risks if not addressed. The remaining deficiencies consist of missing or damaged nomenclature and warning signage.

b) Please see Table 1 below for the number of nomenclature deficiencies that are addressed through “find it and fix it” practices over the 2015-2018 period for Toronto Hydro’s padmounted equipment.

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Units</td>
<td>0</td>
<td>214</td>
<td>228</td>
<td>132</td>
</tr>
</tbody>
</table>

Table 1: “Find it and Fix it” Nomenclature Deficiencies (Padmounted Equipment)
RESPONSES TO ND HANN INTERROGATORIES

INTERROGATORY 96:

Reference(s): Exhibit 4A, Tab 2, Schedule 5

Figure 3: Fallen Tree on Power Lines from November 15, 2017
Wind Storm, p. 7 of 18

a) What is the root cause of the interruption in Figure 3: Fallen Tree on Power Lines from November 15, 2017 Wind Storm according to the THESL training guide?

RESPONSE:

a) As noted, a severe wind storm affected the city. This picture is an example of damages caused by a tree blown down and contacting Toronto Hydro’s overhead plant. Wind direction, wind speed and tree planting proximity to the overhead plant and lines are all key factors. The line clearing program by forestry teams may have prevented contact of this tree under standard conditions but would not manage tree lifespan or age factors. Considering what is shown in the picture, considerable rot conditions within the tree may also have played into the result.
RESPONSES TO ND HANN INTERROGATORIES

INTERROGATORY 97:

Reference(s): Exhibit 4A, Tab 2, Schedule 5, p. 9 of 18, lines 1-20

a) What is the criteria for invoking mutual assistance from other utilities and contractors?

b) How often has THESL requested assistance?

c) How long did it take to request assistance from the beginning of the storm?

d) How long did it take for assistance to arrive?

RESPONSE:

a) Mutual aid is invoked when emergency response needs (specifically resource needs) exceed locally available resources, when mutual aid resources can be acquired within an appropriate amount of time, and when the acquisition of mutual aid resources is expected to have a material impact on overall restoration time. Given that resource status and conditions can vary significantly from event to event, the points at which mutual aid will be invoked will correspondingly vary. Factors that are considered when the usefulness of mutual aid is being evaluated may include, but are not limited to:

- Emergency conditions (i.e. type/scope of damage);
- Availability of internal resources (both number of resources and type of resources) whose skills are required to assist in restoration;
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- Availability of partners' resources for deployment--in some cases, mutual aid partners may also be impacted by an event simultaneously and are unavailable to assist; and
  - Expected duration of the event and partners' distance from impact site (e.g. if restoration is expected to take 3 days, but it will take 2 days for partners' crews to mobilize, this may impact the request for resources).

b) Toronto Hydro has requested mutual assistance once, during the 2013 ice storm event.

c) The Greater Toronto Area was impacted by the event on December 21\(^{st}\) and December 22\(^{nd}\) 2013. Toronto Hydro began reaching out to off-system resources on the afternoon of December 22\(^{nd}\) 2013.

d) A majority of the mutual assistance crews arrived in approximately two days.
RESPONSES TO ND HANN INTERROGATORIES

INTERROGATORY 98:

Reference(s): Exhibit 4A, Tab 2, Schedule 5, p. 10 of 18

Figure 6: Examples of Wind 1 Damage Recent 2018 Storm

a) Did THESL do a post storm analysis on the failures shown in Fig 6?

b) Were the class of poles the correct size for all the conductors and cable attachments on the poles?

c) How old were the poles?

d) If no post storm analysis was done on Figure 6: Examples of Wind 1 Damage Recent 2018 Storm failures, are post storm analysis done on other events? Please provide the results of those analysis for major interruptions. [sic]

RESPONSE:

a) No, there was no post-storm analysis conducted on the poles shown in Figure 6.

b) Yes, Toronto Hydro’s pole sizes and associated attachments (cables, conductors, etc.) are consistent with design and construction standards.

c) The poles shown in Figure 6 were within their expected life span for this construction.

At the time of the event, the poles in the picture on the left were approximately 57
years old and the pole in the picture on the right was approximately 24 years old.

d) Post-storm analysis is not usually conducted on equipment that fails during storm events, as the damage is usually caused by the extreme event conditions. Damage assessment, response prioritization, and completion/restoration activities follow based on crew availability and other competing priorities at the time. However, post-storm analysis on failed equipment may be a component of overall storm response analysis, such as the Final Report prepared for the Toronto Hydro Independent Review Panel by Davies Consulting after the 2013 ice storm.
RESPONSES TO ND HANN INTERROGATORIES

INTERROGATORY 99:

Reference(s):   Exhibit 4A, Tab 2, Schedule 5, p. 9 of 18, lines 1-20

The evidence states “Throughout the incident, Toronto Hydro had approximately 210
staff and contractors working during a given shift to restore impacted customers, with
about 21 dedicated emergency management team members during a given shift to
coordinate response activities.” [sic]

Please provide in a table dates, numbers of interruptions, numbers of customer
interruptions, staff and contractor level per shift, number of emergency management
team members, indicate mutual assistance and/or Level 3 Emergency and type of event
for all events from 2009-2018 YTD where Mutual Assistance has been requested or Level
3 Emergency has been declared.

RESPONSE:

Please see Table 1 below for the requested information.

As indicated in the referenced evidence, all available resources were ramped up to the
levels indicated in this incident. Consideration for moving to a shift schedule allowed
resources to be available for damage assessment, prioritization, planning and restoration,
repair or replacement of affected plant and customer service around the clock.

The Incident Command Structure (ICS) is a proven scaleable model used by utilities,
emergency response providers, and cities. It provides support and sustainment to the

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overall event management and dynamically guides the response efforts to safe and efficient outcomes. Some staff are deployed into secondary roles within the ICS structure. Oversight by the ICS team of restoration efforts are maximized via the resource complement scheduled and field staff for each shift. Ramp down management and guidance by the ICS team is also required for safe and careful closure to the event thus ensuring all staff can return to regular duties and schedules with assurance of the requisite rest periods.

Should an event reach a scale and scope that would be beyond reasonable expectations for restoration of customers, Mutual Aid may be called upon. The 2013 Ice Storm was the one example of such a request and deployment of Mutual Aid.

### Table 1: Level 3 Emergency & Mutual Assistance requested (2009-2018)

<table>
<thead>
<tr>
<th>Name of Event</th>
<th>Dates</th>
<th>No. of Interruptions</th>
<th>No. of Customers Out (Interruptions)</th>
<th>Number of Staff and Contractor Levels Per Shift</th>
<th>Number of EM Team Members (IMS Roles) per shift</th>
<th>Declaration Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018 May Windstorm</td>
<td>May 4-May 7, 2018</td>
<td>N/A</td>
<td>~68,000</td>
<td>50-250</td>
<td>10-25</td>
<td>Level III</td>
</tr>
<tr>
<td>2018 April Spring Storm</td>
<td>April 14-18, 2018</td>
<td>N/A</td>
<td>~51,000</td>
<td>30-120</td>
<td>10-25</td>
<td>Level III</td>
</tr>
<tr>
<td>2013 Ice Storm</td>
<td>December 22, 2013 - January 1, 2014</td>
<td>N/A</td>
<td>~313,000</td>
<td>700-1400</td>
<td>25-35</td>
<td>Level III</td>
</tr>
</tbody>
</table>

Note 1: Toronto Hydro utilizes all available resources for Level 3 events.
Note 2: Data is from 2013-2018. Toronto Hydro cannot provide comparable information prior to 2013.
Note 3: No. of Interruptions is not a quantifiable figure since various system events can have nested outages/interruptions associated with restoring power (e.g. isolating and segmenting around an impacted area to minimize customers out).
Note 4: ‘No. of Customers Out (Interruptions)’ refers to total peak customers out of power during the event
Note 5: 2013 Ice Storm was the only event during the specified range which required inbound Mutual Assistance
Note 6: Staff & EM team levels are approximate due to the various stages and start/stop times of different shifts for each response.
RESPONSES TO ND HANN INTERROGATORIES

INTERROGATORY 100:

Reference(s): Exhibit 4A, Tab 2, Schedule 6

Figure 1: Damage Caused by Toronto Ice Storm in April 2018, p. 2 of 16
Figure 3: Damage Caused by Toronto Wind 1 Storm in June 2018, p. 9 of 16

a) How does THESL propose that capital replacement of aging poles and hardware will prevent an interruption as shown in Figure 1: Damage Caused by Toronto Ice Storm in April 2018 and Figure 3: Damage Caused by Toronto Wind 1 Storm in June 2018?

b) How much of the urban tree canopy in the service territory is invasive species such as the Norway Maple with a limited life span?

c) Is the urban tree canopy more vulnerable in certain areas of the service territory?

RESPONSE:

a) Power interruptions can result from a variety of causes. Nowhere in its evidence has Toronto Hydro proposed that capital replacements of aging poles and hardware will prevent an interruption as shown in Figure 1: Damage Caused by Toronto Ice Storm in April 2018 and Figure 3: Damage Caused by Toronto Wind 1 Storm in June 2018.
b) Toronto Hydro does not have the information to answer this question. The utility’s vegetation management practices are described in Exhibit 4A, Tab 2, Schedule 1.

c) Please see the response above to part (b).
RESPONSES TO ND HANN INTERROGATORIES

INTERROGATORY 101:
Reference(s): Exhibit 4A, Tab 2, Schedule 6
Figure 2: Damage Caused by Toronto Wind Storm in April 2018, p. 4 of 16

Was the cause of the interruption in Fig 2 tree contact or defective equipment according to THESL training processes? [sic]

RESPONSE:
The interruption shown in Figure 2 is attributed to tree contact as a result of adverse weather.
RESPONSES TO ND HANN INTERROGATORIES

INTERROGATORY 102:

Reference(s): Exhibit 4A, Tab 2, Schedule 9

Figure 1: Value of Scopes of Work 1 (Renewal, Service, Access), p. 15 of 37

a) Has THESL considered non-capital solutions for maintaining distribution reliability (e.g. fuse coordination/protection), enhanced vegetation management, or other programs besides capital to replace aging assets (Figure 1: Value of Scopes of Work 1 (Renewal, Service, Access))? What were the results?

RESPONSE:

a) Activities carried out through Toronto Hydro’s Preventative and Predictive, and Corrective Maintenance programs seek to maintain existing levels of system reliability through activities such as vegetation management. Please refer to Exhibit 4A, Tab 2, Schedules 1-4 for further details.

Toronto Hydro also invests in demand-side approaches to address distribution system capacity constraints. To date, Toronto Hydro has secured 8.5 MW of contractual demand response with customers served by Cecil TS. For further information on Toronto Hydro’s Local Demand Response activities, please refer to Exhibit 4A, Tab 2, Schedule 9, Section 7.
RESPONSES TO ND HANN INTERROGATORIES

INTERROGATORY 103:

Reference(s): Exhibit 4A, Tab 2, Schedule 9, p. 16, 17 of 37

Figure 2: lines 9-17 Number of Deficiencies Processed

Figure 2: Number of Deficiencies Processed shows about 6000 to 8000 Executable work deficiencies annually. Even with cancelled inquiries the value does not reach 29000.

a) Please explain what the 29000 deficiencies are.

b) Also, how many of the Executable Work are significant, in that they may affect the reliability of the system. (e.g. not missing signs)

RESPONSE:

a) Please see chart below.

![Figure 1: Number of Deficiencies Processed](chart)

**Figure 1: Number of Deficiencies Processed**

<table>
<thead>
<tr>
<th>Type of Activity</th>
<th>Work Inquiries Generated</th>
<th>Deficiencies Identified</th>
<th>Work Requests Generated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planned Activities</td>
<td>Inspections (e.g. approximately 50,000 inspections per year²)</td>
<td>Approximately 15,000 to 20,000 per year³</td>
<td>Approximately 29,000 per year</td>
</tr>
<tr>
<td>Reactive Activities</td>
<td>Trouble Calls (e.g. in excess of 24,000 calls per year²)</td>
<td>Approximately 5,000 to 9,000 per year⁴</td>
<td>Not tracked by individual deficiency</td>
</tr>
</tbody>
</table>

Note 1: See Exhibit 4, Tab 2, Schedules 1, 2, and 3. Other planned maintenance activities such as line patrols are not captured in the 50,000 figure.
Note 2: See Exhibit 4A, Tab 2, Schedule 5, Emergency Response. Trouble calls in the table is used as a broad term and includes any reactive activity including emails and phone calls received by the Maintenance Planning function described in Exhibit 4A, Tab 2, Schedule 5, Asset and Program Management.

Note 3: For Planned inspections, a Work Inquiry is defined as an inspection with at least one deficiency (e.g. corrosion, oil leak) identified.

Note 4: For Reactive activities, a Work Inquiry is defined as any report (e.g. system response report, defective equipment tracking system entry, email, phone call) that indicates the presence of a potential deficiency.

Note 5: Although the relationship between Work Inquiries and Deficiencies is “1 to 1” or “1 to Many”, the relationship between Work Inquiries (and Deficiencies) and Work Requests may be “1 to 1”, “1 to Many” or “Many to 1”.

As shown above, the 29,000 deficiencies identified are from planned inspections. The 6,000 to 8,000 executable work deficiencies are generated from a combination of planned and reactive activities. Figure 2 in the reference should have more appropriately been entitled “Work Inquiries”. In the process of preparing this response, Toronto Hydro also identified a data error in the 2015 results. Please see an updated figure below.

![Figure 2: Work Inquiries Processed](image-url)
b) Table 1 below identifies the percentage of executable work that may impact reliability. To determine the “Work with potential reliability impacts” Toronto Hydro excluded the following from the “Total Work”: Trip Hazard; Nomenclature; Light Replacement; Paint; Dirt; Lighting; Obtain Test Sheet; Phone/Emergency Phone; Abandoned Equipment; Bollards; Bolts; Decommissioned; Door; Door Gap; Graffiti; Keys/Locks/Lock Boxes; Ladder; Stub Poles.

As shown the table below, over 80 percent of executable work has the potential to impact system reliability. Please note that although the excluded items may not impact reliability, Toronto Hydro still considers these items to be “significant”. These items have the potential to result in unacceptable public and worker safety, environmental, legal, and other consequences and as such are “significant”.

Table 1: Work with potential impact to system reliability

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work with potential reliability impacts</td>
<td>5,996</td>
<td>5,341</td>
<td>6,182</td>
<td>5,846</td>
<td>6,729</td>
</tr>
<tr>
<td>Total Work</td>
<td>6,903</td>
<td>5,624</td>
<td>6,494</td>
<td>7,134</td>
<td>8,347</td>
</tr>
<tr>
<td>Ratio (%)</td>
<td>87%</td>
<td>95%</td>
<td>95%</td>
<td>82%</td>
<td>81%</td>
</tr>
</tbody>
</table>
RESPONSES TO ND HANN INTERROGATORIES

INTERROGATORY 104:

Reference(s): Exhibit 4A, Tab 2, Schedule 9, p. 18, 19 of 37, lines 14-24

Please provide a sample of the Changeout Forms used for Figure 3.

RESPONSE:

Please see attached Appendix A.
### STATION EQUIPMENT CHANGEOUT RECORD

<table>
<thead>
<tr>
<th>Data Description</th>
<th>Installed Equipment</th>
<th>Removed/Not In Service Equipment</th>
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</thead>
<tbody>
<tr>
<td><strong>Work Order Assignment</strong></td>
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<td></td>
</tr>
<tr>
<td><strong>PM Order #</strong></td>
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<td></td>
</tr>
<tr>
<td><strong>Date</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Completed By</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Equipment Purchase Data</strong></td>
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<td><strong>Location Data</strong></td>
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<td><strong>Station Designation</strong></td>
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<tr>
<td><strong>Former Utility</strong></td>
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<td><strong>TO NY SC ET EY YK TO NY SC ET EY YK</strong></td>
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<td></td>
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<tr>
<td><strong>Bus Designation</strong></td>
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<tr>
<td><strong>Circuit #</strong></td>
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<td><strong>Incoming Supply (Feeder)</strong></td>
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</tr>
<tr>
<td><strong>SAP Register &amp; Nameplate Data</strong></td>
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</tr>
<tr>
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<td><strong>Model or Part #</strong></td>
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<td></td>
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<tr>
<td><strong>Capacity (kVA)</strong></td>
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<td><strong>Cooling Medium</strong></td>
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<tr>
<td><strong>Air</strong></td>
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</tr>
<tr>
<td><strong>Silicone</strong></td>
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</tr>
<tr>
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<td><strong>ONS/ONAF</strong></td>
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<tr>
<td><strong>PCB Initial (PPM)</strong></td>
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<td><strong>Fire Protection Method</strong></td>
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<td><strong>Water</strong></td>
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<td><strong>None</strong></td>
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<tr>
<td><strong>Tap Changer</strong></td>
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<td><strong>No Load</strong></td>
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<td><strong>On Load</strong></td>
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<tr>
<td><strong>None</strong></td>
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<tr>
<td><strong>No Load</strong></td>
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<td><strong>On Load</strong></td>
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<td><strong>Impedance (%)</strong></td>
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<td><strong>Secondary Impulse Level (kV)</strong></td>
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</tr>
<tr>
<td><strong>Tap Changer Oil Volume</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Primary Compartment Oil Volume</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Secondary Compartment Oil Volume</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Oil Volume</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Continued On Back)
<table>
<thead>
<tr>
<th>Primary Winding Material</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Secondary Winding Material</td>
<td></td>
</tr>
<tr>
<td>No Load Loss (W)</td>
<td></td>
</tr>
<tr>
<td>Tank Fittings Weight</td>
<td>KG</td>
</tr>
<tr>
<td>Core Coils Weight</td>
<td>KG</td>
</tr>
<tr>
<td>Liquid Tank Weight</td>
<td>KG</td>
</tr>
<tr>
<td>Total Weight</td>
<td>KG</td>
</tr>
</tbody>
</table>

**Status Data**

<table>
<thead>
<tr>
<th>Equipment Status</th>
<th>Installed</th>
<th>In Service</th>
<th>Not In Service</th>
<th>In Reclaim</th>
<th>Under Repair/Test</th>
<th>Spare</th>
<th>Scrap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reason for Equipment Removal</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equipment Returned To</td>
<td>Commissioners</td>
<td>Monogram</td>
<td>Miner</td>
<td>Sub-Station</td>
<td>Other</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Specify Sub-Station/Other</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
RESPONSES TO ND HANN INTERROGATORIES

INTERROGATORY 105:

Reference(s): Exhibit 4A, Tab 2, Schedule 9, p. 18, 19 of 37, lines 14-24

a) How does the person filling out the form know the detail of the existing equipment?

b) How many forms were for planned and reactive work from 2015 to 2018.

RESPONSE:

a) The person completing the form would reference the nameplate and/or equipment label information of the equipment being installed, replaced, or removed in order to complete the corresponding Equipment Change-out Form.

b) Please refer to Table 1 below.

Table 1: Total Equipment Change-out Forms

<table>
<thead>
<tr>
<th>End of year completed</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planned Work</td>
<td>12,097</td>
<td>9,105</td>
<td>6,613</td>
<td>6,788</td>
</tr>
<tr>
<td>Reactive Work</td>
<td>1,069</td>
<td>4,357</td>
<td>4,471</td>
<td>2,427</td>
</tr>
<tr>
<td>Total</td>
<td>13,166</td>
<td>13,462</td>
<td>11,084</td>
<td>9,215</td>
</tr>
</tbody>
</table>
RESPONSES TO ND HANN INTERROGATORIES

INTERROGATORY 106:

Reference(s): Exhibit 4A, Tab 2, Schedule 9, p. 23 of 37

Figure 5: Number of Failed Equipment Returned from the Field

a) Do the numbers and types of failed equipment in Figure 5: Number of Failed Equipment Returned from the Field correlate with the number of Defective Equipment Interruptions?

b) Why or why not?

RESPONSE:

a) There is a correlation between the number and type of equipment returned from the field and the number of defective equipment interruptions.

b) When more equipment fails in the field, more equipment is decommissioned, tagged, and returned for investigation. However, there are a few exceptions. Not all equipment that fails in the field results in an interruption (e.g. equipment supplying the secondary network, communication equipment). Additionally, some equipment (e.g. cable, splice failures) may be repaired in the field rather than removed and returned.
RESPONSES TO ND HANN INTERROGATORIES

INTERROGATORY 107:
Reference(s): Exhibit 4A, Tab 2, Schedule 11, p. 8 of 10, lines 1-8

a) Does the GPS in the truck record where the work was actually performed?

b) If yes, is that data used to identify the trouble spots on the feeder instead of the interrupting device?

RESPONSE:

a) No, the GPS does not record where the work was performed.

b) Not applicable.
RESPONSES TO POWER WORKERS UNION INTERROGATORIES

INTERROGATORY 9:
Reference(s): Exhibit 4A, Tab 2, Schedule 2, p. 33, Table 1

"Toronto Hydro has been carrying out contact voltage work since 2009 as part of a contractual agreement (treated as a capital lease since 2011). The costs associated with the lease will be fully amortized upon its expiration by the end of June 2018. Beginning in July 2018, Toronto Hydro will continue this work as part of this segment."

a) Under which account were contact voltage segment costs included prior to 2018?

RESPONSE:
Please refer to Toronto Hydro’s response to interrogatory 4A-Staff-110.
RESPONSES TO POWER WORKERS UNION INTERROGATORIES

INTERROGATORY 10:

Reference(s): Exhibit 4A, Tab 2, Schedule 4, p. 10

"Increased corrective work volume in 2017 due to the completion of corrective work to address a backlog of issues across the system, and in particular for station assets. This included work on transformers/tap changers, circuit breakers, switches, primary fuses, switchgears, relays, SCADA/RTUs, tripping hazards, concrete patching, and poles and high voltage electrical work."

a) What was the cause of the corrective maintenance backlog?

b) Will returning to the pre-2017 work volume, instead of marginally increasing the work volume, lead to another backlog in the future?

