

**Ontario Energy Board**  
P.O. Box 2319  
27th Floor  
2300 Yonge Street  
Toronto ON M4P 1E4  
Telephone: 416- 481-1967  
Facsimile: 416- 440-7656  
Toll free: 1-888-632-6273

**Commission de l'énergie de l'Ontario**  
C.P. 2319  
27e étage  
2300, rue Yonge  
Toronto ON M4P 1E4  
Téléphone; 416- 481-1967  
Télécopieur: 416- 440-7656  
Numéro sans frais: 1-888-632-6273



**BY EMAIL**

May 21, 2019

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
27th Floor  
2300 Yonge Street  
Toronto ON M4P 1E4

Dear Ms. Walli:

**Re: Toronto Hydro-Electric System Limited (Toronto Hydro)  
Application for 2020-2024 Rates  
OEB Staff Interrogatories on Application Update  
Board File Number: EB-2018-0165**

In accordance with the Decision on Confidentiality and Procedural Order No. 4, please find attached OEB staff's interrogatories on the application update in the above noted proceeding. Toronto Hydro and all intervenors have been copied on this filing.

Toronto Hydro's responses to interrogatories are due by June 11, 2019.

Yours truly,

*Original Signed By*

Lawrie Gluck  
Case Manager

cc: All parties in EB-2018-0165

**TORONTO HYDRO-ELECTRIC SYSTEM LIMITED**

**2020-2024 RATES**

**EB-2018-0165**

**OEB STAFF INTERROGATORIES ON APPLICATION UPDATE**

**May 21, 2019**

**Exhibit U1A – Administration**

**Interrogatory Response and Undertaking Response Updates**

**U-Staff-166**

**Ref: Multiple Interrogatory and Undertaking Responses**

Question(s):

- a) Please update the following interrogatory responses to include 2018 actuals (and revised 2019 forecasts) as appropriate:
- i. 1C-Staff-48 / parts (f), (g)
  - ii. 2A-Staff-59 / part (c)
  - iii. 2B-Staff-75 / parts (b), (c), (d)
  - iv. 2B-Staff-76 / part (c)
  - v. 2B-Staff-78 / parts (a), (b – add 2018 to Tables 3 and 4 and show the revised capital contribution percentage calculated using the 2014-2018 data and both Toronto Hydro’s proposed weighted average methodology and a simple average methodology)
  - vi. 2B-Staff-81 / part (c – add 2018 to Table 1 and provide 2015-2018 average)
  - vii. 2B-Staff-84 / parts (a), (b – update 2018 in Table 2 and provide updated unit costs for 2019-2024 based on the 2015-2018 data and Toronto Hydro’s proposed weighted average methodology)
  - viii. 2B-Staff-91 / parts (b), (c)
  - ix. 3-Staff-107 / part (b)
  - x. 4A-Staff-112
  - xi. 4A-Staff-128 / part (b)
  - xii. 4A-Staff-131 / part (b)

- xiii. 4A-Staff-138 / part (b)
- xiv. 9-Staff-154 / part (b-iv)

b) Please update the following undertaking responses to include 2018 actuals (and revised 2019 forecasts) as appropriate:

- i. JTC1.10
- ii. JTC1.15
- iii. JTC 4.3

For all interrogatories and undertakings where excel spreadsheets have been previously provided, please provide updated excel spreadsheets.

### **Exhibit U1B – Requests and Rationale**

#### **U-Staff-167**

**Ref: Exhibit U / Tab 1B / Schedule 1 / p. 6**

Preamble:

Toronto Hydro stated that the debt to equity ratio was 1.20 in 2018 compared with 1.34 in 2017. The 2018 value reflects the provision of approximately \$43 million in dividends in 2018.

Question(s):

- a) Please further explain the change to the debt to equity ratio and provide the calculation.

### **Exhibit U2 – Rate Base and Capital Expenditures**

#### **U-Staff-168**

**Ref: Exhibit U / Tab 2 / Schedule 1 / pp. 1-2, 8-9  
Exhibit U / Tab 2 / Schedule 2 / p. 21**

Preamble:

Toronto Hydro provided an updated rate base summary table as follows:

