RESPONSES TO OEB STAFF INTERROGATORIES

INTERROGATORY 51:

Reference(s): **Exhibit 2A, Tab 1, Schedule 1, pp. 1-2**
Exhibit 1C, Tab 3, Schedule 3, Appendix C, Note 6
Exhibit 1C, Tab 3, Schedule 4
Chapter 2 Appendices, Appendix 2-BA
Exhibit 9, Tab 1, Schedule 1, p. 31

a) Please confirm that the $1.4 million of monthly billing-related assets that are added to rate base for 2020 (Exhibit 2A / Tab 1 / Schedule 1 / p. 2) reflect the depreciated value of the $3.3 million capital investment in these assets (Exhibit 9 / Tab 1 / Schedule 1 / p. 31).

b) Please confirm that the variances between closing Property, Plant and Equipment (PP&E) Net Book Value (NBV) in Table 1 (Exhibit 2A / Tab 1 / Schedule 1 / p. 2) and the closing balances in Appendix 2-BA are related to the adjustments for assets held for sale and monthly billing-related assets.

c) The opening and closing NBV used in 2017 (Exhibit 2A / Tab 1 / Schedule 1 / p. 2 / Table 1) does not reconcile to Note 6 of the December 31, 2017 audited financial statements (Exhibit 1C / Tab 3 / Schedule 3 / Appendix C / Note 6), even after both the 2016 closing and 2017 closing NBV are adjusted for construction in progress. Please provide a reconciliation between the numbers presented in Table 1 (Exhibit 2A / Tab 1 / Schedule 1 / p. 2 / Table 1) and Note 6 of the 2017 audited financial statements (Exhibit 1C / Tab 3 / Schedule 3 / Appendix C / Note 6). Please update the supporting continuity schedules as necessary.

d) Please also reconcile the closing 2016 and closing 2017 NBV used in Table 1 (Exhibit 2A / Tab 1 / Schedule 1 / p. 2 / Table 1) to Toronto Hydro's RRR filing for each respective year (Exhibit 1C / Tab 3 / Schedule 4).

e) If the asset continuity schedules provided in Appendix 2-BA are changed as a result of the above, please update Appendix 2-BA accordingly.

RESPONSE:

a) Toronto Hydro confirms that the capital investment associated with monthly billing is $3.3 million and the $1.4 million is the depreciated value added to rate base for 2020.

b) The differences between the PP&E NBV in Table 1 and the closing NBV in Appendix 2-BA is related to monthly billing and assets held for sale. Please refer to Exhibit 2A, Tab 1, Schedule 1, Table 2 for the reconciliation.

c) Please see the table below for the reconciliation between 2017 Audited Financial Statements and the opening and closing balances for 2017.

	31-Dec-16	31-Dec-17
2017 Audited Financial Statements Note 6 (Property, Plant & Equip)	3,876.3	4,107.8
2017 Audited Financial Statements Note 7 (Intangible Assets)	217.8	296.2
Total PP&E	4,094.1	4,404.0
Reconciling Items:		
Construction Work In Progress (Property, Plant & Equip)	(447.8)	(369.6)
Construction Work In Progress (Intangible Assets)	(90.1)	(168.1)
Capital Contribution (2A-T1-Sch 2, pg 2-3)	(83.9)	(106.8)
Monthly Billing (2A-T1-Sch 1, pg 5)	(0.6)	(2.3)
Non-Regulated Assets (1C-T3-Sch 4, pg 2)	(9.8)	(10.5)
Other Non-Rate-Regulated Utility Assets (2A-T1-Sch 2, pg 3)	-	(2.0)
Total Exhibit 2A, Tab 1, Schedule 1, Table 1	3,462.0	3,744.7

*Rounding variances may exist

d) With respect to the 2016 and 2017 closing NBV used in Table 1, the table below provides the reconciliation to Toronto Hydro's RRR filing as per Exhibit 1C, Tab 3, Schedule 4, page 1 and Exhibit 1C, Tab 4, Schedule 3, page 1.

	31-Dec-16	31-Dec-17
Property, Plant and Equipment (as per RRR 2.1.13)	3,866.5	4,097.3
Intangible Assets (as per RRR 2.1.13)	217.8	296.2
Subtotal	4,084.3	4,393.5
Construction Work In Progress (A/C 2055)	(537.8)	(537.8)
Deferred Revenue (A/C 2440)	(116.2)	(158.0)
CWIP portion of A/C 2440	32.4	51.3
Other Non-Rate-Regulated Utility Assets A/C 2075 & 2180	-	(2.0)
Monthly Billing	(0.6)	(2.3)
Total Exhibit 2A, Tab 1, Schedule 1, Table 1	3,462.0	3,744.7

*Rounding variances may exist

e) There are no changes to Appendix 2-BA as a result of the above responses.

RESPONSES TO OEB STAFF INTERROGATORIES

INTERROGATORY 52:

Reference(s): **Exhibit 2A, Tab 1, Schedule 1, p. 2**
Exhibit 2A, Tab 4, Schedule 1, p. 3
Exhibit 1B, Tab 4, p. 9
Exhibit 4B, Tab 1, Schedule 1, pp. 3-4

Preamble:

In calculating rate base, Toronto Hydro takes an average of opening and closing PP&E NBV and adds the working capital allowance (Exhibit 2A / Tab 1 / Schedule 1 / p. 2).

In calculating depreciation expense, Toronto Hydro uses the month in which the asset comes into service (as opposed to the half-year rule). Similarly, Toronto Hydro calculates depreciation associated with assets that are retired or fully depreciated within a given year based on the month of transaction (Exhibit 4B / Tab 1 / Schedule 1 / pp. 3-4).

a) For the rate base calculation, in terms of capital in-service additions, does Toronto Hydro simply add all of the assets that went into service in a given year to the closing PP&E cost amount, with no adjustments to recognize when (which month) the asset came into service within the year?

b) For the rate base calculation, in terms of depreciation, does Toronto Hydro: (a) use the depreciation expense calculated based on its monthly approach and add that amount to the closing accumulated depreciation; and (b) then average opening and closing PP&E NBV?

c) Please advise whether Toronto Hydro agrees that there is a disconnect between the manner in which it includes capital in-service additions (annual average of annual capital additions) and depreciation expense (annual average of monthly depreciation expense) in the calculation of rate base. Please provide rationale supporting the current approach.

d) In the context of the manner that Toronto Hydro calculates depreciation expense, it seems that monthly forecast PP&E NBV data is available (Exhibit 4B / Tab 1 / Schedule 1 / pp. 2-3). Please advise whether this is true.

e) If monthly data is available, please provide Toronto Hydro's position on using the monthly data to calculate its annual rate base amounts for the 2020-2024 period.

f) Please provide the rate base amounts (including supporting documentation) for the 2020-2024 period that is based on using monthly data for the calculation of both capital additions and depreciation.

g) Please provide the rate base amounts (including supporting documentation) for the 2020-2024 period that is based on Toronto Hydro's current approach for including capital in-service additions in rate base but instead applying the half-year rule in the calculation of depreciation expense.

RESPONSE:

a) Toronto Hydro follows the OEB prescribed methodology to calculate the rate base.[1] The effect of this method is to include the sum of the annual in-service additions to the closing PP&E balance used to determine the rate base.

b) Except for derecognition,[2] Toronto Hydro calculates depreciation expense monthly based on when the assets come into service. Consistent with the OEB prescribed methodology noted above, depreciation expense for a given year is added to the closing PP&E NBV balance, which is then used in the average rate base calculation.

c) Toronto Hydro's approach to calculate rate base is consistent with the OEB prescribed methodology as noted above.

d) Yes, monthly forecast PP&E NBV data is available.

e) Please see response to part (c).

f) Please refer to Appendix A to this response for the monthly data and annual rate base amounts for the 2020-2024 CIR term. Supporting information related to the amounts forming part of rate base is included in Exhibit 2A, Tab 1, Schedule 1.

g) Please see table below for the rate base amounts resulting from the application of the half-year rule to calculate depreciation (i.e. depreciation at mid-year in the first year

[1] 2006 Electricity Distribution Rate Handbook, Section 4.0, on page 25.
[2] Please refer to Toronto Hydro's response to interrogatory 9-Staff-156 (d) for the process for forecasting derecognition, which is also part of depreciation expenses.

of assets placed into service).

Table 1: Rate Base Amounts

	Forecast 2020	Forecast 2021	Forecast 2022	Forecast 2023	Forecast 2024
Opening PP&E NBV	4,270.4	4,488.6	4,686.8	4,979.1	5,257.5
Closing PP&E NBV	4,488.6	4,686.8	4,979.1	5,257.5	5,513.8
Average PP&E NBV	**4,379.5**	**4,587.7**	**4,832.9**	**5,118.3**	**5,385.7**
Working Capital Allowance	235.2	239.1	243.6	248.2	254.0
Rate Base	**4,614.7**	**4,826.8**	**5,076.6**	**5,366.6**	**5,639.6**