RESPONSE:

a) Toronto Hydro observed an increase in corrective work request volume from 2015 to 2017. Limited experienced resources were available to address the unexpected nature of deficiencies requiring corrective actions resulting in the 2017 backlog.

b) If corrective maintenance work volume returns to pre-2017 levels, and future corrective maintenance work requests remain steady, Toronto Hydro does not anticipate another backlog in the future.
RESPONSES TO POWER WORKERS UNION INTERROGATORIES

INTERROGATORY 11:

Reference(s): Exhibit 4A, Tab 2, Schedule 21, p. 1, Table 1

Table 1: Allocations and Recoveries Adjustments to OM&A ($ Millions)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>On-cost Recovery</td>
<td>(10.6)</td>
<td>(11.5)</td>
<td>(11.9)</td>
<td>(11.8)</td>
<td>(11.8)</td>
<td></td>
</tr>
<tr>
<td>Fleet Recovery Offset</td>
<td>(12.5)</td>
<td>(12.4)</td>
<td>(11.5)</td>
<td>(11.4)</td>
<td>(11.4)</td>
<td>(11.8)</td>
</tr>
<tr>
<td>IT and Occupancy Charges</td>
<td>(0.7)</td>
<td>(1.1)</td>
<td>(1.0)</td>
<td>(1.0)</td>
<td>(1.0)</td>
<td>(1.0)</td>
</tr>
<tr>
<td>Shared Services</td>
<td>4.8</td>
<td>2.9</td>
<td>4.8</td>
<td>4.3</td>
<td>4.4</td>
<td>4.6</td>
</tr>
<tr>
<td>Other Allocated Costs</td>
<td>0.0</td>
<td>0.1</td>
<td>0.2</td>
<td>(0.1)</td>
<td>(0.1)</td>
<td>(0.1)</td>
</tr>
<tr>
<td>Total</td>
<td>(10.0)</td>
<td>(21.9)</td>
<td>(18.9)</td>
<td>(20.1)</td>
<td>(20.0)</td>
<td>(19.9)</td>
</tr>
</tbody>
</table>

a) What was the cause of the decline in shared services costs in 2016?

RESPONSE:

Shared services capture the allocation of costs from Toronto Hydro Corporation (THC) to the utility for services relating to strategic direction, corporate governance, and financial stewardship (Exhibit 4A, Tab 5, Schedule 1). In 2016, the shared services costs decreased for two reasons:

- Lower allocation of costs from THC to Toronto Hydro relating to financial stewardship because of staffing changes in THC, which resulted in lower compensation and related costs; and
- Higher allocation of THC costs to non-rate regulated activities, which resulted in a lower allocation of THC costs to Toronto Hydro.
RESPONSES TO POWER WORKERS UNION INTERROGATORIES

INTERROGATORY 12:

Reference(s): Exhibit 4A, Tab 4, Schedule 2, p. 1 (Appendix 2-K Table)

<table>
<thead>
<tr>
<th>Total Salary and Wages (including overtime and incentive pay)</th>
<th>2015 Actual</th>
<th>2016 Actual</th>
<th>2017 Actual</th>
<th>2018 Bridge</th>
<th>2019 Bridge</th>
<th>2020 Test</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management (including executive)</td>
<td>$12,292,778</td>
<td>$14,152,809</td>
<td>$14,971,880</td>
<td>$15,015,969</td>
<td>$15,478,739</td>
<td>$15,719,811</td>
</tr>
<tr>
<td>Non-Management (union and non-union)</td>
<td>$145,975,363</td>
<td>$146,148,053</td>
<td>$148,139,652</td>
<td>$155,158,699</td>
<td>$160,518,242</td>
<td>$163,720,633</td>
</tr>
<tr>
<td>Total</td>
<td>$158,268,141</td>
<td>$160,300,862</td>
<td>$163,111,731</td>
<td>$170,174,668</td>
<td>$175,996,982</td>
<td>$179,440,444</td>
</tr>
</tbody>
</table>

a) What share of total salary and wages is overtime in the bridge years and test year?

b) How does the response to part (a) compare with the share of overtime in 2015-2017?

c) Is overtime associated with Z-factor events included in the figures within this table?

d) Please provide actual 2018 data, if available.

RESPONSE:

a) Please see Table 1 below, that shows the share of total salary and wages for overtime costs in the bridge and test year.

Table 1: 2015-2020 Overtime Costs as a Percentage of Total Salary and Wages

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual</td>
<td>8.0%</td>
<td>7.9%</td>
<td>8.1%</td>
<td>7.0%</td>
<td>6.9%</td>
<td>6.9%</td>
</tr>
</tbody>
</table>
b) Please see Toronto Hydro’s response to part (a), above.

c) Toronto Hydro did not have any Z-factor events during the 2015-17 period. If PWU is referring to extreme weather related events, then Toronto Hydro confirms that the overtime costs related to such events are not included in Appendix 2K.

d) Toronto Hydro expects to provide 2018 actuals as part of the planned update to the evidence, which is discussed in Exhibit 1A, Tab 3, Schedule 1, Appendix B.
RESPONSES TO POWER WORKERS UNION INTERROGATORIES

INTERROGATORY 13:

Reference(s): Exhibit 4A, Tab 4, Schedule 3, p. 21, Table 5

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual/Projected Retirees</td>
<td>103%</td>
<td>164%</td>
<td>137%</td>
</tr>
</tbody>
</table>

- a) How does Toronto Hydro project retirees?
- b) Has Toronto Hydro revised the way it projects retirements given the materially higher number of actual retirees than projected in recent years?

RESPONSE:

- a) Please refer to Toronto Hydro’s response to interrogatory 1B-CCC-13.
- b) Please refer to Toronto Hydro’s response to interrogatory 4A-Staff-130(d).
INTERROGATORY 14:
Reference(s): Exhibit 4A, Tab 4, Schedule 3, p. 20, Table 4
Exhibit 4A, Tab 4, Schedule 3, p. 28
Exhibit 4A, Tab 4, Schedule 3, p. 29, Table 8

Table 1: Toronto Hydro Retirement Projections (2018-2024)

<table>
<thead>
<tr>
<th>Year</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual</td>
<td>80</td>
<td>42</td>
<td>70</td>
<td>86</td>
<td>64</td>
<td>71</td>
<td>47</td>
</tr>
<tr>
<td>Cumulative</td>
<td>80</td>
<td>122</td>
<td>192</td>
<td>278</td>
<td>342</td>
<td>413</td>
<td>460</td>
</tr>
</tbody>
</table>

Table 2: Apprenticeship Program Summary (as of December 31, 2017)

<table>
<thead>
<tr>
<th>CPLP</th>
<th>DST</th>
<th>Meter Mechanic</th>
<th>PSC</th>
<th>CPCP</th>
<th>ETL</th>
<th>Engineer</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apprentices</td>
<td>122</td>
<td>49</td>
<td>14</td>
<td>50</td>
<td>77</td>
<td>115</td>
<td>80</td>
</tr>
<tr>
<td># Retained</td>
<td>91</td>
<td>45</td>
<td>11</td>
<td>35</td>
<td>63</td>
<td>97</td>
<td>63</td>
</tr>
<tr>
<td>% Retained</td>
<td>74.6</td>
<td>91.8</td>
<td>78.6</td>
<td>70.0</td>
<td>81.8</td>
<td>84.3</td>
<td>78.8</td>
</tr>
</tbody>
</table>

"To prepare for expected retirements over the next five to ten years, Toronto Hydro plans to admit over 100 individuals to the apprenticeship program during the 2018-2020 timeframe. It plans to hire apprentices in a staged approach (as outlined in Table 8 below), to facilitate workforce renewal in a safe and effective way, while ensuring knowledge transfer and maintaining productivity."
Exhibit 4A, Tab 4, Schedule 3, p. 29, Table 8

Table 3: Apprenticeship and Technical Hiring Plan (2020-2024)

<table>
<thead>
<tr>
<th>Apprentice Group</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>CPCP/CPLP</td>
<td>32</td>
<td>20</td>
<td>18</td>
<td>20</td>
<td>18</td>
<td>108</td>
</tr>
<tr>
<td>DST</td>
<td>2</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>22</td>
</tr>
<tr>
<td>PSC</td>
<td>3</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>23</td>
</tr>
<tr>
<td>Certified Meter Mechanic</td>
<td>4</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>12</td>
</tr>
<tr>
<td>Engineering Technologist</td>
<td>2</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>22</td>
</tr>
<tr>
<td>Engineer</td>
<td>0</td>
<td>1</td>
<td>2</td>
<td>0</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>43</strong></td>
<td><strong>38</strong></td>
<td><strong>37</strong></td>
<td><strong>37</strong></td>
<td><strong>36</strong></td>
<td><strong>191</strong></td>
</tr>
</tbody>
</table>

a) How many apprentices have been hired in 2018? What are the anticipated number of hires in 2019?

b) In total, how many apprenticeship hires are expected from 2018 to 2024?

c) Does Toronto Hydro anticipate its historic rate of retained apprentices (approximately 80%) will persist in the test period?

d) Please confirm that, among the four staffing strategies identified in Section 5 of Exhibit 4A, Tab 4, Schedule 3, only Hire from External Market and Hire New Graduates will increase Toronto Hydro's FTE count.

e) How many employees does Toronto Hydro expect to hire from the external market though the test period?

f) Please reconcile any differences between a) the number of FTEs hired from the external market and retained new graduates and b) the forecast number of retirements and anticipated increased workforce.
RESPONSE:

a) Please see the response to part (b).

b) Please see Table 1 below.

Table 1: Apprentice Hiring Plan (2018-2024)

<table>
<thead>
<tr>
<th>Apprentice Group</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>CCP/CPLP</td>
<td>22</td>
<td>24</td>
<td>32</td>
<td>20</td>
<td>18</td>
<td>20</td>
<td>18</td>
<td>154</td>
</tr>
<tr>
<td>DST</td>
<td>6</td>
<td>4</td>
<td>2</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>32</td>
</tr>
<tr>
<td>PSC</td>
<td>10</td>
<td>5</td>
<td>3</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>38</td>
</tr>
<tr>
<td>Certified Meter Mechanic</td>
<td>3</td>
<td>2</td>
<td>4</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>17</td>
</tr>
<tr>
<td>Engineering Technologist</td>
<td>3</td>
<td>18</td>
<td>2</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>43</td>
</tr>
<tr>
<td>Engineer</td>
<td>7</td>
<td>4</td>
<td>0</td>
<td>1</td>
<td>2</td>
<td>0</td>
<td>1</td>
<td>15</td>
</tr>
<tr>
<td>TOTAL</td>
<td>51</td>
<td>57</td>
<td>43</td>
<td>38</td>
<td>37</td>
<td>37</td>
<td>36</td>
<td>299</td>
</tr>
</tbody>
</table>

c) Yes.

d) Confirmed.

e) Toronto Hydro expects to hire approximately 85 positions from the external market.

f) Please see Table 2 below.

Table 2: 2015 – 2019 Apprentice Headcount

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>CPCP/CPLP</td>
<td>-8</td>
<td>-11</td>
<td>-21</td>
<td>1</td>
<td>35</td>
<td>-4</td>
</tr>
<tr>
<td>DST</td>
<td>-2</td>
<td>-2</td>
<td>-2</td>
<td>-4</td>
<td>7</td>
<td>-3</td>
</tr>
<tr>
<td>PSC</td>
<td>4</td>
<td>9</td>
<td>1</td>
<td>4</td>
<td>1</td>
<td>19</td>
</tr>
<tr>
<td>Certified Meter Mechanic</td>
<td>-1</td>
<td>3</td>
<td>-3</td>
<td>-1</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Engineering Technologist</td>
<td>-6</td>
<td>18</td>
<td>-10</td>
<td>-7</td>
<td>13</td>
<td>8</td>
</tr>
<tr>
<td>Engineer</td>
<td>5</td>
<td>7</td>
<td>4</td>
<td>3</td>
<td>-1</td>
<td>18</td>
</tr>
<tr>
<td>TOTAL</td>
<td>-8</td>
<td>24</td>
<td>-31</td>
<td>-4</td>
<td>59</td>
<td>40</td>
</tr>
</tbody>
</table>

Note: This table shows the net changes to headcount as a result of hires and exits.
RESPONSES TO POWER WORKERS UNION INTERROGATORIES

INTERROGATORY 15:

Reference(s): Exhibit 4A, Tab 4, Schedule 3, p. 22

"Toronto Hydro uses a number of staffing approaches, including: (i) promoting from within the utility; (ii) hiring skilled labour from the external market; (iii) acquiring and training new graduates; and (iv) using third-party service providers. As explained in more detail below, Toronto Hydro relies on all four approaches to meet human resource requirements, leveraging the relative strengths of each of these options as appropriate in a given set of circumstances."

a) Toronto Hydro characterizes using third-party service providers as a "staffing approach". Please confirm that third-party service providers are not included in Toronto Hydro's FTE counts of compensation costs.

RESPONSE:

a) Confirmed.
RESPONSES TO POWER WORKERS UNION INTERROGATORIES

INTERROGATORY 16:

Reference(s): Exhibit 4A, Tab 4, Schedule 4, p. 3

"Both of the aforementioned annual growth rates are lower once normalized for changes in full time equivalent ("FTE") count. Over the same period, Toronto Hydro's workforce is expected to grow on average by 0.5 percent annually. As a result, the compounded annual growth rate in total cash compensation per FTE is 2.1 percent, and total compensation (inclusive of benefits) per FTE is 2.5 percent."

a) Please provide the compounded annual growth rate in total cash compensation per customer.

RESPONSE:

a) The compounded annual growth rate in total cash compensation per customer is 2.0 percent.
RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES

INTERROGATORY 75:
Reference(s): Exhibit 4A

Please update Appendix 2-JA, JB, and JC to include 2018 actuals.

RESPONSE:
Toronto Hydro expects to provide 2018 actuals as part of the planned update to the evidence, which is discussed in Exhibit 1A, Tab 3, Schedule 1, Appendix B. Please refer to Toronto Hydro’s response to interrogatory 1A-Staff-1 for a list of the 2018 financial figures that Toronto Hydro plans to update.
RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES

INTERROGATORY 76:
Reference(s): Exhibit 4A

Please provide the percentage of Toronto Hydro’s OM&A expenses for each year between 2015 and 2020 that are undertaken by third-party contractors, broken down by operations, maintenance and administration.

RESPONSE:
Please see Table 1 below.

Table 1: Percentage of Third-Party Contractors Cost in OM&A

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Expenses</strong></td>
<td>30.8%</td>
<td>29.8%</td>
<td>42.7%</td>
<td>39.2%</td>
<td>37.7%</td>
<td>35.0%</td>
</tr>
<tr>
<td><strong>Maintenance Expenses</strong></td>
<td>36.8%</td>
<td>41.5%</td>
<td>45.7%</td>
<td>40.3%</td>
<td>38.8%</td>
<td>38.3%</td>
</tr>
<tr>
<td><strong>Administrative Expenses</strong></td>
<td>35.2%</td>
<td>39.3%</td>
<td>38.4%</td>
<td>39.0%</td>
<td>39.7%</td>
<td>40.3%</td>
</tr>
<tr>
<td><strong>Percentage of Total OM&amp;A</strong></td>
<td>34.8%</td>
<td>37.7%</td>
<td>41.2%</td>
<td>39.4%</td>
<td>39.0%</td>
<td>38.7%</td>
</tr>
</tbody>
</table>
RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES

INTERROGATORY 77:

Reference(s): Exhibit 4A, Tab 2, Schedule 1, p.27

With respect to vegetation management:

a) Please provide both, the number of circuit kilometers and trees that Toronto Hydro’s pruned or forecasts to prune for each year between 2015 and 2020.

b) Please explain how Toronto Hydro coordinates its vegetation management work with similar work being undertaken by the City of Toronto and third-party wireline attachers.

RESPONSE:

a) Please see Table 1 below.¹

Table 1: Tree Trimming Accomplishments

<table>
<thead>
<tr>
<th>Category</th>
<th>Actual</th>
<th></th>
<th></th>
<th>Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Trees Trimmed</td>
<td>52,998</td>
<td>61,480</td>
<td>53,519</td>
<td>52,260</td>
</tr>
<tr>
<td>Estimated Number of Circuit Km Trimmed</td>
<td>1,560</td>
<td>1,648</td>
<td>1,676</td>
<td>1,364</td>
</tr>
</tbody>
</table>

¹ In developing this response, Toronto Hydro discovered an administrative error in its calculation of the average number of trees trimmed annually between 2015 and 2017 (Exhibit 4A, Tab 2, Schedule 1, at page 29, lines 13-15). The correct figure is approximately 56,000 trees annually (as opposed to 53,000).
b) Toronto Hydro has established a working group with the City of Toronto's Urban Forestry department, where both parties have shared their vegetation management plans in order to align and coordinate work in areas that would require tree trimming services. Toronto Hydro does not coordinate vegetation management work with third-party wireline attachers as they do not perform trimming near overhead primary distribution lines. In situations where vegetation near primary lines encroaches into third-party equipment, Toronto Hydro would coordinate with third-parties to remove the vegetation.
RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES

INTERROGATORY 78:
Reference(s): Exhibit 4A, Tab 2, Schedule 2, p.14, p.25

Please update Figures 5 and 14 to show 2018 deficiency data.

RESPONSE:
Please see the updated figures below.

![Below-Grade Equipment Deficiencies](image)

**Figure 1: Below-Grade Equipment Deficiencies Identified Between 2015 and 2018**

Please note that not all deficiencies from Toronto Hydro’s Cable Chamber inspections have been processed as of the date of filing. The number of deficiencies represents the total as of October 2018.
Figure 2: Padmounted Equipment Deficiencies Identified Between 2015 and 2018
RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES

INTERROGATORY 79:
Reference(s): Exhibit 4A, Tab 2, Schedule 2, p.33

Toronto Hydro states: “Toronto Hydro has been carrying out contact voltage work since 2009 as part of a contractual agreement (treated as a capital lease since 2011)”. Please explain more fully what the arrangement was for contact voltage scanning service prior to 2018. Why was a third-party services contract treated as a capital lease?

RESPONSE:
Please refer to Toronto Hydro’s response to interrogatory 4A-Staff-110.
RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES

INTERROGATORY 80:

Reference(s): Exhibit 4A, Tab 2, Schedule 4, p. 16

Please update Figure 2 to show 2018 deficiency data.

RESPONSE:

Please refer to Figure 1 below for updated Corrective Maintenance Work Requests.

![Corrective Maintenance Work Requests](image)

**Figure 1: Historical Corrective Work Requests**
RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES

INTERROGATORY 81:

Reference(s): Exhibit 4A, Tab 2, Schedule 5, p.5

Please update Figure 2 to show 2018 deficiency data.

RESPONSE:

Figure 2 has been updated to include 2018 data in Figure 1 below.

![Figure 1: Number of Emergency Response Events (2015-2018)](image)
RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES

INTERROGATORY 82:
Reference(s): Exhibit 4A, Tab 2, Schedule 6, p.13

Please provide a breakdown of the 2020 Disaster Preparedness and Management program budget.

RESPONSE:
Please see Table 1 for a detail breakdown of the 2020 program budget.

Table 1: 2020 Disaster Preparedness Management Program Budget ($ Millions)

<table>
<thead>
<tr>
<th>Category</th>
<th>2020 Test</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal Labour</td>
<td>2.1</td>
</tr>
<tr>
<td>External Services</td>
<td>0.5</td>
</tr>
<tr>
<td>Materials &amp; Other¹</td>
<td>0.1</td>
</tr>
</tbody>
</table>

¹ ‘Materials & Other’ category includes office supplies, communication, and employee expenses.
RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES

INTERROGATORY 83:
Reference(s): Exhibit 4A, Tab 2, Schedule 14, p.35

With respect to the Billing, Remittance & Meter Data Management program:

a) Please provide the percentage of customers that are on or are forecast to be on e-billing for each year between 2015 and 2020.

b) For every 1% increase in the number of customers that move to e-billing in 2020, what are the forecast cost savings? Please explain the assumptions made in the calculation of the estimate.

c) What is Toronto Hydro doing to encourage customers to move to e-billing?

RESPONSE:

a) Please see Table 1

Table 1: Percentage of Customers on eBills

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>17.1%</td>
<td>24.5%</td>
<td>29.3%</td>
<td>32.6%</td>
<td>35.5%</td>
<td>37.8%</td>
</tr>
</tbody>
</table>

b) Based on 2020 forecasts, Toronto Hydro would save approximately $75,000 per year for every 1 percent of customers who receive eBills for the entire year. This is
calculated by multiplying 1 percent of 2020 forecasted customer count with the annual savings per customer. The calculation is: $7,843^1 \times 9.52^2 = 74,665$

c) Toronto Hydro uses every opportunity available to encourage customers to switch to electronic billing (“eBills”). Customer-facing staff in the Contact Center are trained and assessed on informing customers of the benefits of eBills. The utility’s external website promotes the benefits of eBills. Where a customer initiates a self-service move-in and account set-up request, the online form provides customers the default option to switch to eBills. As part of community outreach campaigns, Toronto Hydro encourages the switch to eBills by providing customers with the opportunity to sign up for the service via one click by email. The utility also promotes the benefits of eBill through external communications such bill inserts, newsletters, and direct letters to customers. Last but not least, Toronto Hydro runs 3 to 4 promotional campaigns a year offering customers who make the switch to eBills a chance to win a prize.

---

1 See Exhibit 1B, Tab 5, Schedule 1, page 5, Table 4.
2 See Exhibit 9, Tab 1, Schedule 1, page 26, lines 5-6.
RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES

INTERROGATORY 84:
Reference(s): Exhibit 4A, Tab 2, Schedule 14, p.35

With respect to the Communications and Public Affairs segment expenditures, Toronto Hydro states: “This increase is driven by an organizational realignment which moved the Customer Operations Communications Office from the Engineering and Construction division.”

a) Please revise Table 7 to include the costs for the office as if it were part of the segment since 2015.

b) Please provide a reference in the evidence to the current program/segment where the office used to be part of, and please provide a similar revised table showing the 2015 to 2020 costs with the office entirely removed from all years.

RESPONSE:

a) Please see the table below which shows the adjusted cost of the Communication and Public Affairs segment with the payroll costs and capital recoveries associated with the Customer Operations Communications Office.

Table 1: Adjusted Communications and Public Affairs Segment ($ Millions)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted</td>
<td>3.1</td>
<td>3.0</td>
<td>3.3</td>
<td>4.6</td>
<td>4.7</td>
<td>4.9</td>
</tr>
<tr>
<td>Original</td>
<td>3.1</td>
<td>2.9</td>
<td>3.3</td>
<td>4.6</td>
<td>4.7</td>
<td>4.9</td>
</tr>
</tbody>
</table>

Note: In some years, the differences do not appear because of rounding the amounts.
b) Please see the table below which shows the adjusted cost of the Asset and Program Management segment without the payroll costs and capital recoveries associated with Customer Operations Communications Office.

| Table 2: Adjusted Asset and Program Management Segment Expenditures ($ Millions) |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Adjusted        | 11.1            | 17.9            | 11.4            | 14.8            | 15.3            | 13.1            |
| Original        | 11.2            | 18.1            | 11.5            | 14.8            | 15.3            | 13.1            |
RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES

INTERROGATORY 85:

Reference(s): Exhibit 4A, Tab 2, Schedule 17, p.14-15

Please provide a more detailed breakdown of the IT Operation segment costs.

