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February 18, 2015

via RESS – signed original to follow by courier

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

Dear Ms. Walli:

**Re: Toronto Hydro-Electric System Limited (“Toronto Hydro”)
Custom Incentive Rate-setting Application for 2015-2019 Electricity Distribution Rates
and Charges – Oral Hearing, Day 1 – Undertaking Responses
OEB File No. EB-2014-0116**

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

Enclosed are the following responses to Undertakings issued on Day 1 of the Oral Hearing:

- J1.1 – CUPE Local One; and
- J1.4 – AMPCO.

Responses to J1.2 and J1.3, from CUPE and AMPCO respectively, will be answered by members of Panel 3 as noted on page 40 lines 18-22 of Volume 1 of the Oral Hearing Transcript. The response to J1.5 from AMPCO will be provided on Friday, February 20.

Please contact me if you have any questions.

Yours truly,

[original signed by]

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cc: Charles Keizer, Torys LLP
Crawford Smith, Torys LLP
Amanda Klein, Toronto Hydro
Intervenors of Record for EB-2014-0116

ORAL HEARING UNDERTAKING RESPONSE TO CANADIAN UNION OF PUBLIC EMPLOYEES, LOCAL ONE

UNDERTAKING NO. J1.1:

Reference(s):

Please look into whether THESL tracks critical accidents, injuries, and workplace health and safety issues for externally contracted services with respect to the contractors identified in the evidence.

RESPONSE:

Toronto Hydro has various systems and processes in place that verify the design and construction contractors' compliance with internal and external safety standards, and track critical accidents, injuries, and workplace health and safety issues as they arise. These include Initial and Ongoing Third-Party Qualification Reviews, Internal Quarterly Contractor Reviews, Comprehensive Third-Party Inspections and Contractor Incident Notification framework. All of which are described below.

Toronto Hydro notes that the costs associated with contractor non-compliance with legislative and/or contractual safety requirements, as well as the costs of safety-related incidents (if any) caused by contractor staff are borne by the outside contractors themselves and have no bearing on the utility's actual costs.

1. Initial and On-Going Third Party Qualification Reviews.

Independent third party assessments of contractors' past safety performance, confirmation of contractors' insurance / workplace compensation coverage meeting all internal and external requirement, and legislative compliance verification of the contractors' safety policies and procedures. Following initial verification, these assessments are performed on a regular basis.

ORAL HEARING UNDERTAKING RESPONSE TO CANADIAN UNION OF PUBLIC EMPLOYEES, LOCAL ONE

2. Internal Quarterly Contractor Reviews

Quarterly internal reviews of contractor safety performance based on the following seven criteria:

- 1) Registration with OHSAS 18001
- 2) WSIB Performance Index (CAD7 and NEER statements)
- 3) Safety professional staffing ratio (one safety professional/70 workers)
- 4) Supervisor and management inspections
- 5) Safety incident investigations completion timing
- 6) Continuous improvement in safety incident rates
- 7) Notices of violation, orders, or other written infractions from regulatory agencies

3. Third Party Inspections

Comprehensive daily inspections by a third-party construction verification and audit firm (SNC Lavalin) that review the quality of contractors' work, verify adherence to contractual terms and include review of safety compliance among other assessment categories.

4. Contractor Incident Notification and Reporting

Mandatory notification to Toronto Hydro of any safety incidents reportable to an outside agency (e.g., Ministry of Labour), including reporting of critical injuries and results of investigations/corrective actions conducted following an incident.

Several contractor firms employed by Toronto Hydro are certified to OHSAS 18001 – an internationally recognized safety management system traceable to the Standards Council of Canada. More generally, the average Total Recordable Injury Frequency (TRIF) value

**ORAL HEARING UNDERTAKING RESPONSE TO CANADIAN
UNION OF PUBLIC EMPLOYEES, LOCAL ONE**

- 1 for all external design and construction firms in 2014 was 2.35, which is equal to or better
- 2 than past Toronto Hydro's own performance (2013 and earlier).

ORAL HEARING UNDERTAKING RESPONSE TO ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

UNDERTAKING NO. J1.4:

Reference(s):

To confirm that the trend in spending between 2010-2014 is approximately 20% greater than the amount approved by the Board.

RESPONSE:

Aggregate capital spending for the years 2010 through 2014 is approximately 19.3% greater than the amount approved by the OEB for those years.¹ At the Oral Hearing, Mr. Walker explained why capital spending sometimes exceeds OEB-approved amounts:²

During the course of any given year, there are things that emerge that need to be addressed for reliability purposes, for safety purposes. One example was stray voltage. When we determined that there were situations where we had stray voltage on some of our electrical plant, we had to undertake to deal with that. So there are things that emerge that have to be addressed and, you know, it is part of our obligation to serve our customers. And if that means we have to overspend, then that's what we will do.

Please refer to Toronto Hydro's response to interrogatory 2A-VECC-8 for a detailed explanation of the 2011 capital spending above the OEB-approved amounts. Over the 2012 to 2014 period, capital spending above OEB-approved amounts included prudent work completed in segments that were deemed ineligible for ICM funding, such as

¹ This figure is based on the updated forecast of 2014 capital spend related to the Copeland TS project, which was filed on February 6, 2015.

² EB-2014-0116, THESL Volume 1 (February 17, 2015) at page 78, lines 13 to 23.

**ORAL HEARING UNDERTAKING RESPONSE TO ASSOCIATION
OF MAJOR POWER CONSUMERS IN ONTARIO**

- 1 Operations Portfolio Capital, Hydro One Capital Contributions and Feeder Automation as
- 2 well as other necessary work undertaken during those years.