Appendix A: 2020-2024 Ratebase

in $ Millions	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Rate Base	
Opening NBV[1]	4,270.4	4,275.2	4,282.8	4,297.9	4,303.1	4,310.9	4,321.4	4,331.6	4,338.1	4,353.4	4,367.1	4,394.3	4,270.4	a
In Service Additions[2]	24.7	28.1	36.3	26.7	30.0	32.8	31.7	29.5	38.2	37.1	51.1	123.8	489.8	b
Depreciation (excluding allocated transportaion depreciation)[3]	- 20	- 21	- 21	- 22	- 22	- 22	- 21	- 23	- 23	- 23	- 24	- 28	- 270	c
Closing NBV[1]	4,275.2	4,282.8	4,297.9	4,303.1	4,310.9	4,321.4	4,331.6	4,338.1	4,353.4	4,367.1	4,394.3	4,489.8	4,489.8	d=a+b+c
Average NBV	**4,272.8**	**4,279.0**	**4,290.4**	**4,300.5**	**4,307.0**	**4,316.2**	**4,326.5**	**4,334.9**	**4,345.7**	**4,360.2**	**4,380.7**	**4,442.1**	**4,380.1**	e=(a+d)/2
WCA[1]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	**235.2**	f
Rate Base[1]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	**4,615.3**	g=e+f

in $ Millions	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Rate Base	
Opening NBV[1]	4,489.8	4,487.6	4,491.5	4,498.6	4,500.7	4,506.3	4,514.1	4,521.4	4,537.7	4,551.5	4,564.0	4,588.3	4,489.8	a
In Service Additions[2]	19.0	25.7	29.5	25.0	29.1	31.4	29.7	40.3	37.6	36.7	48.8	131.0	483.7	b
Depreciation (excluding allocated transportaion depreciation)[3]	- 21	- 22	- 22	- 23	- 23	- 24	- 22	- 24	- 24	- 24	- 25	- 29	- 284	c
Closing NBV[1]	4,487.6	4,491.5	4,498.6	4,500.7	4,506.3	4,514.1	4,521.4	4,537.7	4,551.5	4,564.0	4,588.3	4,689.9	4,689.9	d=a+b+c
Average NBV	**4,488.7**	**4,489.6**	**4,495.0**	**4,499.6**	**4,503.5**	**4,510.2**	**4,517.8**	**4,529.6**	**4,544.6**	**4,557.8**	**4,576.2**	**4,639.1**	**4,589.9**	e=(a+d)/2
WCA[1]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	**239.1**	f
Rate Base[1]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	**4,828.9**	g=e+f

in $ Millions	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Rate Base	
Opening NBV[1]	4,689.9	4,690.2	4,696.7	4,706.7	4,711.6	4,719.4	4,730.0	4,739.4	4,745.6	4,758.7	4,772.9	4,825.0	4,689.9	a
In Service Additions[2]	22.1	29.1	33.1	28.4	31.9	34.9	32.8	31.2	38.1	39.5	78.1	191.7	590.9	b
Depreciation (excluding allocated transportaion depreciation)[3]	- 22	- 23	- 23	- 24	- 24	- 24	- 23	- 25	- 25	- 25	- 26	- 31	- 295	c
Closing NBV[1]	4,690.2	4,696.7	4,706.7	4,711.6	4,719.4	4,730.0	4,739.4	4,745.6	4,758.7	4,772.9	4,825.0	4,986.1	4,986.1	d=a+b+c
Average NBV	**4,690.0**	**4,693.4**	**4,701.7**	**4,709.1**	**4,715.5**	**4,724.7**	**4,734.7**	**4,742.5**	**4,752.1**	**4,765.8**	**4,798.9**	**4,905.5**	**4,838.0**	e=(a+d)/2
WCA[1]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	**243.6**	f
Rate Base[1]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	**5,081.6**	g=e+f

in $ Millions	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Rate Base	
Opening NBV[1]	4,986.1	4,990.3	5,001.3	5,016.0	5,024.8	5,036.1	5,051.1	5,065.3	5,075.6	5,093.2	5,112.0	5,145.2	4,986.1	a
In Service Additions[2]	27.3	34.7	39.2	33.7	36.9	40.8	39.1	37.0	44.2	45.7	60.7	153.7	593.0	b
Depreciation (excluding allocated transportaion depreciation)[3]	- 23	- 24	- 24	- 25	- 26	- 26	- 25	- 27	- 27	- 27	- 28	- 32	- 313	c
Closing NBV[1]	4,990.3	5,001.3	5,016.0	5,024.8	5,036.1	5,051.1	5,065.3	5,075.6	5,093.2	5,112.0	5,145.2	5,266.5	5,266.4	d=a+b+c
Average NBV	**4,988.2**	**4,995.8**	**5,008.6**	**5,020.4**	**5,030.4**	**5,043.6**	**5,058.2**	**5,070.5**	**5,084.4**	**5,102.6**	**5,128.6**	**5,205.8**	**5,126.3**	e=(a+d)/2
WCA[1]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	**248.2**	f
Rate Base[1]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	**5,374.5**	g=e+f

in $ Millions	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Rate Base	
Opening NBV[1]	5,266.5	5,268.0	5,276.5	5,288.7	5,294.9	5,303.7	5,317.1	5,328.3	5,336.6	5,351.7	5,368.2	5,399.3	5,266.5	a
In Service Additions[2]	25.8	33.4	37.8	32.3	35.7	40.3	37.3	36.1	42.9	44.7	59.9	159.9	586.1	b
Depreciation (excluding allocated transportaion depreciation)[3]	- 24	- 25	- 26	- 26	- 27	- 27	- 26	- 28	- 28	- 28	- 29	- 34	- 327	c
Closing NBV[1]	5,268.0	5,276.5	5,288.7	5,294.9	5,303.7	5,317.1	5,328.3	5,336.6	5,351.7	5,368.2	5,399.3	5,525.5	5,525.5	d=a+b+c
Average NBV	**5,267.2**	**5,272.2**	**5,282.6**	**5,291.8**	**5,299.3**	**5,310.4**	**5,322.7**	**5,332.5**	**5,344.2**	**5,360.0**	**5,383.8**	**5,462.4**	**5,396.0**	e=(a+d)/2
WCA[1]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	**254.0**	f
Rate Base[1]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	**5,650.0**	g=e+f

[1]EB-2018-0165, Exhibit 2A, Tab 1, Schedule 1, Table 1

[2]EB-2018-0165, Exhibit 2A, Tab 1, Schedule 2

[3]EB-2018-0165, Exhibit 4B, Tab 1, Appendix A

RESPONSES TO OEB STAFF INTERROGATORIES

INTERROGATORY 53:

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

a) Please explain the value shown in Table 1 (Exhibit 2A / Tab 3 / Schedule 1 / pp. 2-3) for 2020 interest on long-term debt.

b) For the cost of power calculation, please advise whether Toronto Hydro has used the OEB's generic methodology as set out in Appendix 2-Z of the Chapter 2 Appendices. If not, please explain the differences in the methodology and provide rationale supporting Toronto Hydro's approach.

c) If necessary, please provide a completed Appendix 2-Z and provide an updated working capital allowance that reflects the cost of power amount resulting from Appendix 2-Z.

d) Please confirm that the assumptions used for the cost of power calculation will be updated to reflect the most up-to-date information available at the time of the draft rate order.

RESPONSE:

a) The value of $89.2 million for interest on long-term debt is the forecast for 2020 long-term interest expense, as shown in Exhibit 5, Tab 1, Schedule 3 at page 5.

b) Toronto Hydro used the same methodology to forecast Cost of Power for working capital expense as the OEB approved in the utility's last rebasing application (EB-2014-0116). The OEB's 2019 Filing Requirements, which included the new Appendix 2-Z were issued when Toronto Hydro was in the stage of finalizing its evidence in this application. The only significant difference in the two approaches is that Appendix 2-Z more explicitly calculates the impacts of the Fair Hydro Plan Global Adjustment Modifier. Toronto Hydro intends to include the Appendix 2-Z results, as part of the planned evidence update.

c) Please see Appendix A to this response.

d) Yes. Toronto Hydro intends to update the assumptions used for the cost of power calculation with the most up-to-date information available at the time of draft rate order.

RESPONSES TO OEB STAFF INTERROGATORIES

INTERROGATORY 54:

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

Preamble:

Toronto Hydro makes capital contributions to HONI to complete certain capital work. These contributions are recognized as intangible assets and amortized on a straight-line basis over 25 years.

a) Please provide rationale supporting this approach and advise whether this approach has been previously approved by the OEB.

RESPONSE:

a) The formula for determining the amount of capital contribution required to be made to Hydro One incorporates assumptions as to the period of time over which the cost of investment in the PP&E asset would be recovered by them. Since this Net Present Value is calculated based on 25 years, Toronto Hydro uses the same number of years to amortize these intangible assets.

In the Accounting Procedure Handbook (APH) (Issued December 2011), article 410, page 32 defines the amortization of intangibles. The definition as per APH is *Intangible Assets (IAS 38) Paragraph 97 states that "…the amortization method used shall reflect the pattern in which the asset's future economic benefits are expected to be consumed by the entity. If that pattern cannot be determined reliably, the straight-line method shall be used..."*

Toronto Hydro's approach is aligned with this definition.

RESPONSES TO OEB STAFF INTERROGATORIES

INTERROGATORY 55:

Reference(s): **Exhibit 2A, Tab 4, Schedule 1, p. 2**
Chapter 2 Appendices, Appendix 2-AA

Preamble:

Toronto Hydro notes that the AFUDC rate applied under MIFRS is based on the weighted average cost of borrowing.

a) Please confirm that Toronto Hydro uses its "actual" weighted average cost of borrowing for the historical period and its applied-for weighted average cost of borrowing for the forecast period (Exhibit 2A / Tab 4 / Schedule 1 / p. 2).

b) Please provide the AFUDC percentages (%) for each year (2015-2024) and the total capital to which the AFUDC is applied. Please reconcile to the total annual AFUDC amounts shown in Appendix 2-AA.

RESPONSE:

a) Confirmed.

b) Please see Table 1 below. Note that the amounts presented are an average of monthly amounts for each year. Toronto Hydro confirms that the total annual AFUDC ties back to the amounts shown in Appendix 2-AA.