RESPONSE:

Table 1: IT Operations Segment Cost Breakdown ($ Millions)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Labour &amp; Materials¹</td>
<td>15.1</td>
<td>14.1</td>
<td>13.7</td>
<td>14.0</td>
<td>14.0</td>
<td>13.4</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>2.9</td>
<td>2.6</td>
<td>3.4</td>
<td>3.9</td>
<td>3.9</td>
<td>3.9</td>
</tr>
<tr>
<td>Purchased Services</td>
<td>0.4</td>
<td>0.3</td>
<td>0.4</td>
<td>1.1</td>
<td>2.2</td>
<td>2.2</td>
</tr>
<tr>
<td>Maintenance Contracts</td>
<td>9.5</td>
<td>11.3</td>
<td>13.4</td>
<td>14.8</td>
<td>15.2</td>
<td>16.1</td>
</tr>
<tr>
<td>Total</td>
<td>27.9</td>
<td>28.3</td>
<td>30.9</td>
<td>33.8</td>
<td>35.3</td>
<td>35.6</td>
</tr>
</tbody>
</table>

Note 1: Includes both internal and external resources.
RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES

INTERROGATORY 86:

Reference(s): Exhibit 4A, Tab 2, Schedule 18
Appendix 2-M

With respect to the Legal and Regulatory program:

a) How many FTEs underlie the forecast in 2020 for each of the legal and regulatory segment?

b) [4A-2-15, p.7] The evidence is that legal costs related to grievance arbitrations and other employment related matters are included as part of the Human Resource and Safety Program. This would suggest that not all legal costs are included in the ‘Legal Services’ segment.

   i) If this is correct, what legal costs included as part of the legal cost are included in the ‘Legal Service’ segment and what legal costs are included in other parts of other programs?

   ii) Please provide a breakdown of legal costs for each year between 2015 and 2020, regardless of which program they are categorized under.

c) With respect to the 2020-2024 one-time application costs:

   i) Please explain the driver of the 66% increase in expert witness and consultant costs as compared to the 2015-2019 application.

   ii) Please break down the expert witness and consultant costs into each consultant/expert and describe the services they are providing.

   iii) Please explain the driver of the 27% increase in application external legal costs as compared to 2015-2019 application.
iv) Please provide the number of external legal hours incurred for the 2015-2019 application and the number forecast for 2020-2024 that underlies the actual and forecast external legal budget.

RESPONSE:

7 a) In 2020, the forecast includes 18.4 FTEs in the Legal segment and 18.4 FTEs in the Regulatory segment.

b)  
i) Legal costs in the Legal and Regulatory program, include: real estate transactions; corporate activities (e.g. financing); relocation projects (e.g. Eglinton Crosstown); capital projects (e.g. external legal fees, obtaining easements); litigation; privacy law; municipal law; administrative law; and, regulatory law. Legal costs outside this program primarily pertain to employment and labour law, with some additional amounts related to work program support and legal costs in support of financial activities, such as tax and pensions. Miscellaneous legal costs sometimes arise in other Programs. For a detailed breakdown of these costs by OM&A program as filed in this application, please refer to response to part (ii) below.

ii) Please see Table 1 below.
Table 1: 2015-2020 Legal Costs by OM&A Program ($)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Legal and Regulatory</strong></td>
<td>1,238,643</td>
<td>1,361,745</td>
<td>2,245,469</td>
<td>2,440,377</td>
<td>2,214,908</td>
<td>1,805,747</td>
</tr>
<tr>
<td><strong>Human Resources and Safety</strong></td>
<td>706,582</td>
<td>1,251,114</td>
<td>545,222</td>
<td>991,281</td>
<td>791,281</td>
<td>791,281</td>
</tr>
<tr>
<td><strong>Work Program Execution</strong></td>
<td>-</td>
<td>60,559</td>
<td>111,937</td>
<td>300,000</td>
<td>270,302</td>
<td>300,000</td>
</tr>
<tr>
<td><strong>Finance</strong></td>
<td>45,855</td>
<td>76,358</td>
<td>104,460</td>
<td>250,000</td>
<td>250,000</td>
<td>250,000</td>
</tr>
<tr>
<td><strong>Asset and Program Management</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,500</td>
<td>2,298</td>
<td>2,601</td>
</tr>
<tr>
<td><strong>Supply Chain</strong></td>
<td>760</td>
<td>-</td>
<td>-</td>
<td>495</td>
<td>455</td>
<td>515</td>
</tr>
<tr>
<td><strong>Customer Care</strong></td>
<td>632</td>
<td>-</td>
<td>21,250</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Common Costs and Adjustments</strong></td>
<td>-</td>
<td>3,291</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Facilities Management</strong></td>
<td>1,866</td>
<td>593</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Allocations and Recoveries</strong></td>
<td>-</td>
<td>-</td>
<td>45,141</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>1,994,339</td>
<td>2,753,660</td>
<td>3,073,479</td>
<td>3,984,653</td>
<td>3,529,243</td>
<td>3,150,143</td>
</tr>
</tbody>
</table>

i) On the basis of the correction to Appendix 2-M noted in Toronto Hydro’s response to interrogatory 4A-Staff-122, the forecasted increase of 27 percent in expert witness and consulting costs is based on a recognition of the increased expectations of the OEB for CIR filings, as set out in the OEB’s decision in the utility’s last rebasing application, the OEB Utility Handbook for Rate Applications, and the Filing
Requirements.\(^1\) Toronto Hydro has prepared this Application in accordance with guidance from the OEB, and in a way that it believes provides the evidence necessary to evaluate its proposed plans and requests.

ii) Please refer to Toronto Hydro’s response to interrogatory 4A-CCC-42 for a breakdown of the consulting costs included in the 2020-2024 one-time application costs. Services provided by consultants include studies and regulatory consulting services. For further information about the studies and their associated costs, please refer to the utility’s response to interrogatory 1B-CCC-8.

iii) With regard to the correction to Appendix 2-M noted in 4A-Staff-122, the forecasted increase of 66 percent in external legal costs is based on the same considerations discussed in part i) above and in Toronto Hydro’s response to 4A-CCC-42.

iv) Toronto Hydro objects to providing the number of external legal hours for the 2015-2019 application or for 2020-2024 application on the basis of materiality, as articulated by the OEB in Procedural Order No. 2: “Parties should not engage in detailed exploration of items that do not appear to be material. Parties should use the materiality thresholds documented in Chapter 2 of the Filing Requirements as a guide.”\(^2\) Toronto Hydro also objects to providing this information on the basis that it is not relevant and has no probative value to deciding the issues in this proceeding.

\(^1\) EB-2014-0116, Decision and Order (December 29, 2015); Ontario Energy Board, Handbook for Utility Rate Applications, (October 13, 2016); and Ontario Energy Board, Filing Requirements for Electricity Distribution Rate Applications, (July 12, 2018).

RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES

INTERROGATORY 87:

Reference(s): Appendix 2-K

Please provide a revised version of Appendix 2-K that includes the following:

a) A breakdown of the non-management compensation information into i) PWU, ii) Society, and iii) non-unionized categorizes.

b) Additional information for years 2021 to 2024.

c) For each year between 2015 and 2024, the amount of total compensation costs that are allocated to OM&A and capital broken down by category.

RESPONSE:

a) Please refer to Toronto Hydro’s response to interrogatory 4A-AMPCO-100(b).

b) In accordance with the Custom Price Cap Index rate framework, discussed in Exhibit 1B, Tab 4, Schedule 1, the OEB’s decision in EB-2014-0116, and the OEB’s Rate Handbook and Filing Requirements, Toronto Hydro has not produced the requested forecasts for the 2021-2024 period.¹

c) Please see Table 1, below, which includes the total compensation costs for 2015-2020 that are allocated to OM&A and capital broken down by category.

Table 1: Compensation Costs Allocated to OM&A and Capital ($ Millions)²

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Capitalized Labour</td>
<td>$99.1</td>
<td>$95.6</td>
<td>$101.1</td>
<td>$105.4</td>
<td>$109.8</td>
<td>$112.5</td>
</tr>
<tr>
<td>Total in OM&amp;A</td>
<td>$112.0</td>
<td>$116.8</td>
<td>$115.3</td>
<td>$120.5</td>
<td>$125.7</td>
<td>$131.7</td>
</tr>
<tr>
<td>Total Compensation</td>
<td>$211.1</td>
<td>$212.4</td>
<td>$216.4</td>
<td>$225.9</td>
<td>$235.5</td>
<td>$244.2</td>
</tr>
</tbody>
</table>

For information on 2021-2024, please see response to part (b).

² Table 1 does not include students.
RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES

INTERROGATORY 88:

Reference(s): Exhibit 4A, Tab 4, Schedule 4, p.10

Please provide the assumptions made regarding the base salary increase of the PWU and Society after the expiry of their current collective agreements for the purposes of the costs that underlie the budget included in this application (i.e. capital budget in 2022 to 2024 for the PWU, and both capital and OM&A for the Society from 2020 to 2024).

RESPONSE:

For 2020, the base salary increase assumed for The Society is 1.75% and for PWU is 1.88%.

In accordance with the Custom Price Cap Index rate framework discussed in Exhibit 1B, Tab 4, Schedule 1, the OEB’s decision in the utility’s last rebasing application (EB-2014-0116), the OEB Handbook to Utility Rate Applications, and the OEB Filing Requirements, Toronto Hydro has not produced the requested information for the 2021-2024 period.[1]

RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES

INTERROGATORY 89:
Reference(s): Exhibit 4A, Tab 4, Schedule 5

With respect to the Mercer Non-Executive Compensation and Benefits Review:

a) [p.4] For each ‘grade’, please provide i) the number of Toronto Hydro positions that are included, and ii) the number of both Energy Peer Group and General Industry Peer Group positions that make up the benchmark.

b) [p.4] In the same format as the report shows for the PWU and Society, please provide an aggregate amount for both i) non-union management and ii) non-union non-management positions included in the study.

c) [p.4, ft note 1 and 2] Please confirm that the report does not reflect what the actual base salary received and actual STI incentive received are for both Toronto Hydro and peer group.

d) [p.4] What year is the data supposed to be reflective of?

e) [p.4] For which ever year the data is supposed to be reflective of, for each grade, please provide the actual base salary, and actual total compensation (base salary + STI) for Toronto Hydro.

f) [p.4] Please provide a list of all Toronto Hydro compensation elements that are not included in the study.
RESPONSE (PREPARED BY MERCER):

a) Please see Appendix B of the study for a list of the Toronto Hydro positions included by grade and/or employee group. Each Toronto Hydro position is matched to a single market survey benchmark position for the purposes of the study.

The table below provides further details on the number of organizations reflected in the market benchmark:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Energy Sector</th>
<th>General Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Z</td>
<td>4.5</td>
<td>20.0</td>
</tr>
<tr>
<td>Y3</td>
<td>4.5</td>
<td>8.7</td>
</tr>
<tr>
<td>Y2</td>
<td>7.7</td>
<td>14.3</td>
</tr>
<tr>
<td>Y1</td>
<td>6.3</td>
<td>&gt;25.0</td>
</tr>
<tr>
<td>W4</td>
<td>7.3</td>
<td>22.0</td>
</tr>
<tr>
<td>W3</td>
<td>6.7</td>
<td>12.0</td>
</tr>
<tr>
<td>W2</td>
<td>6.0</td>
<td>12.0</td>
</tr>
<tr>
<td>V4</td>
<td>5.0</td>
<td>&gt;25.0</td>
</tr>
<tr>
<td>V3</td>
<td>8.3</td>
<td>&gt;25.0</td>
</tr>
<tr>
<td>V2</td>
<td>7.0</td>
<td>&gt;25.0</td>
</tr>
<tr>
<td>V1</td>
<td>11.5</td>
<td>&gt;25.0</td>
</tr>
<tr>
<td>U3</td>
<td>7.0</td>
<td>&gt;25.0</td>
</tr>
<tr>
<td>U2</td>
<td>7.3</td>
<td>12.0</td>
</tr>
<tr>
<td>U1</td>
<td>7.0</td>
<td>&gt;25.0</td>
</tr>
<tr>
<td>T1</td>
<td>5.0</td>
<td>&gt;25.0</td>
</tr>
<tr>
<td>SOCIETY</td>
<td>6.0</td>
<td>--</td>
</tr>
<tr>
<td>PWU</td>
<td>7.3</td>
<td>--</td>
</tr>
</tbody>
</table>

b) The table below summarizes market findings for non-union management and non-union non-management grades:
1. **Panel: General Plant, Operations, and Administration**

2. c) Toronto Hydro results do not reflect actual base salaries and actual short-term incentives received. Peer group findings reflect job rates and target short-term incentives where available, but reflect actual base salaries where there are insufficient market statistics available to report a job rate.

3. d) Please refer to the bottom of page 3 of the findings, noting that “all compensation data is reflective of the most recently available data as of the completion of the analysis, and is presented effective for 2017.”

4. e) There are certain grades where there are few benchmarked positions or incumbents. Actual salaries for each benchmarked position have not been provided to preserve the confidentiality of pay for individuals in these positions. The table below, provided by Toronto Hydro, shows average actual salaries and total cash compensation by non-union salary grade and bargaining unit for the period ending December 31, 2017, including the average actual incentive pay as a percentage of average salary:

<table>
<thead>
<tr>
<th>Grade</th>
<th>2017 Base Salary</th>
<th>2017 Total Cash Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Z</td>
<td>$187,941</td>
<td>$257,948</td>
</tr>
<tr>
<td>Y3</td>
<td>$162,068</td>
<td>$211,315</td>
</tr>
<tr>
<td>Y2</td>
<td>$144,036</td>
<td>$183,060</td>
</tr>
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   All dollar figures presented in $000's

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<th>TTC ($)</th>
<th>TRem ($)</th>
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<th>Target STI (%)</th>
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<th>TRem ($)</th>
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<td>$140</td>
<td>16%</td>
<td>$164</td>
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<td>$157</td>
<td>$112</td>
<td>8%</td>
<td>$126</td>
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f) The study includes the following Toronto Hydro compensation elements:

- Base salary;
- Short-term incentives;
- Active employee benefits programs, including life, dependent life, AD&D, Disability Prior to LTD, LTD, Medical and Dental that are open to new employees; and
- Pension programs that are open to new employees.

The study excludes the value of retiree benefits and vacation entitlements.
RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES

INTERROGATORY 90:

Reference(s): Exhibit 4A, Tab 4
Exhibit 1C, Tab 3, Schedule 6, p. 59

Please provide a copy of all executive compensation studies/analysis undertaken by Toronto Hydro since 2015, including, but not limited to, benchmarking information i) undertaken by Willis Towers Watson referenced in p.59 of Toronto Hydro's 2017 Annual Information Form, and ii) directed by the City of Toronto.

RESPONSE:

Mercer reviewed executive compensation (base salary and total cash compensation) in 2017. Please see Toronto Hydro’s response to interrogatory 1B-SEC-3 at Appendix F.

Willis Towers Watson (WTW) is the compensation consultant to the Human Resources and Environment Committee (HREC) of the Board of Directors. WTW’s provided their expert opinion to the HREC on executive compensation using the results of the Mercer review referenced above. WTW did not conduct a separate study or analysis.

The analysis provided to the City of Toronto is attached at Appendix A to this response. Note that Toronto Hydro part of this report have been redacted for confidentiality.
November 6, 2017

Peter Wallace
City Manager
11th Floor, East Tower, City Hall
100 Queen Street West
Toronto, ON M5H 2N2

Dear Mr. Wallace:

Updated response to City of Toronto EX44.8 – Executive Compensation Policy at City Agencies and Corporations

INTRODUCTION

As requested, the Board of Directors of Toronto Hydro Corporation ("Toronto Hydro" or "THC") respectfully submits its approved Executive Compensation Policy (the "Policy"). The Policy was developed independently of the Board by the Human Resources and Environment Committee (the "Committee") but approved by the Board at its August 16, 2017 meeting.

The Committee was tasked by the Board to upgrade existing executive compensation practices and policies and develop the Policy, as part of its longstanding periodic review process. The Committee was specifically requested to take into account City Council’s Guiding Principles in the Development of Senior Executive Compensation Policies (the "Guiding Principles"), the leadership skills required to manage Toronto Hydro’s operations, the market benchmarking for such skills and the financial and operational performance of THC based on prior compensation performance guidelines which are now codified and embedded in the Policy.

This letter summarizes the Committee’s considerations in developing the Policy and sets out a number of findings, including:

1. THC’s executive compensation base salaries are aligned with the Guiding Principles;
2. THC’s executive compensation is aligned with its comparators in terms of base salary and variable performance pay - except for long-term incentive pay which is offered by the comparators but not by Toronto Hydro;
3. THC’s overall executive compensation (that is, the aggregate of base salaries plus variable performance pay) and headcount have declined in recent years as organizational performance has significantly increased due to enhanced productivity from performance incentive pay; and
4. A reduction to the Policy’s variable compensation pay will undermine the future organizational performance of THC and result in a number of operational and legal concerns and issues.

At its August 16, 2017 meeting, the Board was provided with a full description of the Policy and Committee members answered a number of questions from Board members, following which the Policy was approved unanimously. The Board members also unanimously endorsed the full and complete disclosure of (i) Toronto Hydro’s executive compensation practices and policies, and (ii) the compensation for its five senior executives (named executive officers).

TORONTO HYDRO’S MISSION

Toronto Hydro is committed to providing a safe and reliable supply of electricity, and delivering long-term value to the City of Toronto, while providing excellent customer service. Our mission is to “continuously maximize customer and stakeholder satisfaction by being safe, reliable and environmentally responsible at optimal costs”.

We see our organization’s role as providing the foundation of Toronto’s continued prosperity as a major financial centre and delivering the critical infrastructure that helps make Toronto a great place to live. We are firmly focused on protecting the taxpayers’ and ratepayers’ investments, and on positioning Toronto at the forefront of the major technological changes coming to the electricity industry. A review of the data in this document will demonstrate how we have been consistently delivering on these priorities.

Our efforts were recently recognized by Corporate Knights (a Toronto-based media and financial research firm), earning the top spot in its “Future 40” annual listing of Responsible Corporate Leaders, based on 14 key performance indicators, including carbon productivity, CEO to average worker pay ratio, per cent of taxes paid and safety records. Further recent and impending awards include the Individual Award for Sustainability from the Sustainable Electricity Program, the President’s Award of Excellence for Employee Safety (Occupational Health and Safety), the 2017 Canadian Electrical Association (CEA) President’s Award of Excellence for Employee Safety, Gold winner of the 2017 Canada’s Safest Employers Award, and finally, indicative of the Corporation’s efforts, Responsible CEO of the Year, by Corporate Responsibility (CR) Board Magazine awarded to Anthony Haines, our CEO.
COMPANY OVERSIGHT AND DISCLOSURE REQUIREMENTS

THC’s board is composed of a mixture of Toronto City Councilors representing local citizens and ratepayers, and professionals who oversee and report publicly as a public debt issuer and as an OEB-regulated utility on its activities.

THC is mandated by provincial legislation to operate as a commercial enterprise paying a dividend to the City and is subject to the regulatory oversight of the Ontario Energy Board, the Ontario Securities Commission and the Ontario Safety Authority.

The Ontario Energy Board reviews and approves Toronto Hydro-Electric System Limited ("THESL")’s rate applications. This process is extensive and involves a comprehensive review of the Corporation’s operations, including the cost of labour and the design of compensation arrangements to ensure that regulated entity (THESL) costs are appropriate, focused on creating value for ratepayers and aligned with industry practice.

In the coming years, the Corporation will require billions of dollars in new capital from public debt markets to meet the needs of Toronto and the requirements of the OEB. The cost of this debt is subject to market forces which give consideration to risk and performance.

Accordingly, THC is required under Ontario Securities Regulations to prepare an Annual Information Form ("AIF") which fully discloses all aspects of executive compensation practices for THC’s Named Executive Officers (CEO, CFO and next 3 highest paid). This disclosure requirement significantly exceeds any other public sector obligation and fully meets corporate governance best practices. A copy of the 2016 AIF is included as Attachment 4 for your reference. All changes to compensation practices are required to be fully disclosed along with the reasons for the change. In particular, investors see pay and performance alignment as an important element of an effective compensation system and require comprehensive disclosure of the plan design and application.

Annually, in addition to the AIF disclosure, THC provides the City with full disclosure of executive compensation for all senior executives. However, since THC’s annual public disclosure (AIF) significantly exceeds public sector practices, it is the Board’s opinion that further public disclosure of other executives’ (those not disclosed in the AIF) compensation is not appropriate. As this requirement is not applicable to Toronto Hydro’s direct Utility competitors, additional public disclosure beyond the current requirements would create a competitive disadvantage in our ability to retain executive talent.
THC’s approved Executive Compensation Policy is generally aligned with the “guiding principles” #1-6 and #9-12. The primary area of difference is with respect to principles #7 and #8 regarding the size and application of Variable Performance Pay, which we will discuss below.

BENCHMARKING APPROACH

The guiding principles seek to establish executive compensation base salaries at the median of “like Public Sector agencies and corporations of similar size, organizational structure, business risk and management complexity”.

As a regulated utility, THC competes for talent with other utilities as well as the private sector. THC does not recruit talent from or lose talent to the general public sector. Industry-specific roles must be competitive with “like roles” in other Ontario Local Distribution Companies (“LDCs”)” and more broadly with the Utility sector nationally. Non-industry-specific roles like legal, finance and IT have a broader competitive market that is primarily the private sector.

As per City of Toronto Comparator Analysis – August 2014: Council Adopted Report 44.8 – Executive Compensation Policy at City Agencies and Corporations Recommendation

THC’s size and complexity compares favorably to this group on all of the dimensions suggesting that these organizations would be suitable comparators for benchmarking compensation.

<table>
<thead>
<tr>
<th>Organization</th>
<th>Assets (M CAD)</th>
<th>Revenue (M CAD)</th>
<th>Distribution</th>
<th>%00s of</th>
<th>Private / Public Sector</th>
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</thead>
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<td>1,593</td>
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<td>1,546</td>
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<td>Hydro One Ltd³</td>
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<td>56,579</td>
<td>31,126</td>
<td>968</td>
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| Comparator Averages          |                |                |              |         |                         |
| Public Sector Energy (excluding Hydro One) | 6,743 | 2,549 | 617 | 733 | Public Sector |
| Public Sector Energy (including Hydro One) | 6,161 | 2,801 | 634 | 946 | Public Sector |
| Toronto Hydro⁴               | 4,954          | 4,030          | 648          | 1,060² | Public Sector |

Sources: Annual Information forms, annual reports and corporate websites
¹ Revenues are for the year ended December 31, 2014 (the most recently reported 12 month period), Assets figures are effective March 31, 2016. SaskPower switched to a March 31st year end, resulting in revenue disclosures for a 15-month period in 2016.
² Represents electricity customers only
³ Hydro One is in the process of partial privatization and has sold an approximately 53.1% stake of the open market in the past two years
⁴ Includes the approximately 761,000 customers who are part of bulk metering arrangements
The selection of comparators consists of a multi-step process that requires the consideration of multiple perspectives:

- Organizations with similar business operations, and with which the company competes for customers, talent, and/or capital
- The region where the company operates and competes for executive talent
- Organizations with similar business complexity, which is often measured in terms of company size (as per market best practice approach, ½ to 2 times Toronto Hydro distribution revenue excluding the cost of power when compared to non-LDC comparators which approximates comparable organization size and scope without the bias of the energy cost, and ½ to 2 times our total revenues for like organizations)

This process is consistent with establish best practice for compensation benchmarking.

