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November 6, 2017

via EMAIL

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")
Application to Finalize 2018 Electricity Distribution Rates and Charges – Interrogatory Responses
OEB File No. EB-2017-0077

Toronto Hydro's responses to interrogatories received from OEB Staff on October 6th, 2017 and October 17th, 2017 are enclosed. Please note that for ease of reference and consistency, Toronto Hydro has renumbered the second set of interrogatories received on October 17th as a continuation of those received on October 6th.

Yours truly,

encl.

:DC\ JL

cc: Daliana Coban, Toronto Hydro

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 1:

Reference(s): **Earning Sharing Mechanism**
Tab 2 - Schedule 1 – C. Earnings Sharing Mechanism
Toronto Hydro's scorecard reporting for 2016
ESM Accounting Order approved in EB-2014-0116

THESL stated that the ESM threshold was not triggered in the 2016 fiscal year and no amount was recorded in the variance account. For calculating the ESM only non-capital related revenue requirement is considered in calculating actual earnings.

a) Please provide the calculations for the ESM.

Toronto Hydro's scorecard reporting indicates that for 2016, it achieved an ROE of 12.18% and its approved ROE was 9.3%.

In the evidence filed, Toronto Hydro stated:

> In EB-2014-0116, the OEB established an Earning Sharing Mechanism (ESM) Variance Account to record amounts arising from non-capital related revenue requirement earnings outside of Toronto Hydro's approved annual return on equity (ROE) exceeding a +/- 100 basis-point dead band. Toronto Hydro confirms that the ESM threshold was not triggered by the 2016 fiscal year.

b) Why has Toronto Hydro not recorded amounts in its ESM variance account given that its ROE was 12.18%, which is above the dead band of 1%?

c) Please provide Toronto Hydro's calculation with respect to its ROE, given that the reported ROE is above the 1% dead band specified in the Decision and Order EB-2014-0116 and the approved Accounting Order.

RESPONSE:

a) For the purposes of Toronto Hydro's ESM calculation, non-capital related revenue requirement ("non-CRRR") represents the net balance of OM&A expenditures and revenue offsets. Refer to Table 1 below for the calculation of the ESM calculation for the year ended 2016.

In 2016, OM&A expenditures and revenue offsets (per section 2.1.7 of the RRR, the trial balance) were $246.6 million and $50.2 million, respectively. In determining the non-CRRR for the ESM threshold test, all adjustments to OM&A and revenue offsets included for the ROE threshold test ($0.4 million) were adopted. For 2016, these adjustments are reflected in boxes "*an*" and "*be*" of the ROE work form (RRR 2.1.5.6). The resulting **actual non-CRRR for 2016 was $196.1 million**.

Non-CRRR in rates for 2016 was $205.7 million, as determined by multiplying the result of the approved inflation less productivity factor values (2.1% less 0.6%)[1] to the approved 2015 non-CRRR of $202.6 million ($243.9 million less $41.3 million).[2]

The funded non-CRRR variance in excess of actual was $9.6 million ($205.7 million less $196.1 million). Based on the actual equity per box "*x1*" of the ROE work form (RRR 2.1.5.6), $1,420.1 million, this result contributes 68 basis points to the difference in actual versus approved ROE and is below the +/- 100 basis-point threshold.

[1] EB-2014-0116, Update to Draft Rate Order dated February 29, 2016, page 6 of 10, Table 3.
[2] EB-2014-0116, Update to Draft Rate Order dated February 29, 2016, page 7 of 10, Table 4.

Table 1: 2016 ESM Test Calculation

	Amount	
OM&A as per TB 2.1.7	246.6	A
Revenue Offset as per TB 2.1.7	- 50.2	B
Total Non-CRRR as per TB 2.1.7	196.4	C=A+B
Adjustment as per 2.1.5.6 (box "an")	- 0.3	D
Adjustment as per 2.1.5.6 (box "be")	- 0.1	E
Total Non-CRRR as per 2.1.5.6	196.1	F=C+D+E
Non-CRRR approved	- 205.7	G
Non-CRRR approved vs Non-CRRR actual	- 9.6	H=F+G
Equity actual as per 2.1.5.6 (box "x1")	1,420.1	I
ESM test +/- 1%	0.68%	J=-H/I

b) As described in the response to part (a), Toronto Hydro's ESM test is based on non-capital related revenue requirement while the ROE reported is based on the total revenue requirement.

c) Please refer to the response to part (a) above.

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 2:

Reference(s): **Custom Price Cap Index (CPCI)**
Table 1 – CPCI Factors and Values

THESL provided the OEB-approved factors used for the CPCI calculations, which is derived from the required revenue requirement for each year.

a) For information only please provide the calculation each year's net fixed assets. This should include how approved capital expenditure amounts are factored into each year's net fixed assets.

RESPONSE:

For a description of how the in-service additions were forecasted for each year, please refer to Toronto Hydro's response to interrogatory 2B-SEC-25 in the EB-2014-0116 proceeding, reproduced and attached as Appendix A. Toronto Hydro applied the same methodology and assumptions as outlined in the referenced interrogatory response to the capital expenditure amounts approved by the OEB in the Decision and Order. The resulting net fixed asset values for each year of the CIR plan were included in the Revenue Requirement Workforms (Tab 4 – Rate Base), with 2015 data filed with the OEB on January 22, 2016 as part of its Draft Rate Order, and 2016-2019 data provided as part of its February 12, 2016 Draft Rate Order Reply. These workforms have been reproduced and attached as Appendix B.

RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES

INTERROGATORY 25:

Reference(s): Exhibit 2B

Please provide a table showing for each year between 2015-2019, the in-service additions, for each capital program. Please detail all assumptions made in the calculation.

RESPONSE:

Toronto Hydro forecasted in-service additions for 2015 on an asset basis, not by capital program. Please refer to Exhibit 2A, Tab 1, Schedule 2, Appendix 2-BA showing in-service additions of $653.6M. The 2016 to 2019 in-service additions were forecasted based on the 2015 assumptions with consideration to forecasted completion dates of known programs. The table below summarizes the total in-service additions forecasted for 2015 to 2019.

	2015	2016	2017	2018	2019
In-service Additions	$653.6M	$543.1M	$505.7M	$441.0M	$529.9M

The 2015 in-service addition assumptions for System Access, System Renewal, and System Service investments were based on historical in-service additions.

The forecasted in-service additions assumptions for General Plant, Copeland, and HONI were based on the latest projections related to the specific programs. For example, information technology, a program within General Plant, is comprised of discrete projects with varying completion dates. Each discrete project is assigned an estimated completion

RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES

date based on the best information available at the time of the forecast. Where the project is estimated to be completed in 2015, it was included in the forecasted in-service additions for 2015.

Ontario Energy Board

Revenue Requirement Workform (RRWF) for 2015 Filers

Rate Base and Working Capital

Rate Base

Line No.	Particulars		Initial Application						Per Board Decision
1	Gross Fixed Assets (average)	(3)	$5,777,050,247		$ -		$5,777,050,247	($13,372,060)	$5,763,678,187
2	Accumulated Depreciation (average)	(3)	($2,771,027,667)		$ -		($2,771,027,667)	($831,393)	($2,771,859,060)
3	Net Fixed Assets (average)	(3)	$3,006,022,581		$ -		$3,006,022,581	($14,203,453)	$2,991,819,128
4	Allowance for Working Capital	(1)	$241,540,265		$ -		$241,540,265	($1,048,601)	$240,491,664
5	**Total Rate Base**		$3,247,562,846		$ -		$3,247,562,846	($15,252,054)	$3,232,310,792

(1) Allowance for Working Capital - Derivation

6	Controllable Expenses		$269,529,393		$ -		$269,529,393	($20,667,426)	$248,861,967
7	Cost of Power		$2,751,934,010		$ -		$2,751,934,010	$ -	$2,751,934,010
8	Working Capital Base		$3,021,463,403		$ -		$3,021,463,403	($20,667,426)	$3,000,795,977
9	Working Capital Rate %	(2)	7.99%		0.00%		7.99%	0.02%	8.01%
10	Working Capital Allowance		$241,540,265		$ -		$241,540,265	($1,048,601)	$240,491,664

Notes

(2) Some Applicants may have a unique rate as a result of a lead-lag study. The default rate for 2014 cost of service applications is 13%.

(3) Average of opening and closing balances for the year.

2016

Ontario Energy Board

Revenue Requirement Workform (RRWF) for 2015 Filers

Rate Base and Working Capital

Rate Base

Line No.	Particulars		Initial Application						Per Board Decision
1	Gross Fixed Assets (average)	(3)	$ -		$ -		$ -	##########	$6,218,168,173
2	Accumulated Depreciation (average)	(3)	$ -		$ -		$ -	##########	($2,885,356,810)
3	Net Fixed Assets (average)	(3)	$ -		$ -		$ -	##########	$3,332,811,362
4	Allowance for Working Capital	(1)	$ -		$ -		$ -	##########	$242,641,377
5	**Total Rate Base**		$ -		$ -		$ -	##########	$3,575,452,739

(1) Allowance for Working Capital - Derivation

6	Controllable Expenses		$ -		$ -		$ -	##########	$252,594,897
7	Cost of Power		$ -		$ -		$ -	##########	$2,771,977,004
8	Working Capital Base		$ -		$ -		$ -	##########	$3,024,571,901
9	Working Capital Rate %	(2)	0.00%		0.00%		0.00%	8.02%	8.02%
10	Working Capital Allowance		$ -		$ -		$ -	##########	$242,641,377

Notes

(2) Some Applicants may have a unique rate as a result of a lead-lag study. The default rate for 2014 cost of service applications is 13%.

(3) Average of opening and closing balances for the year.

Ontario Energy Board

Revenue Requirement Workform (RRWF) for 2015 Filers

Rate Base and Working Capital

Rate Base

Line No.	Particulars		Initial Application						Per Board Decision
1	Gross Fixed Assets (average)	(3)	$ -		$ -		$ -	##########	$6,672,300,736
2	Accumulated Depreciation (average)	(3)	$ -		$ -		$ -	##########	($3,035,540,305)
3	Net Fixed Assets (average)	(3)	$ -		$ -		$ -	##########	$3,636,760,430
4	Allowance for Working Capital	(1)	$ -		$ -		$ -	##########	$253,721,239
5	**Total Rate Base**		$ -		$ -		$ -	##########	$3,890,481,669

(1) Allowance for Working Capital - Derivation

6	Controllable Expenses		$ -		$ -		$ -	##########	$256,383,820
7	Cost of Power		$ -		$ -		$ -	##########	$2,915,656,284
8	Working Capital Base		$ -		$ -		$ -	##########	$3,172,040,104
9	Working Capital Rate %	(2)	0.00%		0.00%		0.00%	8.00%	8.00%
10	Working Capital Allowance		$ -		$ -		$ -	##########	$253,721,239

Notes

(2) Some Applicants may have a unique rate as a result of a lead-lag study. The default rate for 2014 cost of service applications is 13%.