	OEB Approved <sup>1</sup>	Actual				Bridge	Forecast
	2015	2015	2016	2017	2018	2019	2020
Opening PP&E NBV	2,849.0	2,843.2	3,085.4	3,462.0	3,744.7	4,038.8	4,270.4
Closing PP&E NBV	3,134.7	3,085.4	3,462.0	3,744.7	4,038.8	4,232.3	4,489.8
<b>Average PP&amp;E NBV</b>	<b>2,991.8</b>	<b>2,964.3</b>	<b>3,273.7</b>	<b>3,603.4</b>	<b>3,891.8</b>	<b>4,135.6</b>	<b>4,380.1</b>
Working Capital Allowance	240.2	247.9	275.8	247.4	232.1	287.2	235.2
<b>Rate Base</b>	<b>3,232.0</b>	<b>3,212.2</b>	<b>3,549.5</b>	<b>3,850.8</b>	<b>4,123.9</b>	<b>4,422.7</b>	<b>4,615.3</b>

Toronto Hydro also provided an updated construction work in progress (CWIP) summary table as follows:

	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Bridge	2020 Forecast
Opening CWIP	522.1	577.7	502.9	485.8	396.4	343.5
Additions (CAPEX)	490.6	508.4	496.6	434.9	425.3	514.0
Deductions (In Service Additions)	(435.3)	(584.3)	(520.3)	(524.4)	(440.6)	(489.8)
Other	0.3	1.1	6.5	0.0	-	-
Closing CWIP	577.7	502.9	485.8	396.4	381.1	367.7

Toronto Hydro stated that its 2020 rate base forecast is unchanged as the impact of rate base variances in 2018 and 2019 on the forecast net fixed asset component of 2020 rate base will be less than 1%. Toronto Hydro also proposes no changes to its 2020 in-service additions (ISAs).

In a number of places throughout the capital expenditure-related evidence update, Toronto Hydro stated that capital projects (and associated costs) have moved into the 2020-2024 period. For example, with respect to capital contributions to Hydro One for the Horner TS, Toronto Hydro stated that it deferred contributions to the 2020-2024 period.

Question(s):

- a) Please confirm that it is Toronto Hydro's proposal to maintain the 2020 opening PP&E NBV amount of \$4,270.4 million in the context that the 2019 closing PP&E NBV amount is \$4,232.3 million. If so, please explain why this is appropriate.
- b) Please confirm that it is Toronto Hydro's proposal to make no changes to its 2020 in-service addition (ISA) forecast (\$489.8 million) (or 2021-2024 ISA forecasts) in the context that there were changes to 2018 actual ISAs and 2019

forecast ISAs (and there are a number of projects specifically referenced where changes are expected to occur during the IR term). If so, please explain why this is appropriate.

**U-Staff-169**

**Ref: Exhibit U / Tab 2 / Schedule 1 / p. 9**

Preamble:

Toronto Hydro proposes to update its 2020 working capital allowance (WCA) during the draft rate order process of this proceeding. Toronto Hydro stated part of the change to the WCA is due to the OEB's revised Customer Service Rules (extension of bill payment dates). Toronto Hydro estimated the revenue requirement impact of this aspect of the WCA change to be a \$1.6 million increase (offset by a \$2.2 million revenue requirement decrease related to the approach used to calculate cost of power).

Question(s):

- a) Please provide further details regarding the impact of the OEB's revised Customer Service Rules on the collection lag component of Toronto Hydro's Lead / Lag study.
- b) Please provide the calculation supporting the \$1.6 million revenue requirement impact of this change to the WCA.

**U-Staff-170**

**Ref: Exhibit U / Tab 2 / Schedule 1 / p. 2 and Appendix A  
2B-Staff-75 / part (a) (ii)**

Preamble:

Toronto Hydro projects its net total five-year ISAs to be approximately 1% greater than the forecast amount, which formed the basis of its approved capital-related revenue requirement for the 2015-2019 period.

Toronto Hydro provided an updated 2B-Staff-75 / part (a) (ii) as Appendix A to Exhibit U / Tab 2 / Schedule 1.

Question(s):

- a) Please confirm that the 1% figure referenced in the preamble is in relation to the OEB-approved ISAs (as opposed to the planned amounts set out in the 2015-2019 Custom IR application<sup>1</sup>).
- b) Please provide a revised Exhibit U / Tab 2 / Schedule 1 / Appendix A that compares the actual / forecast ISAs to the planned ISAs that were proposed in the 2015-2019 Custom IR application for each year (as opposed to the approved amounts).
- c) Please further explain the decrease in the 2018 ISAs as between forecast in the originally filed evidence (\$608.9 million) and the 2018 actuals (\$524.4 million).
- d) Please further explain the increase in the 2019 ISAs as between forecast in the originally filed evidence (\$397.8 million) and the updated 2019 forecast (\$440.6 million).