Table 1: 2015-2024 AFUDC

Program ($M)	2015 Actual	2016 Actual	2017 Actual	2018 Bridge	2019 Bridge	2020 Forecast	2021 Forecast	2022 Forecast	2023 Forecast	2024 Forecast
	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
AFUDC	10.8	12.5	9.8	6.0	4.0	6.0	8.2	8.7	8.9	7.7
Average monthly CWIP	288.9	284.8	254.0	166.6	110.3	142.4	195.2	205.0	210.4	182.4
AFUDC Percentage	3.7%	4.4%	3.9%	3.6%	3.6%	4.2%	4.2%	4.2%	4.2%	4.2%

RESPONSES TO OEB STAFF INTERROGATORIES

INTERROGATORY 56:

Reference(s): Exhibit 2A, Tab 4, Schedule 1, p. 4, Table 1
Exhibit 2B, Section A6, p. 33

Preamble:

Toronto Hydro provided a table highlighting the movement between in-service additions and its CWIP account for the 2015-2020 period.

a) Please explain the differences in the capital expenditures shown in Table 1 (Exhibit 2A / Tab 4 / Schedule 1 / p. 4) and the capital expenditures shown in Table 7 (Exhibit 2B / Section A6 / p. 33).

b) Please confirm that the line titled "Deductions (In-Service Additions)" in Table 1 (Exhibit 2A / Tab 4 / Schedule 1 / p. 4) are the in-service additions shown in Appendix 2-BA.

RESPONSE:

a) The differences between Exhibit 2A, Tab 4, Schedule 1, Table 1 and Exhibit 2B, Section A6, page 33, Table 7 are itemized in Table 1 below.

Table 1: Capital Expenditures Reconciliation (S Millions)

	2015 Actual	2016 Actual	2017 Actual	2018 Bridge	2019 Bridge	2020 Test
Exhibit 2A, Tab 4, Schedule 1, page 4	**490.6**	**508.4**	**496.6**	**434.7**	**425.7**	**514.0**
Monthly Billing	0.8	1.2	1.2	-	-	-
EIP	-	-	-	-	4.2	-
REI	-	2.0	-	13.1	5.1	4.4
Exhibit 2B, Section A6, page 33	**491.4**	**511.6**	**497.8**	**447.8**	**434.9**	**518.4**

Note 1: Externally Initiated Plant Relocations (EIP) – In the last rebasing application (EB-2014-0116) the OEB approved a variance account to "capture the difference between the amounts included in rates related to capital spending on third party initiated relocation and expansion projects and the amounts actually spent from 2015 to 2019."[1] The amount shown in the table above represents the EIP expenditures above the amounts included in rates, at the end of the 2015 to 2019 rate period.

Note 2: Renewable Enabling Improvements (REI) represent the expenditures associated with renewable enabling improvements that are subject to provincial rate protection in accordance with the OEB's decision in EB-2014-0116.[2]

b) Confirmed.

[1] EB-2014-0116, OEB Decision and Order (December 29, 2015) at page 50.
[2] Ibid at pages 32-33.

RESPONSES TO OEB STAFF INTERROGATORIES

INTERROGATORY 57:

Reference(s): **Chapter 2 Appendices, Appendix 2-AB**
Chapter 2 Appendices, Appendix 2-AA
Exhibit 2B, Section A5.1, p. 14

a) Please file an expanded Appendix 2-AB as follows:
   i) Includes data for the years 2010-2024
   ii) Expands system OM&A by sub-category
   iii) Provides total system OM&A as a percentage (%) of gross and net capital expenditures.

b) Please explain whether the capital contributions included in Appendix 2-AB are all of the capital contributions that Toronto Hydro received during the 2015-2019 period and forecasts to receive during the 2020-2024 period. Please provide your answer in the context that the capital contributions shown for the customer connection program (Exhibit 2B / Section E5.1 / p. 14) are larger than the total capital contributions shown at Appendix 2-AB in almost every year.

c) Please explain the terminology "customer contribution" (Exhibit 2B / Section E5.1 / p. 14). Please advise whether this is different from a capital contribution.

d) Please advise whether for some capital programs Toronto Hydro subtracts the capital contribution (or customer contribution) before showing the total capital expenditure amount (instead of showing it as a gross amount with a separate adjustment for the capital contribution). If so, please explain why and provide a

list of all the capital programs where the capital expenditure amount is presented in that manner.

e) Please explain the variance in capital contributions (as shown in Appendix 2-AB) between 2017 actual and the 2020 test year. Please advise whether there was a change in what is considered a capital contribution for that line item in Appendix 2-AB.

RESPONSE:

a) Please refer to Appendix A to this response. For 2010, Toronto Hydro is unable to provide the breakdown amounts by the current program classification as the 2010 programs were categorized differently. Toronto Hydro notes that providing historical information for years prior to 2013 is beyond the OEB's filing requirements.

b) The capital contributions included in Appendix 2-AB represent contributions paid out and forecast to be paid out to Hydro One Networks Inc. ("Hydro One") over the 2015-2024 period.[1] The capital contributions shown for the Customer Connections program in Exhibit 2B, Section E5.1, page 14 represent the capital contribution from customers received by Toronto Hydro.

c) Customer contributions represent payments received or expected to be received by Toronto Hydro. There is no difference from the "capital contribution" terminology.

[1] As per the OEB Filing Requirements for Electricity Distribution Rate Applications (July 12, 2018), Chapter 2, section 2.2.2.2

d) For the purposes of summarizing, Toronto Hydro provides an overall capital program **net** of capital contribution in Appendix 2-AA. (emphasis added)

Where there are capital (i.e. customer) contributions within the program, these are shown at the program level in the following where applicable:

- Exhibit 2B, Section E5.1 Customer Connections;
- Exhibit 2B, Section E5.2 Externally Initiated Plant Relocation & Expansion; and
- Exhibit 2B, Section E7.2 Energy Storage Systems.

e) The major variances in Hydro One contributions are described in Exhibit 2B, Section E7.4.4.2.

No. There was no change in what is considered a capital contribution for that line item in Appendix 2-AB. Within Appendix 2-AB, the capital contribution line represents the Hydro One contributions paid out by Toronto Hydro as stated in response to part (b).

RESPONSES TO OEB STAFF INTERROGATORIES

INTERROGATORY 58:

Reference(s): Chapter 2 Appendices, Appendix 2-D

a) Please provide an expanded Appendix 2-D that includes information for 2010-2020.

RESPONSE:

a) Please see Appendix A to this response.

OEB Appendix 2-D
Overhead Expense

Applicants are to provide a breakdown of OM&A before capitalization in the below table. OM&A before capitalization may be broken down by cost center, program, drivers or another format best suited to focus on capitalized vs. uncapitalized OM&A.

OM&A Before Capitalization	CGAAP 2010 Historical Year	CGAAP 2011 Historical Year	USGAAP 2012 Historical Year	USGAAP 2013 Historical Year	USGAAP 2014 Historical Year	MIFRS 2015 Historical Year	MIFRS 2016 Historical Year	MIFRS 2017 Historical Year	MIFRS 2018 Bridge Year	MIFRS 2019 Bridge Year	MIFRS 2020 Test Year
Operations	160.3	160.3	140.9	156.6	148.3	146.9	155.1	153.6	159.7	166.7	169.0
Maintenance	47.3	55.5	58.4	70.2	66.0	73.6	65.1	68.5	69.1	71.2	72.0
Billing and Collecting	33.4	42.2	35.3	34.9	35.9	36.8	34.0	35.9	40.8	41.5	45.8
Community Relations	4.2	3.6	3.3	3.4	2.6	3.5	2.5	2.4	2.6	2.7	2.8
Administrative and General	80.9	80.5	74.1	80.7	93.7	90.4	98.2	104.5	103.4	104.9	109.4
Taxes Other Than Income Taxes	8.1	5.9	(2.3)	6.4	5.8	5.2	4.6	5.3	5.6	5.4	5.5
Donations	0.0	0.7	0.7	0.7	0.7	1.0	1.0	1.0	0.9	0.9	1.0
Restructuring Costs (OEB Account 6310 - Extraordinary Deduction)	-	-	27.7	-	-	-	-	-	-	-	-
Total OM&A Before Capitalization (B)	$ 334.2	$ 348.7	$ 338.1	$ 353.0	$ 352.8	$ 357.4	$ 360.6	$ 371.1	$ 382.0	$ 393.4	$ 405.6

Applicants are to provide a breakdown of capitalized OM&A in the below table. Capitalized OM&A may be broken down using the categories listed in the table below if possible. Otherwise, applicants are to provide its own break down of capitalized OM&A.

Capitalized OM&A	2010 Historical Year	2011 Historical Year	2012 Historical Year	2013 Historical Year	2014 Historical Year	2015 Historical Year	2016 Historical Year	2017 Historical Year	2018 Bridge Year	2019 Bridge Year	2020 Test Year	Directly Attributable? (Yes/No)	Explanation for Change in Overhead Capitalized
Labour Capitalization	(104.6)	(95.2)	(79.0)	(89.1)	(91.8)	(99.1)	(95.6)	(101.1)	(105.4)	(109.8)	(112.5)	Yes	
Vehicle Capitalization	(5.1)	(6.5)	(8.4)	(7.2)	(7.5)	(4.2)	(4.3)	(4.5)	(3.8)	(3.9)	(4.1)	Yes	
Material Handling On-cost	(7.8)	(8.5)	(7.3)	(10.2)	(12.3)	(10.2)	(10.8)	(10.3)	(11.6)	(11.6)	(11.5)	Yes	
Total Capitalized OM&A (A)	(117.5)	(110.2)	(94.6)	(106.5)	(111.7)	(113.4)	(110.8)	(115.9)	(120.8)	(125.2)	(128.1)		
% of Capitalized OM&A (=A/B)	-35%	-32%	-28%	-30%	-32%	-32%	-31%	-31%	-32%	-32%	-32%		

RESPONSES TO OEB STAFF INTERROGATORIES

INTERROGATORY 59:

Reference(s): **Exhibit 2A, Tab 6, Schedule 1, pp. 4-5**
Exhibit 2A, Tab 6, Schedule 3
Exhibit 2A, Tab 6, Schedule 5

Preamble:

Toronto Hydro notes that the opening balances in Appendix 2-FB arise from the Renewable Enabling Improvement (REI) investments approved by the OEB in Toronto Hydro's 2015-2019 Custom IR proceeding. Toronto Hydro notes that the balances reflect the current forecast for these previously approved programs.

a) Please provide specific page references in the DSP that reconcile to the forecasted REI-related costs shown in Table 1 (Exhibit 2A / Tab 6 / Schedule 1 / pp. 4-5).

b) Please provide specific references (both evidentiary and in the OEB's decision) to the capital projects that were approved in Toronto Hydro's 2015-2019 Custom IR proceeding.

c) Please expand Appendix 2-FB (for both the energy storage projects and the generation protection projects) to include a continuity of the revenue requirement calculations beginning when the assets first came into service.

d) Please reconcile the provincial benefit portion of the REI-eligible assets shown in Appendix 2-FB to Appendix 2-BA (socialized REI line item).