(3) Average of opening and closing balances for the year.

2018

Ontario Energy Board

Revenue Requirement Workform (RRWF) for 2015 Filers

Rate Base and Working Capital

Rate Base

Line No.	Particulars		Initial Application						Per Board Decision
1	Gross Fixed Assets (average)	(3)	$ -		$ -		$ -	##########	$7,010,652,763
2	Accumulated Depreciation (average)	(3)	$ -		$ -		$ -	##########	($3,200,970,661)
3	Net Fixed Assets (average)	(3)	$ -		$ -		$ -	##########	$3,809,682,101
4	Allowance for Working Capital	(1)	$ -		$ -		$ -	##########	$265,951,242
5	**Total Rate Base**		$ -		$ -		$ -	##########	$4,075,633,343

(1) Allowance for Working Capital - Derivation

6	Controllable Expenses		$ -		$ -		$ -	##########	$260,229,577
7	Cost of Power		$ -		$ -		$ -	##########	$3,072,415,965
8	Working Capital Base		$ -		$ -		$ -	##########	$3,332,645,542
9	Working Capital Rate %	(2)	0.00%		0.00%		0.00%	7.98%	7.98%
10	Working Capital Allowance		$ -		$ -		$ -	##########	$265,951,242

Notes

(2) Some Applicants may have a unique rate as a result of a lead-lag study. The default rate for 2014 cost of service applications is 13%.

(3) Average of opening and closing balances for the year.

Ontario Energy Board

Revenue Requirement Workform (RRWF) for 2015 Filers

Rate Base and Working Capital

Rate Base

Line No.	Particulars		Initial Application						Per Board Decision
1	Gross Fixed Assets (average)	(3)	$ -		$ -		$ -	##########	$7,350,658,057
2	Accumulated Depreciation (average)	(3)	$ -		$ -		$ -	##########	($3,375,918,819)
3	Net Fixed Assets (average)	(3)	$ -		$ -		$ -	##########	$3,974,739,237
4	Allowance for Working Capital	(1)	$ -		$ -		$ -	##########	$279,361,069
5	**Total Rate Base**		$ -		$ -		$ -	##########	$4,254,100,306

(1) Allowance for Working Capital - Derivation

6	Controllable Expenses		$ -		$ -		$ -	##########	$264,133,021
7	Cost of Power		$ -		$ -		$ -	##########	$3,245,955,420
8	Working Capital Base		$ -		$ -		$ -	##########	$3,510,088,441
9	Working Capital Rate %	(2)	0.00%		0.00%		0.00%	7.96%	7.96%
10	Working Capital Allowance		$ -		$ -		$ -	##########	$279,361,069

Notes

(2) Some Applicants may have a unique rate as a result of a lead-lag study. The default rate for 2014 cost of service applications is 13%.

(3) Average of opening and closing balances for the year.

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 3:

Reference(s): **CBR B Allocation**
2018 IRM Rate Generator Model - 6.2 CBR B
2018 IRM Rate Generator Model - 6.2a CBR B Allocation

THESL provided the total Class B consumption in 6.2a CBR B Allocation cell "D20" approximately to be 14B kWh. The total consumption provided in 6.2 CBR B cell "I26" is approximately 21B kWh, which should be relatively close to 6.2a CBR B Allocation cell "D20"

a) Please provide an explanation on the 14B or update 6.2a CBR B Allocation cell "D20"

RESPONSE:

After further review of the data description in each of the noted cell references, Toronto Hydro agrees that the values in "D20" in 6.2a CBR B Allocation should be identical to the cell "I26" in 6.2 CBR B. Toronto Hydro had incorrectly removed RPP volumes from cell D20. Toronto Hydro acknowledges that this correction should be applied to the models prior to final approval, and requests that OEB Staff make the change in the next version of the model that will be issued Toronto Hydro.

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 4:

Reference(s): **Bill Impact**
2018 IRM Rate Generator Model - 20 Bill Impacts

The IRM model filed by THESL does not have the Bill Impact tab completed but the filing shows printouts from the Bill Impact tab. Please provide the model used to generate the Bill Impacts.

RESPONSE:

The excel version of the Bill Impacts sheets is attached as Appendix A to this response.

