Daliana Coban

Manager, Regulatory Law Toronto Hydro-Electric System Limited 14 Carlton Street

14 Carlton Street Toronto, ON M5B 1K5 Telephone: 416.542.2627 Facsimile: 416.542.3024

 $\underline{regulatory affairs@torontohydro.com}$

www.torontohydro.com



July 2, 2019

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

Dear Ms. Walli:

Re: Toronto Hydro-Electric System Limited ("Toronto Hydro")

Custom Incentive Rate-setting ("Custom IR") Application for 2020-2024 Electricity Distribution Rates and Charges – Undertaking Responses for Day 1 and Request for Corrections to the Oral

Hearing Transcript- Day 2 OEB File No. EB-2018-0165

Please find enclosed a copy of Toronto Hydro's response to undertakings provided on Day 1 of the Oral Hearing. The responses to undertaking J1.3 and J.16 will be filed tomorrow.

Toronto Hydro has reviewed the transcript from Day 2 (June 28, 2019) of the Oral Hearing and requests for the transcript to be corrected for the following errors:

- Page 55, line 12, word "convergence" should be "conversion"; and
- Page 56, line 2, word "convergence" should be conversion."

Please contact me directly if you have any questions or concerns.

Respectfully,

Daliana Coban

Manager, Regulatory Law

Toronto Hydro-Electric System Limited

cc: Lawrie Gluck, OEB Case Manager

Michael Miller, OEB Counsel

Parties of Record

Amanda Klein, Toronto Hydro Daliana Coban, Toronto Hydro

Charles Keizer, Torys

FILED: July 2, 2019 Page 1 of 3

TECHNICAL CONFERENCE UNDERTAKING RESPONSES TO OEB STAFF

3

4

2

1

UNDERTAKING NO. J1.2:

Exhibit U

5 Reference(s):

6

7 Provide a table that summarizes all the updates for revenue requirement as part of DRO

8 process.

9

10

11 RESPONSE:

Table 1 below summarizes the updates that Toronto Hydro proposes to flow through the

revenue requirement work form and cost allocation models at the time of the Draft Rate

Order (DRO) process. This table also provides a summary of the high level 2020 revenue

requirement impact of each item, which may be updated at the time of the DRO

16 consistent with the Board's final decision.

17

18

15

Table 1: 2020 Revenue Requirement (RR) Updates to be made during the DRO Process¹

No.	Updated Request for Approval	2020 RR Impact (\$M) ²	Evidence References
1	Update the 2020-2024 working capital allowance forecasts to align the cost of power expense forecast with the value resulting from the OEB's Appendix 2-Z. Toronto Hydro will use the most up-to-date forecasts of energy prices available at the time of the DRO.	(2.5) ³	2A-Staff-53; Exhibit U, Tab 2, Schedule 1, page 8, lines 13- 20

¹ Please note that Toronto Hydro's responses to undertakings J1.7 and J1.8 include all the items identified in Table 1.

² Negative amounts represent reductions to revenue requirement.

³ This amount has been updated from the previously presented value of \$2.2 million.

No.	Updated Request for Approval	2020 RR Impact (\$M) ²	Evidence References
2	Update the 2020-2024 working capital allowance forecasts to reflect the changes to the OEB's Customer Service Rules (EB-2017-0183).	1.6	Exhibit U, Tab 2, Schedule 1, Page 9; U-Staff-169
3	Update the 2020 OM&A forecast for the Customer Driven Work program to reflect updated volumes of work associated with facilitating safe vault entry to customers.	1.0	Exhibit U, Tab 4A, Schedule 1, page 2, lines 3-6
4	Update the 2020 OM&A forecast for the Asset and Program Management program to include costs which were inadvertently omitted from the original evidence.	0.8	Exhibit U, Tab 4A, Schedule 1, page 2, lines 6-8
5	Update the 2020 OM&A forecast for the Charitable Donations and LEAP program to include costs which were inadvertently omitted from the original evidence.	0.2	Exhibit U, Tab 4A, Schedule 1, page 2, lines 8-9
6	Update the 2020 OM&A forecast for the Common Costs and Adjustment program to capture the changes in OPEB obligations resulting from the most recent (i.e. 2018) actuarial valuation.	(1.5)	Exhibit U, Tab 4A, Schedule 1, page 2
7	Update the 2020 Revenue Offsets forecast to reflect changes in Other Income and Deductions as a result of the capitalization of major assets related to accident claims.	(2.0)	Exhibit U, Tab 4A, Schedule 1, page 2
8	Update the 2020 Revenue Offsets forecast to reflect changes to Specific Service Charges resulting from changes to the OEB's Customer Service Rules (EB-2017-0183).	3.0	Exhibit U, Tab 3, Schedule 2, Page 1; lines 12-16; U- Staff-178
9	Update the 2020 Revenue Offsets forecasts to reflect the Retail Service Charges approved by the OEB in EB-2015-0304.	(0.3)	U-VECC-83
10	Update the 2020-2024 rate base forecasts to reflect the revised 2019 and 2020-2024 ISA forecasts as described in Toronto Hydro's application update.	(9.2)	U-Staff-168
11	Update 2020-2024 PILs forecasts to reflect the new CCA rule as a result of Bill C-97.	(16.4)	U-Staff-188