**U-Staff-171**

**Ref: Exhibit U / Tab 2 / Schedule 2 / Appendix C**

Question(s):

- a) Please confirm that Appendix C to Exhibit U / Tab 2 / Schedule 2 compares the actual / forecast capital expenditures to the planned amounts that were proposed in the 2015-2019 Custom IR application (as opposed to the OEB-approved amounts).
- b) Please explain why Toronto Hydro compares actual ISAs to OEB-approved ISAs but compares actual capital expenditures to the planned capital expenditure amounts from the 2015-2019 Custom IR application.
- c) Please provide a revised Exhibit U / Tab 2 / Schedule 2 / Appendix C that compares the actual / forecast capital expenditures to the amounts that were approved in the 2015-2019 Custom IR proceeding (as opposed the planned amounts).
- d) Please provide revised tables both in the format of Appendix C (comparing to planned amounts) and as requested in part (c) to this question (comparing to

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<sup>1</sup> EB-2014-0116.

approved amounts) that include columns for total historical variance analysis for the period 2015-2019.

**U-Staff-172**

**Ref: Exhibit U / Tab 2 / Schedule 2 / Appendix A  
Chapter 2 Appendices / Tab 2-AA**

Preamble:

The total capital expenditure amounts are relatively unchanged in each of 2018 and 2019 as between originally filed and updated amounts. For 2018, the total capital expenditures (less non rate-regulated) were originally forecast to be \$434.7 million and have been updated to \$434.9 million. For 2019, the total capital expenditures (less non rate-regulated) were originally forecast to be \$425.7 million and have been updated to \$425.3 million. However, at the program level, the changes in capital expenditures as between originally filed and updated amounts are material for some programs.

Question(s):

- a) Please provide a revised Appendix A that includes, for 2018 and 2019, additional columns showing the originally filed capital expenditure amounts.
- b) Please explain why, in the context that there have been some material changes to the capital expenditures at the program level in 2018 and 2019, Toronto Hydro is not proposing any changes to the 2020-2024 capital expenditures.

**U-Staff-173**

**Ref: 2B-Staff-80 / Part (b)  
JTC1.8  
Exhibit U / Tab 2 / Schedule 2 / p. 10**

Preamble:

Toronto Hydro stated that the \$36,000 cost per customer for rear-lot conversion projects is based on an average for three projects (Markland Woods, Thorncrest, and Forest Hill) that were completed during the 2013-2017 period.

Toronto Hydro stated that it selected the noted projects to determine the average cost per customer for the 2020-2024 rear-lot conversion program as they were the most recently completed projects at the time that the application was filed.

Toronto Hydro provided updated 2018 actual costs for rear-lot conversion projects as part of the application update.

Question(s):

- a) Please recalculate the average cost per customer based on all rear-lot conversion projects completed (both civil and electrical work) during the 2013-2018 period. As part of the response, please provide a table that lists each project including: (i) the name of the project; (ii) the number of customers converted; (iii) the total civil costs; (iv) the total electrical costs; (v) the average cost per customer; (vi) the year the project was started; and (vii) the year the project was completed.

**U-Staff-174**

**Ref: 2B-Staff-80 / Part (c)**

**JTC1.9**

**Exhibit U / Tab 2 / Schedule 2 / p. 10**

Preamble:

Toronto Hydro stated that the \$29,000 cost per pole for box construction projects is based on an average for four projects that were completed during the 2015-2017 period.

Toronto Hydro stated that it selected the noted projects to determine the average cost per pole for the 2020-2024 box construction program as they were the most recently completed projects at the time that the application was filed.

Toronto Hydro provided updated 2018 actual costs for box construction projects as part of the application update.

Question(s):

- a) Please recalculate the average cost per pole based on all box construction projects completed during the 2013-2018 period. As part of the response, please provide a table that lists each project including: (i) the name of the project; (ii) the number of poles; (iii) the average cost per pole; (iv) the year the project was started; and (v) the year the project was completed.



**U-Staff-175**

**Ref: 2B-AMPCO-21**

**Exhibit 2B / Section A4 / p. 10 / Figure 3**

Preamble:

Toronto Hydro provided the proportion of assets that would be in service past useful life at the end of 2017. As part of interrogatory 2B-AMPCO-21, Toronto Hydro also indicated what percentage of assets were in HI4 or HI5 condition at the end of 2017.

Question(s):

- a) Please update the pie chart in Exhibit 2B / Section A4 / p.10 / Figure 3 based on the 2018 year end (as opposed to 2017 year end as originally filed).
- b) Please update the pie chart in 2B-AMPCO-21 / part (b) based on the 2018 year end (as opposed to the 2017 year end as originally filed).
- c) Please update the pie chart in Exhibit 2B / Section A4 / p.10 / Figure 3 based on the 2018 year end, showing only those same assets found in the pie chart in 2B-AMPCO-21 / part (b).