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 5:

Reference(s): **LRAMVA**
LRAMVA Work Form – 3. Distribution Rates

Tab 3 of the LRAMVA work form allows distributors to input distribution rates used in the LRAMVA calculation. As per the 2012 CDM Guidelines, the LRAMVA calculation does not include any volumetric rate riders or adders that are subject to their own true-up process. However, volumetric rate riders for tax sharing or foregone revenues should be included.

a) Please confirm whether or not the following rate riders were approved in a previous decision to be applicable to the LRAMVA calculation.
   - Rate Rider for Recovery of the Gain on the Sale of Named Properties
   - Rate Rider for Disposition of PILS and Tax Variance – HST
   - Rate Rider for Recovery of Hydro One Capital Contributions Variance
   - Rate Rider for Application of IFRS – 2014 Derecognition

b) If the above rate riders were not previously approved to be applied to the distribution rates used in the LRAMVA, please provide rationale on the appropriateness of including the proposed rate riders to the 2016 distribution rates used in the LRAMVA calculation.

c) Please confirm accuracy of the months entered in row 16 of Tab 3 by providing further clarity on the implementation dates of the distribution rates approved by the OEB in 2015 and 2016.

RESPONSE:

a) Toronto Hydro is not aware of explicit approval by the OEB of any rate riders used in the LRAMVA calculations. Toronto Hydro relied on the CDM Guidelines[1] to determine which rate riders should be included.

b) Toronto Hydro reviewed all approved rate riders for the applicable period and identified rate riders that it believes are not subject to "independent true up."[2] As a result, out of twelve Rate Riders implemented on March 1, 2016, six were used for the 2016 LRAMVA calculations.

c) The 2015 CIR rate application (EB-2014-0116) received OEB approval on December 29th, 2015 with a March 1, 2016 implementation date.

As result, for the 2015 LRAMVA:

- Period 1 reflects interim 2015 rates (i.e. a continuation of 2014 OEB-approved distribution rates), including a rate rider for Foregone Revenue from Toronto Hydro's EB-2013-0287 Decision.
- Period 2 reflects the ending of the Foregone Revenue rate rider on April 30, 2015.

For the 2016 LRAMVA:

- Period 1 reflects the continuation of 2015 interim rates.
- Period 2 reflects OEB-approved rates (EB-2014-0116) implemented on March 1, 2016, including the indicated rate riders.

[1] Guidelines for Electricity Distributor Conservation and Demand Management, April 26, 2012 [CDM Guidelines].
[2] CDM Guidelines at s. 13.2, page 13.

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 6:

Reference(s): **LRAMVA**
LRAMVA Work Form – 2. LRAMVA Threshold
Exhibit 3, Tab 1, Schedule 1, Tables 6 and 7 (EB-2014-0116)
2015 Decision and Order, page 38 (EB-2014-0116)

Toronto Hydro applied for a debit balance of $6,562,519 in lost revenues associated with new CDM program savings between 2015 and 2016, persistence of 2015 programs into 2016, and carrying charges. The LRAMVA does not include any persisting lost revenues from prior year program savings in the 2015 and 2016 program years.

Toronto Hydro has compared actual savings in 2015 and 2016 against the 2015 LRAMVA threshold approved in the 2015 Decision and Order (EB-2014-0116). In Tab 2 of the LRAMVA work form, Toronto Hydro noted that supporting information on the LRAMVA threshold would be found at page 38 of the EB-2014-0116 decision.

a) Please confirm the LRAMVA threshold amount approved by the OEB for 2015.
b) Please confirm that 55,893,405 kWh and 238,029 kW are net savings figures.
c) Please confirm whether the reference noted in Tab 2 (page 38 of the EB-2014-0116 decision) to the LRAMVA threshold of 55,893,405 kWh and 238,029 kW is correct. If not, please provide the correct reference.
d) Please discuss whether or not the LRAMVA threshold provided in Tab 2 of the LRAMVA work form can be derived from the CDM target savings tables filed in the 2015 Custom IR Application (see EB-2014-0116, Exhibit 3, Tab 1, Schedule 1, Tables 6 and 7).
e) Please discuss how the forecast CDM savings of 55,893,405 kWh and 238,029 kW were broken down by rate class in Tab 2 of the LRAMVA work form.

RESPONSE:

a) The threshold amounts shown on Tab 2 of the LRAMVA Workform were implicitly approved by the OEB as part of the Load Forecast approval. The CDM forecast shown in Tables 6 and 7, Exhibit 3, Tab 1, Schedule 1 of Toronto Hydro's 2015 CIR filing (EB-2014-0116) was used as the basis for the current LRAMVA, as described below in part (d) of this response.

b) Toronto Hydro confirms that CDM "net" savings were used for LRAMVA.

c) The reference noted was to the first page of Load forecast findings only, which included CDM impacts. The reference for explicit CDM targets is found in Tables 6 and 7 of the Load Forecast section (Exhibit 3, Tab 1, Schedule 1 of EB-2014-0116). The OEB's decision did not include a separate or explicit approval of the CDM volumes forecast.

d) Toronto Hydro confirms that the LRAMVA threshold provided in the 2015-2016 LRAMVA workform was calculated using CDM target savings contained in the OEB-approved Load Forecast as per EB-2014-0116, Exhibit 3, Tab 1, Schedule 1, Tables 6 and 7. The variance between the savings shown in these tables and the LRAMVA threshold are related to adjustments for net vs gross, and adjustments to reflect the annualization of savings.

   Toronto Hydro's approved load forecast reflected "gross" CDM volumes, which the OEB agreed was appropriate for load forecast purposes (see page 40, EB-2014-0116 Decision with Reasons). However, for the purposes of the LRAMVA, Toronto Hydro uses "net" CDM savings, as required.