Using the aforementioned approach, the THC Committee utilizes the services of Mercer to benchmark Toronto Hydro’s total cash compensation (Base Salary and Target Performance Variable Pay) to the 50th percentile of the following markets:

- Industry comparators in the public sector of like size: publicly owned utility/energy companies in Canada with revenues of approximately ½ to 2x Toronto Hydro's distribution revenue and/or total revenue
- Publicly and privately owned (including publicly traded) utility/energy companies in Canada with revenues of approximately ½ to 2x Toronto Hydro’s distribution revenue and/or total revenue
- Industrial companies in the Greater Toronto Area (“GTA”)
- Industrial companies in Canada
- Public sector organizations in Canada

Due to the small number of comparators in the publicly owned utility/energy companies in Canada sample, and in line with THC’s internal policy and historical practice, we retain the flexibility to test the reasonableness of executive compensation levels against the broad cross-section of industrial companies in Canada above.

Toronto Hydro’s executive compensation policies are driven not by our ownership structure but rather by the skills we need, and the market for talent where we must acquire them. While every industry is changing, in the coming years, the hydro-electric industry is projected to undergo unusually significant technology-driven change, and a talented and motivated team is critical to navigate the coming inflection point in our industry, as we explore new (and in many cases, unregulated) business models such as power storage, distributed generation and microgrids, and rising to meet the challenges of climate change, including working with the City of Toronto on TransformTO.
RESULTS OF BENCHMARKING EXERCISE

Benchmarking Results: Industry Comparators in the Public Sector of Like Size, Per EX16.10, Section 2 requirements

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<tr>
<th>THC Title</th>
<th>Benchmark Scope</th>
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<th>Total Cash Comp¹</th>
<th>Total Direct Comp²</th>
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<td></td>
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<td>TH</td>
<td>Competitive Position</td>
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<td>EVP &amp; Chief Human Resources and Safety Officer</td>
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<td>$266</td>
<td>P37</td>
<td>$372</td>
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¹ Total cash compensation represents base salary plus the target short-term incentive opportunity.
² Total direct compensation represents target total cash plus the target long-term incentive opportunity, if any.

The commentary which follows is based on the market findings excluding Hydro One. The results of the benchmarking exercise indicate that Toronto Hydro’s executive base salaries are generally aligned with the Guiding Principles. Base Salaries for THC executives generally fall within or below the minimum of the market range + 15% of market. Overall Base Salary positioning is lower than the median as this reflects a stronger pay for performance emphasis at THC than is typical in the market.

THC’s Target Total Cash Compensation includes Base Salary plus Performance Variable Pay. Performance Variable Pay is a standard element of compensation within the Canadian Utility sector including municipally owned LDC’s. THC’s Target Total Cash Compensation is generally aligned with the market median. THC’s Performance Variable Pay targets (pay at risk) are the same for all EVP roles to re-enforce the collective accountability of the leadership team to the priorities of THC. This consistent practice can result in some variability in market competitiveness by role.
It is also common practice among comparable Canadian Utilities to provide compensation which is based on the long-term performance of the Utility. This ensures an alignment of performance to the long-term priorities of the business and the commitments imbedded in the Approved Rate Filings. Long-term Incentives are provided by three of the four core utility comparators of THC. We are unable to confirm the practice of the fourth comparator. These compensation opportunities are a significant element of compensation and are not included in the compensation arrangements at THC. When comparing total direct compensation, which includes long-term incentives paid by many public and private utilities, THC executives’ positioning drops significantly in most cases. This is understandable because the largest long-term incentive opportunity is provided to the CEO where long-term incentive targets can exceed 50% of Base Salary.

Because there are so few comparable municipally owned utilities in Canada, THC also reviews the compensation of a broader selection of utility companies that are publicly traded, with whom THC also competes for talent. This data set provides an additional perspective on competitiveness from a larger more diverse group of comparable Canadian Utilities. When we examine this data, we find that the CEO and CFO positioning increases slightly, several are unchanged, and CHRO, Regulatory Affairs and General Counsel, and CIO all see a reduction in positioning.

ORGANIZATIONAL PERFORMANCE: INCOME IMPROVEMENTS AND COST REDUCTION

It is also important to consider the trends in both the size and cost of THC’s executive team, and the level of performance (revenues, net income, equity, and dividends paid to the City).

Indeed, the size and cost of THC’s Senior Executive Team have been trending downward even as our organizational performance has improved (please see Confidential Attachment 2). We have moved from a senior team of 17 to a current one of eight executives, President and CEO included. The result is a strong, streamlined team of professionals, each of whom manages a complex portfolio of accountabilities (please see role profiles in Confidential Attachment 3), while supporting the President and CEO as a cohesive team to plan and deliver on THC’s strategic objectives. To continue to drive performance improvements, we must provide compensation that attracts, retains and motivates effective and innovative leaders.

COMPETING FOR TALENT WITH THE PRIVATE SECTOR: VARIABLE PAY

As noted above, the private sector market, in addition to cash compensation, typically provides long-term incentives that can be as much as 50% of the total reward offer
(TDC) for a CEO. THC’s target competitive position is to the median of cash compensation only. Please note that SaskPower, Enmax and, Epcor provide long-term incentive opportunities in addition to annual cash compensation;

Our approach to annual compensation is similar in practice to that utilized by other municipally owned Ontario LDCs and results in an annual compensation structure which is competitive in the markets where THC competes for executive talent. However, the absence of a long-term incentive opportunity creates a significant and material shortfall relative to our more comparable Utility comparators.

THC seeks to ensure that both the level and mix of compensation are competitive. Within the Utility sector, Performance Variable Pay is a common and effective compensation approach (please see Confidential Attachment 1 for further details).

Performance Variable pay aligns compensation with the achievement of a balanced set of corporate goals which include financial, operational, customer and safety objectives which are approved by the Board annually.

Variable pay is not compensation that is additional to a competitive compensation arrangement but rather it is part of the way competitive compensation is delivered. In effect, it is pay at risk and is subject to the achievement of pre-determined goals. Accordingly, competitive compensation must ensure that both base salary and performance variable pay together (total cash compensation) are competitive.

The guidelines seek to limit variable pay to a maximum of 25% of base salary (20% plus a maximum 5% merit pay) and suggest that this compensation should only be earned for exceeding business objectives. This principle is not consistent with industry practice.

The size of variable pay opportunities within the Utility sector increases the more senior the role recognizing the increased accountability for business results. This target for the THC’s current CEO is 65% of base salary and for the other senior executives is 40%. Variable pay extends and declines throughout the organization including all employees not covered by collective agreements and the society of engineers to ensure that all are aligned with business goals and objectives.

The Performance Variable Pay program is a mature, disciplined and effective program based on a scorecard of key performance indicators at corporate, divisional, departmental and individual levels.

The Board annually approves the corporate scorecard and the CEO’s individual performance goals, in which performance metrics are aligned with:
The organization’s Strategic Plan
- Toronto Hydro’s mandate to provide reliable and efficient delivery of power to Toronto ratepayers
- Toronto Hydro’s obligations to its shareholders and the conditions established by the OEB

To the extent that “applicable” City Council directives are to be reflected in award determination, they would be reflected in either business and/or individual performance expectations as appropriate.

Toronto Hydro’s Performance Variable Pay program awards achievement of “stretch” goals, which are based on a review of historic performance and expected improvements for the current fiscal year. Generally, the previous year’s results reflect the threshold performance expectation with the current year target an improvement over the previous year’s results. While the calibration of targets does vary by metric, the principle is to set goals which advance the performance of the Corporation.

Because variable pay is part of, not in addition to competitive compensation, awards are based on the relative achievement of these goals provided a minimum (threshold) level of performance and an opportunity for above-target awards for exceeding performance expectations. This practice is consistent with the practices of other LDCs and Utilities and generally considered a best practice.

Year-end Variable Pay awards are based on the performance of each individual and the achievement of scorecard results. For the CEO, 80% of his variable pay award is based on Corporate results and 20% on individual performance objectives. For other senior executives the weighting reflects the balance of their Corporate, Divisional and Functional accountabilities as a senior executive of the Corporation. The details of the objectives, weighting and performance are described in the AIF.

The results over the past 10 years reflect the success of this program. Since 2009, the Corporation’s Shareholder equity and dividends have grown substantially. And on every measure of reliability, safety and productivity the Corporation has achieved consistent year-over-year improvements and, on some metrics, has set new standards within the industry. This is why the OEB sees our programs as effective and why our Board is committed to our existing performance management and compensation approach.

Regarding reduction in the targeted variable pay awards for the CEO, in 2015 the Board of THC committed to reducing the CEO Annual Variable Pay target from 65% of base salary to 40% once the current CEO retires and a replacement is selected.
Organizations with strong performance use incentive pay to motivate their executives. We believe a strong link between organizational performance and actual pay is critical to keeping our team focused on relentless performance improvement, and this is one of the driving principles behind executive compensation today. Reducing at-risk pay and thereby guaranteeing an unusually high portion of our executives’ pay would remove a critical lever to drive excellent performance, and would put Toronto Hydro out of sync with not only the market, but also our many business customers who demand high performance and reliability. Despite the aforementioned prevalence of offering long-term incentives linked to major strategic initiatives (even in the public sector), the Board does not believe now is the appropriate time to pursue such a course.

THC LEGAL AND OPERATIONAL CHALLENGES POSED BY THE GUIDELINES

Finally, we note that fully implementing the guidelines without reference to Toronto Hydro’s unique situation would generate four critical concerns, covering both legal and operational areas.

First, there is considerable risk of lawsuits for constructive dismissal. This is based on the legal precedent that an organization may not make a unilateral and material change to an employment agreement without in effect breaking the employment contract, and therefore potentially being subject to legal penalties. In such cases, employees may resign and claim that they were unfairly dismissed and seek damages from the employer for breach of contract. This would create both a direct legal cost, and an operational risk. It could include potential loss of key personnel and distraction of the executive team during the ensuing legal proceedings. We consider this an unacceptable risk.

Secondly, there is also a risk of a different legal problem should we apply the guidelines without considering their impact on Toronto Hydro: we are proud that many of the “next generation” of leaders in our organization are female. As existing executives transition out over time, and this new generation begins to take their places, having a two-tiered system whereby the newly promoted are paid significantly less than their new peers may create a pay equity issue, both optically and legally. For example, if a male executive nears retirement, and there is a rising female Vice President who is a potential future replacement, paying her significantly below what others on the team are paid for similar work could create pay equity challenges. There are such examples in our more technical functions. There is also no reason to believe that this “next generation” will be any less valued in the broader market than its predecessors.

Thirdly, much as a complete implementation of the guidelines could undermine THC’s ability to attract, retain and motivate senior executives, in order to reduce the “compression” issue (i.e., situations where a subordinate makes nearly as much as or
even more than his / her supervisor), Toronto Hydro might also be forced to reduce compensation at lower levels of the organization, thereby making it more difficult to engage the best staff there as well.

Finally, many of the current Directors and Senior Directors that are tapped in THC’s detailed succession plans (which are meticulously maintained by all critical infrastructure organizations) could in effect see a pay cut upon promotion. Senior Directors have a long-established incentive payment of between 25% and 37.5% of their base salaries. These high-potential personnel would either have to see their compensation cut (see also the constructive dismissal section above), or would have to have an unusually high portion of their pay be moved into base salary, in order to be paid competitively. We do not believe that either alternative is in the interests of THC or its stakeholders, and if these executives were to leave, they could require replacement from a marketplace where higher short-term incentives, with higher upside leverage, and in many cases also long-term incentives, are the norm (please see Confidential Attachment 1).

CONCLUSIONS

It is the Board’s view that THC’s performance system has enabled the company to exceed its business goals. Additionally, purchasers of THC public debt expect a high degree of performance alignment for executive officers. Any reduction in performance accountability as evidenced by a change in THC performance pay practices may be interpreted unfavourably by investors. Most importantly, the performance pay system at THC has created a high-performance work culture with a highly motivated and exceptionally talented leadership team. Our approved Executive Compensation policy will preserve and re-enforce this culture to the interests of all stakeholders.

We would be pleased to discuss this policy with you at your convenience.

Sincerely,

David McFadden  
Chair, Toronto Hydro Corporation  
Board of Directors

Brian Chu  
Chair, Toronto Hydro Corporation  
Human Resources and Environment Committee
Appendix: Table of Contents

Confidential Attachment 1: Executive Compensation Benchmarking Results
Confidential Attachment 2: Toronto Hydro performance statistics
Confidential Attachment 3: Role profiles of Toronto Hydro Executive team
Attachment 4: Toronto Hydro Corporation 2016 Annual Information Form
Confidential Attachment 5: Approved Toronto Hydro Executive Compensation Policy
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<th>Private Sector</th>
<th>Non-Profit Sector</th>
<th>Government Sector</th>
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<td>132</td>
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<td><strong>Third Quarter 2023</strong></td>
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<tr>
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<td>1,123</td>
<td>154</td>
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*Note: Data is hypothetical and for demonstration purposes.*
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EVP & Chief Engineering and Construction Officer

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<td>EVP, Chief Financial Officer</td>
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<td>President, Chief Legal Officer</td>
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The 2016 compensation represents the target total cash plus the long-term incentive opportunity. Target total compensation represents target total cash plus the long-term incentive awards at grant, expressed as a percentage of base salary. The target total compensation represents base salary plus the target short-term incentive opportunity expressed as a percentage of the larger award. For the These statistics, the average maximum short-term incentive opportunity expressed as a percentage of the base salary. For market comparables, base salary levels across the group.

For the years ended December 31, 2016, 2015, and 2014, respectively, the average actual cash incentive awards expressed as a percentage of the range of the target award.

For the purpose of disclosing the cash incentive award for each NEO, the following table shows the actual cash incentive award as a percentage of the target cash incentive award.
Confidential Attachment 2: Toronto Hydro performance statistics

Named Executive Officer Compensation

Executive Total Cash Compensation has been largely flat in recent years

THC Has Streamlined Its Executive Team

Toronto Hydro has reduced the size of its executive team
Response to City of Toronto EX44.8 – Executive Compensation Policy at City Agencies and Corporations (cont’d)

Number of Senior Executives at THC’s Peer Group

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<td>Capital Information Corp.</td>
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*Administrative: necessary for confidentiality reasons.

Toronto Hydro’s executive team is in line with the market

Financial Performance

- Revenue (m$)
- Net income (hundreds of thousands)
- Shareholder equity (m$)

Toronto Hydro has improved financial performance considerably in recent years
Executive Role Profile

President and Chief Executive Officer

Department: Executive
Reports to: Chair of the Board

Role Summary

As the President and Chief Executive Officer (CEO), the incumbent has broad and direct accountability for the overall direction, effectiveness, efficiency, consistency and sustainability of Toronto Hydro. Reporting directly to the Chair of the Board, and in conjunction with the Board, the President and CEO sets the strategic direction of the corporation, ensuring that Toronto Hydro serves or surpasses the strategic and long-term goals and needs of the City of Toronto, its residents, businesses, visitors, related agencies, boards, commissions and regulators, as well as a broad array of additional stakeholders. This critical role is also central to the continuous improvement and day-to-day success of Toronto Hydro, therefore the President and CEO is also ultimately accountable for all of the executive management decisions made at Toronto Hydro, and for providing over-arching direction to its shorter-term annual business plans. This highly demanding and very complex role requires an enterprise-wide, transformation-focused champion that is also a savvy and insightful decision-maker, who can communicate clearly and concisely to the Board, THC’s employees and contractors, associations and unions, government authorities and other networks, customers, and additional stakeholders ranging from key special interest groups to individual citizens within the City of Toronto.

Toronto Hydro’s Senior Management Team reports directly to, or indirectly through, the President and CEO, and then to the Board. The incumbent also has accountability, within THC, for allocating and delegating all types of the corporation’s resources to optimize their use within the Senior Management Team, as well as their value across Toronto Hydro and the diverse communities of interest served by the corporation. As such, the President and CEO must lead this Team, as well as assess and then integrate the plans and directions of the Team with those of the Board. In doing so the President and CEO must also continually seek to build the strengths of the Senior Management Team and the additional resources that they have.

Experience and Education

- Preference for Chief Executive Officer with regulated and unregulated electrical/energy industry knowledge and experience with financial (e.g. Ontario Securities Commission) and energy (e.g. Ontario Energy Board) regulators.
- Ten (10) or more years of progressive executive leadership experience.
- Direct accountability in large, capital asset focused, multi-functional organizations, in relevant complex environments. Prior experience in capital markets financing, preferred.
- Undergraduate/graduate degree, ideally in applied science, business, electrical engineering or energy specific education.
- Twenty (20) or more years of experience in management and professional positions with significant operational experience preferred.
- Demonstrated experience in modelling and setting/changing organizational performance, culture, values and behaviour.
Scope

The President and CEO is guided by good corporate governance policies and practices as developed through and followed by the Board. The incumbent is also subject to federal, provincial and municipal legislation, rules, and guidelines. The President and CEO is also managed by the accountability and performance measures determined by the Board, and how the Board, as well as pertinent key stakeholders, measure the success of Toronto Hydro.

In conjunction with the Board, and as the leader of the entire Toronto Hydro enterprise, the President and CEO must develop and manage strategies, make decisions, and then implement decisions that can transform the organization, taking into consideration the diverse and divergent set of goals and needs of the entire City of Toronto, and how these relate to and impact related municipalities and regions, provincial governments and their agencies, boards and commissions, as well, as relevant federal institutions.

The President and CEO must lead and manage strategically and broadly, both externally and internally. The incumbent must also understand all of the core units, functions and portfolios of Toronto Hydro and how they inter-relate and integrate. These include, but are not limited to, key aspects of:

- Strategic planning, transformation and organization optimization
- Customer care, communications and development
- System/grid operations, station maintenance and operations and emergency responsiveness
- Engineering design, construction and capacity planning
- Financial planning/reporting, investor/stakeholder relations and treasury
- Human resources/labour relations, organization development and safety
- Information technology infrastructure, enterprise resource management and security
- Corporate governance, regulatory affairs, energy policy and government relations
- Corporate policy making, compliance and enterprise risk management

Key Accountabilities

- Strive to enhance or maintain high standards of corporate citizenship, integrity and social accountability relating to all of THC’s activities and initiatives, to ensure that it is well recognized as a dynamic, ethical, corporate leader
- Lead, in conjunction with the Board, the development, refinement and implementation of Toronto Hydro’s long-term, corporate strategy, to ensure that Toronto, its communities of need and influence, individual and networks of citizens, visitors, businesses and related government regulators are best served by the organization now and into the future
- Communicate directly and indirectly through others, the mission, vision, values strategies, goals of, and results achieved by the corporation, to ensure that a diverse range of potentially divergent audiences appreciate and understand the work of Toronto Hydro
Corporation

- Direct, with advice from the Board, Toronto Hydro’s Senior Management Team in the development, refinement, integration, implementation and management of annual business plans, to ensure alignment with the broader and longer-term corporate strategy
- Guide the acquisition, development, optimization, management and divestiture of substantial and significant Toronto Hydro assets and resources (financial, human resources and operational) - owned or contracted; and ensure that the corporation’s senior leaders have been delegated the accountability and authority that will enable Toronto Hydro to utilize and optimize these
- Champion the environmental, safety, health and wellness standards, policies and procedures of the corporation, and strive to improve upon these, as well as encourage THC’s employees, contractors and users to do the same
- Lead improvements to, and implementation and management of policies, agreements, processes, controls and systems, and ensure that the corporation conducts all of its internally and externally-focused activities and business ethically and lawfully
- Review and assess the principal, potential and broad range of risks to Toronto Hydro, and therefore all of its broadly-based communities and related stakeholders, and guide the development, implementation, management, monitoring and mitigation of these risks, to further ensure that the environments in which the corporation has an impact are safeguarded from and can defend relevant risk

Knowledge, Skills and Competencies

- Outstanding knowledge, skills and competencies related to:
  - Respected energy industry leader – Ability to blend vision and leadership of the organization with the management of stakeholders, particularly external stakeholders
  - A “public presence”, prepared to represent both the company and the industry
  - Business savvy – Experience in business, government relations, and regulators
  - Labour relations expertise – Consummate negotiator with the ability to get a “win-win”
  - Demonstrated integrity – Models the company’s core values, fosters a culture where communications are open and honest
  - Determining and setting strategy and direction
  - Guiding and managing key employee groups and external stakeholders
  - Integrating and optimizing financial, operational and human resources
  - Modeling and supporting corporate culture and values

IMPORTANT NOTE
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Executive Role Profile
EVP and Chief Financial Officer

Department: Executive
Reports to: President and CEO

Experience and Education

As a member of the Senior Executive Team, the EVP has direct accountability for his / her specific functional areas, but also a major cross-functional impact on Toronto Hydro, and in turn, on the City of Toronto, its residents, businesses and other stakeholders. This demanding and complex role requires an experienced and insightful decision-maker to work with the President and Chief Executive Officer (CEO) and Senior Executive Team in developing and executing organizational strategy, and to be fully accountable for delivering on Toronto Hydro’s commitments to stakeholders.

The EVP and Chief Financial Officer (”CFO”) reports to the President and CEO and drives the financial strategic management and public reporting of the company and its subsidiaries. The EVP and CFO provides strategic direction for planning, implementing, managing and controlling all financial activities of the company. This includes overall accountability for facilitating strategy and business planning, investor and banking relations, treasury, shareholder management, accounting, budgeting and forecasting, financial reporting, taxation, and internal audit, corporate compliance and governance for enterprise risk management systems. The CFO leads and supports the Audit Committee of the Board of Directors, and plays a primary role liaising with the Shareholder on all financial matters.

- Energy industry experience in regulated and unregulated, public/ private and publicly traded organizations, preferred.
- Ten (10) or more years of progressive executive leadership experience.
- Twenty (20) or more years of business and finance related experience with broad exposure to all financial disciplines including financial planning and reporting, financial controls and payroll and disbursements, tax, treasury, investor relations and insurance.
- Demonstrated experience and positive connections with the investor community.
- Undergraduate/graduate degree in Business, Accounting or Finance.
- Chartered Professional Accountant (CPA).
Scope

- Financial Management & Public Reporting
- Controllership
- Strategy Planning
- Budgeting & Business Planning
- Treasury & Investor Relations
- Tax
- Internal Audit and Corporate Compliance
- Governance and Oversight of Enterprise Risk Management and Systems, Corporate Policies and Administration
- Whistleblower / Ombudsman Office
- Insurance
- Payroll & Disbursements
- Portfolio Strategy, Performance, Policy, Compliance, Business Continuity, Risk and Stakeholder Management

Key Accountabilities

- Develops and recommends short- and long-term financial strategies to achieve key corporate objectives. Evaluates and advises the Senior Executive Team on the impacts and implications of long-range planning, and the introduction of new programs/strategies and regulatory actions. Provides the Senior Executive Team with advice and consultation on the financial implications of business activities (e.g., financial planning and analysis functions) and make recommendations to enhance financial performance, business opportunities and execution of the company strategy.