EB-2018-0165 Oral Hearing Schedule J1.2

FILED: July 2, 2019 Page 3 of 3

- In its application update filed on April 30, 2019, Toronto Hydro updated its request to
- clear the Deferral and Variance Accounts (DVAs) based on the balances identified in
- Exhibit U, Tab 9, Schedule 1, Table 2. Further to this request, in its response to
- 4 interrogatory U-Staff-183, Toronto Hydro identified an update to the amount proposed
- for disposition over the 2020-2024 period in respect of Deferral Account 1508 Other
- 6 Regulatory Assets, Subaccount Impact for USGAAP Deferral Account. Specifically,
- 7 Toronto Hydro updated its request for disposition of this account from \$48.1 million to
- \$17.2 million based on the EARSL method. Please refer to Toronto Hydro's response to
- 9 interrogatory U-Staff-183 for more information about this updated request.

EB-2018-0165 Oral Hearing Schedule J1.5

FILED: July 2, 2019 Page 1 of 1

ORAL HEARING UNDERTAKING RESPONSES TO 1 SCHOOL ENERGY COALITION 2 3 **UNDERTAKING NO. J1.5:** 4 Reference(s): 5 6 If available, to produce the number showing the cost impact of the Hydro One deficiency. 7 8 9 **RESPONSE:** 10 The approximate cost impact of the Hydro One HV GIS installation deficiencies is 11 \$1.4 million. 12

Panel: Distribution Capital & Maintenance

EB-2018-0165 Oral Hearing Schedule J1.7

FILED: July 2, 2019 Page 1 of 1

ORAL HEARING UNDERTAKING RESPONSES TO 1 **OEB STAFF** 2 3 **UNDERTAKING NO. J1.7:** 4 Reference(s): Exhibit K1.3, page 90 5 6 To review the spreadsheet and confirm whether the Board got the numbers right or 7 wrong and correct this chart. 8 9 10 **RESPONSE:** 11 Please see Appendix A for the revised numbers. Toronto Hydro confirms that all the 12 items listed in its response to undertaking J1.2 are incorporated in Appendix A.

Panel: Distribution Capital & Maintenance

13

Toronto Hydro-Electric System Limited EB-2018-0165 Oral Hearing Schedule 1.7 Appendix A FILED: July 2, 2019 Page 1 of 1

Undertaking J1.7

Rate Base		2020		2021	2021			2023	2024		
Average PP&E NBV	\$	4,369.7	\$	4,601.9	\$	4,844.4	\$	5,128.5	\$ 5,393.2		
WCA	\$	222.9	\$	227.2	\$	232.0	\$	237.0	\$ 243.1		
Rate Base	\$	4,592.6	\$	4,829.1	\$	5,076.4	\$	5,365.5	\$ 5,636.3		
Revenue Requirement	venue Requirement 2020		2021	2021			2023	2024	Total		
CRR	\$	540.5	\$	579.3	\$	2022 595.6	\$	648.1	\$ 689.4	\$	3,052.8
Non-CRR	\$	230.9	\$	233.0	\$	235.1	\$	237.2	\$ 239.4	\$	1,175.6
Base RR	\$	771.4	\$	812.3	\$	830.7	\$	885.3	\$ 928.7	\$	4,228.4
CAPEX		2020		2021	2021			2023	2024		Total
U-IRR Net CAPEX Update	\$	521.6	\$	581.8	\$	587.1	\$	565.7	\$ 574.4	\$	2,830.6
Pre-Filed Net CAPEX	\$	518.4	\$	581.8	\$	587.1	\$	565.7	\$ 574.4	\$	2,827.4
Variance	\$	3.2	\$	-	\$	-	\$	-	\$ -	\$	3.2
In-Service Additions	In-Service Additions 2020		2021		2022		2023	2024		Total	
U-IRR ISA Update	\$	539.9	\$	475.0	\$	587.4	\$	590.5	\$ 583.6	\$	2,776.4
Pre-Filed ISA	\$	489.8	\$	483.7	\$	590.9	\$	593.0	\$ 586.1	\$	2,743.5
Variance	\$	50.1	\$	(8.7)	\$	(3.5)	\$	(2.5)	\$ (2.5)	\$	32.9