In addition, Toronto Hydro's annual load forecast reflected CDM savings based on monthly program initiation and realization impacts on the load for each year. For LRAMVA purposes, forecast CDM savings were annualized into the calendar year in which the programs started, to match the actual CDM results provided by the IESO. Table 1 below shows the reconciliation between the approved forecast CDM savings shown in Tables 6-7 of the noted reference, and the amounts used for the threshold in the LRAMVA calculations.

Table 1

	2015 "gross" CDM Forecast in approved Load Forecast		**2015 "net" CDM Forecast**		**2016 Portion of "net" CDM Programs initiated in 2015**		**Annualized 2015 "net" CDM Threshold**	
	A	**B**	**C**	**D**	**E**	**F**	**G = C + E**	**H = D + F**
	MWh	MW	MWh	MW	MWh	MW	MWh	MW
Residential	9,619		7,114		10,527		**17,641**	
CSMUR	196		144		215		**359**	
GS <50 kW	20,644		15,220		22,672		**37,892**	
GS 50-999 kW	47,225	100	34,830	73		82		**155**
GS 1000-4999 kW	12,938	27	9,552	20		22		**42**
Large Use	8,996	26	6,718	19		22		**41**
Total	99,619	152	73,579	112	33,414	126	55,892	**238**
Evidence References	*Table 6 and 7 in EB-2014-0116 and Undertaking J2.28-VECC-74*		*Undertaking J2.28-VECC-74*		*Part of 2016 CDM volumes shown in Undertaking J.28-VECC-74*		*EB-2017-0077 LRAMVA Workform, tab 2*	

e) For the purpose of forecasted CDM savings, rate class allocations were derived based on historical program performance, at the program level, and then extrapolated forward through the forecast.

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 7:

Reference(s): **LRAMVA**
LRAMVA Work Form – 5. 2015-2020 LRAM

Toronto Hydro notes that GS 50-999kW, GS 1000-4999kW and Large Use customers are billed based on kVA. From the formula in the cell it appears the power factor used was 0.9168.

a) For each of the three demand billed rate classes, please provide evidence on the power factor calculation and confirm if this was approved in the previous Cost of Service.

RESPONSE:

a) The power factors are from the 2015 OEB-approved Load Forecast (EB-2014-0116). As stated in Exhibit 3, Tab 1, Schedule 1 at page 10:

> The forecast of monthly peak demand by customer class, which is used to determine revenue for those customers billed on a demand basis, is established using historical relationships between energy and demand. The demand forecast is explicitly adjusted to reflect the impacts from the cumulative estimated CDM activities and subsequently, converted based on the billing factors to the peak demand forecast (net of CDM).

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 8:

Reference(s): LRAMVA
LRAMVA Work Form – 5. 2015-2020 LRAM

As part of the 2015 and 2016 lost revenue amounts, Toronto Hydro proposed to claim 12 months of demand savings for six pilot programs implemented in 2015 and 2016.

a) Please discuss the rationale for claiming 12 months of demand savings from the following pilot programs in 2015:
   - Program Enabled Savings
   - Loblaw P4P Conservation Fund Pilot Program
   - Strategic Energy Group Conservation Fund Pilot Program
   - Direct Install - Hydronic Pilot Program

b) Please discuss the rationale for claiming 12 months of demand savings from the following pilot programs in 2016:
   - Direct Install - RTU Controls Pilot Program
   - P4P for Class B Office Pilot Program

RESPONSE:

Claiming 12 months of demand savings for the programs noted above is consistent with the OEB's recommended methodology, as described in the latest LRAMVA Guideline.[1] In particular, Toronto Hydro relied on the following references from the Guideline:

[1] Updated Policy for the Lost Revenue Adjustment Mechanism Calculation:
Lost Revenues and Peak Demand Savings from Conservation and Demand Management Programs (May 19, 2016).

Section 1. Executive Summary: Distributors should multiply the peak demand (kW) savings amounts from energy efficiency programs included in the IESO Final Results by the number of months the IESO has indicated those savings take place throughout the year (generally all 12 months).

Section 3.1. Demand Savings from Energy Efficiency Programs: The IESO indicated that the demand savings from energy efficient programs shown in the Final CDM results should generally be multiplied by twelve (12) months to represent the demand savings the distributor has experienced over the entire year.

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 9.2:

Reference(s): **DVA Continuity Schedule & Note 1 on the Continuity Schedule**
T2/S1, page 8, lines 4-7
GA Analysis Workform

With regards to the Dec. 31, 2016 balance in Account 1589,

a) Please indicate whether the following items that flow into the account are based on estimates/accruals or actuals at year end.
   i. Revenues (i.e. is unbilled revenues trued up)
   ii. Expenses - GA non-RPP (Charge Type 148) with respect to the quantum dollar amount
   iii. Expenses - GA non-RPP (Charge Type 148) with respect to RPP/non-RPP pro-ration percentages
   iv. Credit of GA RPP (Charge Type 142) if the approach under IR 1b is used
b) Did Toronto Hydro make any adjustments to Account 1589 in the DVA Continuity Schedule that relate to true up impacts?
c) Please describe the reason for the debit amount of $804,747 in Account 1589, and the same credit amount in Account 1588.
d) Please quantify the adjustment that relates to each of the items under 2)a)i to 2)a)iv.