**Exhibit U3 – Operating Revenue**

**U-Staff-176**

**Ref: Exhibit U / Tab 3 / Schedule 1 / p. 3**

**3-Staff-106**

Preamble:

In 3-Staff-106, OEB staff inquired about the impacts on the load forecast due to the TTC Spadina extension and the proposed Eglinton Crosstown project. Toronto Hydro stated that the updated historical loads now contain the full impact of the Spadina extension and therefore are reflected in the load forecast.

Toronto Hydro noted that the load impacts of the Eglinton Crosstown project are uncertain in both level and timing, and would not have a material impact on rate setting for the IR period. They have not been reflected in the updated load forecast.

Question(s):

- a) In stating that “[t]he updated historical loads now contain the full impact of the Spadina extension and therefore are reflected in the load forecast”, is Toronto Hydro explaining that the added year of 2018 actuals now includes the incremental load of the operation of the Spadina line extension on Toronto Hydro’s system? If possible, please provide the direct impact of this change on Toronto Hydro’s load forecast.
  
- b) In stating that “[a]s noted in Toronto Hydro’s interrogatory response [3-Staff-106], the load impacts of the Eglinton Crosstown project are uncertain in both level and timing, and would not have a material impact on rate setting for the CIR period”, what is the analysis that Toronto Hydro has done in order to reach its conclusion that “... the load impacts of the Eglinton Crosstown project ... would not have a material impact on rate setting for the CIR period”?
  
- c) Are all capital costs to connect the Eglinton Crosstown project, including reinforcement of Toronto Hydro’s upstream assets (e.g., feeders and transformer station equipment) funded through capital contributions from Metrolinx? Please explain your response.

**U-Staff-177**

**Ref: Exhibit U / Tab 3 / Schedule 1 / p. 5  
Exhibit U / Tab 7 / Schedule 1 / p. 1**

Question(s):

- a) Please advise whether the reduction in the 2019-2024 customer forecast for the large use class is related to the reclassification of certain large use customers as GS 1000-4999 kW customers. If so, please explain why there is also a reduction to the 2019-2024 customer forecast for the GS 1000-4999 kW rate class.

**U-Staff-178**

**Ref: Exhibit U / Tab 3 / Schedule 2 / p. 2**

Preamble:

Toronto Hydro proposed a \$3.0 million reduction to specific service charge revenue in 2020 due to the removal of the Collection of Account and Install / Remove Load Control Devices charges in accordance with the Customer Service Rules review.

Toronto Hydro also proposed increased other income of \$2.0 million in 2020 due to reduced merchandising and jobbing costs as a result of capitalization of major assets related to accident claims.

Question(s):

- a) Please explain how the \$3.0 million reduction to the specific service charge revenue was estimated. Please provide 2015-2018 historic revenues associated with the Collection of Account and Install / Remove Load Control Devices specific service charges.
- b) Please further explain the capitalization change for major assets related to accident claims.

**U-Staff-179**

**Ref: Exhibit U / Tab 3 / Schedule 2 / Appendix A  
Technical Conference Transcripts / Vol. 3 / pp. 25-26**

Preamble:

Toronto Hydro has had (or forecasts) gains on the disposition of utility and other property in every year 2015-2019. However, Toronto Hydro forecasts zero revenue from gains on the disposition of utility property in 2020.

At the technical conference, Toronto Hydro stated that at the time of the development of its application it did not have a plan for further disposition of assets.

Question(s):

- a) Please confirm that it continues to be Toronto Hydro's position that there is no 2020 revenue related to the gain on disposition of utility and other property as no assets have been planned for sale in 2020.

**Exhibit U4A – Operating Costs**

**U-Staff-180**

**Ref: Exhibit U / Tab 4A / Schedule 1 / pp. 2, 5**

Preamble:

Toronto Hydro stated that its customer-owned equipment services costs in 2018 were in line with 2017 but \$1.6 million higher than originally forecast due to the increase in volume of customer requests for Toronto Hydro to facilitate safe entry into customer-owned vaults.

Toronto Hydro has increased its 2020 forecast of customer-owned equipment service costs by \$1.0 million relative to the original filing due to this higher demand.

Question(s):

- a) Please further explain the reason for this increase in customer-owned equipment service costs relative to the original 2018 forecast. Please also explain why these increased costs are expected to continue into 2020.