EB-2018-0165 Oral Hearing Schedule J1.8

FILED: July 2, 2019 Page 1 of 1

ORAL HEARING UNDERTAKING RESPONSES TO 1 **OEB STAFF** 2 3 **UNDERTAKING NO. J1.8:** 4 Reference(s): Exhibit K1.3, page 92 5 6 To review the spreadsheet and confirm whether the Board got the numbers right or 7 wrong and correct this chart. 8 9 10 **RESPONSE:** 11 Please refer to Appendix A to this response for the revised values. Toronto Hydro 12 13 confirms that all the items listed in Table 1 of its response to undertaking J1.2 are incorporated in Appendix A. 14

Toronto Hydro-Electric System Limited EB-2018-0165 Oral Hearing Schedule 1.8 Appendix A FILED: July 2, 2019 Page 1 of 1

Undertaking J1.8

Revenue Requirement		2020	2021	2022	2023	2024	Total
CRR	\$	540.46	\$ 579.30 \$	595.57 \$	648.13 \$	689.36 \$	3,052.83
Non-CRR	\$	230.93	\$ 233.01 \$	235.10 \$	237.22 \$	239.35 \$	1,175.61
Base RR	\$	771.39	\$ 812.31 \$	830.67 \$	885.35 \$	928.72 \$	4,228.44
1			1.20%	1.20%	1.20%	1.20%	
X			0.30%	0.30%	0.30%	0.30%	
Cn			5.03%	2.00%	6.33%	4.66%	
Scap			71.32%	71.70%	73.21%	74.23%	
G			0.20%	0.20%	0.20%	0.20%	
CPCI			4.88%	1.84%	6.15%	4.47%	
Revenue Requirement recov		\$ 809.03 \$	823.93 \$	874.60 \$	913.66		

EB-2018-0165 Oral Hearing Schedule J1.9

FILED: July 2, 2019 Page 1 of 1

1	ORAL HEARING UNDERTAKING RESPONSES TO
2	OEB STAFF
3	
4	UNDERTAKING NO. J1.9:
5	Reference(s): Exhibit K1.2, page 105
6	
7	To update the chart at page 105 of Exhibit K1.2 to reflect the data in U-Staff-168
8	
9	
10	RESPONSE:
11	Please see Appendix A to this response.