RESPONSE:

a) The items impacting Account 1589 are based on the following:

   i. Revenue is based on accruals, which are derived from consumption billed, plus accrued consumption to the end of the month, less accrued consumption from the

end of the previous month. The accrual is based on data from Toronto Hydro's billing system and on billing cycle dates.

ii. The GA non-RPP (Charge Type 148) dollar amount is based on actual Global Adjustment costs per the IESO invoice.

iii. The estimated RPP customers' consumption is derived as the product of estimated total purchased energy for the month multiplied by the RPP customers' percentage split for total kWh for the month. The RPP percentage split of total kWh and RPP price block kWh are derived from the kWh billed in the month, plus accrued kWh consumption to the end of the month, less accrued kWh consumption for the end of the previous month. The accrual is based on data from the billing system and on billing cycle dates.

Global adjustment and power costs are allocated to RPP customers based upon the same percentage allocation described above for the RPP customers' purchased kWh consumption split for the month. Total global adjustment and power costs are estimated based on preliminary IESO cost of power data plus embedded generation.

Toronto Hydro settles the RPP settlement amounts with the IESO on a monthly basis, at the beginning of the following month (e.g. June amounts are submitted to the IESO for settlement at the beginning of July). In the subsequent month (e.g. July), Toronto Hydro calculates the true-up for the previous month's settlement amounts (e.g. June, based on preliminary IESO data) to reflect the final cost of power, for global adjustment and power costs, both dollars and purchased kWh consumption in accordance with the IESO final invoice received mid-month (e.g.

July). Toronto Hydro settles the calculated monthly true-up RPP amounts with the IESO on a quarterly basis.

iv. Not applicable, as approach 1a is used.

b) No.

c) As part of the year-end accounting entries, an adjustment was recorded to revenue, which impacted the RPP/Non-RPP pro-ration percentage. Power purchased (Account 4705) and Global Adjustment charges (Account 4707) were adjusted correctly to reflect the change in the RPP/Non-RPP pro-ration percentage. The entry to account for the adjustment to the "higher of" accounts as per the Accounting Procedures Handbook and the respective variance account for Power and Global Adjustment were not recorded. As such a re-classification between RSVA Power and RSVA GA is required.

d) Toronto Hydro interprets this question as requesting a breakdown of the difference between the estimates/accruals and the actuals at year-end for items 3(ai) – 3(aiv) above. With the exception of revenues, all amounts included in Account 1589 are based on actuals; therefore, there is no difference. The difference between unbilled and actual billed revenues for 2016 was $1,750,238, as shown in reconciling item 2b in the GA Analysis Workform.

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 9.3:

Reference(s): **DVA Continuity Schedule & Note 1 on the Continuity Schedule**
T2/S1, page 8, lines 4-7
GA Analysis Workform

With regards to the Dec. 31, 2016 balance in Account 1588:

a) Please indicate whether the following items that flow into the account are based on estimates/accruals or actuals at year end.
   i. Revenues (i.e. is unbilled revenues trued up)
   ii. Expenses - Commodity (Charge Type 101)
   iii. Expenses - GA RPP (Charge Type 148) with respect to the quantum dollar amount and RPP/non-RPP pro-ration percentages
   iv. RPP Settlement (Charge Type 1142 - including any data used for determining the RPP/HOEP/RPP GA components of the charge type)

b) Did Toronto Hydro make any adjustments to Account 1588 in the DVA Continuity Schedule that relate to the impacts of RPP settlement true up?

c) Please quantify the adjustment that relate to each of the above items under 3)a)i to 3) a)iv.

RESPONSE:

a) The items impacting Account 1588 are based on the following:

   i. Revenue is based on accruals, which are derived from consumption billed, plus accrued consumption to the end of the month, less accrued consumption from the end of the previous month. The accrual is based on data from the billing system and on billing cycle dates.

ii. Commodity costs (Charge Type 101) are based on actual Commodity costs per the IESO invoice.

iii. The GA RPP (Charge Type 148) dollar amount is based on actual Global Adjustment costs per the IESO invoice.

The estimated RPP customers' consumption is derived as the product of estimated total purchased energy for the month multiplied by the RPP customers' percentage split for total kWh for the month. The RPP percentage split of total kWh and RPP price block kWh are derived from the kWh billed in the month, plus accrued kWh consumption to the end of the month, less accrued kWh consumption for the end of the previous month. The accrual is based on data from the billing system and on billing cycle dates.

Global adjustment and power costs are allocated to RPP customers based upon the same percentage allocation described above for the RPP customers' purchased kWh consumption split for the month. Total global adjustment and power costs are estimated based on preliminary IESO cost of power data plus embedded generation.

Toronto Hydro settles the RPP settlement amounts with the IESO on a monthly basis, at the beginning of the following month (e.g. June amounts are submitted to the IESO for settlement at the beginning of July). In the subsequent month (e.g. July), Toronto Hydro calculates the true-up for the previous month's settlement amounts (e.g. June, based on preliminary IESO data) to reflect the final cost of power, for global adjustment and power costs, both dollars and purchased kWh consumption in accordance with the IESO final invoice received mid-month (e.g.