**U-Staff-181**

**Ref: Exhibit U / Tab 4A / Schedule 1 / p. 6  
4A-Staff-115 / part (b)**

Question(s):

- a) Please explain why the 2020 local demand response budget was increased by \$0.8 million (from zero) as part of the application update. Please provide the response in the context of the information provided by Toronto Hydro in 4A-Staff-115 / part (b).

**U-Staff-182**

**Ref: Exhibit U / Tab 4A / Schedule 1 / p. 7**

Question(s):

- a) Please explain why the reduced property tax and utilities expenses experienced in 2018, which were \$1.2 million lower than originally forecast, are not expected to continue in 2019 and 2020.

**U-Staff-183**

**Ref: Exhibit U / Tab 4A / Schedule 1 / p. 8**

Preamble:

Toronto Hydro stated that the costs of the supply chain program were approximately \$1.3 million lower than originally forecast. The difference is due to changes in the accounting treatment for open bin equipment. Toronto Hydro stated that these changes are not expected to carry forward into the 2019 budget.

Question(s):

- a) Please further explain the accounting change that occurred in 2018 and explain why the change would not continue in 2019 and 2020.

**U-Staff-184**

**Ref: Exhibit U / Tab 4A / Schedule 1 / p. 9  
JTC3.10**

Preamble:

Toronto Hydro stated that the 2018 customer care costs were \$5.3 million lower than the forecast provided originally. However, no changes were made to the 2019 and 2020 forecast for the customer care budget.

Toronto Hydro originally anticipated bad debt expense to increase in 2018. Although this expectation did not materialize in 2018, Toronto Hydro continues to believe that it is reasonable, based on the trends and indicators discussed in JTC3.10, to expect an increase in bad debt over the forecast period.

Question(s):

- a) Please provide a detailed breakdown of the \$5.3 million reduction to customer care costs between the original evidence and the updated evidence. For each sub-category, please explain why the savings are not expected to continue in 2018 and 2019.
- b) Please provide a table showing the updated bad debt expense for 2015-2020.
- c) Please explain why the trends and indicators discussed in JTC3.10 should be considered valid when the historical actuals do not reflect an increase in bad debt expense.

**U-Staff-185**

**Ref: Exhibit U / Tab 4A / Schedule 3 / p. 2**  
**Exhibit U / Tab 4A / Schedule 3 / Appendix A**

Preamble:

Toronto Hydro noted that it hired a lower number of FTEs in 2018 than it had originally forecast. Toronto Hydro stated that this was in large part due to the delay in hiring Power Line Technicians (PLTs) as Toronto Hydro was unable to come to an agreement with respect to this role with the Power Workers Union (PWU).

Question(s):

- a) Please discuss whether the negotiation issue with respect to the PLT position is expected to have an impact on 2019 and 2020 FTEs.
- b) Please advise whether Toronto Hydro is currently on track to hire approximately 100 FTEs between 2018 and 2019 (1,425 in 2018 to 1,523 in 2019). If not, please explain what impact this will have on the 2020 test year FTE count (and associated compensation).

**U-Staff-186**

**Ref: Exhibit U / Tab 4A / Schedule 3 / p. 5**  
**Exhibit U / Tab 4A / Schedule 3 / Appendix C**

Preamble:

Table 5 presents the actual and forecast OPEB costs for the period 2015 to 2020. The amount presented for 2020 underpins what is included in the test period revenue requirement related to OPEBs.

Question(s):

- a) Please explain why the years 2019 and 2020 do not agree to the updated actuarial valuation.
- a) Please update Table 5 so that it reflects the OPEB expense as calculated in the updated actuarial valuation. Please advise whether Toronto Hydro agrees that OPEB expense calculated based on the updated actuarial valuation should be the amount reflected in the proposed revenue requirement.

## **Exhibit 4B – Depreciation and PILs**

### **U-Staff-187**

**Ref: Exhibit U / Tab 4B / Schedule 1 / p. 3**

Preamble:

Toronto Hydro stated that it updated its 2019 derecognition forecast based on a four-year average as opposed to a three-year average, which was used in the original filing.

Question(s):

- a) Please provide the calculations supporting both the 2019 and 2020 derecognition expense forecasts. Please advise whether the derecognition expense in 2019 and 2020 have been forecast on the same basis. If they have not been forecast on the same basis, please provide rationale and recalculate the 2020 derecognition expense on the same basis as 2019.

### **U-Staff-188**

**Ref: Exhibit U / Tab 4B / Schedule 2**

Preamble:

The Government of Canada's 2018 Fall Economic Statement was tabled on November 21, 2018.