- Provides strategic direction regarding development of short- and long-term internal audit plans to drive strategic outcomes and mitigate financial, compliance and operational risks for Toronto Hydro. Accountable for the implementation of comprehensive audit plans. Reports progress of audit plans to Audit Committee/Board of Directors, liaising with the Board of Directors to resolve escalated internal audit issues as necessary.

- Oversees organization internal audit, enterprise risk management, compliance systems and the Whistleblower/Ombudsman Office to ensure the efficiency, effectiveness and alignment of internal controls, enterprise risks and governance processes. Accountable to the CEO for identifying, developing and implementing risk-mitigation strategies. Facilitates development of risk-mitigation strategies with members of the Senior Executive Team.

- Leads financial investor relations and develops strategies for communicating with the investment community and external stakeholders to ensure strong outcomes for the company, including liaising with the Shareholder on all financial matters. Leads the development and ongoing maintenance of the investment portfolio strategy, policy and performance, ensuring continuous growth as well as prudence of investments.
• Builds and maintains a positive relationship with the banking syndicate and proactively manages treasury, cash flow and capital financing in a leveraged environment to maximize benefits to stakeholders. Counsels the CEO and Senior Executive Team on options and timing to secure funding in support of key corporate strategic initiatives.

• Coaches and develops a team of senior leaders to ensure the high-quality day-to-day operation of finance, accounting and financial record-keeping functions. Ensures credibility of the Finance division by ensuring systems and processes are in place to provide accurate and timely financial information for the analysis of budgets, financial trends and forecasts, consolidated reporting, regulatory applications and tax requirements. Forms and enforces effective policies and internal controls to ensure the integrity of financial information systems and financial statements, and compliance with applicable accounting and tax regulations, financial, regulatory and governmental reporting standards and requirements and shareholder requirements. Responsible for public reporting.

• Establishes portfolio strategy, performance metrics, policies, compliance and risk management strategies for finance, accounting and financial record-keeping functions to support the overall business strategy and objectives.

• Works with the Chair of the Audit Committee to support the planning, execution, reporting and follow-up for annual Audit Committee work plans, preparing standard and ad hoc documentation to facilitate and support Board of Directors information and decision-making.

Knowledge, Skills and Competencies

• Demonstrated depth of knowledge of financial management and operations within a large, publicly traded organization
• Understanding of utility operations, market place and revenue / business models
• Builds Strong Relationships
• Develops Culture and People
• Champions Change, Productivity and Innovation
• Drives Results and Accountability
• Demonstrates Commitment to Sustainability, Environment, Health and Safety
• Demonstrates Customer Focus
• Outstanding:
  – Thinking: Seasoned judgement, Visionary thinking, Financial acumen, Global perspective
  – Strategic Management: Shaping strategy, Driving execution, Cultural strategic change
  – Leadership: Attracting and development talent, Empowering others (including clients), Influencing and negotiating, Leadership versatility, Community
  – Interpersonal Skills: Building organizational relationships, Inspiring trust
  – Communication Skills: Fostering open dialogue, High impact delivery
  – Motivation: Drive for stakeholder success, Entrepreneurial risk taking
  – Self-Management Skills: Mature confidence, Adaptability, Career and self-direction
Confidential Attachment 3: Role profiles of Toronto Hydro Executive Team

- Breadth and Depth of Knowledge: Cross-functional and industry capability, Industry knowledge, Business situation versatility, Cross industries
- Ability to present and communicate concisely and clearly to a variety of audiences
- Board room verbal and written communication skills

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Executive Role Profile
EVP and Chief Engineering and Construction Officer

Department: Executive
Reports to: President and CEO

Role Summary
As a member of the Senior Executive Team, the EVP has direct accountability for his / her specific functional areas, but also a major cross-functional impact on Toronto Hydro, and in turn, on the City of Toronto, its residents, businesses and other stakeholders. This demanding and complex role requires an experienced and insightful decision-maker to work with the President and Chief Executive Officer (CEO) and the Senior Executive Team in developing and executing organizational strategy, and to be fully accountable for delivering on Toronto Hydro’s commitments to stakeholders.

The EVP and Chief Engineering and Construction Officer reports to the President and CEO and drives life-cycle planning, system investment and asset management for the company’s electrical grid to ensure reliable service to Toronto Hydro customers. The EVP and Chief Engineering and Construction Officer is accountable for providing strategic direction regarding the development, estimating, and scheduling of all infrastructure work programs, and their execution through detailed design, construction, and maintenance activities. In addition to providing strategic direction to a large team of technical and operational professionals to ensure a safe and reliable distribution system, the incumbent is also responsible for successful completion of complex customer connection and expansion projects, multi-year coordination and relocation initiatives in support of Toronto’s transit projects and Waterfront Revitalization, and Toronto Hydro strategic contributions to the City of Toronto’s asset renewal plans. Supports the Toronto Hydro Electric System Limited (THESL) Board through planning, execution, and reporting on Board work plans, to facilitate and support Board of Directors information and decision-making.

Experience and Education

- Preference for executive leadership experience in regulated and unregulated, electricity / energy industry and unionized environment.
- Ten (10) or more years of progressive executive leadership experience.
- Twenty (20) or more years of electrical / energy industry, engineering and operational experience in electricity distribution operations, asset management, standards and infrastructure planning.
- Proven complex large scale design and construction project management and execution.
- Proven emergency response and crisis management experience including mobilization of operations, mutual aid and secondary roles.
- Undergraduate degree in Electrical Engineering, graduate degree in Engineering or Business.
- Registered Engineer in the province of Ontario.

Scope

- Design and Construction
- Engineering, Technical Standards and Policy
- Capital Program – Planned and Corrective Maintenance Programs
- Investment Plan
- Capacity Plan
- Grid Solutions
- Execution Work Program and Portfolio Management
- Customer Connections – Agency Expansion / Relocation Projects
- Major Construction Projects (e.g., Copeland)
- Emergency Response Team Member
- Portfolio Strategy, Performance, Policy, Compliance, Business Continuity, Risk and Stakeholder Management

Key Accountabilities

- Develops long-term strategies related to capital assets, including planned and corrective maintenance programs, and strategic oversight and advice on organization-wide distribution system infrastructure requirements. Executes plans to develop strategic solutions for the company’s assets, including investment, capacity, and grid solutions plans.

- Develops and executes strategies for major engineering and construction projects, including agency expansion and relocation projects and major construction projects in support of business growth strategies. Accountable for oversight of design, construction, and management of portfolio.

- Establishes and maintains organization-wide external construction, engineering and technical standards and policies, ensuring the company’s assets and systems are safe and secure to comply with external quality standards and applicable regulations. Monitors compliance and takes corrective action where needed.

- Manages relationships with key stakeholders, including City of Toronto (permitting, planning), contractors, Electrical Safety Authority and Hydro One Networks Inc., in order to facilitate positive and productive industry relations and partnerships.

- Coaches and develops a team of senior leaders to drive success and accountability in day-to-day engineering and construction operations. Ensures systems, processes, standards and methodologies are in place to provide safe and secure design and construction. Responsible for continuous improvement of engineering and construction practices to support the strategic objectives.

- Establishes portfolio strategy, performance metrics, policies, compliance and risk management strategies for maintenance and construction of capital assets to support the
Confidential Attachment 3: Role profiles of Toronto Hydro Executive Team

overall business strategy and objectives.
- Supports the Chair of the THESL Board regarding planning, execution, reporting and follow-up for annual board work plans, preparing standard and ad hoc documentation to facilitate and support Board of Directors information and decision-making.

Knowledge, Skills and Competencies
- Demonstrated depth of knowledge of engineering, construction, and asset management (planning, budgeting, execution) systems, processes and standards
- Builds Strong Relationships
- Develops Culture and People
- Champions Change, Productivity and Innovation
- Drives Results and Accountability
- Demonstrates Commitment to Sustainability, Environment, Health and Safety
- Demonstrates Customer Focus
- Outstanding:
  - Thinking: Seasoned judgement, Visionary thinking, Financial acumen, Global perspective
  - Strategic Management: Shaping strategy, Driving execution, Cultural strategic change
  - Leadership: Attracting and development talent, Empowering others (including clients), Influencing and negotiating, Leadership versatility, Community
  - Interpersonal Skills: Building organizational relationships, Inspiring trust
  - Communication Skills: Fostering open dialogue, High impact delivery
  - Motivation: Drive for stakeholder success, Entrepreneurial risk taking
  - Self-Management Skills: Mature confidence, Adaptability, Career and self-direction
  - Breadth and Depth of Knowledge: Cross-functional and industry capability, Industry knowledge, Business situation versatility, Cross industries
  - Ability to present and communicate concisely and clearly to a variety of audiences
  - Board room verbal and written communication skills

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Executive Role Profile
EVP and Chief Electric Operations and Procurement Officer
Department: Executive
Reports to: President and CEO

Role Summary
As a member of the Senior Executive Team, the EVP has direct accountability for his / her specific functional areas, but also a major cross-functional impact on Toronto Hydro, and in turn, on the City of Toronto, its residents, businesses and other stakeholders. This demanding and complex role requires an experienced and insightful decision-maker to work with the President and Chief Executive Officer (CEO) and the Senior Executive Team in developing and executing organizational strategy, and to be fully accountable for delivering on Toronto Hydro’s commitments to stakeholders.

The EVP and Chief Electric Operations and Procurement Officer reports to the President and CEO and is accountable for driving strategies and plans for the monitoring and control of the electric distribution system, emergency response and power restoration, including all grid emergency preparedness and first response, power restoration and emergency reactive maintenance, control center operations, stations, street lighting, metering, asset attachments, and operations support services (including facilities, fleet and procurement). Supports the Toronto Hydro Energy Services Inc. (THESI) Board through planning, execution, and reporting on Board work plans, to facilitate and support Board of Directors information and decision-making.

Experience and Education

- Preference for executive leadership experience in regulated and unregulated, electricity / energy industry and unionized environment.
- Ten (10) or more years of progressive executive leadership experience.
- Twenty (20) or more years of electrical / energy industry, engineering and operational experience in electricity distribution operations, asset management, proven complex large scale design and construction project management and execution, and emergency response, control centre operations, stations design, construction and operations, facilities management, procurement, warehouse and logistics.
- Proven emergency response and crisis management experience including mobilization of operations, mutual aid and secondary roles.
- Undergraduate degree in Electrical Engineering, graduate degree in Engineering or Business.
- Registered Engineer in the province of Ontario.
Scope

- Distribution Grid Operations and Emergency Response
- Grid Emergency Management and Disaster Preparedness
- Reactive Maintenance
- Stations
- Supply Chain
- Facilities & Real Estate
- Fleet
- Metering
- Street Lighting Services
- Asset Attachments and Leases
- Portfolio Strategy, Performance, Policy, Compliance, Business Continuity, Risk and Stakeholder Management

Key Accountabilities

- Develops long-term strategic direction for the areas of grid emergency preparedness and first response, to ensure practices and procedures are effective in an emergency situation and align to business objectives and strategy to achieve corporate strategic outcomes. Evaluates and advises on organization-wide grid emergency preparedness and provides CEO and executive team advice and consultation on the grid disruption preparedness plans, risks and mitigation strategies and offers recommendations to strategically enhance the safety, security and reliability of the distribution system performance through improvements to emergency response and grid operations. Acts as Incident Commander in the event of significant grid disruption emergencies.

- Provides strategic direction and oversees first response and emergency reactive maintenance, control centre, stations, facilities, real estate, asset attachments, meter services, locates and street lighting services to support the overall business objectives and strategy and ensure efficient operations. Guides the development and execution of stations and metering capital and maintenance work programs, monitoring progress of execution including risks and associated mitigation plans.

- Provides strategic direction for and oversees the operations support services and procurement function, including supply chain, fleet, warehouse and facilities management to maximize productivity and efficiency of functions. Guides real estate and facilities strategies, including facilities acquisition, sale and consolidation.

- Oversees the development and governance of electric operations, procurement and operations support services standards for the organization. Ensures governance, standards, policies and work procedures are in place to ensure the company’s grid distribution system, procurement operations support services are safe and comply with required internal and external quality standards and applicable regulations and legislation.

- Manages relationships with key stakeholders in order to facilitate positive industry relations and partnerships.

- Coaches and develops a team of senior leaders to facilitate day-to-day delivery of electric
operations and procurement functions. Ensures systems, processes, standards and methodologies are in place to drive down costs and provide affordable and efficient power in a transparent manner. Responsible for the continuous improvement initiatives in both operations and procurement.

- Establishes portfolio strategy, performance metrics, policies, compliance and risk management strategies for electric operations and procurement function to support the overall business strategy and objectives.
- Works with the Chair of the THESI Board to support the planning, execution, reporting and follow-up for annual board work plans, preparing standard and ad hoc documentation to facilitate and support Board of Directors information and decision-making.

Knowledge, Skills and Competencies

- Demonstrated depth of knowledge of electricity operations, procurement and facilities management systems, processes and standards.
- Builds Strong Relationships
- Develops Culture and People
- Champions Change, Productivity and Innovation
- Drives Results and Accountability
- Demonstrates Commitment to Sustainability, Environment, Health and Safety
- Demonstrates Customer Focus
- Outstanding:
  - Thinking: Seasoned judgement, Visionary thinking, Financial acumen, Global perspective
  - Strategic Management: Shaping strategy, Driving execution, Cultural strategic change
  - Leadership: Attracting and development talent, Empowering others (including clients), Influencing and negotiating, Leadership versatility, Community
  - Interpersonal Skills: Building organizational relationships, Inspiring trust
  - Communication Skills: Fostering open dialogue, High impact delivery
  - Motivation: Drive for stakeholder success, Entrepreneurial risk taking
  - Self-Management Skills: Mature confidence, Adaptability, Career and self-direction
  - Breadth and Depth of Knowledge: Cross-functional and industry capability, Industry knowledge, Business situation versatility, Cross industries
  - Ability to present and communicate concisely and clearly to a variety of audiences
  - Board room verbal and written communication skills

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Executive Role Profile

EVP and Chief Human Resources and Safety Officer
(Code of Ethics Officer)

Department: Executive
Reports to: President and CEO

Experience and Education

As a member of the Senior Executive Team, the EVP has direct accountability for his / her specific functional areas, but also a major cross-functional impact on Toronto Hydro, and in turn, on the City of Toronto, its residents, businesses and other stakeholders. This demanding and complex role requires an experienced and insightful decision-maker to work with the President and Chief Executive Officer (CEO) and Senior Executive Team in developing and executing organizational strategy, and to be fully accountable for delivering on Toronto Hydro’s commitments to stakeholders.

The EVP and Chief Human Resources and Safety Officer reports to the President and CEO and drives the design and execution of the organization’s integrated human resources and safety strategies, covering all elements of the HR lifecycle, health and safety and environment, organizational development and change management, succession planning, labour/employee relations, compensation and reward strategies, employee communications and engagement and related systems. The Chief Human Resources and Safety Officer is the organization’s Ethics Officer, and ensures the Code of Business Conduct is applied appropriately and consistently, and supports the Human Resources and Environment Committee of the Board of Directors.

- Preference for executive leadership experience in regulated and unregulated, electricity / energy industry and unionized environment.
- Ten (10) or more years of progressive executive leadership experience.
- Twenty (20) years or more functional experience, within all aspects of Human Resources and Safety, including Employee/Labour Relations, Organizational Development and Change Management, Environment, Health and Safety, Leadership Development, Compensation and Rewards, Talent Acquisition and Management.
- Undergraduate/graduate degree in Human Resources, Organizational Development and/or Environment, Health and Safety, Business or related field.
- Certified Human Resources Executive or additional related certifications, preferred.
- Proven emergency response and crisis management experience including labour disruption, infectious disease, safety and environmental crisis management and employee, union and family communications.
- Proven experience with complex system wide project and change management.
Confidential Attachment 3: Role profiles of Toronto Hydro Executive Team

Scope

- Human Resources
- Labour Relations
- Organization Development
- Environment, Health and Safety
- Employee / Internal Communications
- Corporate Social Responsibility and Sustainability
- Performance Management (Corporate / Divisional / Individual)
- Management Control and Reporting Systems
- Productivity and Project Governance
- Code of Ethics
- Infectious Disease Plan
- Emergency Response Team Member
- Portfolio Strategy, Performance, Policy, Compliance, Business Continuity, Risk and Stakeholder Management

Key Accountabilities

- Provides long- and short-term strategic direction regarding environment, health and safety and people strategies to achieve corporate strategic and regulatory outcomes, collaborating with executive team to develop and implement environment, health and safety and workforce staffing and labour strategies, as the Chief Labour Strategist, to support business and regulatory strategies. Provides executive leadership on all investigations related to policy violations, environmental and safety serious incidents and ethics, customer and employee code of conduct complaints. Provides CEO, Board and executive team with advice and consultation on environment, health and safety and people strategies and plans, implications, risks and mitigation planning, including pandemic plans, and offers recommendations to strategically enhance and improve safety, culture, performance and productivity.

- Provide strategic direction regarding the company’s productivity and performance systems, plans and measures, including the corporate scorecard, key performance indicators, governance systems and related human resources policies. Establishes and maintains strong relationships with senior executives to identify needs and seek full range of business solutions to support the development of corporate and divisional measures and ensure alignment to operational goals, individual performance goals and environment, health and safety and human resources systems, processes and programs.

- Acts as the organization’s Ethics Officer to ensure the Code of Business Conduct and Code of Ethics are followed in accordance with the policies and procedures of the company.

- Proactively manages relationships with key stakeholders to drive positive industry relations and partnerships.

- Coaches and develops a team of senior leaders to conduct day-to-day human resources operations. Ensures systems, processes, standards and methodologies are in place to provide informed, consistent, and high quality human resources support, including strategic
direction regarding human resource information, engagement and safety technology systems. Responsible for the continuous improvement of established human resources service, systems and safety practices to drive responsible and profitable growth.

- Establishes portfolio strategy, performance metrics, policies, compliance and risk management strategies for human resources operations to support the overall business strategy and objectives.
- Works with the Chair of the Human Resources and Environment (HRE) Committee to support the planning, execution, reporting and follow-up for annual HRE Committee work plans, preparing standard and ad hoc documentation to facilitate and support Board of Directors information and decision-making.

**Knowledge, Skills and Competencies**

- Demonstrated knowledge of human resources and environment, health and safety strategies, systems and programs
- Builds Strong Relationships
- Develops Culture and People
- Champions Change, Productivity and Innovation
- Drives Results and Accountability
- Demonstrates Commitment to Sustainability, Environment, Health and Safety
- Demonstrates Customer Focus
- Outstanding:
  - Thinking: Seasoned judgement, Visionary thinking, Financial acumen, Global perspective
  - Strategic Management: Shaping strategy, Driving execution, Cultural strategic change
  - Leadership: Attracting and development talent, Empowering others (including clients), Influencing and negotiating, Leadership versatility, Community
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  - Communication Skills: Fostering open dialogue, High impact delivery
  - Motivation: Drive for stakeholder success, Entrepreneurial risk taking
  - Self-Management Skills: Mature confidence, Adaptability, Career and self-direction
  - Breadth and Depth of Knowledge: Cross-functional and industry capability, Industry knowledge, Business situation versatility, Cross industries
  - Ability to present and communicate concisely and clearly to a variety of audiences
  - Board room verbal and written communication skills

**IMPORTANT NOTE**

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Confidential Attachment 3: Role profiles of Toronto Hydro Executive Team
PART 12 - EXECUTIVE COMPENSATION

12.1 Compensation Governance

(a) Human Resources and Environment Committee

(i) Composition and Independence

The Corporation's executive compensation program is supervised by the Human Resources and Environment Committee under the direction of the Board. The Human Resources and Environment Committee is comprised of Brian Chu (Chair), Councillor Stephen Holyday, Michael Nobrega and Tamara Kronis. Mr. Chu, Mr. Nobrega and Ms. Kronis are each independent within the meaning of applicable Canadian securities laws. Since the City is the sole shareholder of the Corporation, Councillor Holyday is not independent within the meaning of applicable Canadian securities laws. The appointment of one of the Corporation’s City Councillor directors to the Human Resources and Environment Committee is a requirement under the Shareholder Direction. Prior to December 11, 2016, the Human Resources and Environment Committee was comprised of Brian Chu (Chair), Councillor Stephen Holyday, David McFadden and David Williams. See section 10.3 under the heading "Directors" for more information about the relevant education and experience of each member.

(ii) Human Resources and Environment Committee Charter

The Human Resources and Environment Committee operates under a written charter adopted by the Board. One of the primary functions of the Human Resources and Environment Committee is to advise and assist the Board in overseeing Toronto Hydro's compensation program and assessing the performance and compensation of the CEO and the other officers of the Corporation. Specifically, under the terms of its charter, the Human Resources and Environment Committee is responsible for assisting the Board in fulfilling its responsibilities with respect to: the recruitment and assessment of the performance of the CEO; the review and approval of the compensation of the CEO and the other executive officers of Toronto Hydro; the review and approval of executive compensation policies; the review and approval of executive compensation disclosure; the review of the alignment of compensation programs with Toronto Hydro’s strategic plans and risk profile; and the general oversight of the compensation structure and benefit plans and programs for Toronto Hydro.

(b) Compensation Risk Oversight

Toronto Hydro has a rigorous risk management and governance structure in place to assist the Board with its oversight and management of all of the Corporation's risks, including risks related to Toronto Hydro's compensation policies and practices. While the Board and the Human Resources and Environment Committee have not conducted a formal assessment of the implications of risks specifically associated with the Corporation's compensation policies and practices, the Human Resources and Environment Committee has and continues to consider the Corporation's strategic objectives, plans and risk strategy in its review and recommendations regarding Toronto Hydro's compensation program. In addition to the Corporation's ERM program, the practices, processes and systems in place to identify and mitigate compensation policies and practices that could encourage an executive officer to take inappropriate or excessive risks include: the periodic review and audit of the Corporation's executive compensation program by the Corporation's internal auditor; the development and application of a management control reporting system providing transparency and control to compensation measures; the use of a balanced scorecard of corporate, divisional and individual performance objectives; the periodic benchmarking of the Corporation's compensation program; the review of the Corporation's compensation program by an independent compensation consultant and, from time to time, the OEB; and the application of maximum payout amounts for achievement of individual performance goals. See sections 8.1 under the heading "Risk Oversight" and 10.9 under the heading "Board Oversight and Management of Risks" for more information on the Corporation's ERM program, section 12.2(c)(ii) under the heading "Benchmarking" for more information on the Corporation's benchmarking of its compensation program, section 12.2(c)(iii) under the heading "Compensation Consultants and Advisors" for more information on the Corporation's compensation consultant and section 12.2(d)(ii) under the heading "Performance-Based Incentive Compensation" for more information on the Corporation's performance-based incentive compensation program.
12.2 Compensation Discussion and Analysis

(a) Named Executive Officers
This Compensation Discussion and Analysis describes and explains all significant elements of compensation awarded to, earned by, paid to, or payable to the NEOs for the financial year ended December 31, 2016. The NEOs are:

(i) Anthony Haines  
    President and Chief Executive Officer, Toronto Hydro Corporation

(ii) Laura Foster  
    Interim, Chief Financial Officer, Toronto Hydro Corporation

(iii) Dino Priore  
    Executive Vice-President and Chief Engineering and Construction Officer, Toronto Hydro-Electric System Limited

(iv) Ben La Pianta  
    Executive Vice-President and Chief Electric Operations and Procurement Officer, Toronto Hydro-Electric System Limited

(v) Ave Lethbridge  
    Executive Vice-President and Chief Human Resources and Safety Officer, Toronto Hydro-Electric System Limited

(b) General Objectives of Compensation Program
The Corporation's executive compensation program is designed to attract and retain executives who have the skills and experience to help the Corporation achieve its strategic goals, to motivate executives to achieve such corporate goals and to reward executives for superior performance and achievement of corporate, divisional and individual objectives.