Panel: Distribution Capital & Maintenance

Undertaking J1.9 Appendix A: 2020-2024 Rate Base

Appendix A: 2020-2024 Rate Base														Ì
in \$millions	Jan-20	Feb-20		•			Jul-20			Oct-20			Rate Base	
Opening NBV ¹	4,233.4	4,240.0	4,249.4	4,267.2	4,275.0	4,284.6	4,297.3	4,308.5	4,317.3	4,332.0	4,349.6	4,385.8	4,233.4	a
In Service Additions ²	28.1	31.1	39.6	29.8	31.7	34.9	33.5	31.2	37.3	40.3	59.2	143.5	539.9	b
Depreciation (excluding allocated														С
transportaion depreciation)3	(21.5)	(21.6)	(21.8)	(21.9)	(22.1)		(22.3)	(22.4)	(22.5)	(22.7)	(23.0)	(23.3)	(267.3)	
Closing NBV ¹	4,240.0	4,249.4	4,267.2	4,275.0	4,284.6	4,297.3	4,308.5	4,317.3	4,332.0	4,349.6	4,385.8	4,506.0	4,506.0	d=a+b+c
Average NBV	4,236.7	4,244.7	4,258.3	4,271.1	4,279.8	4,291.0	4,302.9	4,312.9	4,324.6	4,340.8	4,367.7	4,445.9	4,369.7	e=(a+d)/2
WCA ⁴	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 ⁴	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	4,604.9	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	4,506.0	4,501.6	4,503.9	4,509.5	4,510.6	4,515.7	4,522.7	4,528.4	4,542.8	4,550.3	4,566.5	4,594.5	4,506.0	а
In Service Additions ²	18.8	25.6	29.1	24.6	28.7	30.7	29.3	38.0	31.2	39.9	51.8	127.4	475.0	b
Depreciation (excluding allocated	10.0	20.0	27.1	21.0	20.7	30.7	27.0	30.0	31.2	37.7	01.0	127.1	170.0	Ь
transportaion depreciation)3	(23.2)	(23.3)	(23.4)	(23.5)	(23.7)	(23.7)	(23.5)	(23.6)	(23.7)	(23.7)	(23.8)	(24.2)	(283.3)	С
Closing NBV ¹	4,501.6	4,503.9	4,509.5	4,510.6	4,515.7	4,522.7	4,528.4	4,542.8	4,550.3	4,566.5	4,594.5	4,697.7	4,697.7	d=a+b+c
Average NBV	4,503.8	4,502.7	4,506.7	4,510.1	4,513.1	4,519.2	4,525.5	4,535.6	4,546.6	4,558.4	4,580.5	4,646.1	4,601.9	e=(a+d)/2
WCA ⁴	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 ⁴	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	4,841.0	q=e+f
Nate Base	11/4	11/ 4	11/ 4	11/4	11/4	11/4	11/4	11/4	11/ 4	11/ 4	11/ α	11/ 4	7,071.0	y-c+1
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	4,697.7	4,695.7	4,700.6	4,709.3	4,713.3	4,720.8	4,731.5	4,739.6	4,746.1	4,759.2	4,773.5	4,826.2	4,697.7	а
In Service Additions ²	21.9	28.9	32.9	28.2	31.7	35.1	32.5	31.0	37.8	39.2	77.7	190.6	587.4	b
Depreciation (excluding allocated	21.7	20.7	02.7	20.2	01.7	00.1	02.0	01.0	07.0	07.2	77.7	170.0	007.1	
transportaion depreciation)3	(23.9)	(24.0)	(24.1)	(24.2)	(24.2)	(24.3)	(24.4)	(24.6)	(24.7)	(24.8)	(25.1)	(25.7)	(294.0)	С
Closing NBV ¹	4,695.7	4,700.6	4,709.3	4,713.3	4,720.8	4,731.5	4,739.6	4,746.1	4,759.2	4,773.5	4,826.2	4,991.1	4,991.1	d=a+b+c
Average NBV	4,696.7	4,698.1	4,704.9	4,711.3	4,717.1	4,726.2	4,735.6	4,742.9	4,752.6	4,766.4	4,799.9	4,908.7	4,844.4	e=(a+d)/2
WCA ⁴	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 ⁴	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	5,088.0	q=e+f
	1					1		1 =					2,000.0	9
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	4,991.1	4,992.7	5,001.6	5,014.8	5,022.4	5,033.1	5,047.6	5,060.1	5,070.4	5,087.7	5,106.4	5,139.9	4,991.1	а
In Service Additions ²	27.1	34.6	39.0	33.5	36.8	40.6	38.9	36.8	44.0	45.5	60.4	153.3	590.5	b
Depreciation (excluding allocated														
transportaion depreciation)3	(25.6)	(25.7)	(25.8)	(25.9)	(26.0)	(26.2)	(26.4)	(26.5)	(26.7)	(26.8)	(26.9)	(27.4)	(315.8)	С
Closing NBV ¹	4,992.7	5,001.6	5,014.8	5,022.4	5,033.1	5,047.6	5,060.1	5,070.4	5,087.7	5,106.4	5,139.9	5,265.8	5,265.8	d=a+b+c
Average NBV	4,991.9	4,997.1	5,008.2	5,018.6	5,027.7	5,040.3	5,053.8	5,065.2	5,079.1	5,097.1	5,123.2	5,202.9	5,128.5	e=(a+d)/2
WCA ⁴	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 ⁴	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	5,376.7	g=e+f
														Ī
in \$millions	Jan-24	Feb-24	Mar-24		•		Jul-24	Aug-24	·	Oct-24			Rate Base	
Opening NBV ¹	5,265.8	5,265.1	5,271.8	5,282.7	5,288.0	5,296.6	5,309.6	5,319.4	5,328.0	5,343.1	5,359.9	5,391.7	5,265.8	а
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	157.6	583.6	b
Depreciation (excluding allocated	,] ,] ,			,								С
transportaion depreciation)3	(26.5)	(26.7)		(27.0)			(27.5)		(27.7)	(27.9)	(28.1)	(28.8)	(328.9)	
Closing NBV ¹	5,265.1	5,271.8	5,282.7	5,288.0	5,296.6	5,309.6	5,319.4	5,328.0	5,343.1	5,359.9	5,391.7	5,520.6	5,520.6	d=a+b+c
Average NBV	5,265.5	5,268.4	5,277.3	5,285.4	5,292.3	5,303.1	5,314.5	5,323.7	5,335.6	5,351.5	5,375.8	5,456.2	5,393.2	e=(a+d)/2
Average NBV WCA ⁴ Rate Base ⁴					5,292.3 n/a n/a	5,303.1 n/a n/a				5,351.5 n/a n/a	5,375.8 n/a n/a	5,456.2 n/a n/a	5,393.2 254.0 5,647.2	e=(a+d)/2 f