July). Toronto Hydro settles the calculated monthly true-up RPP amounts with the IESO on a quarterly basis.

iv. The settlement amount is the difference between the RPP Revenues and the allocated RPP Global Adjustment and Power costs, both derived in accordance with the methodology set out above. Toronto Hydro follows accrual accounting for RPP settlement amounts calculation.

b) Toronto Hydro did not make any adjustments to Account 1588 in the DVA Continuity Schedule that relate to the impact of RPP Settlement true-ups. Toronto Hydro settles the calculated monthly true-up RPP settlement amounts with the IESO on a quarterly basis.

c) Toronto Hydro interprets this question as requesting a breakdown of the difference between the estimates/accruals and the actuals at year-end for items 3(ai) – 3(aiv) above. With the exception of revenues, all amounts included in Account 1588 are based on actuals; therefore, there is no difference. Due to system limitations, Toronto Hydro is not able to calculate the difference between unbilled and actual billed revenue for Account 1588.

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 9.4:

Reference(s): **DVA Continuity Schedule & Note 1 on the Continuity Schedule**
T2/S1, page 8, lines 4-7
GA Analysis Workform

Toronto Hydro stated:

> As described in Note 1 on the Continuity Schedule in the Rate Model, the 2016 year-end balances for RSVA Power and RSVA GA filed in the RRR were adjusted to reflect a re-class of amounts included in RSVA Power that should have been included in RSVA GA. The adjustments are offsetting.

OEB staff notes that the description of Note 1 in the Continuity Schedule tab of the Rate Model relates to Account 1580, Toronto Hydro Indicates in its pre-filed evidence that it relates to Accounts 1588 and 1589. Please clarify and explain the inconsistency.

RESPONSE:

Note 1 in the Continuity Schedule tab of the Rate Model should have been linked to Account 1588 and 1589, rather than Account 1580. The description included in the pre-filed evidence is correct.

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 10.1:

Reference(s): GA Analysis Workform

Toronto Hydro's GA Billing Rate Description indicates:

> All non-RPP Class B customers are billed on the first GA estimate. The billing cycle is on a calendar month basis for all customers. Consumption for each billing cycle is billed in the subsequent month.

a) GA prices used for unbilled revenue should be the same as what is billed. What GA prices does Toronto Hydro use for unbilled?
b) During the teleconference, Toronto Hydro indicated that most of the billings are on a calendar month basis. Please confirm if any billing cycles span more than one calendar/load month?
c) If yes to part b), please explain how Toronto Hydro derives GA for invoicing.

RESPONSE:

a) The GA prices used for unbilled revenue are the same as the GA prices used for billed revenue (i.e. 1st GA estimate).

b) Customers are billed in accordance with the billing cycles. Billing cycles for some Class B customers span more than one calendar month. For example, some customer's billing cycles could be November 20th to December 19th.

c) GA for invoicing is calculated as Adjusted kWh used/Days of Service ("D.O.S") x D.O.S billed x 1st Estimate GA Rate.

An example of a GA calculation for invoicing is provided below:

Your Electricity Charges

Electricity
****Electricity supplied by Toronto Hydro through Standard Supply Service,
Billing Inquiries: (416) 542-8000

55,080.000 kWh at $0.02715 per kWh	1,495.42
Global Adjustment 19,707.244 kWh at $0.09901 per kWh	1,951.21
Global Adjustment 37,443.764 kWh at $0.07318 per kWh	2,740.13

Your electricity usage

Meter Number	Meter Reading Period	Number of Days	Read Type	Unit Self-Contained	Current Reading	Previous Reading	Billing Mult.	kWh Used	Loss Factor Adjustment	Adjusted kWh Used
30003122	NOV 20 2014 TO DEC 19 2014	29	Act.	1	6918	6765	360	55080	1.0376	57151.008

Demand kW	Demand kVA	Metering Adj.	Adjusted kW	Adjusted kVA
183.960	199.800	1	177.828	193.140

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 10.2:

Reference(s): GA Analysis Workform

The Reconciling Item 2b shows an amount of a debit adjustment of $1,750,238 with the description "Actualized 2016 Class B Customers revenue were lower than 2016 recorded revenue and therefore should be a debit in the current year".

a) Reconciliation items 2a and 2b in the GA Analysis Workform relate to the revenue differences between the unbilled and actual billed amounts (relating to the unbilled) which could relate to the rate used or the consumption volumes. It is unclear to OEB staff what this adjustment is for based on the explanation provided. Please explain what this adjustment relates to, and provide supporting calculations for the $1,750,238.
b) If the adjustment in 2b relates to unbilled revenue differences, reconciliation item 2a should also have an amount, however, this has not been provided.
c) If reconciliation item 2b does not relate to unbilled revenue differences, please explain why unbilled revenue differences have not been incorporated in this analysis.

RESPONSE:

a) The reconciling item of $1,750,238 relates to revenue differences between unbilled and actual billed amounts for non-RPP Class B Global Adjustment Energy Sales for January 1, 2016 to December 31, 2016.

The difference between unbilled and actual billed amounts was determined by comparing earned[1] non-RPP Class B Global Adjustment Energy Sales for January 1, 2016 to December 31, 2016 recorded in the general ledger to the actual billed non-RPP Class B Global

Adjustment Energy Sales for January 1, 2016 to December 31, 2016. This method calculates the revenue differences on an aggregate basis; instead of individually determining the prior year end (2015) and the current year end (2016) difference between unbilled and actual bill revenues. This aggregate method incorporates both the prior year end (2015) and the current year end (2016) differences between unbilled and actual billed amounts.