(c) Process for Establishing Compensation

(i) Policies and Practices
The Corporation's overall executive compensation structure and program is developed and supervised by the Human Resources and Environment Committee with the assistance of a compensation consultant, and approved by the Board. See section 12.2(c)(iii) under the heading "Compensation Consultants and Advisors" for more information on the compensation consultant.

Pursuant to the terms of its charter, the Human Resources and Environment Committee has the responsibility to annually, and more frequently if appropriate, review and make recommendations to the Board with respect to the individual performance-based incentive compensation goals and objectives related to the compensation of the CEO and to assess the CEO's performance against those goals and objectives. The Human Resources and Environment Committee also makes recommendations to the Board with respect to the overall compensation and benefits of the CEO. The Board ultimately sets and approves the CEO's compensation.

The CEO has the responsibility to annually, and more frequently if appropriate, review and approve the individual performance-based incentive compensation goals and objectives related to the compensation of the other executive officers, including the NEOs, and assess the other executive officers’ performance against those goals and objectives. The CEO proposes the other executive officers' performance-based incentive compensation and overall compensation, subject to the Human Resources and Environment Committee's review and approval.

In February 2015, the Human Resources Committee with the assistance of a compensation consultant developed an Executive Compensation Policy to guide executive compensation practice. This new policy is a refinement of Toronto Hydro's existing Compensation Policy (which remains in force) and as such, reflects the previous executive
compensation practices with an expanded scope to include benefits and pensions. This new policy was approved by the Board on March 5, 2015.

(ii) **Benchmarking**

The Corporation periodically benchmarks the compensation it provides to the NEOs to ensure reasonableness, competitiveness and effectiveness of the Corporation's compensation program, including the level and type of compensation provided. The Human Resources and Environment Committee periodically engages a compensation consultant to conduct executive compensation benchmarking for the NEOs, to ensure that the Corporation is able to attract, retain and motivate high-performing executives in the markets in which we compete for talent.

The Corporation’s objective is to pay competitively with other Canadian companies of comparable size and complexity. As there are few directly comparable regulated Canadian utilities of similar size and complexity, NEO compensation is generally benchmarked against general industry data for companies of comparable size and complexity, using surveys published by independent compensation consulting firms. This data is compared for reasonableness against publicly disclosed executive compensation information for regulated utilities and distribution companies of various sizes and complexity in Canada.

The Corporation uses standard benchmarking best practice which assumes that companies of approximately one-half to two times revenue are of comparable complexity. The Corporation’s flow through revenue for electricity transmission and generation is excluded for purposes of identifying comparable general industry peer companies. The general industry data comes from proprietary compensation surveys. As some of the survey peers do not publicly disclose their revenues, the Corporation is not able to disclose the names of the general industry survey peer group. The regulated utilities and distribution companies used to assess the reasonableness of the CEO’s compensation (but not to set it) are as follows:

- AltaGas Ltd.
- ATCO Ltd.
- British Columbia Hydro and Power Authority
- Capital Power Corporation
- Emera Inc.
- Enbridge Gas Distribution Inc.
- ENMAX Corporation
- EPCOR Utilities Inc.
- Hydro One Inc.
- Hydro Ottawa Ltd.
- Hydro-Quebec
- Independent Electricity System Operator
- Manitoba Hydro
- NB Power
- Ontario Energy Board
- Ontario Power Generation Inc.
- SaskPower
- TransAlta Corporation
- Union Gas Ltd.

The executive compensation information derived from the benchmarking analysis is designed to assist the Human Resources and Environment Committee in establishing, over a reasonable period of time, total cash compensation for NEOs in the range of the median total cash compensation of the benchmark data. Total cash compensation to NEOs may exceed the median of the marketplace when corporate, divisional and individual performance significantly exceeds objectives.

(iii) **Compensation Consultants and Advisors**

The Human Resources and Environment Committee began engaging the services of Willis Towers Watson for executive compensation consulting services in 2016 and previously engaged Mercer for these services. The consulting services provided to the Human Resources and Environment Committee include providing advice on the competitiveness and appropriateness of the Corporation’s executive compensation program, compensation benchmarking services, and other compensation related matters that may arise from time to time. The Corporation also engages Willis Towers Watson for actuarial services. The Human Resources and Environment Committee or the Board is required to pre-approve the actuarial services Willis Towers Watson provides to the Corporation in accordance with the Corporation’s Policy on the Provision of Services by Compensation Advisors. The actuarial services provided by Willis Towers Watson do not present any conflicts with the services provided as compensation advisor to the Human Resources and Environment Committee.
The table below sets out the fees billed by Mercer and Willis Towers Watson for each of last two fiscal years in respect of the services noted below.

<table>
<thead>
<tr>
<th></th>
<th>Year ended December 31,</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mercer</td>
<td>Willis Towers Watson</td>
<td>Mercer</td>
</tr>
<tr>
<td>Executive Compensation – Related Fees(^1)</td>
<td>$11,021</td>
<td>$94,514</td>
<td>$122,066</td>
</tr>
<tr>
<td>All Other Fees(^2)</td>
<td>$39,060</td>
<td>$100,503</td>
<td>$18,792</td>
</tr>
</tbody>
</table>

**Notes:**

1. Aggregate fees billed by Mercer and Willis Towers Watson, or any of its affiliates, for services related to determining compensation for any of the Corporation's directors and executive officers.

2. Aggregate fees billed by Mercer and Willis Towers Watson, or any of its affiliates, for services related to employee compensation and benefits management consultation or actuarial services that are not reported under (1) above.

(d) **Elements of Compensation**

The principal components of compensation for NEOs are:

- base salary;
- performance-based incentive compensation;
- personal benefits and perquisites;
- pension plan;
- post-employment benefits;
- retirement allowances; and
- termination payments.

As the Corporation has a single shareholder that is the registered and beneficial owner of all of its issued and outstanding shares, the Corporation is not able to offer an equity incentive plan or other stock-based compensation to its NEOs.

(i) **Base Salary**

In accordance with the general objectives and process for establishing compensation noted above, the Corporation provides NEOs with a base salary to compensate them for services rendered during the fiscal year. The Corporation provides reasonably competitive market-based base salaries to help attract, motivate, and retain NEOs who are critical to the Corporation's success.

Annually, adjustments to base salaries for NEOs are driven by market benchmarking data and the NEO's individual performance rating. The performance rating is determined, in the case of the CEO, by the Human Resources and Environment Committee and, in the case of the other NEOs, by the CEO, based on the achievement of performance-based incentive compensation objectives, knowledge, skills, and competencies related to day-to-day performance, as well as demonstration of desired corporate behaviours, subject to the Human Resources and Environment Committee's review and approval.

(ii) **Performance-Based Incentive Compensation**

All NEOs receive a portion of their annual compensation in the form of performance-based cash payments. The performance-based incentive compensation is designed to retain, motivate and reward NEOs for reaching corporate, divisional and individual performance objectives established at the beginning of each calendar year.

The annual performance-based incentive compensation is calculated as a percentage of the NEO's base salary for the year and, if earned, paid in one lump sum in the next fiscal year.
In order for a NEO to earn and receive the performance-based incentive compensation, the Corporation and the NEO must each achieve certain pre-determined performance objectives. Each NEO's performance-based incentive compensation is based on a weighting of corporate, divisional and individual performance objectives, which weightings and objectives are determined at the start of each year and vary by role to reflect the performance focus of the role. The weighting and objectives are reviewed and set each year in order to reflect the Corporation's overall strategy and objectives.

Each year the board reviews and approves the Corporation's objectives. Each performance objective is weighted to reflect relative importance and includes threshold, target and outstanding expectations of performance. Specific performance targets are approved by the Board giving consideration to the Corporation's business plans and priorities for the upcoming year, prior year's performance and a review of forecasted results based on a historical analysis of performance. Similarly divisional objectives are approved by the CEO and reviewed by the Human Resources and Environment Committee to recognize unique divisional priorities and ensure alignment with the Corporation's overall objectives.

The CEO's individual objectives are reviewed and approved by the Board. The individual objectives of the other NEOs are reviewed and approved by the CEO. Each NEO's individual objectives are based on areas of strategic and operational emphasis related to their respective responsibilities and portfolios.

The NEO's individual objectives are intended to be reasonably difficult to attain and to encourage success in the NEO's performance. Individual objectives are often but not always achieved by a NEO in any given year. NEOs review their objectives and measurements throughout the year, with one formal mid-year review with the Chair of the Board (in the case of the CEO), and with the CEO (in the case of the other NEOs), to track achievement to-date and revise performance goals as may be necessary to reflect any change in corporate strategy or priorities.

In the case of the CEO, an annual performance evaluation in respect of his individual performance goals is conducted by the Chair of the Board who provides a recommendation to the Human Resources and Environment Committee regarding the performance-based incentive compensation to be paid to the CEO. The amount paid to the CEO is approved by the Board after review of the recommendation of the Human Resources and Environment Committee.

In the case of each of the other NEOs, an annual performance evaluation in respect of the individual objectives for each individual is conducted by the CEO, who proposes the amount of performance-based incentive compensation to be paid to each other NEO. The Human Resources and Environment Committee reviews and approves the amounts of performance-based incentive compensation to be paid to each of the other NEOs.

The Human Resources and Environment Committee may exercise its discretion to increase or reduce the performance-based incentive compensation paid to the CEO or NEOs, as applicable, including in certain circumstances absent attainment of a relevant performance goal or similar condition.

(iii) **Personal Benefits and Perquisites**

The Corporation provides NEOs with other personal benefits and perquisites that the Corporation believes are reasonable and consistent with its overall compensation program to better enable the Corporation to attract and retain superior employees for key positions. Benefits include group health, dental, group life insurance, short-term and long-term disability, accidental death & dismemberment, a gym subsidy, and educational reimbursements, all of which are generally available to all salaried employees.

(iv) **Pension Plan**

All full-time employees of the Corporation, including the NEOs, are required to participate in the OMERS pension plan. Pursuant to the terms of the OMERS pension plan, NEOs are required to make equal plan contributions based on their eligible pensionable earnings. In 2016, the Corporation and each NEO was required to contribute 9% equally of the first $54,900 of pensionable earnings and thereafter 14.6% equally on all earnings over $54,900 and up to $174,441. From $174,441 and up to a maximum of $384,300, contributions continue equally at 14.6% towards a Retirement Compensation Arrangement (RCA), which is governed separately under the Canadian Income Tax Act. The OMERS pension plan is generally available to all other salaried employees. See section 4.6 (a) under the heading "Employees" for more information on the OMERS pension plan.
(v) **Post-employment Benefits**

NEOs are eligible to receive post-employment health, dental and life insurance after a minimum of five years of service with the Corporation if they retire from the Corporation and begin collecting under the OMERS pension plan upon retirement. The post-employment benefits provided to eligible NEOs are the same as are generally available to all other salaried employees. Post-employment benefits aid in attracting and retaining key executives to ensure the long-term success of the Corporation.

(vi) **Retirement Allowances**

From time to time, in certain circumstances, the Corporation enters into retirement allowance agreements with its NEOs. The retirement allowance agreements are designed to recognize service, and to promote retention, stability and continuity, of the NEOs. These agreements are made on a case-by-case basis based on a NEO’s years of service and position. Any retirement allowance provided to the CEO is approved by the Board after review of the recommendation of the Human Resources and Environment Committee. In the case of each of the other NEOs, any retirement allowance agreement is proposed by the CEO and reviewed and approved by the Human Resources and Environment Committee. Retirement allowance payments are typically paid in one or two lump sum instalments following termination or retirement of the NEO.

(vii) **Termination Payments**

From time to time, the Corporation enters into agreements with NEOs which provide for payments upon termination. These agreements are made on a case-by-case basis based on the NEO’s age, years of service and position. Any such agreement for the CEO is approved by the Board after review of the recommendation of the Human Resources and Environment Committee. In the case of each of the other NEOs, any such agreement is proposed by the CEO and reviewed and approved by the Human Resources and Environment Committee. Typically, termination payments are paid either as a lump sum or as salary continuation for an agreed period following termination.
12.3 Compensation of Named Executive Officers

(a) Summary Compensation Table

The following table provides a summary of the compensation earned during the years ended December 31, 2016, 2015 and 2014, by the NEOs:

<table>
<thead>
<tr>
<th>NEO Name and Principal Position</th>
<th>Year</th>
<th>Salary ($)</th>
<th>Non-Equity Incentive Plan Compensation ($)</th>
<th>All Other Compensation ($)</th>
<th>Total Compensation ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anthony Haines</td>
<td>2016</td>
<td>$522,286</td>
<td>$508,551</td>
<td>$10,301</td>
<td>$1,041,138</td>
</tr>
<tr>
<td></td>
<td>2015</td>
<td>$509,459</td>
<td>$488,301</td>
<td>$10,210</td>
<td>$1,007,970</td>
</tr>
<tr>
<td></td>
<td>2014</td>
<td>$504,138</td>
<td>$455,179</td>
<td>$10,086</td>
<td>$969,403</td>
</tr>
<tr>
<td>Laura Foster</td>
<td>2016</td>
<td>$189,918</td>
<td>$89,285</td>
<td>$1,440</td>
<td>$280,643</td>
</tr>
<tr>
<td></td>
<td>2015</td>
<td>$157,997(7)</td>
<td>$62,801</td>
<td>$1,835</td>
<td>$222,633</td>
</tr>
<tr>
<td>Dino Priore</td>
<td>2016</td>
<td>$326,019</td>
<td>$192,889</td>
<td>$2,330</td>
<td>$521,238</td>
</tr>
<tr>
<td></td>
<td>2015</td>
<td>$311,120</td>
<td>$184,584</td>
<td>$1,931</td>
<td>$497,635</td>
</tr>
<tr>
<td>Ben La Pianta</td>
<td>2016</td>
<td>$287,100</td>
<td>$169,295</td>
<td>$3,823</td>
<td>$460,218</td>
</tr>
<tr>
<td></td>
<td>2015</td>
<td>$273,165</td>
<td>$161,120</td>
<td>$3,376</td>
<td>$437,661</td>
</tr>
<tr>
<td>Ave Lethbridge</td>
<td>2016</td>
<td>$254,833</td>
<td>$151,454</td>
<td>$9,132</td>
<td>$415,419</td>
</tr>
<tr>
<td></td>
<td>2015</td>
<td>$244,865</td>
<td>$142,614</td>
<td>$8,193</td>
<td>$395,672</td>
</tr>
<tr>
<td></td>
<td>2014</td>
<td>$242,996</td>
<td>$136,429</td>
<td>$7,483</td>
<td>$386,908</td>
</tr>
</tbody>
</table>

Notes:

(1) Amounts shown in this table are in Canadian dollars and have been rounded to the nearest dollar.

(2) Amounts shown reflect actual amounts paid during the year. In 2014 there were 27 pay periods compared to a normal year which has 26 pay periods.

(3) Each NEO’s annual performance-based incentive compensation for a fiscal year is determined and paid in the next fiscal year. Accordingly, amounts reflected in respect of a particular year (i.e. 2015) represent the annual performance-based incentive compensation earned by the NEO for the achievement of performance objectives in respect of that fiscal year (i.e. 2015) but which amounts are paid in the following fiscal year (i.e. 2016).

(4) Amounts shown in this column reflect all other compensation earned by the NEO during the year. The amounts shown include the aggregate value of perquisites and other personal benefits provided to the NEO, where such perquisites and personal benefits are not generally available to all employees and have been calculated by using the actual cost. In 2016, 2015 and 2014, perquisites and personal benefits were not worth $50,000 or more for any NEO, nor were they worth 10% or more of any NEO’s total salary for the year.

(5) Effective December 15, 2015, Jean-Sebastien Couillard ceased to be Executive Vice-President, Chief Financial Officer of the Corporation. See section 12.3(b)(vii) under the heading “Termination Payments” for a discussion regarding additional amounts respecting termination.

(6) Effective December 16, 2015, Laura Foster began acting in the capacity of Interim, Chief Financial Officer of the Corporation. Prior to this role, Laura Foster was the Director of Internal Audit from October 18, 2012 to September 30, 2015, and Controller from October 1, 2015 to December 15, 2015. Her 2015 performance-based incentive compensation was in respect of her role as Director of Internal Audit and Controller.

(7) As a result of Ms. Foster acting in the capacity of Interim, Chief Financial Officer, her annual base salary increased to $180,000 in 2015. Ms. Foster’s pro-rated salary in 2015 was $157,997.
(b) Compensation of NEOs in 2016 – Narrative Discussion

(i) Base Salaries

The NEOs’ annual base salaries for 2016 were: $522,482 in the case of Mr. Haines, $200,000 in the case of Mrs. Foster, $326,250 in the case of Mr. Priore, $287,315 in the case of Mr. La Pianta, and $254,987 in the case of Mrs. Lethbridge.

(ii) Performance-Based Incentive Compensation

The targets and component weightings for the 2016 performance-based incentive compensation were as follows:

<table>
<thead>
<tr>
<th>Position</th>
<th>Target Performance-Based Incentive (% of salary)</th>
<th>Individual Performance (% weighting)</th>
<th>Divisional Performance (% weighting)</th>
<th>Corporate Performance (% weighting)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO</td>
<td>65%</td>
<td>20%</td>
<td>N/A</td>
<td>80%</td>
</tr>
<tr>
<td>Interim CFO</td>
<td>30%</td>
<td>20%</td>
<td>20%</td>
<td>80%</td>
</tr>
<tr>
<td>Other NEOs</td>
<td>40%</td>
<td>20%</td>
<td>20%</td>
<td>80%</td>
</tr>
</tbody>
</table>

The performance-based incentive compensation amount payable to each NEO may exceed the respective target % of base salary indicated above when results exceed corporate, divisional and individual objectives and may be below the respective target % of base salary indicated above when the corporate, divisional and individual objectives are not achieved. The component weightings outlined above have been unchanged since 2011.

The performance objectives of the Corporation for 2016 were as follows:

<table>
<thead>
<tr>
<th>Corporate Key Performance Indicators</th>
<th>Measure</th>
<th>Target</th>
<th>Weight (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income after net movements in regulatory balances ($ millions)</td>
<td>Net Income after net movements in regulatory balances per the Corporation’s Consolidated Financial Statements.</td>
<td>$120.1</td>
<td>35%</td>
</tr>
<tr>
<td>LDC Regulated Capital ($ millions)(1)</td>
<td>Achievement of LDC’s capital work program.</td>
<td>$409.1</td>
<td>20%</td>
</tr>
<tr>
<td>Key Account Worst Performing Feeders</td>
<td>Total number of feeders experiencing seven or more sustained outages affecting key account customers, excluding momentary interruptions, in a 12-month rolling time period.</td>
<td>22</td>
<td>5%</td>
</tr>
<tr>
<td>System Average Interruption Duration Index (SAIDI) (in minutes)</td>
<td>Measure of the annual system average interruption duration per customer served, not including MED.</td>
<td>66.36</td>
<td>5%</td>
</tr>
<tr>
<td>System Average Interruption Frequency Index (SAIFI) (number of interruptions)</td>
<td>Measure of the frequency of service interruptions per customer served, not including MED.</td>
<td>1.47</td>
<td>5%</td>
</tr>
<tr>
<td>Enhanced Online Customer Engagement (ECE)</td>
<td>Increase in customer self-serve transactions / engagements using various self-serve options and media channels.</td>
<td>295,000</td>
<td>5%</td>
</tr>
<tr>
<td>First Call Resolution</td>
<td>Percentage of telephone enquiries resolved within one call, within a 21-day time period.</td>
<td>80%</td>
<td>5%</td>
</tr>
<tr>
<td>Safety</td>
<td>Number of recordable injuries x 200,000 / exposure hours</td>
<td>1.6</td>
<td>10%</td>
</tr>
<tr>
<td>Attendance and Employee Engagement</td>
<td>Average days absent per employee and other employee engagement metrics</td>
<td>4.3</td>
<td>10%</td>
</tr>
</tbody>
</table>

Note:
(1) This is a non-GAAP measure as it includes all eligible capital expenditures, net of capital contributions related to regulated operations excluding Copeland and the facilities consolidation program.

Corporate KPIs are cascaded down in the organization to create appropriate divisional performance objectives with strong line of sight. Divisional KPIs support operational, financial, customer and employee targets. Weightings for these KPIs ranged from 5% to 35% of divisional performance. Metrics include, but are not limited to, system reliability, customer service, safety and financial performance.

Performance-based incentives also include individual performance objectives which are set annually and are tied to business priorities and each individual’s particular accountabilities. The number and weighting of individual objectives vary by individual and from year to year. Examples of the 2016 individual performance objectives for the NEOs include, but are not limited to, continuous improvement of operational processes to enhance performance and engagement.

In 2016, the Corporation met or exceeded all of its corporate targets represented by its KPIs. The NEOs met or exceeded his/her divisional and individual performance targets for 2016. Each of the corporate, divisional and
individual performance targets were reasonably difficult to attain and served to encourage success in the NEOs performance and in the Corporation's overall results.

(iii) **Personal Benefits and Perquisites**

In 2016, the NEOs received personal benefits and perquisites as described in section 12.2(d)(iii) under the heading "Personal Benefits and Perquisites", and as quantified in the Summary Compensation Table in section 12.3(a) above.

(iv) **Pension Plan**

In 2016, each of the NEOs participated in the OMERS pension plan. The OMERS pension plan is a group pension plan that is generally available to all salaried employees. See section 4.6(a) under the heading "Employees" and section 12.2(d)(iv) under the heading "Pension Plan" for further information on the OMERS pension plan.