RESPONSE:

a) Please refer to Exhibit 2B, Section E5.5, Table 7, p. 16 for the forecasted REI-related investments included in the Generation Protection, Monitoring and Control program and to Exhibit 2B, Section E7.2, Table 15, p. 25 for those included in the Energy Storage Systems program.

b) In Toronto Hydro's 2015-2019 Application (EB-2014-0116), please refer to Exhibit 2B, Section E5.5 for project details included in the Generation Protection, Monitoring and Control program and to Exhibit, 2B, Section E7.11 for those included in the Energy Storage Systems program. This information is also described in Exhibit 2A, Tab 8, Schedule 1 of the 2015-2019 Application evidence.

Please refer to pages 32-33 of the EB-2014-0116, Decision and Order (December 29, 2015), related to approved REI investments.

c) Upon revisiting the 2-FB schedules, an error in the calculation of average net fixed assets for the Generation Protection, Monitoring and Control program was found which caused the net book value in 2020 opening balance to be understated by $0.8 million. The downstream impact to rate base is noted to be an immaterial amount of $4,000 for each year, as only 6 percent of this value is used in rate base.

The expanded 2-FB schedules provided, as Appendix A and B to this response, are based on the corrected net book values and will be included as part of the evidence update in 2019.

d) The differences are due to the OEB template (2-FB) which uses a formulaic approach of using the half year rule for in-service assets, PP&E, and PILS creating a discrepancy in Appendix 2-BA, which is based on the actual or forecasted in-service month.

Appendix 2-FB
Calculation of Renewable Generation Connection Direct Benefits/Provincial Amount: Renewable Enabling Improvement Investments

This table will calculate the distributor/provincial shares of the investments entered in Part A of Appendix 2-FA.
Enter values in green shaded cells: WCA percentage, debt percentages, interest rates, kWh, tax rates, amortization period, CCA Class and percentage.
For historical investments, enter these variables for your last cost of service test year. For 2020 and beyond, enter these variables as in the application.
Rate Riders are not calculated for the Test Year as these assets and costs are already in the distributor's rate base/revenue requirement.

		2015			2016			2017			2018			2019			2020			2021			2022			2023			2024		
		Total	Direct Benefit 6%	Provincial 94%	Total	Direct Benefit 6%	Provincial 94%	Total	Direct Benefit 6%	Provincial 94%	Total	Direct Benefit 6%	Provincial 94%	Total	Direct Benefit 6%	Provincial 94%	Total	Direct Benefit 6%	Provincial 94%	Total	Direct Benefit 6%	Provincial 94%	Total	Direct Benefit 6%	Provincial 94%	Total	Direct Benefit 6%	Provincial 94%	Total	Direct Benefit 6%	Provincial 94%
Net Fixed Assets (average)		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 414,587	$ 24,875	$ 389,712	$ 4,570,823	$ 274,249	$ 4,296,574	$ 8,507,196	$ 510,432	$ 7,996,765	$ 8,863,312	$ 531,799	$ 8,331,513	$ 9,152,761	$ 549,166	$ 8,603,595	$ 9,375,543	$ 562,533	$ 8,813,011	$ 9,531,659	$ 571,900	$ 8,959,760
Incremental OM&A (on-going, N/A for Prc		$0	$ -		$0	$ -		$0	$ -		$0	$ -		$0	$ -		$0	$ -		$0	$ -		$0	$ -		$0	$ -		$0	$ -	
Incremental OM&A (start-up, applicable fc		$0	$ -	$ -	$0	$ -	$ -	$0	$ -	$ -	$0	$ -	$ -	$0	$ -	$ -	$0	$ -	$ -	$0	$ -	$ -	$0	$ -	$ -	$0	$ -	$ -	$0	$ -	$ -
WCA	6.4%		$ -	$ -		$ -	$ -		$ -	$ -		$ -	$ -		$ -	$ -		$ -	$ -		$ -	$ -		$ -	$ -		$ -	$ -		$ -	$ -	
Rate Base			$ -	$ -		$ -	$ -		$ -	$ -		$ 24,875	$ 389,712		$ 274,249	$ 4,296,574		$ 510,432	$ 7,996,765		$ 531,799	$ 8,331,513		$ 549,166	$ 8,603,595		$ 562,533	$ 8,813,011		$ 571,900	$ 8,959,760
Deemed ST Debt	4%		$ -	$ -		$ -	$ -		$ -	$ -		$ 995	$ 15,588		$ 10,970	$ 171,863		$ 20,417	$ 319,871		$ 21,272	$ 333,261		$ 21,967	$ 344,144		$ 22,501	$ 352,520		$ 22,876	$ 358,390
Deemed LT Debt	56%		$ -	$ -		$ -	$ -		$ -	$ -		$ 13,930	$ 218,239		$ 153,580	$ 2,406,081		$ 285,842	$ 4,478,188		$ 297,807	$ 4,665,647		$ 307,533	$ 4,818,013		$ 315,018	$ 4,935,286		$ 320,264	$ 5,017,465
Deemed Equity	40%		$ -	$ -		$ -	$ -		$ -	$ -		$ 9,950	$ 155,885		$ 109,700	$ 1,718,629		$ 204,173	$ 3,198,706		$ 212,719	$ 3,332,605		$ 219,666	$ 3,441,438		$ 225,013	$ 3,525,204		$ 228,760	$ 3,583,904
ST Interest	2.61%		$ -	$ -		$ -	$ -		$ -	$ -		$ 26	$ 407		$ 286	$ 4,486		$ 533	$ 8,349		$ 555	$ 8,698		$ 573	$ 8,982		$ 587	$ 9,201		$ 597	$ 9,354
LT Interest	3.71%		$ -	$ -		$ -	$ -		$ -	$ -		$ 517	$ 8,097		$ 5,698	$ 89,266		$ 10,605	$ 166,141		$ 11,049	$ 173,096		$ 11,409	$ 178,748		$ 11,687	$ 183,099		$ 11,882	$ 186,148
ROE	8.82%		$ -	$ -		$ -	$ -		$ -	$ -		$ 878	$ 13,749		$ 9,676	$ 151,583		$ 18,008	$ 282,126		$ 18,762	$ 293,936		$ 19,375	$ 303,535		$ 19,846	$ 310,923		$ 20,177	$ 316,100
Cost of Capital Total			$ -	$ -		$ -	$ -		$ -	$ -		$ 1,420	$ 22,253		$ 15,660	$ 245,334		$ 29,146	$ 456,615		$ 30,366	$ 475,729		$ 31,357	$ 491,265		$ 32,121	$ 503,223		$ 32,655	$ 511,602
OM&A			$ -	$ -		$ -	$ -		$ -	$ -		$ -	$ -		$ -	$ -		$ -	$ -		$ -	$ -		$ -	$ -		$ -	$ -		$ -	$ -	
Amortization		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 28,592	$ 1,716	$ 26,877	$ 317,201	$ 19,032	$ 298,169	$ 610,551	$ 36,633	$ 573,918	$ 677,218	$ 40,633	$ 636,585	$ 743,884	$ 44,633	$ 699,251	$ 810,551	$ 48,633	$ 761,918	$ 877,218	$ 52,633	$ 824,585
Grossed-up PILs			$ -	$ -		$ -	$ -		$ -	$ -		-$ 921	-$ 14,423		-$ 9,864	-$ 154,540		-$ 15,509	-$ 242,974		-$ 11,080	-$ 173,581		-$ 7,244	-$ 113,493		-$ 3,894	-$ 61,009		-$ 943	-$ 14,768
Revenue Requirement			$ -	$ -		$ -	$ -		$ -	$ -		$ 2,215	$ 34,706		$ 24,827	$ 388,964		$ 50,270	$ 787,560		$ 59,919	$ 938,733		$ 68,746	$ 1,077,023		$ 76,859	$ 1,204,132		$ 84,346	$ 1,321,419
Provincial Rate Protection				$ -			$ -			$ -			$ 34,706			$ 388,964			$ 787,560			$ 938,733			$ 1,077,023			$ 1,204,132			$ 1,321,419
Monthly Amount Paid by IESO				$ -			$ -			$ -			$ 2,892			$ 32,414			$ 65,630			$ 78,228			$ 89,752			$ 100,344			$ 110,118

Note 1: The difference between the actual costs of approved eligible investments and revenue received from the IESO should be recorded in a variance account. The Board may provide regulatory accounting guidance regarding a variance account either in an individual proceeding or on a generic basis.
Note 2: For the 2016 Test Year, Costs and Revenues of the Direct Benefit are to be included in the test year applicant Rate Base and Revenues.