The earned[1] non-RPP Class B Global Adjustment Energy Sales for January 1, 2016 to December 31, 2016 were higher by $1,750,238 compared to the actual billed non-RPP Class B Global Adjustment Energy Sales for January 1, 2016 to December 31, 2016.

	$
Earned[1] non-RPP Class B Global Adjustment Energy Sales for January 1, 2016 to December 31, 2016	1,188,234,397.09
Actual billed non-RPP Class B Global Adjustment Energy Sales from January 1, 2016 to December 31, 2016	1,186,484,159.11
Unbilled revenue differences for 2016	1,750,237.98

b) As noted above, reconciling item 2b incorporates both 2a (remove prior year end unbilled to actual revenue differences) and 2b (add current year end unbilled to actual revenue differences) requirements.

c) Not applicable, as reconciling item 2b relates to unbilled revenue differences.

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 10.3:

Reference(s): GA Analysis Workform

The Reconciling Item 7 shows a debit adjustment of $7,103,048 with the description:

> Due to the cyclical billing of Class B customers. The revenue recorded for 2016 as per the GL is higher than the revenue calculated above based on monthly consumption at monthly GA Rate billed.

Toronto Hydro indicates in the GA Analysis Workform that the billing cycle is on a calendar month basis for all customers. Consumption for each billing cycle is billed in the subsequent month. OEB staff understands this to mean that the non-RPP Class B customer billing cycle is the calendar month and the full consumption on a customer's bill would be billed based on the first estimate. If this is the case please explain how such a difference could arise.

a) If any of Toronto Hydro's billing cycles for non-RPP Class B customers span more than one calendar month, please explain how the GA price used for billing, is determined.
b) Please explain how the nature of the reconciling item 7 differs from 2b in Toronto Hydro's Reconciling Items table.
c) Please show the calculation and describe how the reconciling 7 amount was determined.

RESPONSE:

a) Some Class B customers (large users) are billed on a calendar month (e.g. consumption for September 1st to September 30th is billed in October). The remaining Class B

customers are billed in accordance with billing cycles, which span more than one calendar month. For example, in a billing cycle spanning November 20th to December 19th, the customer would be billed for the November Days of Service ("DOS") at the November 1st Estimate GA Rate and for the December DOS at the December 1st Estimate GA Rate. This results in a blended GA rate for non-RPP Class B Global Adjustment Energy Sales.

The reconciling item of $7,103,048 reflects the variance between the GA Analysis Workform (column K) of $1,181,131,349 and the non-RPP Class B Global Adjustment Energy Sales recorded in the general ledger for 2016 of $1,188,234,397.

b) GA for invoicing is calculated as Adjusted kWh used/Days of Service ("DOS") x DOS billed x 1st Estimate GA Rates for each of the periods. Please refer to to the response to 1-OEBStaff-10.1, part c).

c) The reconciling item in 7 reflects the difference in the expected non-RPP Class B Global Adjustment Energy Sales using a single GA Rate billed as per the Analysis of Expected GA Amountand the non-RPP Class B Global Adjustment Energy Sales recorded in the general ledger for 2016, which includes billed and unbilled amounts. The reconciling item in 2b reflects the revenue differences between unbilled and actual billed amounts for non-RPP Class B Global Adjustment Energy Sales for 2016. For additional detail on reconciling item 2b, please refer to the response to 1-OEBStaff-10.2.

d) The reconciling item for 7 was determined by comparing the Consumption at the GA Rate Billed per the Analysis of Expected GA Amount (column K) of $1,181,131,349 with the non-RPP Class B Global Adjustment Energy Sales recorded in the general ledger for 2016 of $1,188,234,397.

	$
Non-RPP Class B Global Adjustment Energy Sales recorded in the general ledger for 2016	1,188,234,397
$ Consumption at GA Rate Billed (column K)	1,181,131,349
Difference in revenue recorded due to cyclical billing of non-RPP Class B customers	7,103,048

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 11:

Reference(s): **T2/S1, page 4 – Earnings Sharing Mechanism**
Toronto Hydro's scorecard reporting for 2016
ESM Accounting Order approved in EB-2014-0116

Toronto Hydro's scorecard reporting indicates that for 2016, it achieved an ROE of 12.18% and its approved ROE was 9.3%.

In the evidence filed, Toronto Hydro stated:

> In EB-2014-0116, the OEB established an Earning Sharing Mechanism (ESM) Variance Account to record amounts arising from non-capital related revenue requirement earnings outside of Toronto Hydro's approved annual return on equity (ROE) exceeding a +/- 100 basis-point dead band. Toronto Hydro confirms that the ESM threshold was not triggered by the 2016 fiscal year.

a) Why has Toronto Hydro not recorded amounts in its ESM variance account given that its ROE was 12.18%, which is above the dead band of 1%?
b) Please provide Toronto Hydro's calculation with respect to its ROE, given that the reported ROE is above the 1% dead band specified in the Decision and Order EB-2014-0116 and the approved Accounting Order.

RESPONSE:

Please refer to Toronto Hydro's response to interrogatory 1-Staff-1.