(v) **Post-employment Benefits**

As of December 31, 2016, Mr. Haines, Mr. Priore, Mr. La Pianta and Mrs. Lethbridge have each provided Toronto Hydro with more than five years of service and are therefore eligible for post-employment medical, dental, and life insurance benefits if they retire from the Corporation and begin collecting under the OMERS pension plan upon retirement.

(vi) **Retirement Allowance**

Mr. Haines is the only NEO entitled to retirement allowances, which allowances are calculated based on completed years of service and are payable in the form of lump-sum cash payments following Mr. Haines' termination (without cause) or retirement from the Corporation.

Under the terms of Mr. Haines' existing retirement allowance (the “Existing Allowance”), if Mr. Haines is terminated (without cause) or retires from the Corporation during 2017, he will receive a $500,000 retirement allowance. The amount of the Existing Allowance payable to Mr. Haines will thereafter be increased by an additional $125,000 per year (from 2017 to 2020) for each full calendar year of service completed. The maximum Existing Allowance payable to Mr. Haines is $1,000,000, which Mr. Haines will earn if he remains in active service for the Corporation until December 31, 2020. In the event that Mr. Haines becomes permanently disabled while in active service for the Corporation, he will be deemed to remain in active service for the Corporation until December 31, 2020, at which point he will be considered to have retired and earned the maximum Existing Allowance of $1,000,000. In the event of the death of Mr. Haines while in active service for the Corporation, the Existing Allowance which Mr. Haines would have earned as of the date of his death will be paid to his designated beneficiary or to the legal representative of Mr. Haines' estate.

As part of his compensation package, Mr. Haines also participates in the OMERS defined benefit pension plan. See "Pension Plan" above in section 12.3(b)(iv). OMERS made significant unilateral changes to its defined benefit pension plan that significantly reduce the value of Mr. Haines' pension benefit under the OMERS pension plan. In order to mitigate the impact of these changes in a manner consistent with the terms of his existing employment relationship with the Corporation, the Corporation has awarded Mr. Haines a second retirement allowance (the “Second Allowance”). Under the terms of the Second Allowance, if Mr. Haines is terminated (without cause) or retires from the Corporation during 2017, he will receive a $525,000 retirement allowance. The amount of the Second Allowance payable to Mr. Haines will thereafter be increased by an additional $225,000 per year (from 2017 to 2021) for each full calendar year of service completed. The maximum Second Allowance payable to Mr. Haines is $1,650,000, which Mr. Haines will earn if he remains in active service for the Corporation until December 31, 2021. In the event that Mr. Haines becomes permanently disabled while in active service for the Corporation, he will be deemed to remain in active service for the Corporation until December 31, 2021, at which point he will be considered to have retired and earned the maximum Second Allowance of $1,650,000. The provisions relating to entitlement on death are identical to those established for the Existing Allowance.
(vii) **Termination Payments**

Mr. Haines has entered into an agreement with the Corporation which provide for certain payments upon termination. If the employment of Mr. Haines is terminated without cause by the Corporation, then Mr. Haines is entitled to a payment equal to 24 months of base salary and performance pay that would have been paid had he continued to work for 24 months (approximately $2,012,985 as at December 31, 2016), with the performance pay calculated based on the average annual performance pay earned by Mr. Haines during the 3 years preceding the date of termination. Mr. Haines would also be entitled to continued group health and dental benefit coverage for a period of 24 months from the date of termination.

In addition, and in connection with Mr. Couillard ceasing employment with the Corporation, Mr. Couillard was entitled to a termination payment in the aggregate amount of $708,852, representing 18 months of base salary and performance pay, with the performance pay calculated based on the average annual performance pay earned by Mr. Couillard during the three years preceding the date of termination, of which $451,092 has been paid as of December 31, 2016, and $228,417 is payable in 2017.

12.4 **Compensation of Directors**

(a) **Director Compensation Table**

<table>
<thead>
<tr>
<th>Director Name</th>
<th>Total(1) ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>David Williams(2)</td>
<td>$75,000</td>
</tr>
<tr>
<td>Brian Chu</td>
<td>$30,000</td>
</tr>
<tr>
<td>David McFadden</td>
<td>$30,000</td>
</tr>
<tr>
<td>Derek Cowbourne(2)</td>
<td>$30,000</td>
</tr>
<tr>
<td>Heather Zordel</td>
<td>$30,000</td>
</tr>
<tr>
<td>Howard Wetston</td>
<td>$30,000</td>
</tr>
<tr>
<td>Mary Ellen Richardson(3)</td>
<td>$Nil</td>
</tr>
<tr>
<td>Michael Nobrega(3)</td>
<td>$28,375</td>
</tr>
<tr>
<td>Tamara Kronis</td>
<td>$30,000</td>
</tr>
<tr>
<td>Deputy Mayor Denzil Minnan-Wong</td>
<td>$Nil</td>
</tr>
<tr>
<td>Councillor Paul Ainslie</td>
<td>$Nil</td>
</tr>
<tr>
<td>Councillor Stephen Holyday</td>
<td>$Nil</td>
</tr>
</tbody>
</table>

Notes:

(1) There were no amounts paid to directors during 2016 other than in respect of director retainer fees and meeting attendance fees.
(2) Effective December 10, 2016, David Williams and Derek Cowbourne ceased to be directors of the Corporation.
(3) Effective May 4, 2016 and December 11, 2016, Michael Nobrega and Mary Ellen Richardson, respectively were appointed as directors of the Corporation.

(b) **Compensation of Directors – Narrative Discussion**

Directors of the Corporation, other than Councillors of the City, are compensated for their services as directors through a combination of retainer fees and meeting attendance fees. These fees are set by the sole shareholder of the Corporation, the City. The annual retainer fees are as follows: chair of the Board – $75,000 and each of the other directors – $12,500. The meeting attendance fees are as follows: each meeting of the Board and the subsidiaries
attended – $1,000 and each meeting of the Audit Committee, Corporate Governance and Nominating Committee, Human Resources and Environment Committee, or other Board committee attended – $1,000, subject to annual maximum fees per committee member of $5,000 for the Audit Committee, Corporate Governance Committee, Human Resources and Environment Committee or any other committee of the Board. The Board does, from time to time and in the normal course, strike ad hoc committees to streamline and expedite certain matters as they come before the Board. Any compensation Directors have earned from their attendance at these committees has been included in the table above. The Chair receives no meeting attendance fees. Councillors receive no remuneration for their services as directors of the Corporation. The other directors, other than the Chair, are subject to a maximum annual total retainer and attendance fees of $30,000.

PART 13 - LEGAL PROCEEDINGS

In the ordinary course of business, Toronto Hydro is subject to various legal actions and claims from customers, suppliers, former employees and other parties. On an ongoing basis, Toronto Hydro assesses the likelihood of any adverse judgments or outcomes as well as potential ranges of probable costs and losses. A determination of the provision required, if any, for these contingencies is made after an analysis of each individual issue. The provision may change in the future due to new developments in each matter or changes in approach, such as a change in settlement strategy. If damages were awarded under these actions, Toronto Hydro would make a claim under any applicable liability insurance policies which Toronto Hydro believes would cover any damages which may become payable by Toronto Hydro in connection with these actions, subject to such claim not being disputed by the insurers.

PART 14 - MATERIAL CONTRACTS

Except for the indenture and the supplemental indentures under which the Debentures were issued, Toronto Hydro has not entered into any material contract (other than contracts entered into in the ordinary course of business) in the most recently completed financial year, or before the most recently completed financial year, if such contract is still in effect.

Copies of these material contracts are available on the SEDAR website at www.sedar.com.

PART 15 - NAMED AND INTERESTS OF EXPERTS

The external auditor of the Corporation is KPMG LLP. KPMG LLP is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

PART 16 - TRANSFER AGENTS AND REGISTRARS

The trustee and registrar for the outstanding Debentures of the Corporation is BNY Trust Company of Canada, located in Toronto, Ontario.

PART 17 - ADDITIONAL INFORMATION

Additional information relating to the Corporation, including additional financial information provided in the Consolidated Financial Statements and Management's Discussion and Analysis, is available on the SEDAR website at www.sedar.com.
# POLICY

## EXECUTIVE COMPENSATION

<table>
<thead>
<tr>
<th>Policy Owner:</th>
<th>Chair, Human Resources and Environment Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy Approver:</td>
<td>Chair, Board of Directors</td>
</tr>
<tr>
<td>Version Approval Date:</td>
<td>V4.0 2017-08-16</td>
</tr>
<tr>
<td>Last Reviewed by HR and Environment Committee:</td>
<td></td>
</tr>
<tr>
<td>Last Reviewed by the Board of Directors:</td>
<td></td>
</tr>
</tbody>
</table>

The most recent version of this policy can be obtained from Y:\Exec\Governance Policy Repository.

The distribution of this policy is restricted.

## APPROVED BY

<table>
<thead>
<tr>
<th>David McFadden</th>
<th>Chair, Board of Directors</th>
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<tbody>
<tr>
<td>Brian Chu</td>
<td>Chair, Human Resources and Environment Committee</td>
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<table>
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<tr>
<th>DATE</th>
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<tbody>
<tr>
<td>August 16, 2017</td>
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1 DOCUMENT REVIEW AND REVISION HISTORY

This policy is reviewed every four years.

<table>
<thead>
<tr>
<th>Version Number</th>
<th>Date of Review</th>
<th>Reviewed By</th>
<th>Brief Description of Change</th>
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<tr>
<td>V1.0</td>
<td>2015-02-24</td>
<td>Mercer</td>
<td>1st Draft Completed</td>
</tr>
<tr>
<td>V2.0</td>
<td>2015-03-02</td>
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<td>V4.0</td>
<td>2015-03-19</td>
<td>THC Board</td>
<td>Approved by THC Board</td>
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<td>V5.0</td>
<td>2017-08-15</td>
<td>HREC</td>
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<td>V5.0</td>
<td>2017-08-16</td>
<td>THC Board</td>
<td>Approved by THC Board</td>
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2 DISTRIBUTION HISTORY

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3 POLICY OVERVIEW

Toronto Hydro Corporation (THC) and its affiliates understand that attracting, motivating and retaining talent is critical to the success of the organization. To attain this objective, this policy sets out compensation practices that are competitive, integrated and consistent throughout the organization.
4 DEFINITIONS AND ABBREVIATIONS

<table>
<thead>
<tr>
<th>TERM or ACRONYM</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Salary</td>
<td>Base Salary provides a foundation for the overall compensation arrangement as it is the basis for determining the value of the other compensation elements: Variable Performance Pay, benefits and pension.</td>
</tr>
<tr>
<td>Board</td>
<td>The Board of Directors of THC.</td>
</tr>
<tr>
<td>Job Rate</td>
<td>The Job Rate is a fully competitive level of compensation.</td>
</tr>
<tr>
<td>Salary Range</td>
<td>The range of competitive compensation around the Job Rate ranging from 85% (Minimum) to 115% (Maximum).</td>
</tr>
<tr>
<td>Performance Rating</td>
<td>A rating scale of 1-5 to measure employees' performance. The rating is used for the two cash components of the compensation program and facilitates the comparison of performance relative to others in similar jobs with similar responsibility, expertise, and knowledge.</td>
</tr>
<tr>
<td>Total Cash Compensation</td>
<td>Comprised of two elements: Base Salary and Variable Performance Pay.</td>
</tr>
<tr>
<td>Variable Performance Pay</td>
<td>Pay that is assessed annually and is intended to reward employees for the performance of the business, their contribution to its success, and behaviours demonstrated to achieve these successes.</td>
</tr>
<tr>
<td>Total Rewards</td>
<td>Comprised of Total Cash Compensation plus pension and benefits</td>
</tr>
<tr>
<td>Market Comparators</td>
<td>The organizations/industries which the company competes with for talent.</td>
</tr>
<tr>
<td>Market Benchmarking</td>
<td>The process of determining the competitive compensation practices of Market Comparators for like jobs (similar function, scope and complexity).</td>
</tr>
<tr>
<td>Senior Executive</td>
<td>Executive officers who are direct reports of the Chief Executive Officer (CEO).</td>
</tr>
<tr>
<td>THC</td>
<td>Toronto Hydro Corporation</td>
</tr>
<tr>
<td>THESL</td>
<td>Toronto Hydro-Electric System Limited</td>
</tr>
<tr>
<td>Toronto Hydro</td>
<td>means THC and THESL</td>
</tr>
</tbody>
</table>

5 SCOPE

5.1 Toronto Hydro’s overall executive compensation structure and program is developed and supervised by the Human Resources and Environment Committee with the assistance of a compensation consultant, and approved by the Board.
5.2 This Policy applies to
   - All Senior Executives at THC and THESL.

6 OBJECTIVES

Objectives of this policy include:

6.1 Provide a compensation program that is performance-based and competitive in the markets where Toronto Hydro competes for talent. The compensation system will recognize both superior business achievements and behaviours.

6.2 Attract, retain and motivate individuals who demonstrate exceptional performance and dedication.

6.3 Communicate performance expectations, improve productivity and reward employees for their contributions to Toronto Hydro.

6.4 Ensure that our rewards are appropriately aligned with our strategic direction, vision, goals, and behaviours so as to motivate employees to contribute maximum value to Toronto Hydro.

6.5 Ensure that the executive compensation system used will be non-discriminatory in theory, application and practice.

6.6 Ensure that all elements of compensation are managed in a consistent and integrated fashion, with clear recognition of pay-for-performance.

6.7 Establish controls that ensure fair and consistent treatment of all employees across the company.

7 REQUIREMENTS

7.1 Total Cash Compensation

7.1.1 Total Cash Compensation is comprised of two elements: Base Salary and Variable Performance Pay.

Base Salary provides a foundation for the overall compensation arrangement as it is the basis for determining the value of the other compensation elements, such as Variable Performance Pay, benefits and pension.

Variable Performance Pay is intended to reward employees for the performance of the business, their contribution to its success, and behaviours demonstrated to achieve these successes.

7.2 Pay Competitiveness

7.2.1 Toronto Hydro periodically benchmarks the compensation it provides to its Senior Executives to ensure reasonableness, competitiveness and effectiveness of Toronto Hydro's compensation program, including the level and type of compensation provided.

7.2.2 When determining pay competitiveness, Toronto Hydro examines both Base Salary and Variable Performance Pay individually and together.

7.2.3 External competitiveness of compensation programs is determined through periodic benchmarking reviews that examine all elements of compensation to ensure that level, form and mix of compensation is competitive for jobs of comparable
scope/responsibility in the markets (comparators) that Toronto Hydro competes in for talent.

7.2.4 The executive compensation information derived from the benchmarking reviews is designed to assist the Human Resources and Environment Committee in establishing and approving compensation for Senior Executives.

7.2.5 Target Total Cash Compensation is established at the median of the market comparators. The mix of Base Salary and Variable Performance Pay varies by role reflecting competitive practice and the level and role of the participant.

7.2.6 Total compensation to Senior Executives can exceed the median when corporate, divisional and individual performance exceeds objectives.

7.2.7 A comprehensive competitiveness review is performed approximately every other year in order to maintain competitive compensation levels relative to the market.

7.3 Market Comparators

The Corporation uses standard benchmarking best practice and engages a compensation consultant in assessing the compensation it provides to Senior Executives to ensure reasonableness, competitiveness and effectiveness of the Corporation's compensation program.

7.3.0 Senior Executive compensation is benchmarked against industry data of companies of comparable size and complexity to Toronto Hydro.

7.3.1 The primary market comparator group includes industry organizations with revenues between ½ to 2x Toronto Hydro’s distribution revenue (i.e. excluding Toronto Hydro’s flow through revenue for electricity transmission and generation). For the purposes of benchmarking the Chief Financial Officer compensation, in addition to benchmarking based on distribution revenue, the cost of power may also be considered in order to recognize accountability for total cash flow management.

7.3.2 Toronto Hydro also considers other market comparators to test the reasonableness of compensation levels. Specifically: industrial organizations located in the Greater Toronto Area, industrial organizations located across Canada, and organizations from the national public sector.

7.3.3 For the purposes of benchmarking the CEO and Senior Executive compensation, the Human Resources and Environment Committee also examines compensation provided to other CEOs and Senior Executives at select electrical/utilities organizations across Canada.

7.4 Performance Ratings

7.4.1 A single rating of performance impacts the two cash components of our compensation program (i.e. Base Salary and Variable Performance Pay).

7.4.2 Each Senior Executive will be assessed against a 5-point scale to determine his/her relative performance.

7.4.3 This rating will be based on the employee’s total performance contribution for the year relative to others; considering performance against agreed performance goals and targets, demonstration of Toronto Hydro’s core competencies and any other extraordinary contribution in the performance year.

7.4.4 Performance ratings for Senior Executives reporting to the CEO are recommended by the CEO and approved by the Human Resources and Environment Committee.

7.4.5 The Performance Rating for the CEO is recommended by the Board Chair and approved by the Board.
7.5 Base Salary

7.5.1 Base Salary is determined with reference to competitive pay practices and is aligned with the individual’s relative role and responsibilities.

7.5.2 Each Senior Executive position within Toronto Hydro is assigned a salary range with a minimum, Job Rate and maximum that is market competitive. The Job Rate plus the target Variable Performance Pay reflects the targeted level of Total Cash Compensation. Total Cash Compensation is aligned with the market 50th percentile (median), ranging from 85% to 115% of the Job Rate (+/-15% of the Job Rate).

7.5.3 Significant changes to a job’s scope/responsibility may warrant a change in the salary range; each case is handled individually or as part of changes to an entire department/unit.

7.5.4 Market benchmarking is conducted without reference to the incumbent and their performance.

7.5.5 Approval of the Chair of the Human Resources and Environment Committee is required to conduct a market benchmarking for the CEO, and the CEO is required to approve market benchmarking for his direct reports.

7.5.6 The Human Resources and Environment Committee must approve all changes to the salary range of a Senior Executive, while the Board is required to approve any changes to the CEO’s salary range.

7.5.7 Individuals should expect to progress through the salary range at a rate that reflects their relative performance and pay position. Employees who are new to their role and/or are not yet fully meeting the expectations of the job may expect to be paid below the Job Rate. Over time however, employees who meet the job expectations should be paid at or around Job Rate while employees who consistently exceed expectations may be paid above Job Rate. Each year, the employee’s performance will be reassessed and a new rating assigned.

7.5.8 The Human Resources and Environment Committee or the Board (in the case of the CEO) must approve Senior Executive salaries below the minimum or above the approved maximum of the salary range for the position.

7.5.9 Newly hired Senior Executive employees cannot be offered a Base Salary above the Job Rate without the approval of the Human Resources and Environment Committee or the Board (in the case of the CEO).

7.5.10 All Senior Executive Base Salaries will be reviewed on an annual basis with salary increases approved and applied in March of the current year retroactive to January 1 of the current year.

7.5.11 Salary adjustments, when required, are based on market data in addition to consideration of various internal factors (e.g. potential positioning in ranges).

7.5.12 Granting of increases considers market conditions, ability to pay, and is subject to approval by the Board.

7.6 Variable Performance Pay

7.6.1 All Senior Executive employees are eligible for an annual Variable Performance Pay award. Annual Variable Performance Pay rewards employees for the performance of the business, their contribution to its success, behaviours demonstrated to achieve these successes, and includes recognition of performance achieved under extraordinary circumstances.
7.6.2 Performance pay targets are assigned to each job and are expressed as a percentage of the current year's Base Salary.

7.6.3 Employees who meet performance expectations should expect Variable Performance Pay awards close to or equal to target in years when business performance meets target. However, this plan is intended to be variable and as such, employees should expect significant variability in award payouts from year to year reflecting differences in business and/or individual performance.

7.6.4 Target business performance is expected to require effort to achieve, and should represent a "stretch" in performance. Business scorecard targets require the approval of the Board giving consideration to business circumstances, historical performance, approved business plans and objectives, and regulatory obligations.

7.6.5 Business performance objectives (scorecard) are approved by the Board.

7.6.6 Senior Executive performance objectives are approved by the Human Resources and Environment Committee at the recommendation of the CEO and by the Board at the recommendation of the Board Chair for the CEO.

7.6.7 Annual Variable Performance Pay awards are based on the individual's performance rating in addition to performance against agreed business (corporate and divisional) scorecard results.

7.6.8 The weighting of individual, divisional and corporate business performance may vary by role. Weightings are approved by the Human Resources and Environment Committee for Senior Executives and by the Board for the CEO.

7.6.9 The impact of individual performance rating on Variable Performance Pay awards varies within a range at the discretion of the Human Resources and Environment Committee to recognize the relative performance of the employee.

7.6.10 All Executive Variable Performance Pay awards are reviewed and approved by the Human Resources and Environment Committee or the Board (in the case of the CEO) in the annual process and applied in March of the following year.

7.7 Benefits and Perquisites

7.7.0 All Senior Executives participate in the same benefits program as other management employees.

7.7.1 Benefits include group health, dental, group life insurance, short-term and long-term disability, accidental death & dismemberment, a fitness subsidy, and educational reimbursements, all of which are generally available to all salaried employees and do not discriminate in scope, terms or operation between employees of the same classification.

7.7.2 The benefits program for Senior Executives may be supplemented provided the additional benefit(s) is:

- Required in order to provide competitive compensation, and to attract and retain superior employees for key positions;
- Consistent with market practices;
- Aligned with the terms of this policy;
- Allows internal equity.

7.8 Pension

7.8.1 All full-time employees of Toronto Hydro, including Senior Executives, are required to participate in the OMERS pension plan, and to make plan contributions based on their pensionable earnings.
7.8.2 The OMERS pension plan is generally available to all other salaried employees.

7.8.3 Senior Executives are eligible to receive post-retirement health, dental and life insurance after a minimum of five years of service with Toronto Hydro if they retire from Toronto Hydro and begin collecting under the OMERS pension plan upon retirement. The post-retirement benefits provided to eligible Senior Executives are the same as are generally available to all other salaried employees and do not discriminate in scope, terms or operation between employees of the same classification. Post-retirement benefits aid in attracting and retaining key executives to ensure the long-term success of Toronto Hydro.

7.9 Termination Payments

7.9.0 From time to time, Toronto Hydro may enter into agreements with Senior Executives which provide for payments and/or benefits upon a termination of employment. These agreements are made on a case-by-case basis based on the Senior Executive's age, years of service and position, as applicable.

Any such agreement for the CEO is approved by the Board after review of the recommendation of the Human Resources and Environment Committee. In the case of each of the other Senior Executive, any such agreement is proposed by the CEO and reviewed and approved by the Human Resources and Environment Committee.

7.9.1 In the absence of a formal agreement, the Human Resources and Environment Committee will seek a recommendation from the EVP, Chief Human Resources and Safety Officer. The Human Resources and Environment Committee may request an independent legal view of Toronto Hydro's legal obligations (including at common law, as applicable) in support of its determination of the appropriate termination payments and/or benefits.

7.10 Compensation Budget Considerations

7.10.1 Annual management salary budgets are prepared by Human Resources & Safety in conjunction with Finance.

7.10.2 The corporate budget determines the funds to be allocated annually for each cost centre for total compensation which would include Base Salaries (annual increases, promotional increases, etc.) and Variable Performance Pay.