PILs Calculation

Income Tax	2015 Direct Benefit	2015 Provincial	2016 Direct Benefit	2016 Provincial	2017 Direct Benefit	2017 Provincial	2018 Direct Benefit	2018 Provincial	2019 Direct Benefit	2019 Provincial	2020 Direct Benefit	2020 Provincial	2021 Direct Benefit	2021 Provincial	2022 Direct Benefit	2022 Provincial	2023 Direct Benefit	2023 Provincial	2024 Direct Benefit	2024 Provincial
Net Income - ROE on Rate Base	$ -	$ -	$ -	$ -	$ -	$ -	$ 878	$ 13,749	$ 9,676	$ 151,583	$ 18,008	$ 282,126	$ 18,762	$ 293,936	$ 19,375	$ 303,535	$ 19,846	$ 310,923	$ 20,177	$ 316,100
Amortization (6% DB and 94% P)	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,716	$ 26,877	$ 19,032	$ 298,169	$ 36,633	$ 573,918	$ 40,633	$ 636,585	$ 44,633	$ 699,251	$ 48,633	$ 761,918	$ 52,633	$ 824,585
CCA (6% DB and 94% P)	$ -	$ -	$ -	$ -	$ -	$ -	-$ 5,147	-$ 80,630	-$ 56,067	-$ 878,381	-$ 97,656	-$ 1,529,952	-$ 90,125	-$ 1,411,961	-$ 84,100	-$ 1,317,569	-$ 79,280	-$ 1,242,055	-$ 75,424	-$ 1,181,644
Taxable income	$ -	$ -	$ -	$ -	$ -	$ -	-$ 2,553	-$ 40,004	-$ 27,359	-$ 428,629	-$ 43,015	-$ 673,908	-$ 30,730	-$ 481,441	-$ 20,093	-$ 314,783	-$ 10,801	-$ 169,214	-$ 2,614	-$ 40,959
Tax Rate (to be entered)	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%
Income Taxes Payable	$ -	$ -	$ -	$ -	$ -	$ -	-$ 676.67	-$ 10,601.14	-$ 7,250.21	-$ 113,586.64	-$ 11,399.08	-$ 178,585.59	-$ 8,143.52	-$ 127,581.85	-$ 5,324.52	-$ 83,417.48	-$ 2,862.24	-$ 44,841.79	-$ 692.82	-$ 10,854.21
Gross Up																				
Income Taxes Payable	$ -	$ -	$ -	$ -	$ -	$ -	$ (920.64)	$ (14,423.33)	$ (9,864.23)	$ (154,539.65)	$ (15,508.95)	$ (242,973.60)	$ (11,079.62)	$ (173,580.75)	$ (7,244.25)	$ (113,493.18)	$ (3,894.21)	$ (61,009.24)	$ (942.61)	$ (14,767.63)
Grossed Up PILs	$ -	$ -	$ -	$ -	$ -	$ -	-$ 921	-$ 14,423	-$ 9,864	-$ 154,540	-$ 15,509	-$ 242,974	-$ 11,080	-$ 173,581	-$ 7,244	-$ 113,493	-$ 3,894	-$ 61,009	-$ 943	-$ 14,768

Net Fixed Assets

Enter applicable amortization in years: 15	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Opening Gross Fixed Assets	-	$ -	$ -	$ -	$ 857,766	$ 8,658,265	$ 9,658,265	$ 10,658,265	$ 11,658,265	$ 12,658,265
Gross Capital Additions	$ -	$ -	$ -	$ 857,766	$ 7,800,499	$ 1,000,000	$ 1,000,000	$ 1,000,000	$ 1,000,000	$ 1,000,000
Closing Gross Fixed Assets	$ -	$ -	$ -	$ 857,766	$ 8,658,265	$ 9,658,265	$ 10,658,265	$ 11,658,265	$ 12,658,265	$ 13,658,265
Opening Accumulated Amortization	-	$ -	$ -	$ -	$ 28,592	$ 345,793	$ 956,344	$ 1,633,562	$ 2,377,446	$ 3,187,997
Current Year Amortization (before additions)	$ -	$ -	$ -	$ -	$ 57,184	$ 577,218	$ 643,884	$ 710,551	$ 777,218	$ 843,884
Additions (half-year)	$ -	$ -	$ -	$ 28,592	$ 260,017	$ 33,333	$ 33,333	$ 33,333	$ 33,333	$ 33,333
Closing Accumulated Amortization	$ -	$ -	$ -	$ 28,592	$ 345,793	$ 956,344	$ 1,633,562	$ 2,377,446	$ 3,187,997	$ 4,065,215
Opening Net Fixed Assets	$ -	$ -	$ -	$ -	$ 829,174	$ 8,312,472	$ 8,701,921	$ 9,024,703	$ 9,280,819	$ 9,470,268
Closing Net Fixed Assets	$ -	$ -	$ -	$ 829,174	$ 8,312,472	$ 8,701,921	$ 9,024,703	$ 9,280,819	$ 9,470,268	$ 9,593,050
Average Net Fixed Assets	$ -	$ -	$ -	$ 414,587	$ 4,570,823	$ 8,507,196	$ 8,863,312	$ 9,152,761	$ 9,375,543	$ 9,531,659

UCC for PILs Calculation

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Opening UCC	$ -	$ -	$ -	$ -	$ 771,990	$ 7,638,041	$ 7,010,433	$ 6,508,346	$ 6,106,677	$ 5,785,342
Capital Additions (from Appendix 2-FA)	$ -	$ -	$ -	$ 857,766	$ 7,800,499	$ 1,000,000	$ 1,000,000	$ 1,000,000	$ 1,000,000	$ 1,000,000
UCC Before Half Year Rule	$ -	$ -	$ -	$ 857,766	$ 8,572,489	$ 8,638,041	$ 8,010,433	$ 7,508,346	$ 7,106,677	$ 6,785,342
Half Year Rule (1/2 Additions - Disposals)	$ -	$ -	$ -	$ 428,883	$ 3,900,250	$ 500,000	$ 500,000	$ 500,000	$ 500,000	$ 500,000
Reduced UCC	$ -	$ -	$ -	$ 428,883	$ 4,672,239	$ 8,138,041	$ 7,510,433	$ 7,008,346	$ 6,606,677	$ 6,285,342
CCA Rate Class (to be entered)	8	8	8	8	8	8	8	8	8	8
CCA Rate (to be entered)	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
CCA	$ -	$ -	$ -	$ 85,777	$ 934,448	$ 1,627,608	$ 1,502,087	$ 1,401,669	$ 1,321,335	$ 1,257,068
Closing UCC	$ -	$ -	$ -	$ 771,990	$ 7,638,041	$ 7,010,433	$ 6,508,346	$ 6,106,677	$ 5,785,342	$ 5,528,273

Appendix 2-FB
Calculation of Renewable Generation Connection Direct Benefits/Provincial Amount: Renewable Enabling Improvement Investments

This table will calculate the distributor/provincial shares of the investments entered in Part A of Appendix 2-FA.
Enter values in green shaded cells: WCA percentage, debt percentages, interest rates, kWh, tax rates, amortization period, CCA Class and percentage.
For historical investments, enter these variables for your last cost of service test year. For 2020 and beyond, enter variables as in the application.
Rate Riders are not calculated for the Test Year as these assets and costs are already in the distributor's rate base/revenue requirement.

		2015			2016			2017			2018			2019			2020			2021			2022			2023			2024		
		Total	Direct Benefit 6%	Provincial 94%	Total	Direct Benefit 6%	Provincial 94%	Total	Direct Benefit 6%	Provincial 94%	Total	Direct Benefit 6%	Provincial 94%	Total	Direct Benefit 6%	Provincial 94%	Total	Direct Benefit 6%	Provincial 94%	Total	Direct Benefit 6%	Provincial 94%	Total	Direct Benefit 6%	Provincial 94%	Total	Direct Benefit 6%	Provincial 94%	Total	Direct Benefit 6%	Provincial 94%
Net Fixed Assets (average)		$ -	$ -	$ -	$ -	$ -	$ -	$ 1,045,544	$ 62,733	$ 982,811	$ 5,436,770	$ 326,206	$ 5,110,564	$ 10,853,649	$ 651,219	$ 10,202,431	$ 14,491,281	$ 869,477	$ 13,621,804	$ 16,851,434	$ 1,011,086	$ 15,840,348	$ 18,455,278	$ 1,107,317	$ 17,347,961	$ 20,108,958	$ 1,206,537	$ 18,902,420	$ 21,822,974	$ 1,309,378	$ 20,513,596
Incremental OM&A (on-going, N/A for Provincial Recover		$0	$ -		$0	$ -		$0	$ -		$0	$ -		$0	$ -		$0	$ -		$0	$ -		$0	$ -		$0	$ -		$0	$ -	
Incremental OM&A (start-up, applicable for Provincial Re		$0	$ -	$ -	$0	$ -	$ -	$0	$ -	$ -	$0	$ -	$ -	$0	$ -	$ -	$0	$ -	$ -	$0	$ -	$ -	$0	$ -	$ -	$0	$ -	$ -	$0	$ -	$ -
WCA	6.4%		$ -	$ -		$ -	$ -		$ -	$ -		$ -	$ -		$ -	$ -		$ -	$ -		$ -	$ -		$ -	$ -		$ -	$ -		$ -	$ -
Rate Base			$ -	$ -		$ -	$ -		$ 62,733	$ 982,811		$ 326,206	$ 5,110,564		$ 651,219	$ 10,202,431		$ 869,477	$ 13,621,804		$ 1,011,086	$ 15,840,348		$ 1,107,317	$ 17,347,961		$ 1,206,537	$ 18,902,420		$ 1,309,378	$ 20,513,596
Deemed ST Debt	4%		$ -	$ -		$ -	$ -		$ 2,509	$ 39,312		$ 13,048	$ 204,423		$ 26,049	$ 408,097		$ 34,779	$ 544,872		$ 40,443	$ 633,614		$ 44,293	$ 693,918		$ 48,261	$ 756,097		$ 52,375	$ 820,544
Deemed LT Debt	56%		$ -	$ -		$ -	$ -		$ 35,130	$ 550,374		$ 182,675	$ 2,861,916		$ 364,683	$ 5,713,361		$ 486,907	$ 7,628,210		$ 566,208	$ 8,870,595		$ 620,097	$ 9,714,858		$ 675,661	$ 10,585,355		$ 733,252	$ 11,487,614
Deemed Equity	40%		$ -	$ -		$ -	$ -		$ 25,093	$ 393,124		$ 130,482	$ 2,044,226		$ 260,488	$ 4,080,972		$ 347,791	$ 5,448,722		$ 404,434	$ 6,336,139		$ 442,927	$ 6,939,184		$ 482,615	$ 7,560,968		$ 523,751	$ 8,205,438
ST Interest	2.61%		$ -	$ -		$ -	$ -		$ 65	$ 1,026		$ 341	$ 5,335		$ 680	$ 10,651		$ 908	$ 14,221		$ 1,056	$ 16,537		$ 1,156	$ 18,111		$ 1,260	$ 19,734		$ 1,367	$ 21,416
LT Interest	3.71%		$ -	$ -		$ -	$ -		$ 1,303	$ 20,419		$ 6,777	$ 106,177		$ 13,530	$ 211,966		$ 18,064	$ 283,007		$ 21,006	$ 329,099		$ 23,006	$ 360,421		$ 25,067	$ 392,717		$ 27,204	$ 426,190
ROE	8.82%		$ -	$ -		$ -	$ -		$ 2,213	$ 34,674		$ 11,509	$ 180,301		$ 22,975	$ 359,942		$ 30,675	$ 480,577		$ 35,671	$ 558,847		$ 39,066	$ 612,036		$ 42,567	$ 666,877		$ 46,195	$ 723,720
Cost of Capital Total			$ -	$ -		$ -	$ -		$ 3,582	$ 56,119		$ 18,626	$ 291,813		$ 37,185	$ 582,559		$ 49,647	$ 777,805		$ 57,733	$ 904,484		$ 63,228	$ 990,569		$ 68,893	$ 1,079,328		$ 74,766	$ 1,171,326
OM&A			$ -	$ -		$ -	$ -		$ -	$ -		$ -	$ -		$ -	$ -		$ -	$ -		$ -	$ -		$ -	$ -		$ -	$ -		$ -	$ -
Amortization		$ -	$ -	$ -	$ -	$ -	$ -	$ 38,724	$ 2,323	$ 36,400	$ 202,796	$ 12,168	$ 190,628	$ 410,932	$ 24,656	$ 386,276	$ 67,159	$ 4,030	$ 63,130	$ 41,027	$ 2,462	$ 38,566	$ 43,155	$ 2,589	$ 40,565	$ 45,991	$ 2,759	$ 43,231	$ 48,691	$ 2,921	$ 45,769
Grossed-up PILs			$ -	$ -		$ -	$ -		-$ 207	-$ 3,247		-$ 968	-$ 15,160		-$ 1,476	-$ 23,127		-$ 11,781	-$ 184,569		-$ 13,750	-$ 215,422		-$ 14,287	-$ 223,825		-$ 14,861	-$ 232,829		-$ 15,505	-$ 242,907
Revenue Requirement			$ -	$ -		$ -	$ -		$ 5,698	$ 89,272		$ 29,826	$ 467,282		$ 60,364	$ 945,708		$ 41,896	$ 656,366		$ 46,444	$ 727,628		$ 51,530	$ 807,309		$ 56,791	$ 889,731		$ 62,182	$ 974,189
Provincial Rate Protection				$ -			$ -			$ 89,272			$ 467,282			$ 945,708			$ 656,366			$ 727,628			$ 807,309			$ 889,731			$ 974,189
Monthly Amount Paid by IESO				$ -			$ -			$ 7,439			$ 38,940			$ 78,809			$ 54,697			$ 60,636			$ 67,276			$ 74,144			$ 81,182