It proposes the following measures for certain eligible property acquired after November 20, 2018:

- Accelerated Investment Incentive – Providing an enhanced first-year allowance for certain eligible property that is subject to the Capital Cost Allowance (CCA) rules. In general, the incentive will be made up of two elements:
  - applying the prescribed CCA rate for a class to up to one-and-a-half times the net addition to the class for the year
  - suspending the existing CCA half-year rule (and equivalent rules for Canadian vessels and class 13 property).

- Full Expensing for Manufacturers and Processors – Allowing businesses to immediately write off the full cost of machinery and equipment used for the manufacturing or processing of goods (class 53).
- Full Expensing for Clean Energy Investments – Allowing businesses to immediately write off the full cost of specified clean energy equipment (classes 43.1 and 43.2).

The Federal Government's 2019 Budget, announced on March 19, 2019, confirmed the Government's intention to proceed with the above proposals.

Question(s):

- a) Please confirm whether Toronto Hydro has reflected the impact of the new accelerated CCA rules in its Corporate Tax / PILs calculations for 2020-2024 that are currently on the record of this proceeding.
- b) If the accelerated CCA is not reflected within Toronto Hydro's 2020-2024 PILs calculations, please explain why. Please also provide updated detailed PILs calculations and supporting CCA tables for the period 2020-2024 that reflect the new accelerated CCA rules.
- c) As the accelerated CCA rules are effective November 20, 2018, please advise whether Toronto Hydro prepared its 2018 corporate tax return using these new CCA rules. If not, please explain why.
- d) In the context that the approved 2018 and 2019 rates were underpinned by the old CCA rules, please explain how Toronto Hydro is planning to make ratepayers whole with respect to the 2018 and 2019 revenue requirement impact associated with the difference between the PILs amounts included in rates for those years and the PILS amounts that would have been included in rates had they been based on the new accelerated CCA rules.
- e) Please provide the calculations for 2018 and 2019 revenue requirement impact had the PILs for those years been calculated using the new accelerated CCA rules.
- f) If Toronto Hydro is not planning to make ratepayers whole with respect to the 2018 and 2019 revenue requirement impact associated with the change in CCA rules, please explain why such an approach is appropriate.



## **Exhibit 8 – Rate Design**

### **U-Staff-189**

**Ref: Exhibit U / Tab 8 / Schedule 1 / p. 3 and Appendix A**

Question(s):

- a) Please explain what changes are reflected in the updated bill impact tables.

## **Exhibit 9 – Deferral and Variance Accounts**

### **U-Staff-190**

**Ref: Exhibit U / Tab 9 / Schedule 1  
DVA Continuity Schedule (excel)**

Preamble:

Toronto Hydro submitted a Deferral and Variance Account (DVA) continuity schedule that is different than the OEB issued model. This makes the review of the model very difficult as it is not clear if formulas were changed and whether the data input is consistent across all other schedules of the model. OEB staff is aware that an OEB issued DVA continuity model is not yet available for 2020 rates.

Question(s):

- a) To facilitate a more timely review, please complete the enclosed OEB DVA continuity model that has been customized to allow for disposition of audited 2018 DVA balances.

### **U-Staff-191**

**Ref: Exhibit U / Tab 9 / Schedule 1 / pp. 2, 12 and Appendix E**

Question(s):

- a) Please provide, by account (including Group 2 accounts and other balances – i.e. Accounts Receivable credits, deferred gain on disposals), the amount proposed for disposition as part of the current proceeding (showing principal and carrying charges separately) related to forecast 2019 activity. Please provide an estimate

of the bill impacts for a typical residential and GS < 50 kW customer of removing the 2019 amounts from the proposed disposition.

- b) Please explain Toronto Hydro's proposal with respect to the Lost Revenue Adjustment Mechanism Variance Account (LRAMVA). Specifically, please discuss whether Toronto Hydro intends to seek clearance of the balance in this account as part of the current proceeding (or some future proceeding).

**U-Staff-192**

**Ref: Exhibit U / Tab 9 / Schedule 1 / pp. 1-2  
Exhibit U / Tab 1C / Schedule 4  
DVA Continuity Schedule (excel)**

Preamble:

Toronto Hydro submitted a DVA continuity schedule that presents the audited December 31, 2018 DVA balances. However, it is not clear how each of the accounts in the continuity schedule reconciles to Note 8 of the December 31, 2018 audited financial statements of Toronto Hydro-Electric System Limited. For example, the DVA continuity schedule presents a December 31, 2018 principal and interest balance in the Capital-Related Revenue Requirement Variance Account (CRRVA) of a credit of \$53.8 million whereas Note 8 of the audited financial statements shows a credit of \$56.5 million. In addition, the DVA continuity schedule presents a principal and interest balance in the Operating Centres Consolidation Program (OCCP) account of a \$53.3 million credit compared to a credit of \$61.9 million in Note 8.