7.10.3 Marketplace information and potential changes resulting from any planned adjustments to Base Salary policy may be considered in budget preparation.

7.10.4 Individual performance factors have some influence on potential budget numbers. At the time the budget is prepared, these factors can only be forecasted therefore, initial budget estimates are based on expected or "target" performance considerations.

7.10.5 A separate budget is prepared for employee benefits.

8 POLICY ADMINISTRATION OWNERSHIP, APPROVAL AND RESPONSIBILITIES

Policy Owner

8.1 This policy is owned by the Chair, Human Resources and Environment Committee.

8.2 The Chair, Human Resources and Environment Committee is responsible for:

- Ensuring that the total compensation program is managed for consistency and equity
- Ensuring that this policy is implemented and communicated to the impacted Senior Executives
- Review and recommend for approval by the Board every four years

**Policy Approver**

8.3 This policy is approved by the Board every four years

8.4 The Chair of the Board is responsible for:
- Assessing any risk implications of the proposed policy
- Recommending for Board approval business targets (scorecard)
- Recommending for Board approval changes to the compensation arrangement for the CEO.

**Designated Responsible Person (DRP)**

8.5 This policy is managed by the Director, HR Planning, Systems and Rewards and Director, Organizational Effectiveness

8.6 The Director, HR Planning, Systems and Rewards is responsible for:
- Directing the annual performance evaluation process
- Updating the Compensation Program Guide annually
- Developing and maintaining the approved salary ranges in accordance with competitive pay practices
- Developing and directing the engagement and communication process for compensation-related initiatives
- Preparing and providing data/information/analysis to CEO and Senior Executives for standard and/or special compensation-related requirements (i.e. Board presentations)

8.7 The Director, Organizational Effectiveness is responsible for:
- Overseeing the process for corporate goal-setting
- Defining behaviours to be assessed in the performance evaluation process
- Directing the annual performance contracting and evaluation process
- Developing and directing the engagement and communication process for performance-related initiatives

### 9 POLICY COMMUNICATION

<table>
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<tr>
<th>TYPE OF COMMUNICATION</th>
<th>COMMUNICATION TRIGGER</th>
<th>PARTY RESPONSIBLE FOR POLICY COMMUNICATION</th>
<th>AUDIENCE</th>
<th>ACKNOWLEDGEMENT?</th>
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<td>Position-Specific On-boarding process</td>
<td>New hire, Promotion</td>
<td>Director, HR Planning, Systems and Rewards</td>
<td>New hire, Newly Promoted Senior Executive</td>
<td>No</td>
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<td>TYPE OF COMMUNICATION</td>
<td>COMMUNICATION TRIGGER</td>
<td>PARTY RESPONSIBLE FOR POLICY COMMUNICATION</td>
<td>AUDIENCE</td>
<td>ACKNOWLEDGED GEMENT?</td>
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<td>----------------------</td>
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<tr>
<td>Presentation of changes</td>
<td>Major policy change</td>
<td>Director, HR Planning, Systems and Rewards</td>
<td>Senior Executives</td>
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</tr>
</tbody>
</table>

10 POLICY COMPLIANCE AND VIOLATIONS

10.1 All Senior Executives are required to comply with philosophy, principles and requirements as stipulated in this policy.

11 RELATED LAWS, REGULATIONS AND DOCUMENTATION

11.1 Refer to the Compensation Program Guide on Plugged-In for additional information regarding the assessment of performance rating and Variable Performance Pay.
RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES

INTERROGATORY 91:

Reference(s): Exhibit 4A, Tab 4, p.4

Toronto Hydro states “approximately 23 percent of its workforce (or approximately 340 FTEs) are expected to retire between 2020 and 2024.”

a) Please provide the basis for the statement.

b) Please provide a table that shows for each year between 2015 and 2024 the number of employees eligible to retire, and the number of employees who did (or are forecast to) retire.

RESPONSE:

a) Please refer to Toronto Hydro’s response to interrogatory 1B-CCC-13.

b) As noted in the response to interrogatory 1B-CCC-13, Toronto Hydro does not track retirements on the basis of eligibility, but rather using a combination of age and years of service. Therefore, the utility cannot provide the requested comparison. Toronto Hydro retirement projections are detailed in Exhibit 4A, Tab 4, Schedule 3, Table 4 at page 20.
RESPONSES TO VULNERABLE ENERGY CONSUMERS COALITION

INTERROGATORIES

INTERROGATORY 31:
Reference(s): Exhibit 4A, Tab 1, Schedule 1, p. 1

a) Please provide the calculation showing the “normalized for customer count” OM&A growth that equals 1.6%.

RESPONSE:
Please refer to Toronto Hydro’s response to interrogatory 4A-AMPCO-69 part (a).
RESPONSES TO VULNERABLE ENERGY CONSUMERS COALITION

INTERROGATORIES

INTERROGATORY 32:

Reference(s): Exhibit 4A, Tab 1, Schedule 1, p. 2

Please update Table 1 (Historical OM&A by Program) for 2018 actual results (unaudited).

RESPONSE:

Toronto Hydro expects to provide 2018 actuals as part of the planned update to the evidence, which is discussed in Exhibit 1A, Tab 3, Schedule 1, Appendix B. Please refer to interrogatory 1A-Staff-1 for a listing of the financial figures that Toronto Hydro plans to update.
RESPONSES TO VULNERABLE ENERGY CONSUMERS COALITION
INTERROGATORIES

INTERROGATORY 33:

Reference(s): Exhibit 4A, Tab 2, Schedule 14, pg. 6
Exhibit 2B, Section C2, pg. 6

“Reduced paper, printing and postage costs by driving electronic billing adoption to
224,420 enrolled customers, as at end of 2017, which saves $9.52 per electronically billed
customer per year.”

a) Please provide a table showing the number of customers electronically billed in
each year 2014 through 2018.

b) How was the forecast increase in ebilling over the rate plan period of 122,580
(347000-224420) derived?

c) What incentives are offered customers to move to electronic billing? What
incentives are offered to THESL employees (whose positons are important in
effecting this change) to increase the level of electronic billing (e.g. is an ebill
target part of any employee incentive plans)?

d) What is the annual savings in billing costs in moving from 1.7/10 (1.7%) to 4/10
(40%) ebilling
RESPONSE:

a) Please see Toronto Hydro’s response to interrogatory 4A-EP-53(a).

b) The forecast eBill adoption rate was derived using the following considerations:
   i) Customer preferences;
   ii) The decreasing rate of adoption and the subsequent increase in costs to convert customers;
   iii) Comparative organizations and industry trends; and
   iv) New technological opportunities or advancements which may drive adoption.

c) For a discussion of the incentives offered to customers to move to eBilling, please see Toronto Hydro’s response to interrogatory 4A-SEC-83(c). Toronto Hydro’s management performance objectives, which are tied to pay incentive plans, include target eBilling conversion numbers.

d) The annual savings resulting from moving from 1.7/10 (17 percent) to 4/10 (40 percent) of customers on eBilling is approximately $1.7 million.

   Assumptions:
   i) Customer count for 2020: 784,330
   ii) 2017 Annual savings for 1 customer on eBills: $9.52 [Exhibit 9, Tab 1, Schedule 1, p 26, line 5]

   Calculation: 
   
   $$((784,330 \times 4/10) - (784,330 \times 1.7/10)) \times 9.52 = 1,717,369$$

Panel: General Plant, Operations, and Administration
RESPONSES TO VULNERABLE ENERGY CONSUMERS COALITION

INTERROGATORIES

INTERROGATORY 34:
Reference(s): Exhibit 4A, Tab 2, Schedule 2, Table 6, p. 33

a) Based on the spending on Contact Voltage (none until 2018) this program appears to be new. Is this correct or did THESL have prior programs to monitor and correct contact voltage issues? If the latter please explain where (what cost segment) these costs were recorded under prior to 2018.

RESPONSE:

a) Please refer to Toronto Hydro’s response to interrogatory 4A-Staff-110.
RESPONSES TO VULNERABLE ENERGY CONSUMERS COALITION

INTERROGATORIES

INTERROGATORY 35:

Reference(s): Exhibit 4A, Tab 2, Schedule 8, p. 5, p. 19

a) Please explain what the “Line Cover-up Program Administration” is/was and why it is being discontinued.

b) Please provide the number of customer isolation works being performed for each year 2014 through 2018 and provide the revenues attributable that service in each year.

RESPONSE:

a) Line Cover-up is the oversight for the installation of protective power line covers. In accordance with the Construction Projects Regulation, it is a contractor’s responsibility to ensure that people and equipment at work sites maintain a safe distance from all power lines. When requested, a Toronto Hydro authorized contractor safely installs and removes power line covers. These are used for the purpose of visibility to ensure third party workers maintain a safe working distance and have clear visibility of Toronto Hydro wires. Toronto Hydro audits the contractor practices and undertakes the inspections of covers themselves.

For information regarding program discontinuation, please refer to Exhibit 4A, Tab 2, Schedule 8, page 16, line 23 to page 17, line 7.
b) Prior to 2015, Toronto Hydro did not track isolations service calls separately. As such, 2014 data is unavailable. Data included in the table below specifically refers to low voltage isolations.¹

As stated in Exhibit 4A, Tab 2, Schedule 8, page 21, lines 16-19, Toronto Hydro stopped offering free low voltage isolations in 2017 and as such, a sharp increase in revenue resulted.

Table 1: Number of isolations and the associated dollars collected

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Isolations</th>
<th>Money received for Isolation Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>10,752</td>
<td>$227,213</td>
</tr>
<tr>
<td>2016</td>
<td>10,688</td>
<td>$191,315</td>
</tr>
<tr>
<td>2017</td>
<td>8,936</td>
<td>$1,924,088</td>
</tr>
<tr>
<td>2018</td>
<td>9,670</td>
<td>N/A¹</td>
</tr>
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</table>

Note 1: 2018 revenues are currently not available.

¹ Please note that in 2014, Toronto Hydro, along with the Electrical Safety Authority, stopped allowing self-isolations as explained in Exhibit 4A, Tab 2, Schedule 8, page 19, lines 11-18.
RESPONSES TO VULNERABLE ENERGY CONSUMERS COALITION

INTERROGATORIES

INTERROGATORY 36:
Reference(s): Exhibit 4A, Tab 2, Schedule 7

a) The control centre operations program is forecast to increase from $5.4 million in 2015 to $8.7 million in 2019 and 2020. What portion of this increase is attributable to the apprentice hiring program?

b) What is the current number of fully qualified power system controller operators? What will be the number (if the hiring and retirement forecast is correct) in 2024?

RESPONSE:

a) Approximately $1.3 million is attributable to the apprentice hiring program.

b) Toronto Hydro currently has 18 journeypersons and 30 apprentices. The optimal headcount based on coverage requirements and average FTE availability is 52 Power System Controller / Power System Controller Apprentice FTEs. In 2024 Toronto Hydro anticipates a complement of 43 journeypersons and 9 apprentices.
RESPONSES TO VULNERABLE ENERGY CONSUMERS COALITION

INTERROGATORIES

INTERROGATORY 37:

Reference(s): Exhibit 4A, Tab 2, Schedule 3, pp. 8-

a) What is the fee that THESL charges for on-site inspection as described in the customer location maintenance segment evidence? Has this fee changed since 2015? What were the total revenues collected with respect to this service in each of 2014 through 2018?

b) What accounts for the significant decrease in these costs in 2020 as compared to 2015?

RESPONSE:

a) Toronto Hydro does not charge a fee for inspections performed under the Customer Location Maintenance Segment under Exhibit 4A, Tab 2, Schedule 3, Page 8, as these inspections are initiated by Toronto Hydro and not at request of the customer.

b) Please refer to Exhibit 4A, Tab 2, Schedule 3, Section 5.3, page 14.
RESPONSES TO VULNERABLE ENERGY CONSUMERS COALITION

INTERROGATORIES

INTERROGATORY 38:

Reference(s): Exhibit 4A, Tab 2, Schedule 14, p. 33
Exhibit 4A, Tab 5, Schedule 1, Schedule 2

a) Please explain why the functions articulated under “Office of the President” ($1.7 million) only begin in 2017? Were some of these functions accounted for under different functions previously? Please explain where and how much was previously budgeted.

RESPONSE:

a) The Office of the President represents the allocation of Toronto Hydro costs related to liaising with our shareholder and complying with councillor requests. This allocation was implemented for the first time in 2017 in response to increased demand and time spent by Toronto Hydro in complying with such requests and represents a reduction to the utility’s revenue requirement.

The $1.7 million allocation is offsetting costs never before incurred (and therefore not part of previously filed evidence) for a total of $0.9 million, and $0.8 million related to costs historically incurred under the Communication and Public Affairs program. These costs have not significantly changed from prior years.
RESPONSES TO VULNERABLE ENERGY CONSUMERS COALITION

INTERROGATORIES

INTERROGATORY 39:

Reference(s): Exhibit 4A, Tab 2, Schedule 14, p.35

a) Please explain the value to ratepayers of the $1.8 million (58%) increase in communications and public relations as between 2015 and 2020 (forecast).

b) The variance explanation appears to say that a portion of this increase was the result of accounting changes from one area to another. If that is the case please specify the amount and the program area (Exhibit 4A, Tab 1, Schedule 1, pg.2 Table 1) that is being transferred to Communications and Public Affairs in this application.

RESPONSE:

a) Please see Toronto Hydro’s response to 4A-CCC-40(d) for a discussion of the value provided to ratepayers by this function.

b) Please see 4A-SEC-84 for discussion of the variance for this segment.
RESPONSES TO VULNERABLE ENERGY CONSUMERS COALITION

INTERROGATORIES

INTERROGATORY 40:

Reference(s): Exhibit 4A, Tab2, Schedule 9, p. 20

“An increase of $2.7 million associated with construction work in progress (“CWIP”) write-offs in 2016 with respect to capacity, generation, records, investment, and maintenance and reliability work.”

Similar statements are made with respect to other segments, for example in the variance explanations for internal work execution (T2/S10/pg.11)

a) Please provide the amounts of CWIP that was written-off and accounted for as OM&A spending in each year 2014 through 2018.

b) Does THESL’s forecast for system planning costs include an amount for CWIP write-offs? If yes, please identify that amount for 2019.

RESPONSE:

a) Table 1: CWIP Write-Offs ($ Millions)

<table>
<thead>
<tr>
<th></th>
<th>2014 Actual</th>
<th>2015 Actual</th>
<th>2016 Actual</th>
<th>2017 Actual</th>
<th>2018 Bridge</th>
</tr>
</thead>
<tbody>
<tr>
<td>CWIP write offs</td>
<td>1.2</td>
<td>3.0</td>
<td>5.5</td>
<td>5.3</td>
<td>1.2</td>
</tr>
</tbody>
</table>

b) Yes, the 2019 forecast for system planning costs includes $1.2 million for CWIP write-offs.
RESPONSES TO VULNERABLE ENERGY CONSUMERS COALITION

INTERROGATORIES

INTERROGATORY 41:

Reference(s): Exhibit 4A, Tab 2, Schedule 15, p.24

a) Please explain what additional resources are being added in 2018 in support of the planned retirements.

b) In explaining the 2017-2018 variance in this program THESL explained “This was a result of headcount and operating budget being reallocated from the Human Resources Services and Employee Labour Relations Segment to training initiatives.”

Please explain what program segment (as per Table 1 at 4A/T1/S1) was reduced in what year and by how much.

RESPONSE:

a) Please refer to Toronto Hydro’s response to interrogatory 4A-Staff-119 (b).

b) Please refer to Toronto Hydro’s response to interrogatory 4A-Staff-119 (b).
RESPONSES TO VULNERABLE ENERGY CONSUMERS COALITION
INTERROGATORIES

INTERROGATORY 42:
Reference(s): Exhibit 4A, Tab 2, Schedule 17

a) Please provide the costs of all IT related maintenance contracts (in aggregate) for each of the years 2014 through 2019 (forecast). For each year also provide the number of contracts.

RESPONSE:

Table 1: 2014-2019 IT Maintenance Costs and Contracts

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintenance Costs</td>
<td>$10.9M</td>
<td>$10.5M</td>
<td>$12.7M</td>
<td>$13.7M</td>
<td>$16.2M</td>
<td>$16.7M</td>
</tr>
<tr>
<td>Number of Contracts</td>
<td>153</td>
<td>151</td>
<td>151</td>
<td>155</td>
<td>168</td>
<td>168</td>
</tr>
</tbody>
</table>

Note 1: Total Maintenance Costs include maintenance, licence fees, and subscription fees related to above contracts.
RESPONSES TO VULNERABLE ENERGY CONSUMERS COALITION

INTERROGATORIES

INTERROGATORY 43:

Reference(s): Exhibit 4A, Tab 2, Schedule 18

a) Please provide the calculation which shows the 750k (approximately) increase in Board assessment fees based on the OEB’s most recent Business Plan.

RESPONSE:

a) Please refer to Toronto Hydro’s response to interrogatory 4A-Staff-122 part (b).
RESPONSES TO VULNERABLE ENERGY CONSUMERS COALITION

INTERROGATORIES

INTERROGATORY 44:
Reference(s): Exhibit 4A, Tab 2, Schedule 19

a) Does THESL inform all customers given a disconnection notice of the availability of LEAP assistance?

RESPONSE:

a) Yes. In accordance with OEB requirements, Toronto Hydro identifies the availability of LEAP assistance on the disconnection notice, and also on the 48-hour disconnection warning communication.
RESPONSES TO VULNERABLE ENERGY CONSUMERS COALITION

INTERROGATORIES

INTERROGATORY 45:
Reference(s): Exhibit 4A, Tab 2

a) Please provide the fees paid by THESL’s to the Electricity Distributors Association (EDA) for the periods 2015 through 2019 (forecast).

b) Please provide the aggregate of fee and association costs (excluding EDA) for 2015 through 2019).

c) Please include separately the aggregate of all professional or membership fees paid on behalf of THESL employees for the same years.

RESPONSE:

a) In 2015, Toronto Hydro paid $120,000 plus HST in membership fees to the Electricity Distributors Association (“EDA”). No membership fees have been paid since 2016 as Toronto Hydro is no longer a member of the EDA.

b) Table 1: Total Fees and Association Costs (excluding EDA) for 2015 through 2019 ($)

<table>
<thead>
<tr>
<th></th>
<th>2015 Actual</th>
<th>2016 Actual</th>
<th>2017 Actual</th>
<th>2018 Bridge</th>
<th>2019 Bridge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canadian Electricity Association</td>
<td>70,883</td>
<td>70,883</td>
<td>70,883</td>
<td>70,883</td>
<td>70,883</td>
</tr>
<tr>
<td>Ontario Energy Association</td>
<td>92,265</td>
<td>178,325</td>
<td>161,380</td>
<td>156,450</td>
<td>177,225</td>
</tr>
<tr>
<td>Ontario Energy Network</td>
<td>8,874</td>
<td>14,333</td>
<td>14,666</td>
<td>19,690</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>2015 Actual</td>
<td>2016 Actual</td>
<td>2017 Actual</td>
<td>2018 Bridge</td>
<td>2019 Bridge</td>
</tr>
<tr>
<td>--------------------------</td>
<td>-------------</td>
<td>-------------</td>
<td>-------------</td>
<td>-------------</td>
<td>-------------</td>
</tr>
<tr>
<td>Edison Electric Institute</td>
<td>14,292</td>
<td>15,382</td>
<td>15,624</td>
<td>15,937</td>
<td>16,256</td>
</tr>
<tr>
<td>Energy Council of Canada</td>
<td>9,000</td>
<td>9,000</td>
<td>9,600</td>
<td>9,900</td>
<td>10,098</td>
</tr>
<tr>
<td>Gartner Canada</td>
<td>294,491</td>
<td>282,794</td>
<td>269,455</td>
<td>300,000</td>
<td>306,000</td>
</tr>
<tr>
<td>Stewardship Ontario</td>
<td>23,457</td>
<td>21,408</td>
<td>23,374</td>
<td>23,841</td>
<td>24,318</td>
</tr>
<tr>
<td>Toronto Region Board of Trade</td>
<td>9,850</td>
<td>5,684</td>
<td>10,787</td>
<td>11,003</td>
<td>11,223</td>
</tr>
<tr>
<td>Total</td>
<td>523,112</td>
<td>597,808</td>
<td>575,768</td>
<td>607,704</td>
<td>616,002</td>
</tr>
</tbody>
</table>

c) **Table 2: Professional or Membership fees paid on behalf of Toronto Hydro employees ($M)**
RESPONSES TO VULNERABLE ENERGY CONSUMERS COALITION

INTERROGATORIES

INTERROGATORY 46:

Reference(s): Exhibit 4A, Tab 4, Schedule 2

a) Please update Appendix 2-K to show the total compensation capitalized in each year.

b) Please identify separately the executive compensation from the other management positions in Appendix 2-K.

c) Please provide a list of the position and (short) job description of the incremental management positions hired since 2015.

RESPONSE:

a) Please refer to Exhibit 2A, Tab 5, Schedule 2, Appendix A (OEB Appendix 2-D).

b) Please refer to Toronto Hydro’s response to interrogatory 4A-AMPCO-100 part (b).

c) Please see Table 1 below.
**Table 1: Senior Management Positions Added Since 2015**

<table>
<thead>
<tr>
<th>Position</th>
<th>Number</th>
<th>Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Manager</td>
<td>2</td>
<td>• Responsible for overseeing the execution of the capital, maintenance and customer initiated work programs.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Responsible for management, planning, coordination, and execution of large-scale externally initiated projects.</td>
</tr>
<tr>
<td>Director, Manager</td>
<td>2</td>
<td>• Responsible for oversight and management of IT operations in light of incremental requirements associated with the Enterprise Resource Planning program and project.</td>
</tr>
<tr>
<td>Director, Manager</td>
<td>2</td>
<td>• Responsible for oversight and management of corporate tax and internal audit functions. These two positions were repatriated from the external services category.</td>
</tr>
</tbody>
</table>
RESPONSES TO VULNERABLE ENERGY CONSUMERS COALITION

INTERROGATORIES

INTERROGATORY 47:
Reference(s): Exhibit 4A, Tab 4, Schedule 2

a) Please provide the Statistics Canada Average weekly earnings annual Industrial Aggregate inflation rates for the period 2013 through 2018 (or 2017 if 2018 is unavailable).

RESPONSE:
The Average Weekly Earnings - Industrial Aggregate, as provided by Statistics Canada (https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1410020401) for 2013-2017 are provided in the table below.

Table 1: Average Weekly Earnings – Industrial Aggregate

<table>
<thead>
<tr>
<th>Average Weekly Earnings – Industrial Aggregate</th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
</tr>
<tr>
<td>$</td>
<td>911.4</td>
</tr>
<tr>
<td>Annual % change</td>
<td>2.7%</td>
</tr>
</tbody>
</table>