Note 1: The difference between the actual costs of approved eligible investments and revenue received from the IESO should be recorded in a variance account. The Board may provide regulatory accounting guidance regarding a variance account either in an individual proceeding or on a generic basis.
Note 2: For the 2016 Test Year, Costs and Revenues of the Direct Benefit are to be included in the test year applicant Rate Base and Revenues.

PILs Calculation

Income Tax	2015 Direct Benefit	2015 Provincial	2016 Direct Benefit	2016 Provincial	2017 Direct Benefit	2017 Provincial	2018 Direct Benefit	2018 Provincial	2019 Direct Benefit	2019 Provincial	2020 Direct Benefit	2020 Provincial	2021 Direct Benefit	2021 Provincial	2022 Direct Benefit	2022 Provincial	2023 Direct Benefit	2023 Provincial	2024 Direct Benefit	2024 Provincial
Net Income - ROE on Rate Base	$ -	$ -	$ -	$ -	$ 2,213	$ 34,674	$ 11,509	$ 180,301	$ 22,975	$ 359,942	$ 30,675	$ 480,577	$ 35,671	$ 558,847	$ 39,066	$ 612,036	$ 42,567	$ 666,877	$ 46,195	$ 723,720
Amortization (6% DB and 94% P)	$ -	$ -	$ -	$ -	$ 2,323	$ 36,400	$ 12,168	$ 190,628	$ 24,656	$ 386,276	$ 4,030	$ 63,130	$ 2,462	$ 38,566	$ 2,589	$ 40,565	$ 2,759	$ 43,231	$ 2,921	$ 45,769
CCA (6% DB and 94% P)	$ -	$ -	$ -	$ -	-$ 5,112	-$ 80,081	-$ 26,360	-$ 412,976	-$ 51,725	-$ 810,363	-$ 67,380	-$ 1,055,624	-$ 76,270	-$ 1,194,904	-$ 81,281	-$ 1,273,399	-$ 86,546	-$ 1,355,880	-$ 92,120	-$ 1,443,212
Taxable income	$ -	$ -	$ -	$ -	-$ 575	-$ 9,007	-$ 2,684	-$ 42,047	-$ 4,094	-$ 64,145	-$ 32,676	-$ 511,917	-$ 38,138	-$ 597,491	-$ 39,625	-$ 620,798	-$ 41,219	-$ 645,771	-$ 43,004	-$ 673,723
Tax Rate (to be entered)	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%
Income Taxes Payable	$ -	$ -	$ -	$ -	-$ 152.35	-$ 2,386.83	-$ 711.22	-$ 11,142.40	-$ 1,085.01	-$ 16,998.49	-$ 8,659.03	-$ 135,658.11	-$ 10,106.49	-$ 158,335.00	-$ 10,500.73	-$ 164,511.48	-$ 10,923.15	-$ 171,129.42	-$ 11,395.95	-$ 178,536.51
Gross Up																				
Income Taxes Payable	$ -	$ -	$ -	$ -	$ (207.28)	$ (3,247.39)	$ (967.64)	$ (15,159.73)	$ (1,476.20)	$ (23,127.19)	$ (11,780.99)	$ (184,568.86)	$ (13,750.33)	$ (215,421.77)	$ (14,286.71)	$ (223,825.14)	$ (14,861.43)	$ (232,829.14)	$ (15,504.69)	$ (242,906.82)
Grossed Up PILs	$ -	$ -	$ -	$ -	-$ 207	-$ 3,247	-$ 968	-$ 15,160	-$ 1,476	-$ 23,127	-$ 11,781	-$ 184,569	-$ 13,750	-$ 215,422	-$ 14,287	-$ 223,825	-$ 14,861	-$ 232,829	-$ 15,505	-$ 242,907

		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Net Fixed Assets											
Enter applicable amortization in years:	27.5										
Opening Gross Fixed Assets		-	$ -	$ -	$ 2,129,811	$ 9,023,973	$ 13,577,298	$ 17,271,048	$ 19,527,548	$ 21,901,048	$ 24,430,548
Gross Capital Additions		$ -	$ -	$ 2,129,811	$ 6,894,162	$ 4,553,325	$ 3,693,750	$ 2,256,500	$ 2,373,500	$ 2,529,500	$ 2,678,000
Closing Gross Fixed Assets		$ -	$ -	$ 2,129,811	$ 9,023,973	$ 13,577,298	$ 17,271,048	$ 19,527,548	$ 21,901,048	$ 24,430,548	$ 27,108,548
Opening Accumulated Amortization		$ -	$ -	$ -	$ 38,724	$ 241,520	$ 652,452	$ 1,213,331	$ 1,882,397	$ 2,635,644	$ 3,478,036
Current Year Amortization (before additions)		$ -	$ -	$ -	$ 77,448	$ 328,144	$ 493,720	$ 628,038	$ 710,093	$ 796,402	$ 888,384
Additions (half-year)		$ -	$ -	$ 38,724	$ 125,348	$ 82,788	$ 67,159.09	$ 41,027	$ 43,155	$ 45,991	$ 48,691
Closing Accumulated Amortization		$ -	$ -	$ 38,724	$ 241,520	$ 652,452	$ 1,213,331	$ 1,882,397	$ 2,635,644	$ 3,478,036	$ 4,415,111
Opening Net Fixed Assets		$ -	$ -	$ -	$ 2,091,087	$ 8,782,453	$ 12,924,846	$ 16,057,717	$ 17,645,151	$ 19,265,404	$ 20,952,512
Closing Net Fixed Assets		$ -	$ -	$ 2,091,087	$ 8,782,453	$ 12,924,846	$ 16,057,717	$ 17,645,151	$ 19,265,404	$ 20,952,512	$ 22,693,437
Average Net Fixed Assets		$ -	$ -	$ 1,045,544	$ 5,436,770	$ 10,853,649	$ 14,491,281	$ 16,851,434	$ 18,455,278	$ 20,108,958	$ 21,822,974

UCC for PILs Calculation

		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Opening UCC		$ -	$ -	$ -	$ 2,044,619	$ 8,499,445	$ 12,190,681	$ 14,761,427	$ 15,746,752	$ 16,765,572	$ 17,852,646
Capital Additions (from Appendix 2-FA)		$ -	$ -	$ 2,129,811	$ 6,894,162	$ 4,553,325	$ 3,693,750	$ 2,256,500	$ 2,373,500	$ 2,529,500	$ 2,678,000
UCC Before Half Year Rule		$ -	$ -	$ 2,129,811	$ 8,938,781	$ 13,052,769	$ 15,884,431	$ 17,017,927	$ 18,120,252	$ 19,295,072	$ 20,530,646
Half Year Rule (1/2 Additions - Disposals)		$ -	$ -	$ 1,064,906	$ 3,447,081	$ 2,276,662	$ 1,846,875	$ 1,128,250	$ 1,186,750	$ 1,264,750	$ 1,339,000
Reduced UCC		$ -	$ -	$ 1,064,906	$ 5,491,700	$ 10,776,107	$ 14,037,556	$ 15,889,677	$ 16,933,502	$ 18,030,322	$ 19,191,646
CCA Rate Class (to be entered)	47	47	47	47	47	47	47	47	47	47	47
CCA Rate (to be entered)	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%
CCA		$ -	$ -	$ 85,192	$ 439,336	$ 862,089	$ 1,123,004	$ 1,271,174	$ 1,354,680	$ 1,442,426	$ 1,535,332
Closing UCC		$ -	$ -	$ 2,044,619	$ 8,499,445	$ 12,190,681	$ 14,761,427	$ 15,746,752	$ 16,765,572	$ 17,852,646	$ 18,995,315

RESPONSES TO ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO INTERROGATORIES

INTERROGATORY 12:

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

Please provide forecast versus actual depreciation for the years 2015 to 2018.