Question(s):

- a) Please prepare a table that compares each of the December 31, 2018 closing Group 1 and Group 2 account balances as presented in the DVA continuity schedule (principal and interest combined) to the corresponding audited regulatory account balance as presented in Note 8 of the 2018 audited financial statements of Toronto Hydro-Electric System Limited. Please ensure that any groupings of DVA accounts that is done for financial statement purposes can be mapped to the sum of the individual accounts as presented in the DVA continuity schedule.
- b) For each variance identified in the table above, please provide an explanation for the variance. Please ensure that the explanation provided outlines the nature of

the variance and why a deviation from the audited balance is appropriate / warranted.

- c) For any regulatory account balance that is presented in Note 8 of the 2018 audited financial statements but is not included in the DVA continuity schedule provided in the application update, please provide an explanation as to why it has been excluded and why it is appropriate to do so. Please also highlight any balances that are contained within the DVA continuity schedule but are not included in Note 8 of the audited financial statements and provide an explanation as to why that is the case.

### **U-Staff-193**

**Ref: Exhibit U / Tab 9 / Schedule 1 / p. 4  
Exhibit U / Tab 4A / Schedule 3 / Appendix C  
Exhibit 9 / Tab 1 / Schedule 1 / pp. 7-10  
EB-2015-0049 / Report of the Ontario Energy Board on Regulatory  
Treatment of Pension and OPEB Costs**

Preamble:

Account 1508 Other Regulatory Asset – Sub-account – Impact for US GAAP Deferral tracks the actuarial gains and losses related to Toronto Hydro’s OPEBs, which the utility is required to report in Other Comprehensive Income for financial reporting purposes, and are never amortized into profit or loss. In approving such DVA accounts, the OEB expected that amounts accumulated within these accounts would off-set over time and therefore would likely never require disposition. However, as part of the Report of the Ontario Energy Board on Regulatory Treatment of Pension and OPEB costs (dated September 14, 2017), the OEB stated that utilities may propose disposition of balances tracked in this account if the amounts do not substantively offset over-time.

As part of the original evidence filed in this proceeding, Toronto Hydro was seeking recovery of the balance in this account on the basis that changes in the underlying actuarial assumptions, in particular, changes in the discount rate, are not expected to substantially offset the actuarial loss incurred to date. Toronto Hydro proceeded to provide extensive analysis to support their claim (Exhibit 9 / Tab 1 / Schedule 1 / pp. 7-10).

Toronto Hydro submitted an updated actuarial valuation for the period 2019-2024 as part of the application update. The valuation resulted in an actuarial gain of \$37.2 million that reduced the balance in account 1508 Other Regulatory Asset – Sub-account –

Impact for US GAAP Deferral from the \$85.3 million filed as part of the original evidence in this proceeding to \$48.1 million as at December 31, 2018.

Question(s):

- a) The updated valuation and resulting actuarial gain contradicts the statements made by Toronto Hydro in its original evidence filed in support of its disposition of this account balance. Specifically, the changes in the underlying actuarial assumptions in the most recent actuarial valuation has resulted in an almost 50% reduction in the account balance compared to the original evidence. In this context, please explain whether Toronto Hydro still believes that the balance in account 1508 Other Regulatory Asset – Sub-account – Impact for US GAAP Deferral will not offset over time.

**U-Staff-194**

**Ref: Exhibit U / Tab 9 / Schedule 1 / p. 5**

Question(s):

- a) Please explain the change as between the original filing and the application update with respect to the “other adjustments” made to the balance in the CRRRVA. Please provide details of how the “other adjustments” were calculated for 2018 and 2019.

**U-Staff-195**

**Ref: Exhibit U / Tab 9 / Schedule 1 / p. 9**

Preamble:

Toronto Hydro is seeking disposition of a credit balance of \$73.5 million with respect to its OCCP account (including forecast for 2019). This account is supposed to accumulate the difference between the estimated net gains on the sale of the 5800 Yonge and 28 Underwriters properties, grossed up for PILs tax savings, that were approved for disposition in Toronto Hydro’s 2015-2019 Custom IR proceeding, and the actual net gains on the properties, grossed up for PILs tax savings, that were realized when the properties were actually sold.

