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RESPONSES TO OEB STAFF INTERROGATORIES

INTERROGATORY 143:

Reference(s): Exhibit 5, Tab 1, Schedule 1, p. 1, p. 5-6
Exhibit 5, Tab 1, Schedule 2, p. 2

- a) Please provide Toronto Hydro’s actual debt to equity ratio for each year 2015-2017 and forecast debt to equity ratio for each year 2018-2020.
- b) Please advise whether the 5 basis point fee charged for administration is the same fee that was approved as part of Toronto Hydro’s 2015-2019 Custom IR proceeding (Exhibit 5 / Tab 1 / Schedule 1 / p. 5).
- c) Please describe the type of costs that 5 basis point administration fee covers. Please confirm that these same administrative costs are not already included in Toronto Hydro’s OM&A budget (including any shared services payments to Toronto Hydro Corporation).
- d) For each promissory note with rates greater than the current deemed long-term debt (Exhibit 5 / Tab 1 / Schedule 1 / p. 5), please provide the following:
 - i) The start date of the debt.
 - ii) The deemed long-term debt rate in place at the time the debt was issued.
 - iii) The need for the debt and rationale supporting taking the debt at the rate offered.

1 e) Please explain the \$45 million promissory note that is due on demand. Specifically,
2 please explain why the rate is set at the deemed long-term debt rate (Exhibit 5 /
3 Tab 1 / Schedule 1 / p. 5).

4
5 f) Please provide rationale supporting the need for the forecasted debt issues
6 (Exhibit 5 / Tab 1 / Schedule 1 / p. 6).

7
8 g) Please confirm that the 3.71% long-term debt rate (Exhibit 5 / Tab 1 / Schedule 2 /
9 p. 2) includes the forecast debt to 2020 and the exclusion of any debt issuances
10 that end in advance of the test year. Please provide the supporting calculation.

11
12
13 **RESPONSE:**

14 a) Toronto Hydro's actual debt to equity ratio for each year from 2015-2017 is provided
15 in our 2017 OEB Scorecard filing. Reference link is: [https://www.oeb.ca/utility-](https://www.oeb.ca/utility-performance-and-monitoring/what-are-electricity-utility-scorecards/electricity-utility)
16 [performance-and-monitoring/what-are-electricity-utility-scorecards/electricity-utility](https://www.oeb.ca/utility-performance-and-monitoring/what-are-electricity-utility-scorecards/electricity-utility).
17 For 2018 actual debt to equity ratio, Toronto Hydro does not currently have this data
18 finalized.

19
20 b) The five basis points administration fee in Toronto Hydro's 2020-2024 CIR application
21 is the same 5 basis points administration fee approved in the EB-2014-0116 Decision
22 and Order.

23
24 c) The five basis point fee represents an upcharge over the market cost of funding to
25 properly document, record and account for liquidity being available to a separate legal
26 entity (Toronto Hydro) and the on-going recordkeeping for transactions. These same
27 administration costs are not already included in the utility's OM&A budget (including

shared services paid to Toronto Hydro Corporation). The nature of these costs is consistent with the costs included and approved in the EB-2014-0116 Decision and Order.

d) Toronto Hydro is assigned debt through promissory notes from its parent, Toronto Hydro Corporation. These promissory notes are written on the same market terms as the parent debt applicable to Toronto Hydro Corporation (plus an additional five basis points for an administration fee).¹ Toronto Hydro has the following promissory notes with rates greater than 4.13 percent (the current deemed long-term debt as per the 2019 Cost of Capital Parameters letter published by OEB on November 22, 2018).

Table 2: Promissory Notes with rates greater than current deemed long-term rate

Debt Description	Debt Rate at Issuance	Debt Issue Date	Deemed Rate at Issuance
\$245M Promissory Note	4.54%	November 12, 2009	7.62% ²
\$200M Promissory Note	5.59%	May 20, 2010	5.87% ³
\$45M Promissory Note	4.16% ⁴	January 1, 2012	5.32% ⁵

e) The \$45 million promissory note was issued under the same terms and conditions as a long-term note held by Toronto Hydro that was subsequently repaid. The debt rate was adjusted based on the OEB's Cost of Capital guidelines published on December 11, 2009 which dictate that any debt that is callable on demand within the test year

¹ Please refer to Exhibit 5, Tab 1, Schedule 1, page 4.

² OEB's Cost of Capital update, issued March 16, 2009.

³ OEB's Cost of Capital update, issued February 24, 2010.

⁴ Please refer to part e of this interrogatory response.

⁵ OEB's Cost of Capital update, issued March 3, 2011.

- 1 period is subject to a ceiling of the deemed long-term debt rate effective that year.
- 2 Consistent with the OEB's guideline the rate is set at 4.16 percent.
- 3
- 4 f) Forecasted new debt issuances are primarily driven by Toronto Hydro's capital
- 5 requirements and the repayment requirements of maturing debt.
- 6
- 7 g) Confirmed. Please refer to Exhibit 5, Tab 2, Appendix 2-OA-OB for supporting
- 8 calculations.

RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES

INTERROGATORY 92:

Reference(s): Exhibit 5

Please provide Toronto Hydro's actual or forecast regulated ROE for each year between 2015 and 2019.

RESPONSE:

For the 2015 to 2017 actual ROE, please refer to Toronto Hydro's response to interrogatory 1B-Staff-29 (a). For 2018 actual ROE, Toronto Hydro does not currently have this data finalized.

RESPONSES TO VULNERABLE ENERGY CONSUMERS COALITION **INTERROGATORIES**

INTERROGATORY 51:

Reference(s): **Exhibit 5**

a) Please provide a table showing for the 2013 through 2018 period:

- The achieved regulatory ROE
- The Board deemed ROE
- The ROE for Toronto Hydro Corporation as reported on SEDAR.

RESPONSE:

a) Please refer to Table 1 below for the achieved regulatory ROE and the Board deemed ROE for the 2013 through 2018 period. Toronto Hydro notes that the ROE for Toronto Hydro Corporation is not reported on SEDAR. For 2018, Toronto Hydro does not currently have the achieved regulatory ROE finalized.

Table 1: Achieved regulatory ROE and the Board deemed ROE

	2013	2014	2015	2016	2017	2018
Achieved regulatory ROE	7.10%	7.41%	10.71%	12.18%	9.08%	N/A
Board deemed ROE	9.58%	9.58%	9.30%	9.30%	9.30%	9.30%

RESPONSES TO VULNERABLE ENERGY CONSUMERS COALITION
INTERROGATORIES

INTERROGATORY 52:

Reference(s): Exhibit 5

a) Please explain why the 2010 series set should be costs at 5.59% when the Board deemed maximum amount for affiliated debt is 4.13%.

RESPONSE:

a) Toronto Hydro is assigned debt through promissory notes from its parent company, Toronto Hydro Corporation. These promissory notes are written on the same market terms as the parent debt applicable to Toronto Hydro Corporation (plus an additional five basis points for an administration fee). At the time of the issuance in May 2010, the actual market rate for Toronto Hydro (inclusive of the administration fee) was 5.59 percent, which was less than the comparable rate of 5.87 percent issued by the OEB in February 2010. The deemed maximum OEB rate of 4.13 percent referenced in the question was published in November 2018.