RESPONSE:

Please see Table 1 below for forecast versus actual depreciation for the years 2015 to 2017. Toronto Hydro expects to provide 2018 actual as part of its planned update to the evidence, which is discussed in Exhibit 1A, Tab 3, Schedule 1, Appendix B.

Table 1: Forecast versus actual depreciation expenses for the year 2015 to 2017 ($ Millions)

	2015 Actual	2016 Actual	2017 Actual	2018 Bridge
Net Depreciation	190.1	206.1	217.0	231.5
	2015 Approved	**2016 Approved**	**2017 Approved**	**2018 Approved**
Net Depreciation	206.0	218.7	242.2	257.7
Variance	15.9	12.6	25.2	26.2

RESPONSES TO ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO INTERROGATORIES

INTERROGATORY 13:

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

Please provide the inflationary component amounts for the CIR Filing Plan related to the System Access, System Renewal, System Service and General Plant categories included in Appendix 2-AB.

RESPONSE:

Please see the table below for the inflationary component amounts related to System Access, System Renewal, System Service, General Plant, and Other categories.

Table 1: Inflationary Component Amounts ($ Millions)

	2020 Inflation	2021 Inflation	2022 Inflation	2023 Inflation	2024 Inflation
System Access	7.2	8.8	10.1	12.7	15.3
System Renewal	24.3	30.5	35.4	42.1	45.6
System Service	1.3	2.1	2.8	3.3	4.6
General Plant	4.2	5.7	6.4	8.5	10.8
Other	0.4	0.7	0.9	1.1	1.1
Grand Total	**37.4**	**47.8**	**55.7**	**67.7**	**77.4**

RESPONSES TO ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO INTERROGATORIES

INTERROGATORY 14:

Reference(s): Exhibit 2A, Tab 4, Schedule 3, Appendix 2-AB

Please add 2015 OEB Approved to the table.

RESPONSE:

Please refer to Toronto Hydro's response to interrogatory 2B-Staff-75(a).

RESPONSES TO ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO INTERROGATORIES

INTERROGATORY 15:

Reference(s): **Exhibit 2A, Tab 4, Schedule 2**
EB-2014-0116, Exhibit 2B, Section E6

a) Please map the Programs at Reference #1 (Appendix 2-AA) to the Program Index and Name at Reference #2.

b) Please list all programs from EB-2014-0116 that have been deferred or cancelled.

c) Appendix 2-AA: Please provide the capital contributions forecast versus actual for each of years 2015 to 2018.

d) Appendix 2-AA: Please provide the forecast capital contributions for each of years 2019 to 2024.

e) Please confirm Appendix 2-AA is net of capital contributions.

RESPONSE:

a) Please see below table as requested:

Table 1: Program Mapping: EB-2014-0116 to EB-2018-0165

EB-2014-0116		EB-2018-0165	
Program Index	**Program Name**	**Program Index**	**Program Name**
E6.1	Underground Circuit Renewal	E6.2	Underground Renewal - Horseshoe
E6.2	Paper-Insulated Lead-Covered (PILC) Piece-outs and Leakers		
E6.3	Underground Legacy Infrastructure		
E6.4	Overhead Circuit Renewal	E6.5	Overhead System Renewal
E6.5	Overhead Infrastructure Relocation		
E6.6	Rear Lot Conversion	E6.1	Area Conversions
E6.7	Box Construction Conversion	E6.1	Area Conversions
E6.8	SCADAMATE R1 Renewal		
E6.9	Network Vault Renewal	E6.4	Network System Renewal
E6.10	Network Unit Renewal	E6.4	Network System Renewal
E6.11	Legacy Network Equipment Renewal (ATS & RPB)	E6.4	Network System Renewal
E6.12	Network Circuit Reconfiguration	E6.4	Network System Renewal
E6.13	Stations Switchgear Renewal	E6.6	Stations Renewal
E6.14	Stations Power Transformer Renewal	E6.6	Stations Renewal
E6.15	Stations Circuit Breaker Renewal	E6.6	Stations Renewal
E6.16	Stations Control & Monitoring	E6.6	Stations Renewal
E6.17	Stations Ancillary Systems	E6.6	Stations Renewal
E6.18	Station Buildings	E8.2	Facilities Management and Security
E6.19	Stations DC Battery Renewal	E6.6	Stations Renewal
E6.20	Reactive Capital	E6.7	Reactive and Corrective Capital
E6.21	Worst Performing Feeder	E6.7	Reactive and Corrective Capital
E6.22	Distribution System Communication Infrastructure	E8.4	Information Technology and Operational Technology Systems

Note: The 2020-2024 Underground Renewal Downtown program (E6.3) replaces the PILC Leakers and Piece-outs program and is new in the 2020-2024 term.

b) The following programs included in the 2015-2019 plan are expected to be largely or entirely complete before 2020-2024:

- Paper-Insulated Lead-Covered Leakers and Cable ("PILC") Piece-Outs;
- Underground Legacy Infrastructure;
- Overhead Infrastructure Relocation;
- SCADAMate R1 Switch Renewal;
- Design Enhancements;
- Overhead Momentary Reduction;
- Handwell Upgrades;
- Polymer SMD-20 Switch Renewal;
- Downtown Contingency;
- Feeder Automation;
- Operating Centers Consolidation Program; and
- Program Support.

For more information, please refer to Exhibit 2B, Section E4.2. The remainder of Toronto Hydro's programs are continuous across the 2015-2024 period (i.e. none of Toronto Hydro's planned 2015-2019 programs have been entirely deferred to the 2020-2024 period).

c) Please refer to Toronto Hydro's response to 2B-Staff-75 at Appendix C. 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.

d) Please see Table 2 below.

Table 2: 2019-2024 Forecasted Capital Contributions by Program ($ Millions)

Capital Program	2019 Bridge	2020 Forecast	2021 Forecast	2022 Forecast	2023 Forecast	2024 Forecast
Customer Connection	41.0	30.8	31.4	32.0	32.7	33.3
Generation Connection	2.8	2.9	3.5	3.2	4.1	4.5
Externally Initiated Plant Relocations & Expansion	12.9	34.9	61.4	52.2	51.1	53.0
Energy Storage Systems	17.7	24.3	12.1	5.8	-	-
Total Capital Contributions	**74.4**	**92.9**	**108.4**	**93.2**	**87.8**	**90.9**

e) Toronto Hydro confirms that Appendix 2-AA is net of capital contributions.

RESPONSES TO ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO INTERROGATORIES

INTERROGATORY 16:

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

a) Please identify all programs that are new in EB-2018-0165.

b) Please provide the priority ranking for each program.

RESPONSE:

a) The programs in EB-2018-0165 are continuations from Toronto Hydro's 2015-2019 CIR application in EB-2014-0116, with the exception of:

- The Underground System Renewal - Downtown Program (Exhibit 2B, E6.3)
- The Network Condition Monitoring and Control (Exhibit 2B, E7.3)
- The Control Operations Reinforcement Program (Exhibit 2B, E8.1)

b) The capital investment programs that form part of this application cannot be ranked by priority between them. The investments proposed in this application represent an optimized suite of programs that address distribution system and customer needs and contribute towards Toronto Hydro's outcome objectives. For additional information, please refer to Toronto Hydro's response to interrogatory 2B-SEC-36.

RESPONSES TO BUILDING OWNERS AND MANAGERS ASSOCIATION INTERROGATORIES

INTERROGATORY 47:

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

Please confirm that the forecast 2020 rate base is approximately forty percent (40%) higher than the 2018 approved rate base.

RESPONSE:

Based on 2018 and 2020 rate base shown in Table 1 of Exhibit 2A, Tab 1, Schedule 1, the growth in rate base over that period is calculated as 10%.

Table 1: Growth in Rate Base ($ Millions)

	2018 Bridge	2020 Forecast	Variance	%
Rate Base	4,206.3	4,615.3	409.0	10%

RESPONSES TO BUILDING OWNERS AND MANAGERS ASSOCIATION INTERROGATORIES

INTERROGATORY 48:

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

a) Please provide actual year end and actual Closing PP&E for each of 2015, 2016, 2017, and 2018 (actual to date).

b) Please explain the especially large increase in forecast Closing PP&E for 2019 and 2020, of $219M.

c) Please provide a Table, comparable to Table 2, showing both Assets in Service, and WIP, for each of 2015 to 2019.

RESPONSE:

a) Please refer to Exhibit 2A, Tab 1, Schedule 2, pages 1-4 for the actual closing (i.e. year-end) PP&E balances for 2015-2017 and forecasted closing balance for year-end 2018. 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.

b) Please refer to Exhibit 2A, Tab 1, Schedule 1 at page 10 for the variance explanation between the 2019 Bridge and 2020 Forecast years.

c) Please see Exhibit 2A, Tab 1, Schedule 2, Fixed Asset Continuity Schedules for full details on in-service additions (i.e. assets in service) for each year from 2015 to 2019.

Asset categories are identifiable after capital expenditures are placed in service, therefore Toronto Hydro is unable to report CWIP by asset category. Please refer to Exhibit 2A, Tab4, Schedule1, Table 1 for the CWIP ending balance for each year.