Question(s):

- a) In Table 12, it is not clear why the estimated net gain that was approved for disposition in Toronto Hydro's 2015-2019 Custom IR proceeding has changed compared to the original filed evidence in this proceeding (i.e. the row titled, "Forecasted total disposition up to 2018" in Table 12). Please advise whether the amount set out in the noted row represent the OEB approved estimated net gain amount from Toronto Hydro's 2015-2019 Custom IR proceeding.
- b) Please explain why there is a forecasted amount for 2019. Please advise whether the properties were sold by the end of 2018. If so, why would amounts accrue to this account after 2018?

**U-Staff-196**

**Ref: Exhibit U / Tab 9 / Schedule 1 / pp. 9-10**

Preamble:

Toronto Hydro is seeking disposition of its OPEB cash vs accrual account and has presented the accumulation of the account balance since it was opened in the updated evidence.

Question(s):

- a) Please confirm that the first row of Table 13 represents the forecast OPEB costs recovered in rates through OM&A expense for the years specified. If not, then please explain what this amount represents and why it is appropriate to use for purposes of calculating the balance within this DVA account.
- b) If the response to the above is yes, please provide reference to Toronto Hydro's 2015-2019 Custom IR proceeding where these amounts were approved (including the exhibit where the amounts can be confirmed). If the amounts cannot be tied directly to the evidence in the application, please explain how Toronto Hydro has determined these amounts for purposes of calculating the annual balance that gets recorded within this account. Please provide all underlying calculations used to determine the amounts used in Table 13.
- c) Please provide the supporting calculations used to derive / estimate the annual "capital depreciation collected for OPEB".

**U-Staff-197**

**Ref: GA Analysis Workform (excel)**

Preamble:

Toronto Hydro completed a GA Analysis Workform in support of its disposition of the December 31, 2018 balance in account 1589.

Question(s):

- a) For transparency purposes, please provide an updated GA Analysis Workform such that cell C62 of Note 5 represents the actual transactions recorded to the account during 2018 as presented in the applicant's general ledger. Therefore, it should exclude the impact of the reversal of the principal adjustment that was recorded to account 1589 as part of the 2017 closing balance. The reversal of that principal adjustment should be recorded separately in Note 5 on its own line.
- b) Please also update the DVA continuity schedule to remove the reversal of the 2017 principal adjustment from the "Transactions debit / (credit) during 2018" column and record it in the "Principal Adjustment during 2018" column.
- c) In regard to the \$50 million principal adjustment that was recorded against account 1589 in 2017, Toronto Hydro had explained that it was a result of a flaw in the consumption data used. Please explain what Toronto Hydro has done to ensure a similar error has not repeated in 2018.
- d) Please complete and submit the required responses to Appendix A of the GA Analysis Workform Instructions which can be found on the OEB website.
- e) As part of Adjustment 4 in Note 5 of the 2018 GA Analysis workform, Toronto Hydro has recorded a reversal of 2017 timing difference that it had identified and presented in Note 5 of its 2017 GA Analysis Workform. The timing difference relates to the lag between when the Class A GA charges from the IESO are received and when they are actually billed to Class A customers. Please advise whether this timing difference exists with respect to the December 2018 Class A GA charges from the IESO.

If so, why has Toronto Hydro not proposed an adjustment in Note 5 of the 2018 GA Analysis Workform to remove the impact of the year-end 2018 timing difference related to Class A GA (i.e. the December 2018 Class A GA charges that it billed to its Class A customers in January 2019)? If required, please quantify and update Note 5 of the GA Analysis Workform accordingly.

- f) Toronto Hydro presented an adjustment in Note 5 of the 2018 GA Analysis Workform to account for the difference between the actual system losses and billed TLF's. Using the consumption data presented in Note 4 of the GA Analysis Workform, and the difference between the actual and billed loss factors, please provide a reasonability calculation that quantifies and supports the balance of adjustment 7 presented in Note 5 of the 2018 GA Analysis Workform.
  
- g) In the 2017 GA Analysis Workform, Toronto Hydro presented a reconciling adjustment in Note 5 (Adjustment 8) that was necessary in order to account for the fact that "the current month consumption includes true-up of prior period usage. In the GL, the true-up is based on the prior period's corresponding rate, while the GA Workform uses only the current month's rate".

Toronto Hydro did not propose a similar reconciling adjustment in the 2018 GA Analysis Workform. Please advise whether the condition that gave rise to the reconciling item in 2017 does not exist anymore. If so, please explain why. If the condition still exists, please quantify the impact for 2018 and update the GA Analysis Workform accordingly.