¹EB-2018-0165, U-STAFF-168, Appendix A ²EB-2018-0165, U-STAFF-168, Appendix A ³EB-2018-0165, U-STAFF-168, Appendix A ⁴EB-2018-0165, J1.7

EB-2018-0165 Oral Hearing Schedule J1.10

FILED: July 2, 2019 Page 1 of 1

ORAL HEARING UNDERTAKING RESPONSES TO 1 **OEB STAFF** 2 3 **UNDERTAKING NO. J1.10:** 4 Reference(s): Exhibit K1.3, page 112 5 6 To provide CWIP numbers and CAPEX in the previous cost of service rate case. 7 8 9 **RESPONSE:** 10 In the last rate application (EB-2014-0116) Toronto Hydro applied an ISA conversion rate 11 of 62 percent for CWIP and 59 percent for CapEx to forecast the annual n-service 12 additions of distribution capital projects. The previous ISA conversion rates are 13 comparable to the ISA conversion rates that Toronto Hydro used to forecast its in-service 14 addition in this application, as detailed in the response to undertaking JTC1.4. In addition, 15 in the last application Toronto Hydro relied on specific information to forecast the in-16 service additions for major projects and general plant investments, as it has also done in 17

Panel: Distribution Capital & Maintenance

this application.

18

EB-2018-0165 Oral Hearing Schedule J1.11

FILED: July 2, 2019 Page 1 of 1

ORAL HEARING UNDERTAKING RESPONSES TO 1 **OEB STAFF** 2 3 **UNDERTAKING NO. J1.11:** 4 Reference(s): Exhibit K1.3, page 114 5 6 7 To provide the chart data with the caveats as discussed. 8 9 **RESPONSE:** 10 Please see Appendix A to this response for the requested information. 11 12 As noted in the response to undertaking JTC1.4, where there is specific information 13 available about the completion timeline for a particular capital project or program 14 (e.g. major projects like Copeland TS and general plant programs like Fleet, Facilities, and 15 Information Technology), that information is used to forecast the in-service additions 16 associated with that project or program. The approach outlined in Appendix A does not 17 yield an accurate ISA forecast because it does not take this information into 18 consideration. Therefore, Appendix A cannot be used to determine the CAPEX and CWIP 19 conversion rates for the purposes of forecasting in-service additions over the 2020-2024 20

Panel: Distribution Capital & Maintenance

rate period.

21

Toronto Hydro-Electric System Limited EB-2018-0165 Oral Hearing Schedule J1.11 Appendix A FILED: July 2, 2019 Page 1 of 1

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

			2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
	2013 Actual	2014 Actual	Actual	Actual	Actual	Actual	Bridge	Forecast	Forecast	Forecast	Forecast	Forecast
	UGAAP	UGAAP	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
Opening CWIP	336.9	401.3	522.1	577.7	502.9	485.8	396.4	381.1	358.3	462.1	458.6	430.5
Additions (CAPEX)	445.7	585.6	490.6	508.4	496.6	434.9	425.3	517.2	578.8	583.9	562.4	570.9
Total	782.6	986.9	1,012.7	1,086.2	999.6	920.7	821.7	898.3	937.1	1,046.1	1,021.0	1,001.4
Deductions (In Service Additions)	(381.3)	(468.7)	(435.3)	(584.3)	(520.3)	(524.4)	(440.6)	(539.9)	(475.0)	(587.4)	(590.5)	(583.6)
Conversion Factor	(48.7%)	(47.5%)	(43.0%)	(53.8%)	(52.0%)	(57.0%)	(53.6%)	(60.1%)	(50.7%)	(56.2%)	(57.8%)	(58.3%)