RESPONSES TO BUILDING OWNERS AND MANAGERS ASSOCIATION INTERROGATORIES

INTERROGATORY 49:

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

What accounts for the fact that general plant has increased by a much higher rate than distribution gross plant over the period 2015-2020?

RESPONSE:

The larger increase in General Plant, relative to distribution gross plant, is primarily due to the implementation of the Enterprise Resource Planning ("ERP") system and the execution of the Operating Center Consolidation Program ("OCCP") over the 2015-2019 period. Please see Exhibit 2B, Section E4 for detailed variance analysis.

RESPONSES TO BUILDING OWNERS AND MANAGERS ASSOCIATION INTERROGATORIES

INTERROGATORY 50:

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

What is the system access capital expenditure for 2018 year to date? Is that likely to be the year end amount? On what basis are the 2018 actual numbers calculated for each item?

RESPONSE:

Toronto Hydro expects to provide 2018 actual capital expenditure (including system access capital expenditure) as part of the planned update to the evidence, which is discussed in Exhibit 1A, Tab 3, Schedule 1, Appendix B.

RESPONSES TO BUILDING OWNERS AND MANAGERS ASSOCIATION INTERROGATORIES

INTERROGATORY 51:

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

a) Please confirm that no changes in the application of capitalization policy will be made over the 2020-2024 period without OEB approval.

b) What was the MIFRS? What new IFRS issues are THESL investigating at this time?

c) How many condominium buildings and rental buildings are bulk metered? How many are submetered?

d) What are the current legal/regulatory requirements for sub-metering electricity supply to various building categories?

RESPONSE:

a) Toronto Hydro reviews its capitalization policy every two years or more frequently if necessary when there are new standards or guidance issued by the International Accounting Standards Board. Toronto Hydro will review any changes to ensure that it remains compliant with modified IFRS ("MIFRS"). Any significant capital accounting policy changes are typically applicable to all regulated utilities reporting under IFRS and are approved by the OEB.

b) The OEB generally requires regulatory filing and reporting under IFRS, modified for regulatory purposes using MIFRS as set out in the Accounting Procedures Handbook. Toronto Hydro assesses as part of its quarterly procedures any new IFRS changes as issued by the International Accounting Standards Board.

c) As of September 2018, Toronto Hydro billed at least 3,340 buildings with more than six units and at least 3,986 buildings with six or less units through a single bulk meter. Toronto Hydro is a unit smart metering provider, not a licensed sub-metering provider. Toronto Hydro does not require bulk metered customers to inform Toronto Hydro if there is a sub-metering provider behind the bulk meter, and therefore Toronto Hydro cannot reliably determine the number of sub-metered buildings.

d) The regulatory requirements for sub-metering are provided under Part III of the Energy Consumer Protection Act 2010, and Part II of Ontario Regulation 389/10.

RESPONSES TO ENERGY PROBE RESEARCH FOUNDATION INTERROGATORIES

INTERROGATORY 27:

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

Preamble:

Land and Buildings gross plant increased from $76.2 million in 2015 to $165.4 million in 2018.

Please explain the reasons for this 117% increase in Land and Buildings gross plant in just three years including the names and amounts of three largest projects that caused this increase.

RESPONSE:

The primary reason for the increase in this category between 2015 and 2018 was the completion of Copeland Transformer Station ($81.6 million).

RESPONSES TO ENERGY PROBE RESEARCH FOUNDATION INTERROGATORIES

INTERROGATORY 28:

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

Preamble:

TS Primary Above 50 gross plant increased from $6 million in 2016 to $36.9 million in 2017.

Please explain the reasons for this 515% increase in TS Primary Above 50 gross plant in just one year.

RESPONSE:

In-service additions related to the Copeland Transformer Station project were the primary driver behind the increase in TS Primary Above 50 gross plant from 2016 to 2017.

RESPONSES TO ENERGY PROBE RESEARCH FOUNDATION INTERROGATORIES

INTERROGATORY 29:

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

a) Please confirm that the costs of construction of the Copeland Station Project are included in the table.

b) Please prepare and file a similar table that only shows the Copeland Station Project costs.

RESPONSE:

a) Toronto Hydro confirms that the costs of construction of the Copeland Station Project are included in Exhibit 2A, Tab 4, Schedule 1, p.3, Table 1.

b) Please see Table 1 below. This table includes costs related to both the Copeland Phase 1 and Phase 2 projects.

Table 1: Historical, Bridge and Forecasted Construction Work In Progress – Copeland Station ($ Millions)

	2015 Actual	2016 Actual	2017 Actual	2018 Bridge	2019 Bridge	2020 Forecast
Opening CWIP	133.2	139.6	111.1	70.1	2.5	10.5
Additions (CAPEX)	25.0	22.6	23.5	8.0	8.0	9.5
Deductions (in Service Additions)	(18.6)	(51.1)	(64.5)	(75.6)	-	-
Closing CWIP	139.6	111.1	70.1	2.5	10.5	20.0

RESPONSES TO ENERGY PROBE RESEARCH FOUNDATION INTERROGATORIES

INTERROGATORY 30:

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

Preamble:

"As part of a continuous review process, Toronto Hydro evaluates its policies and practices to incorporate new IFRS pronouncements."

Has Toronto Hydro incorporated any new IFRS pronouncements since the last rebasing application. If the answer is yes, please provide details.

RESPONSE:

Please refer to Exhibit 1C, Tab 3, Schedule 1 where new IFRS pronouncements are detailed.

RESPONSES TO ENERGY PROBE RESEARCH FOUNDATION INTERROGATORIES

INTERROGATORY 31:

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

a) Please confirm that some capital projects are constructed by Toronto Hydro crews while others are contracted out.

b) Please explain Toronto Hydro's practice for contracting out capital construction work. If Toronto Hydro has a written policy that deals with contracting out, please file it. If it does not, please explain why.

RESPONSE:

a) Confirmed.

b) As explained in Exhibit 4A, Tab 4, Schedule 3, section 5.4 (Use of Third Party Service Providers), third party service providers are used as a means of cost-effective resource availability to meet peak demands, maintain flexibility in operations and access specialized expertise. Toronto Hydro uses the procedure for competitive procurement outlined in its Procurement Policy, provided at Exhibit 4A, Tab 3, Schedule 1, Appendix A, to select third party service providers.

RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES

INTERROGATORY 31:

Reference(s): Exhibit 2A

For each program discussed in Exhibit 2B, please explain how Toronto Hydro converts the annual capital expenditure amount to an in-service addition amount.

RESPONSE:

Toronto Hydro tracks in-service additions at the asset level (as this is what depreciation is derived from). It does not generally forecast its in-service additions at a capital program level because to do so would involve a complex mapping exercise involving numerous assumptions which Toronto Hydro does not find to be helpful for operational or financial purposes. The complexities involved include mapping asset-level in-service addition information to programs which contain asset mixes, and making assumptions about the rate at which construction work in-progress comes into service.

Please refer to Exhibit 2A, Tab 1, Schedule 2, Appendix 2-BA for the 2019 and 2020 forecasted additions by asset, and to Toronto Hydro's response to interrogatory 1B-Staff-22 (b) for the 2021 to 2024 forecasted additions by asset. For the historical years, in-service additions are based on the actual attainment project (i.e. date of project completion). This includes capital expenditures in the year of attainment and prior years (i.e. construction work-in-process).

The bridge and test year in-service additions forecast methodology used for 2020-24 is the same as the previous application for 2015-19.

Toronto Hydro has two approaches to forecasting the assets associated with in-service additions:

- For the assets in large discrete distribution systems projects (e.g. Copeland, HONI Stations Expansions) and for General Plant investments, Toronto Hydro uses the latest projections of expected completion dates to forecast the in-service amounts.
- For the assets in the Distribution System Plan categories of System Access, System Renewal, and System Service (e.g. excluding Copeland and HONI station work), in-service additions are calculated based on the historical conversion of capital expenditures and CWIP. The in-service additions total is then proportioned across relevant asset classes based on historical rates of in-service additions by asset class.

RESPONSES TO VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES

INTERROGATORY 8:

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

Table 1: Historical, Bridge and Forecasted Construction Work In Progress ($ Millions)

	2015 Actual	2016 Actual	2017 Actual	2018 Bridge	2019 Bridge	2020 Forecast
Opening CWIP	522.1	577.7	502.9	485.8	311.5	343.5
Additions (CAPEX)	490.6	508.4	496.6	434.7	425.7	514.0
Deductions (In Service Additions)	(435.3)	(584.3)	(520.3)	(608.9)	(397.8)	(489.8)
Other	0.3	1.1	6.5	-	4.2	-
Closing CWIP	577.7	502.9	485.8	311.5	343.5	367.7

a) Please provide the actual year end-CWIP at the close of 2018.

RESPONSE:

a) Toronto Hydro is unable to provide the requested information because it has not completed the financial close-out process for 2018. The utility intends 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 the response 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 9:

Reference(s): 1B, Tab 5, Schedule 1 & 2A, Tab 4, Schedule 2

a) The average capital expenditures during the 2015-2018 or 2019 period was between $478 and $465 million. The rate period spending on capital is on average $565 million. THESL has also been unable to meet its prior capital spending projects. If the Board were to provide for a 10% increase in capital expenditures over the current actuals or $526 million what adjustments would THESL need to make to its capital budgeting to accommodate this decision?

b) Does THESL anticipate the need for any ICM funding over the course of the IRM plan?

RESPONSE:

a) Toronto Hydro's plan is based on the funding proposed. In the event that the OEB orders rates that provide less funding, then Toronto Hydro would engage in a process to revise the plan. Toronto Hydro expects that just as the revised plan would reduce rates, it would also reduce performance on outcomes.

b) Toronto Hydro's application includes a proposal for rates that would fully fund the 2020-2024 DSP plan based on a cost forecast of that plan for the period. In the event that needs of a different type or magnitude materialize over the period, Toronto Hydro will consider the available options for funding treatment.